

PREFACE

1. *This is the third report of the Comptroller and Auditor General of India (CAG) on Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in Maharashtra. The report (for the year ended 31 March 2008) is prepared for submission to the Governor of Maharashtra under Article 151 (2) of the Constitution*
2. *The Report sets out the results of audit under various sections of the Comptroller & Auditor General of India's (Duties, Powers and Conditions of Services) Act, 1971, in respect of financial assistance given to PRIs and ULBs.*
3. *The Report contains five Chapters. Chapter I (Section A) and Chapter IV (Section B) relate to the Accounts and Finances of the PRIs and ULBs respectively. Chapter II relates to performance review. The remaining Chapters contain observations arising out of transaction audit of selected PRIs and ULBs.*
4. *The cases mentioned in the Report are those which came to notice during the course of test audit of financial transactions during the year 2007-08 as well as those which had come to notice in the earlier years.*

Overview

The Report comprises five chapters under two sections. Section A includes three chapters containing observations on the Accounts and Finances of Panchayati Raj Institutions, one performance audit on 'Quality of maintenance of accounts in Panchayati Raj Institutions' and nine transaction audit paragraphs. Section B comprises two chapters containing observations on the Accounts and Finances of Urban Local Bodies and eight transaction audit paragraphs. A summary of the major audit findings is presented in this overview.

1 Accounts and Finances of Panchayati Raj Institutions

The allocation from total revenue of the state to Panchayati Raj Institutions showed a declining trend from 18.14 per cent in 2004-05 to 12.42 per cent in 2007-08 as against 40 per cent recommended by the Second Maharashtra State Finance Commission for Local self Government.

As per the Government of Maharashtra, Rural Development Department, the total expenditure of Zilla Parishads during 2007-08 was Rs 10417 crore. However, as per information collected from all 33 Zilla Parishads during 2007-08, these Zilla Parishads had incurred an expenditure of Rs 12329 crore.

Out of 33 Zilla Parishads except Akola, Bhandara, Kolhapur, Pune, Sangli, Satara and Solapur the others had not finalised (August 2009) their accounts for 2007-08 although the same should have been finalised by 30 June 2008 and the arrears of their accounts and certification by the Chief Auditor, Local Fund Accounts ranged between one to four years. The State Government had so far not implemented the revised accounting format prescribed by the Comptroller and Auditor General of India.

While assessment of grants has not been done by 10 departments in nine Zilla Parishad, the State Government did not have the details (August 2009) of excess expenditure pending regularisation and amount recoverable from Zilla Parishads in respect of departments where assessment had been completed upto 2007-08.

While 11993 paragraphs of Inspection Reports issued by Principal Accountant General for the period upto 2007-08 were pending settlement, the outstanding paragraphs in respect of CALFA Report for the year upto 2006-07 was 106453.

(Paragraph 1.1 to 1.16)

2 Performance Audit on ‘Quality of maintenance of accounts in Panchavati Raj Institutions’

The objective of introducing a proper accounting system in Panchayati Raj Institutions has not been achieved due to non-adoption of accounts formats prescribed by the Comptroller and Auditor General of India.

No efforts were made, except releasing Rs 5 crore for purchase of computer hardware, to develop database on finances by any of the selected ZPs and PSs even though the Eleventh Finance Commission grants of Rs 22.30 crore and Twelfth Finance Commission grants of Rs 28.30 crore were earmarked for the purpose during the period from 2001-04 and October 2005 respectively. These grants were used for implementation of different schemes.

Huge surplus fund of Rs 592.33 crore lying in District Fund during 2003-2008 was not invested resulting in loss of interest of Rs 38.50 crore.

In 119 cases an amount of Rs 33.58 lakh was incorrectly credited to deposit account during 2003-08. Unclaimed deposits of Rs 2.35 crore pertaining to year 2003-04 were not credited to revenue head. Advances of Rs 3.64 crore for the period 1949-50 to 2006-07 were outstanding as of 31 March 2008.

The unspent grants under Agency Schemes amounting to Rs 97.29 crore and Rs 0.22 crore on account of Sampoorna Gramin Rozgar Yojana as of 31 March 2008 were not refunded to Government.

Due to non-cancellation of 375 time barred cheques, expenditure of Rs 1.73 crore was wrongly booked by the test checked ZPs.

In Zilla Parishad, Thane and four selected PSs the difference of Rs 12.20 crore as of 31 March 2008 between cash book balance and the bank balance remained un-reconciled.

In Zilla Parishad, Jalna under General Provident Fund, Rs 1.05 crore was lying in 398 dormant accounts as of 31 March 2008.

(Paragraph 2.1 to 2.7)

3 Transaction Audit Findings - Panchayati Raj Institutions

Improper maintenance of accounts and lack of control by Medical Officer, Public Health Centre and Block Development Officer, Panchayat Samiti resulted in misappropriation of Rs 0.40 lakh.

(Paragraph 3.1)

Raigaon and Wangi Gram Panchayats under Kadegaon Panchayat Samiti in Sangli district did not levy and collect property tax of Rs 52.68 lakh from two Sugar Factories.

(Paragraph 3.2)

Zilla Parishad, Gadchiroli made irregular payment of salaries of Rs 85.02 lakh to 17 Block Resource Personnels from Sarva Shiksha Abhiyan initially appointed under District Primary Education Programme.

(Paragraph 3.3)

Failure to provide canal for irrigation resulted in unfruitful expenditure of Rs 75.01 lakh on Minor Irrigation Tank at Sarati, District Osmanabad.

(Paragraph 3.4)

Injudicious purchase of Water Filter cum Purifier for supplying pure drinking water to schools without continuous Water and Electric Supply resulted in unfruitful expenditure of Rs 82.91 lakh by five Zilla Parishads.

(Paragraph 3.5)

The Yashwant Gram Samrudhi Yojana a State scheme stipulated Government grants upto Rs 8.50 lakh (Rs 9 lakh for SC/ST areas) per annum per Gram Panchayat subject to collection of 15/10 per cent Popular Contribution by the Gram Panchayat. As against requirement of Government grants of Rs 1284.26 crore for the works sanctioned during 2002-06, the State Government provided only Rs 768.66 crore and Rs 468.17 crore was provided during the period 2006-09 due to resource crunch. Thus, implementation of scheme in the State was without adequate financial planning.

As against estimated (one work per Gram Panchayat) 195363 works during past seven years scheme period, only 24030 works at estimated cost of Rs 1448.83 crore were undertaken and 8590 works (estimated cost Rs. 517.92 crore) were still incomplete.

State Government grant provided during the period 2002-05 for the scheme was inclusive of a grant of Rs 221.86 crore which was diverted from Central Government grants under Eleventh Finance Commission.

Panchayat Samiti, Karad, ZP, Satara diverted scheme funds of Rs 1.56 crore for investment in short term deposits for three to six months in banks.

Zilla Parishads Akola, Aurangabad, Bhandara and Jalgaon kept scheme funds of Rs 10.59 crore in non interest earning current account of District Central Co-operative Bank which resulted in loss of interest of Rs 27.27 lakh.

Sixteen Panchayat Samitis and 102 Gram Panchayats had not refunded the accrued interest of Rs 1.63 crore and Rs 0.10 crore respectively to the State Government.

Non observance of provision of crediting five per cent of profit margin to the village fund in respect of 201 works executed by 128 Gram Panchayats test checked resulted in excess expenditure of Rs 70.44 lakh.

In Panchayat Samiti Wai, ZP Satara, expenditure of Rs 34.25 lakh on six irrigation schemes rendered unfruitful due to non provision of electricity connection even after lapse of three years of their completion.

(Paragraph 3.9)

4 Accounts and Finances of the Urban Local Bodies

The total receipts of all the Municipal Corporations in the State during 2007-08 was Rs 18348 crore and were higher by 13.14 per cent over previous year. However, the receipt on account of rent, taxes etc. reduced from 68.74 per cent in 2006-07 to 65.91 per cent in 2007-08.

During 2007-08 the total expenditure of all the Municipal Corporations increased by 12.87 per cent over the expenditure of previous year. The share of establishment expenditure increased from Rs 4265 crore in 2006-07 to Rs 4937 crore in 2007-08.

The Government of Maharashtra adopted National Municipal Accounts Manual (NMAM) for implementation from 2005-06. However, Akola, Bhiwandi, Dhule, Jalgaon, Mira-Bhayander and Solapur Municipal Corporations have not implemented double entry accounting system.

Audit of annual accounts by Municipal Chief Auditor is in arrears for the period ranging from 2001-02 to 2007-08 in respect of Nagpur, Nasik, Navi Mumbai, Pimpri-Chinchwad and Sangli-Miraj-Kupwad Municipal Corporations and no reports were submitted to the Standing Committee.

(Paragraph 4.1 to 4.10)

5 Transaction Audit findings- Urban Local Bodies

Failure of the Akola Municipal Corporation to raise Special Water Tax demand of Rs 3.12 crore resulted in extending unintended benefit to the property holders.

(Paragraph 5.1)

Brihanmumbai Municipal Corporation did not recover tax from pet dog owners resulting in loss of revenue of Rupees one crore during last five years.

(Paragraph 5.2)

Application of incorrect rate of penal charges on belated payment of royalty fee on raw water resulted in over payment of Rs 41.19 lakh by Jalgaon Municipal Corporation.

(Paragraph 5.4)

Kolhapur Municipal Corporation suffered loss of Rs 11.40 crore due to transmission and distribution losses of water during 2003-09 and Rs 0.36 crore due to inadequate provision for sewer water treatment before discharge into the river.

(Paragraph 5.5)

Acceptance of contractors alternative design by Kolhapur Municipal Corporation resulted in 178 shops remaining vacant for over five years and recurring loss of revenue which aggregated to Rs 1.08 crore till March 2009.

(Paragraph 5.6)

Kolhapur Municipal Corporation had short levied road restoration charges for Optic Fiber Cable laying by Rs 1.08 crore due to incorrect application of the rates prescribed, which was subsequently recovered at the instance of audit.

(Paragraph 5.7)

Injudicious and excess deposit of fund in a Co-operative Bank by Sangli-Miraj-Kupwad Municipal Corporation in violation of Government directives and its retention inspite of audit comment thereon (January 2007) resulted in blockage of deposit of Rs 14.11 crore.

(Paragraph 5.8)

SECTION A

CHAPTER I

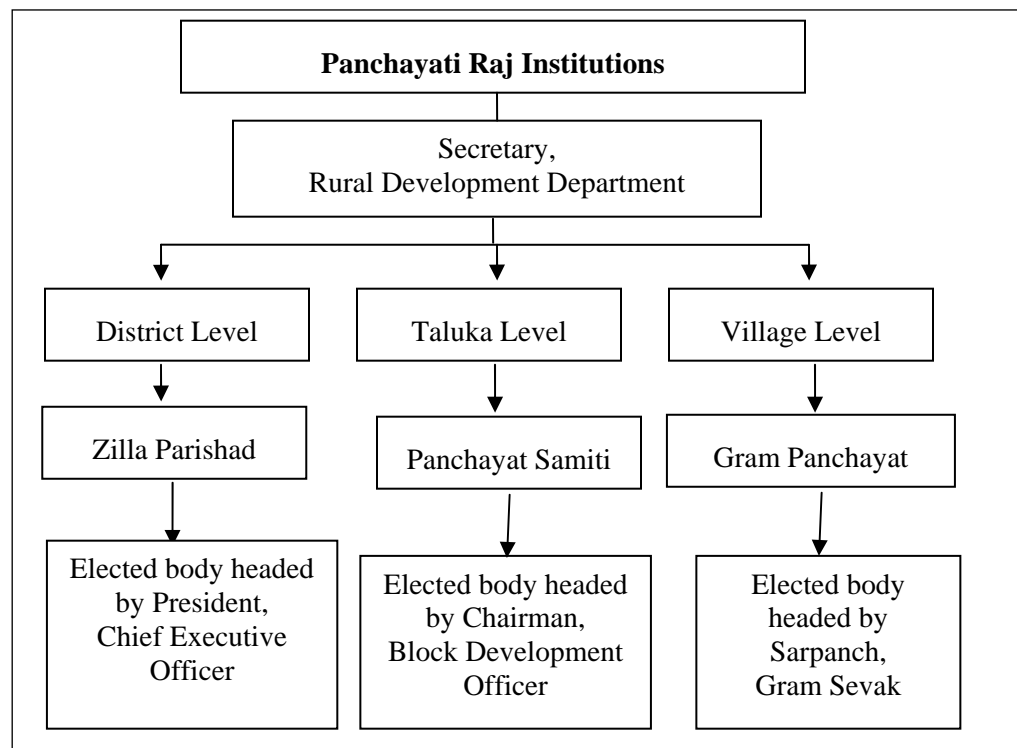
ACCOUNTS AND FINANCES OF PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

1.1.1 In conformity with the provisions of the 73rd Constitutional Amendment, the Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961 (ZP Act) and the Bombay Village Panchayats Act, 1958 (VP Act), were amended in 1994. A three tier system of Panchayati Raj Institutions (PRIs) comprising Zilla Parishads (ZPs) at the district level, Panchayat Samitis (PSs) at the block level and Gram Panchayats (GPs) at the village level was established in the State. As per the 2001 Census, the total population of the State was 9.69 crore, of which the rural population was 5.58 crore *i.e* 57.58 *per cent* of the total population of the State. Election to PRIs was held in March 2007. The Act provides for constitution of State Finance Commission (SFC) every five years to review the financial position of Panchayats and District Planning Committees.

1.2 Organisational Set up

1.2.1 The organizational set up of PRIs in Maharashtra is depicted below:



1.3 Powers and Function

1.3.1 Zilla Parishads are the first tier of Panchayats at the district level. As of March 2008 there were 33 ZPs in the State. Chief Executive Officer (CEO) is the administrative head and assisted by departments like Finance, Public Health, Agriculture, Works *etc.*

1.3.2 The ZPs are required to prepare the budget for the planned development of the District and utilisation of the resources. Government of India (GOI) schemes, funded through the District Rural Development Agency (DRDA) and State Government schemes are also implemented by the ZP. In Maharashtra, the ZPs are empowered to impose water tax, pilgrim tax and special tax on land and building.

1.3.3 Panchayat Samitis constitute the intermediate tier of Panchayats at the Taluka level. As of March 2008, there were 351 PSs in the State. The PSs do not have their own source of revenue and are totally dependent on the Block Grants received from ZPs. The PSs undertake developmental works at the block level.

1.3.4 Gram Panchayats constitute the last tier of Panchayats at the grass root level. As of March 2008, there were 27909¹ GPs in Maharashtra.

1.3.5 The amended VP Act provides for the constitution of Gram Sabha, which is the body consisting of persons registered in the electoral rolls of the villages within the GP area. The GPs are empowered to levy tax on buildings, betterment charges, pilgrim tax, taxes on fairs/festivals/entertainments, taxes on bicycles, vehicles, shops, hotels *etc.*

1.3.6 Gram Sabhas are empowered with disciplinary control over GP employees and are required to meet periodically. They select beneficiaries for the State/Central Government schemes, approve development plans and projects to be implemented by the GPs, grant permission for incurring expenditure by the GPs on developmental schemes. They also convey their views on proposal for acquisition of land by the GPs.

1.3.7 The broad accountability structure in the PRIs is as follows :

| | Functions Assigned |
|---|---|
| Zilla Parishad Chief Executive Officer (CEO) | 1. Drawal and disbursal of fund 2. Preparation of annual budget and accounts 3. Supervision and control of officers of the ZP 4. Finalisation of contracts 5. Publishing statement of accounts of |

¹ As per information furnished by Government of Maharashtra letter No. Audit 2009/C.R.1001/Vitta-4 dated 5 August 2009.

| | PSs in the Government Gazette |
|--|---|
| Chief Accounts and Finance Officer(CAFO) | 1. Compilation of the accounts of the ZP 2. Providing financial advice |
| Heads of Departments (HODs) | 1. According technical sanctions to the works 2. Supervising the work of Class II officers |
| Panchayat Samiti Block Development Officer (BDO) | 1. Drawal and disbursal of fund 2. Acquisition, sale or transfer of property 3. Preparation of statements of accounts |
| Gram Panchayat Gram Sevak | 1. Secretary to the Gram Sabha 2. Execution and monitoring of schemes and maintenance of records |

1.4 Funding of Panchayati Raj Institutions

1.4.1 The District Fund consists of money received from the Central Government, grants for centrally sponsored schemes, funds from plan and non plan schemes of the State Government, assigned tax and non tax revenues, receipts of ZPs, interest on investments, *etc.*

1.4.2 In order to tide over the time lag between the approval of the budgets and release of grants by the State Governments, Ways and Means Advances are released by the Rural Development and Water Conservation Department (RDD) on a monthly basis to the ZPs for execution of the schemes/activities/works transferred to them and for payment of pay and allowances to the staff. These advances are finally adjusted out of grants sanctioned by the State Government (Administrative Departments).

1.4.3 Grants released by the State Government to the ZP are drawn from the district treasury by the ZP. The ZP in turn release the share of funds to the PSs and GPs. Reconciliation of fund transfer as per ZP records with treasury is done by the CAFO every month.

1.4.4 A fund flow statement depicting the flow of funds to the PRIs is shown in **Appendix I**.

1.5 Devolution of funds

Allocation of revenue to the PRIs

As per the recommendations of the Second Maharashtra State Finance Commission (SMSFC), 40 *per cent* of State revenues should be allocated to the Local Self Government (LSG). Though this was accepted by the State Government this is not being done. The table below indicates the total revenue of the State (tax and non-tax) *vis-à-vis* allocation to the PRIs during the period

from 2004-05 to 2007-08.

| (Rupees in crore) | | | | | |
|--------------------------|---|----------------|----------------|----------------|----------------|
| Sr. No. | Head | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| 1 | Total revenue of the State ² (Tax and Non-tax revenues) | 34724.59 | 39475.29 | 47617.49 | 64476.42 |
| 2 | Amount required to be allocated as per SMSFC to LSG. (40 <i>per cent</i> of Item 1 above) | 13889.84 | 15790.12 | 19047.00 | 25790.57 |
| | Allocation to PRIs | 6300.48 | 7472.84 | 7321.27 | 8007.34 |
| | Percentage of allocation to State revenue | 18.14 | 18.93 | 15.38 | 12.42 |
| | Allocation to Urban Local Bodies (ULBs) | 1852.32 | 1031.02 | 2652.27 | 1351.25 |
| | Percentage of allocation to State revenue | 5.33 | 2.61 | 5.57 | 2.10 |
| 3 | Total | 8152.80 | 8503.86 | 9973.54 | 9358.59 |
| 4 | Percentage of allocation to State revenue | 23.48 | 21.54 | 20.95 | 14.51 |

Thus, although the SMSFC had recommended allocation of 40 *per cent* of the State revenues to LSG, the State Government not only failed to allocate the requisite amount as recommended by SMSFC, but also the allocation steadily declined from 23.48 *per cent* in 2004-05 to 14.51 *per cent* in 2007-08. Moreover, inspite of increase of State revenue in 2007-08 by 35.41 *per cent* on account of transfer of Rs 10868 crore by State Government from 18 Statutory funds maintained in Public Account to Consolidated Fund of State as non-tax receipts, the allocation to LSG decreased from 20.95 *per cent* in 2006-07 to 14.51 *per cent* in 2007-08.

1.6 Transfer of functions and functionaries

1.6.1 The 73rd Constitutional Amendment envisaged that all 29 functions mentioned in the XIth Schedule of the Constitution of India would be eventually transferred to the PRIs through suitable legislation of the State Governments.

1.6.2 However, as of March 2009, the State Government had transferred only 214 schemes pertaining to 15 functions to the PRIs and 3.53 lakh functionaries had been transferred to perform the functions of ZPs. Out of 214 schemes, 78 schemes with 15171 functionaries and 16 schemes without functionaries had been transferred (November 2000 to September 2002) after

² Vide Report of CAG (Civil), Government of Maharashtra for the year 2006-07 and 2007-08

73rd constitutional amendment.

1.7 Receipts and expenditure of GPs and ZPs

1.7.1 As per the Annual Reports published by the Government of Maharashtra, Directorate of Economics and Statistics and information received from RDD for the year 2007-08, the position of revenue/capital receipts, revenue/capital expenditure in respect of the PRIs for the period from 2004-05 to 2007-08³ is as follows:

(A) Zilla Parishads

(Rupees in crore)

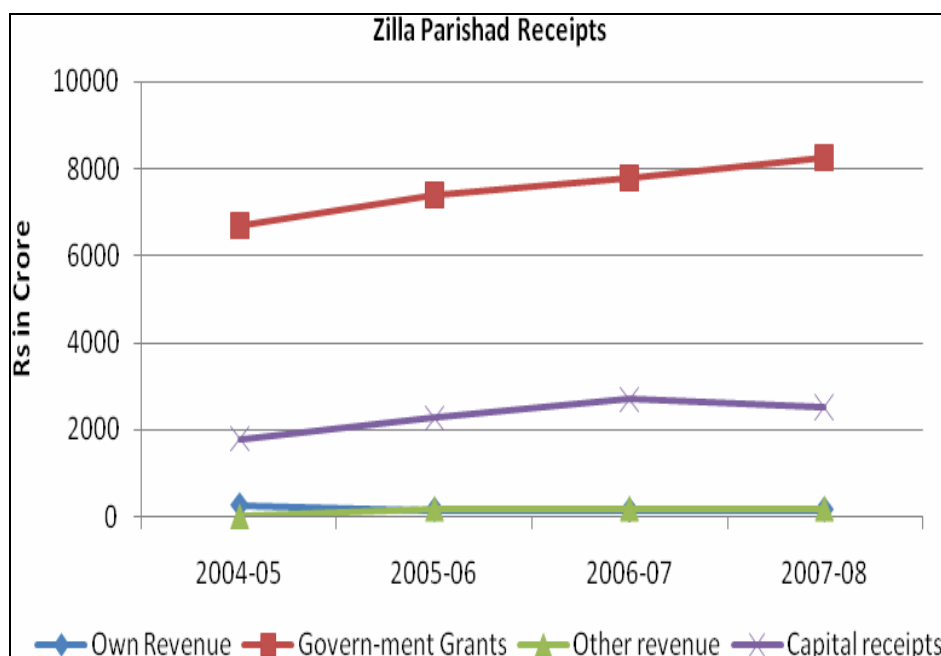
| Year | Receipts | | | | | | Expenditure | | |
|----------------------|--------------------------|-------------------|---------------|---------------|------------------|----------------|-------------|---------|-------|
| | Own revenue ⁴ | Government Grants | Other revenue | Total revenue | Capital receipts | Total receipts | Revenue | Capital | Total |
| 2004-05 | 260 | 6690 | Nil | 6950 | 1788 | 8738 | 6776 | 1692 | 8468 |
| 2005-06 | 154 | 7394 | 181 | 7729 | 2267 | 9996 | 7495 | 1984 | 9479 |
| 2006-07 ⁵ | 144 | 7784 | 188 | 8116 | 2691 | 10807 | 8161 | 2314 | 10475 |
| 2007-08 | 161 | 8246 | 183 | 8590 | 2521 | 11111 | 8494 | 1923 | 10417 |

The total receipts (Capital and Revenue) of ZPs in the State for the year 2007-08 was Rs 11111 crore registering an increase of 2.81 *per cent* over the previous year's receipts of Rs 10807 crore. The major source of revenue for ZPs during 2007-08 continued to be from Government grants and Capital receipts which constituted 74.22 and 22.69 *per cent* of the total receipt of all ZPs in the State.

³ Information furnished by Rural Development Department (RDD)

⁴ excludes opening balance

⁵ These are actual figures as per RDD. Figures given in Audit Report 2006-07 were based on revised estimates.

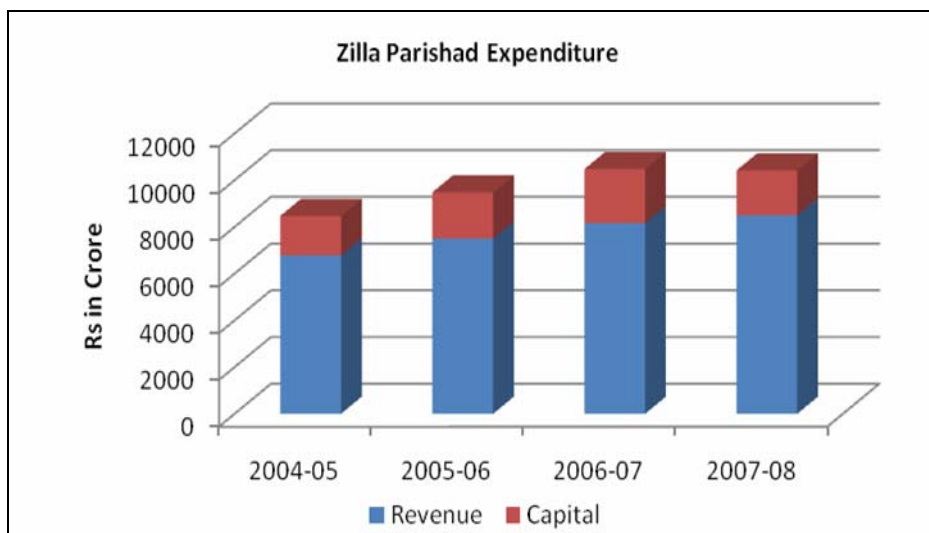


(i) Increasing dependence on grants from State and Central Government

It may also be seen from the above table that ZPs' own revenue in 2004-05 was 2.98 *per cent* of its total receipts and State and Central Government grants amounted to 76.56 *per cent*. However, by 2007-08 ZPs' own revenue declined steeply to 1.45 *per cent* of its total receipts and Government grants also decreased to 74.22 *per cent*. Although theoretically some of activities under 15 functions out of 29 envisaged in XIth Schedule of the Constitution have been transferred to PRIs in Maharashtra, effective devolution is yet to take place and PRIs function mainly as agents for utilization of State and Central Grants. While PRIs should try to come out of its dependence on Government grants, State Government also has to consider steps to be taken for effective devolution of functions to PRIs in letter and spirit.

(ii) Decrease in Capital Expenditure

While the total expenditure decreased from Rs 10475 crore in 2006-07 to Rs 10417 crore in 2007-08, the revenue expenditure increased by four *per cent* during the period. The capital expenditure, in fact, decreased by 17 *per cent*. PRIs has to increase its capital investment and decrease revenue expenditure.



(B) Panchayat Samitis

The PSs accounts are incorporated in ZP accounts.

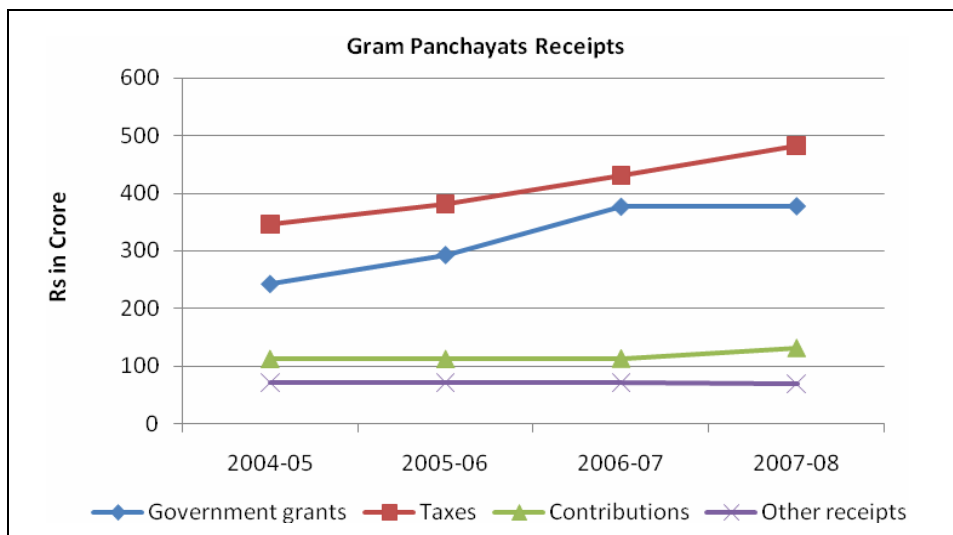
(C) Gram Panchayats⁶

(Rupees in crore)

| Year | Total Receipts ⁷ | | | | | Total Expenditure |
|---------|-----------------------------|-------|---------------|----------------|----------------|-------------------|
| | Government grants | Taxes | Contributions | Other receipts | Total receipts | |
| 2004-05 | 243 | 346 | 112 | 72 | 773 | 758 |
| 2005-06 | 293 | 381 | 112 | 72 | 858 | 820 |
| 2006-07 | 376 | 430 | 113 | 71 | 990 | 938 |
| 2007-08 | 377 | 482 | 131 | 69 | 1059 | 1075 |

⁶ Figures furnished by RDD (August 2009). These figures varies from the figures given in 2006-07 Audit Report which was based on Economic Survey of Maharashtra for 2006-07.

⁷ These figures are excluding opening balance. However the revenue receipts of the GPs for 2004-05 indicated in the Audit Report for 2005-06 included opening balance also.



Thus, it may be seen that while the total receipts of all the GPs in the State during 2007-08 registered an increase of seven *per cent* over the receipts of 2006-07, the increase in expenditure during the period was 15 *per cent*.

One of the major sources of receipts for the GPs in 2007-08 was Government grants of Rs 377 crore constituting 36 *per cent* of the total receipts as against Rs 376 crore in previous year. There was no significant increase in the Government grants to GPs in 2007-08.

1.7.2 The following are the component wise details of the revenue expenditure of GPs and revenue/capital expenditure of ZPs during 2006-07 and 2007-08.

(Rupees in crore)

| Sr. No. | Components | Gram Panchayats expenditure | | Zilla Parishad expenditure ⁸ | |
|---------|-----------------------|-----------------------------|---------|---|---------|
| | | 2006-07 | 2007-08 | 2006-07 | 2007-08 |
| 1 | Administration | 154 | 179 | 576 | 610 |
| 2 | Health and Sanitation | 241 | 250 | 947 | 965 |
| 3 | Public Works | 352 | 423 | 591 | 692 |
| 4 | Education | 20 | 25 | 3638 | 3917 |
| 5 | Irrigation | - | - | 239 | 211 |
| 6 | Agriculture | - | - | 92 | 128 |
| 7 | Social Welfare | 44 | 42 | 735 | 700 |

⁸ These figures are as furnished by RDD of State Government and varies from figures given in 2006-07 Audit Report which were based on Economic survey of Maharashtra for 2006-07.

| | | | | | |
|----|---------------------|------------|-------------|--------------|--------------|
| 8 | Public lighting | 47 | 50 | - | - |
| 9 | Animal Husbandry | - | - | 115 | 123 |
| 10 | Forests | - | - | 7 | 6 |
| 11 | Other expenditure | 80 | 106 | 1221 | 1142 |
| 12 | Capital expenditure | - | - | 2314 | 1923 |
| | TOTAL | 938 | 1075 | 10475 | 10417 |

1.7.3 The above table shows that the revenue expenditure of GPs increased from Rs 938 crore in 2006-07 to Rs 1075 crore in 2007-08, registering an increase of 15 *per cent*. During the year 2007-08, expenditure on public works constituted the largest component at 39 *per cent* followed by health and sanitation at 23 *per cent*. No expenditure was incurred by the GPs during the period 2006-07 and 2007-08 under Animal Husbandry although this function had been transferred to PRIs. This function was executed by ZP.

1.7.4 At the ZP level, the expenditure on public works during 2007-08 showed an increase of 17 *per cent* over the previous year.

1.7.5 The works undertaken by the ZPs come under the categories of (1) ZPs own schemes (2) schemes transferred/funded by the State Government (3) Schemes funded by other agencies. The expenditure of Rs 10417 crore during 2007-08 indicated in Para 1.7.2 is based on the figures adopted from the RDD. It was, however, noticed from the information received from all ZPs for the year 2007-08 that these ZPs incurred an expenditure of Rs 12329 crore (Rs 483.44 crore on their Own schemes, Rs 10289.43 crore on Transferred schemes and Rs 1556.06 crore on Agency schemes). District wise split up of expenditure incurred on Transferred and Agency Schemes and on ZPs own schemes have been given in **Appendix II**.

1.8 Accounting arrangements

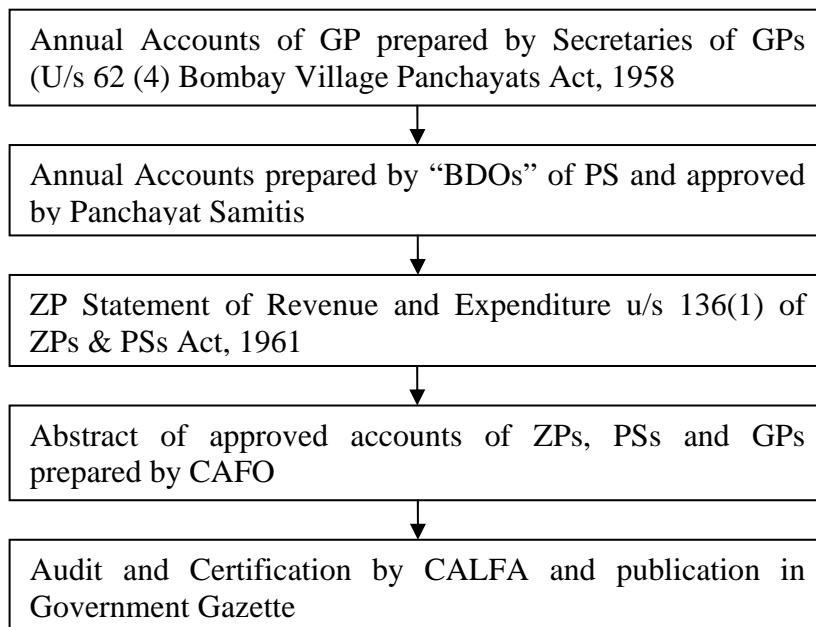
1.8.1 Under the provisions of Section 136(2) of ZP Act, the BDOs forward the accounts approved by the PSs to the ZPs and these form part of the ZPs' accounts and under provisions of Section 62(4) of the VP Act, the Secretaries of the GPs are required to prepare annual accounts of the GPs. The approved accounts are to be forwarded to the ZPs on the prescribed date. A performance Audit on quality of maintenance of accounts in PRIs in Maharashtra State was also conducted and Audit findings have been included in Chapter II of this Report.

1.8.2 In accordance with the provisions of Section 136 (1) of the ZP Act, CEOs of ZPs are required to prepare every year, statements of accounts of revenue and expenditure of the ZPs along with statements of variations of expenditure from the final modified grants on or before 10 July of the

following financial year. These are then required to be placed before the Finance Committee and the accounts are finally to be placed before the ZPs for approval along with the Finance Committee reports.

1.8.3 The abstracts of the approved accounts of the ZPs/PSs and GPs are prepared by CAFO and forwarded to the Chief Auditor, Local Fund Accounts (CALFA) for audit, certification and publication in the Government Gazette.

Flow Chart of Accounts compilation in PRIs has been given below:



1.8.4 The prescribed date for finalisation of annual accounts of ZPs for a financial year is 30 June of the following year. Accordingly, the accounts for 2007-08 should have been finalised by June 2008. However, it was observed from the information collected (August 2009) from CALFA that out of the 33 ZPs except Akola, Bhandara, Kolhapur, Pune, Sangli, Satara and Solapur, all others had not finalized their accounts for 2007-08. Arrears in finalisation of accounts by the ZPs and certification thereof by the CALFA ranged from one to four years.

1.8.5 According to Section 136(9) of the ZP Act, the annual accounts of the ZPs, duly approved and certified by the CALFA for a year, were required to be published in the Government Gazette by 15 November of the subsequent year. However, information regarding the status of publication of the ZPs' accounts made available by the Government indicated arrears of one to three years in publication of annual accounts of ZPs, although procedure for ensuring timely finalisation and publication of the accounts had been prescribed. Arrears in finalisation and publication of accounts is indicative of

inefficient internal controls. Absence of a proper management information system and the increasing arrears in finalisation and publication of accounts are fraught with the risk of misappropriations and other irregularities.

1.9 Creation of database on finances of Panchayati Raj Institutions

Twelfth Finance Commission (TFC) had accorded high priority for the creation of database on finances at the grass root. Accordingly, TFC had allocated an amount of Rs 28.30 crore for maintenance of database on finances of PRIs out of the first installment of Rs 198.30 crore received in October 2005. As the amount could not be utilised for the said purpose within the stipulated time, the Government (March 2006) redistributed the same to all the PRIs for implementation of different schemes. However, out of Rs 198.30 crore, State Government had disbursed Rs 7 crore (by July 2007) and Rs 10 crore (by January 2009) for data entry in Panchayati Raj Portal created at National level by GOI.

1.10 District Planning Committee

Under Article 243ZD of the Constitution, States are required to form District Planning Committees (DPCs) to consolidate the development plans prepared by PRIs and ULBs. In Maharashtra, District Planning and Development Councils existing after formation of the State in 1960 were replaced by DPCs constituted under the Maharashtra District Planning Committee (Constitution and Functions) Act, 1998. The Act came into force from 15 March 1999.

1.11 Twelfth Finance Commission Grants

As stated in Para 3.8 of the Report of the C&AG of India for 2006-07 (Local Bodies-Government of Maharashtra), the funds allotted to PRIs in Maharashtra, out of the total grant of Rs 2774 crore recommended by the TFC of GOI to the Local Bodies in the State for the years 2005-06 to 2009-10 was Rs 1983 crore. Out of this, grants amounting to Rs 991.50 crore had been received during the period from 2005-06 to 2007-08. Subsequently, during 2008-09 the State received TFC grants of Rs 594.90 crore (including Rs 396.60 crore received in March 2009) for PRIs. The overall position is as follows:

| Installments | Period of receipt | Amount received | (Rupees in crore) | | |
|--------------|--------------------|-----------------|-------------------|---------|------------|
| | | | Amount spent | | |
| | | | Up to | Amount | Percentage |
| I to V | 2005-06 to 2007-08 | 991.50 | June 2008 | 683.68 | 69 |
| VI to VIII | 2008-09 | 594.90 | | | |
| Total | 2005-09 | 1586.40 | July 2009 | 1022.25 | 64 |

TFC grants are to be utilised for purposes specified in the guidelines like

repairs and maintenance of water supply schemes, schools, primary health centres *etc.*

In August 2009, RDD stated that out of the Rs 1022.25 crore spent so far, Rs 653.20 (63.90 *per cent*) has been spent on water supply and sanitation for the PRIs. The utilization for the period upto June 2008 had already been commented upon in the Para 3.8 of the Report of the C&AG of India for the year 2006-07.

1.12 Audit Arrangements

1.12.1 Audit by Chief Auditor, Local Fund Accounts

1.12.1.1 The Audit of PRIs is conducted by the CALFA in accordance with provisions of the Bombay Local Fund Act, 1930, the Maharashtra Village Panchayat (Audit of Accounts) Rules, 1961 and VP Act. The CALFA prepares an Annual Audit Review Report on the financial working of PRIs for placement before the State Legislature.

1.12.1.2 It was observed that local fund (transaction) audit of all ZPs and PSs was conducted for the year 2006-07. The Consolidated Audit Review Report for the year 2006-07 prepared by the CALFA was presented to the State Legislature in June 2009. The work of preparation of Consolidated Audit Review Report for the year 2007-08 is in progress.

1.12.2 Audit by Comptroller and Auditor General of India(C&AG)

The C&AG of India conducts audit of ZPs and PSs under Section 14 of the C&AG's (DPC) Act, 1971 and under Section 142A of ZP Act, 1961. The audits of selected GPs under PS are also conducted during audit of the PS.

1.13 Non-adoption of format of accounts prescribed by C & AG

The Eleventh Finance Commission (EFC) had recommended that the C&AG shall be responsible for exercising control and supervision over the proper maintenance of accounts of Local Bodies. Accordingly, C&AG had prescribed the formats for maintenance of accounts by PRIs in 2002. This was followed by simplified formats in 2007. The State Government had issued instructions to the PRIs and instructed ZPs to maintain the annual accounts in the same formats. It is, however, observed that the State Government has not yet amended (August 2009) the Maharashtra Zilla Parishads and Panchayat Samitis Account Code (MZP&PS) due to which maintenance of accounts in the prescribed formats were not done by any of the ZPs. As stated earlier, the Report on the performance audit on quality of maintenance of accounts by PRIs have been included as Chapter II of this Report.

1.14 Internal Control

1.14.1 Pending assessment of grants

Funds were made available to PRIs through ways and means advances for implementation of schemes. The grants were released by the Government to the ZPs as the functions had been transferred to them. According to Government orders (May 2000), grants paid to ZPs were required to be assessed by the Heads of the Administrative Departments by July every year. They were to inform the RDD about the amounts recoverable from/payable to the ZPs for adjustment while releasing ways and means advances for the succeeding years.

It was, however, observed that in respect of 10 departments of nine ZPs, there were arrears in assessment of grants as follows:

| Sr. No. | Name of department | Period of arrears |
|----------------|-----------------------------|--------------------------|
| 1 | Education | 2000-01 to 2007-08 |
| 2 | Agriculture | 2005-06 to 2007-08 |
| 3 | Social Welfare | 2002-03 to 2007-08 |
| 4 | Animal Husbandry | 2003-04 to 2007-08 |
| 5 | Public Health | 2000-01 to 2007-08 |
| 6 | Family Welfare | 2004-05 to 2007-08 |
| 7 | Water Supply and Sanitation | 2001-02 to 2007-08 |
| 8 | Women and Child Welfare | 1998-99 to 2007-08 |
| 9 | Minor Irrigation | 1992-93 to 2007-08 |
| 10 | Public works | 2001-02 to 2007-08 |

The State Government did not have the details of excess expenditure pending regularisation and amount recoverable from ZPs. In August 2009, RDD stated that the information is being collected from ZPs.

1.14.2 Formation of District Level Audit Committees

The Government directed (March 2001) the ZPs to constitute District Level Audit Committees (DLAC) for discussion and settlement of outstanding audit objections. The State Government stated (August 2009) that as on 31 March 2008, the DLAC had been formed in all districts.

1.14.3 Outstanding Paras from CALFA Report

As per the report of CALFA for the year 2006-07, 106453 paragraphs in respect of Government funds involving Rs 4798.62 crore and 48123 paragraphs pertaining to ZPs own funds involving Rs 936.40 crore were pending for settlement for the period from 1962 to 2007 as detailed in **Appendix III**.

1.14.4 Outstanding Inspection Reports and Paras of Principal Accountant General

Audit observations on financial irregularities and defects in initial accounts/ records noticed during local audit by the Principal Accountant General/ Accountant General but not settled on the spot were communicated to the heads of offices and departmental authorities through Inspection Reports. More important and serious irregularities were reported to the Government. Statements indicating the number of observations outstanding for over six months were also sent to the Government for expediting their settlement.

For efficient implementation of the schemes transferred to the PRIs, all deficiencies pointed out by the Accountant General's audit were required to be complied with as early as possible and this would ensure establishing accountability structure in PRIs.

At the end of March 2008, 3787 Inspection Reports containing 11993 paras of ZPs and PSs issued by Audit were pending settlement. However, as of August 2009, the number of Inspection Reports and paras pending settlement was only 3340 and 8155 respectively. The yearwise breakup of the outstanding reports and paras at the end of March 2008 were as follows:

| Year | Inspection Reports | | | Paragraphs | | |
|--|--------------------|-------------|-------------|-------------|-------------|--------------|
| | Mumbai | Nagpur | Total | Mumbai | Nagpur | Total |
| Up to 2003-04 | 599 | 1034 | 1633 | 1500 | 3116 | 4616 |
| 2004-05 | 295 | 346 | 641 | 760 | 615 | 1375 |
| 2005-06 | 231 | 238 | 469 | 685 | 713 | 1398 |
| 2006-07 | 251 | 327 | 578 | 940 | 1118 | 2058 |
| 2007-08 (Issued up to December 2007) | 257 | 209 | 466 | 1145 | 1401 | 2546 |
| Total | 1633 | 2154 | 3787 | 5030 | 6963 | 11993 |

Arrears in outstanding Inspection Reports and paragraphs indicate weak internal control mechanism in PRIs.

1.15 Conclusion

An overview of the functioning of PRIs in the State revealed that allocations out of the State budget to PRIs were much less than the 40 *per cent* recommended by SMSFC. Only 214 schemes of the 15 functions were transferred to PRIs as against 29 functions listed in XIth schedule of the Constitution of India. Maintenance of accounts in the formats prescribed by C&AG was not done in any of the ZPs due to non-amendment of the MZP&PS Account Code. Database on finances of PRIs were not maintained though funds were provided by TFC for the purpose. Twenty six ZPs out of

33 ZPs in the States were yet (August 2009) to finalise the accounts for 2007-08. Arrears in finalization of accounts and certification by CALFA ranged between one and four years. TFC grants were utilised to the extent of 64 *per cent*. Instances of pending assessment of grants and outstanding audit paras indicate weak internal controls.

1.16 Recommendations

- The State Government may consider increase in financial outlay to PRIs keeping in view the recommendations of the State Finance Commission.
- Government should consider transfer of remaining 14 functions specified in XIth schedule of the Constitution of India.
- Steps be taken to ensure timely preparation of the accounts of ZPs/PSs/GPs and certification thereof by CALFA.
- Creation and maintenance of database on finances of PRIs be expedited.
- The ZP/VP Act and Account Code be amended suitably for implementing the revised accounting formats.
- It should be ensured that the TFC grants are utilised within the time frame envisaged in the guidelines.
- Grants released to ZPs for implementations of schemes should be assessed and adjustment be made as per time schedule.

CHAPTER II

RURAL DEVELOPMENT AND WATER CONSERVATION DEPARTMENT

Performance Review on ‘Quality of maintenance of accounts in Panchayati Raj Institutions’

Highlights

The objective of introducing a proper accounting system in Panchayati Raj Institutions has not been achieved due to non-adoption of accounts format prescribed by Comptroller and Auditor General of India.

(Paragraph 2.7.1.1)

187 cheques amounting to Rs 57.38 lakh drawn under Indira Awas Yojana, Sarva Shiksha Abhiyan, Total Sanitation Campaign, Bharat Nirman Scheme *etc.* were not disbursed despite lapse of considerable period. 121 cheques of Rs 17.98 lakh drawn towards deductions of Income Tax, Sales Tax, Royalty and Insurance premium payable to Director of Insurance were not delivered. There was delay in crediting Rs 15.16 crore on account of taxes, royalty and insurance to appropriate authorities.

(Paragraph 2.7.2.2 (I), (II))

168 cheques amounting to Rs 107.51 crore were wrongly shown as credited in the year although these were actually deposited in the subsequent year.

(Paragraph 2.7.2.4)

No efforts were made, except releasing Rs 5 crore for purchase of computer hardware, to develop database on finances by any of the selected Zilla Parishads and Panchayat Samitis even though the Eleventh Finance Commission grants of Rs 22.30 crore and Twelfth Finance Commission grants of Rs 28.30 crore were earmarked for the purpose during the period from 2001-04 and October 2005 respectively. These grants were used for implementation of different schemes.

(Paragraph 2.7.2.7)

Funds received for implementation of various schemes were not deposited in the District Fund. Minimum and maximum cash balance was found to be varying between Rs 5.61 lakh and Rs 22.36 lakh (May 2005 to March 2008).

(Paragraph 2.7.3.1 (I))

Surplus fund of Rs 592.33 crore lying in District Fund (2003-08) was not invested resulting in loss of interest of Rs 38.50 crore.

(Paragraph 2.7.3.2)

In 119 cases an amount of Rs 33.58 lakh was incorrectly credited to deposit account during 2003-08. Unclaimed deposits of Rs 2.35 crore were not credited to revenue head. Advances of Rs 3.64 crore for the period from 1949-50 to 2006-07 were outstanding as of 31 March 2008.

(Paragraph 2.7.3.3, 2.7.3.4, 2.7.3.5)

The unspent grants under Agency Schemes amounting to Rs 97.29 crore and Rs 0.22 crore on account of Sampoorna Gramin Rozgar Yojana as of 31 March 2008 were not refunded to Government.

(Paragraph 2.7.4.1, 2.7.4.1 (I))

Due to non-cancellation of 375 time barred cheques, expenditure of Rs 1.73 crore was wrongly booked by the test checked Zilla Parishads.

(Paragraph 2.7.4.2)

In Zilla Parishad Thane and four selected Panchayat Samitis the difference of Rs 12.20 crore as of 31 March 2008 between cash book balance and the bank balance remained un-reconciled.

(Paragraph 2.7.4.3)

In Zilla Parishad Jalna under General Provident Fund, Rs 1.05 crore was lying in 398 dormant accounts as of 31 March 2008.

(Paragraph 2.7.4.5 (IV))

In 72 selected Gram Panchayats payment of Rs 0.88 crore in excess of prescribed limit of Rs 500 in 1511 cases was made in cash.

(Paragraph 2.7.5.4)

In four Gram Panchayats cash books were not maintained properly. This led to mis-appropriation of Rs 19698 in these Gram Panchayats.

(Paragraph 2.7.5.9)

2.1 Introduction

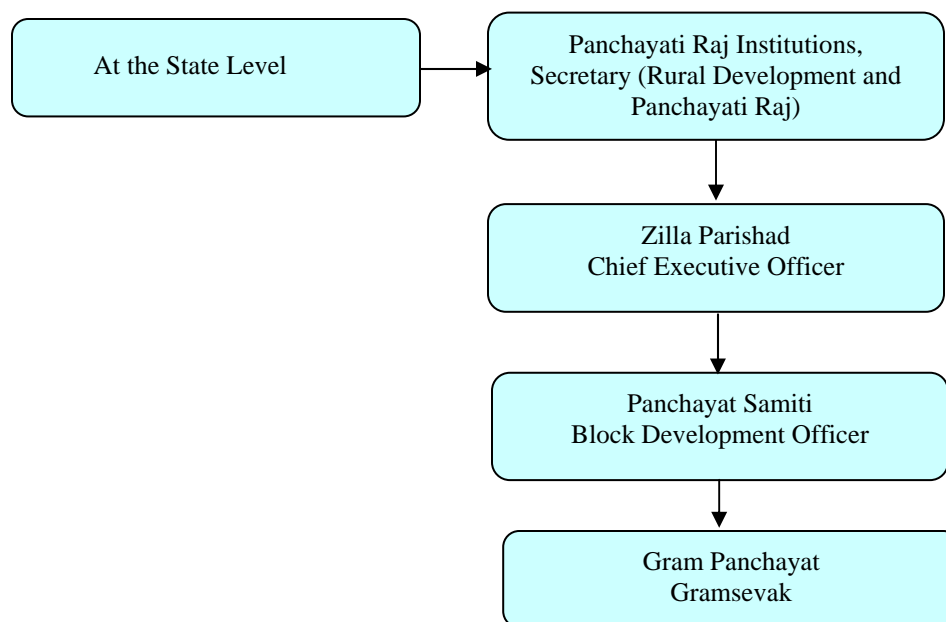
The 73rd Constitutional Amendment Act 1992, supplemented by legislation/resolutions in the States in 1994, changed the structure of governance by establishing a three tier Panchayati Raj System *i.e.* Zilla Parishads (ZPs) at District level, Panchayat Samitis (PSs) at Block level and Gram Panchayats (GPs) at Village level. The Eleventh Finance Commission (EFC) had expressed concern over the maintenance of accounts of local bodies and their audit. The EFC recommended that in view of an unsatisfactory system of accounts and audit with accounting formats not reflecting the changing realities and the lack of trained staff, the system of accounting and auditing

needed improvement under the close supervision of the Comptroller & Auditor General of India (C&AG). Based on the EFC recommendations, C&AG was entrusted with Technical Guidance & Supervision/support (TGS) over the maintenance of accounts of local bodies and their audit, including providing technical guidance to the Director of Local Fund Audit (DLFA). It was also envisaged that the formats for preparation of budget and keeping accounts by PRIs shall be prescribed by C&AG. Accordingly, C&AG had prescribed the Budget and Accounts formats for PRIs in 2002. These formats were approved by Government of Maharashtra (GOM) and circulated to all ZPs (November 2003) for implementation with effect from 2001-02. The Chief Auditor, Local Fund Accounts (CALFA) is responsible for audit of PRIs in the State in accordance with the provisions of Section 4 of Bombay Local Fund Act, 1930 read with Rule 3 of Bombay Local Fund Audit Rules, 1931.

2.2 Organizational set up

The Panchayat Raj and Rural Development Department(RDD) is headed by the Secretary. The Chief Executive Officer(CEO) of the ZP is the administrative head appointed by Government. The ZPs are divided into blocks. These blocks or PSs are under the control of Block Development Officers(BDO). Blocks are further divided into Gram Panchayats(GPs). Gram Sevak works as the Panchayat Secretary and assists the Sarpanch of the GP. The organogram is given below:

Organisational Chart



2.3 Audit coverage and audit methodology

There are 33 ZPs, 351 PSs and 27909 GPs in the State. Out of 33 ZPs, eight⁹ ZPs representing atleast one ZP from each of the six regions¹⁰ in the State alongwith sixteen PSs¹¹ and eighty GPs (**Appendix IV**) were selected by random sampling method for the performance audit covering the period from 2003-04 to 2007-08. Performance Audit conducted between December 2008 and May 2009, involved scrutiny of records maintained in the department, selected ZPs, PSs and GPs. The Entry and Exit Conferences were held with the Secretary and other officers of the department at Mumbai on 5 February 2009 and 8 September 2009 respectively. The State Government agreed with the views of the audit.

2.4 Audit objectives

The audit objectives were to examine and assess whether:

- approved formats were adopted by the ZPs and PSs;
- maintenance of basic records and other subsidiary records was satisfactory;
- principles of economy and efficiency were observed;
- appropriate account of utilization and refund of unspent grant was kept;
- there was satisfactory maintenance of accounts and related records by the GPs; and
- effective monitoring mechanism was in place.

2.5 Audit Criteria

The main criteria for the performance audit were as under :

- The Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961.
- The Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968.
- The Bombay Village Panchayats Act, 1958.
- The Bombay Village Panchayats (Budget and Accounts) Rules, 1959.
- The Bombay District Village Development Fund Rules, 1960.
- The Maharashtra Village Panchayats (Employees) Provident Fund Rules, 1961.
- The Maharashtra Village Panchayats (Audit of Accounts) Rules, 1961.
- The Bombay Village Panchayats (District Village Panchayat Officers Functions) Rules, 1959.
- The Maharashtra Village Water Supply Fund Rules, 1997.

⁹ Akola, Chandrapur, Jalna, Nasik, Ratnagiri, Satara, Thane and Yavatmal

¹⁰ Amravati, Aurangabad, Nasik, Mumbai/Thane, Nagpur and Pune

¹¹ Balapur, Chiplun, Chimur, Deola, Jalna, Karad, Mahabaleshwar, Murbad, Murtizapur, Nasik, Partur, Pusad, Ratnagiri, Vasai, Wani and Warora

- Government Resolutions issued from time to time.

2.6 Funding Arrangements

The arrangement for funding for carrying out the functions assigned to PRIs were as follows :

- Grants received from Central Government through District Rural Development Agency (DRDA);
- Grants received from Central Government through State Government/Collector;
- Grants received from State Government;
- Revenue share in respect of Land Revenue, Stamp Duty, Forest Revenue, Professional Tax, Tax on Vehicles, Royalty on Mines ore are being paid by State Government through Collector to PRIs.
- Own revenue through taxes, cess, fees, fines *etc.*

The position of funds (Rs 7831.02 crore) received and expenditure (Rs 7204.78 crore) incurred during the last five years under various major heads¹² of account in eight selected ZPs are detailed below:

| (Rupees in crore) | | | | | | | | | | | |
|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Sr. No. | Zilla Parishad | 2003-04 | | 2004-05 | | 2005-06 | | 2006-07 | | 2007-08 | |
| | | Receipt | Expenditure | Receipt | Expenditure | Receipt | Expenditure | Receipt | Expenditure | Receipt | Expenditure |
| 1 | Akola | 98.80 | 91.76 | 102.25 | 102.68 | 128.22 | 116.15 | 139.42 | 134.93 | 148.41 | 146.75 |
| 2 | Chandrapur | 118.23 | 112.59 | 127.46 | 121.42 | 138.30 | 144.97 | 158.68 | 158.14 | 201.77 | 195.68 |
| 3 | Jalna | 95.46 | 82.14 | 101.30 | 92.20 | 120.56 | 104.95 | 122.11 | 124.76 | 140.74 | 139.91 |
| 4 | Nasik | 238.12 | 224.98 | 262.27 | 259.72 | 301.84 | 304.92 | 345.03 | 330.25 | 399.73 | 387.70 |
| 5 | Ratnagiri | 139.14 | 116.47 | 148.88 | 121.31 | 168.94 | 140.21 | 190.10 | 153.72 | 200.85 | 160.31 |
| 6 | Satara | 221.64 | 210.20 | 240.78 | 230.66 | 243.30 | 238.81 | 445.98 | 278.75 | 90.05 | 82.35 |
| 7 | Thane | 184.28 | 173.99 | 202.32 | 187.15 | 238.03 | 220.10 | 280.10 | 251.88 | 335.79 | 274.99 |
| 8 | Yavatmal | 159.37 | 149.92 | 178.05 | 176.62 | 195.45 | 185.90 | 215.27 | 222.62 | 264.00 | 252.22 |
| | Total | 1255.04 | 1162.05 | 1363.31 | 1291.76 | 1534.64 | 1456.01 | 1896.69 | 1655.05 | 1781.34 | 1639.91 |

2.7 Audit Findings

2.7.1 Adoption of new formats of accounts and monthly/annual accounts

2.7.1.1 Adoption of formats of accounts by ZPs and PSs prescribed by C&AG

The budget and accounts formats for PRIs prescribed by C&AG were synchronized and linked to the scheme of classification in Union and State

¹² 2059 Public Works, 2202 Education , 2210 Public Health, 2215 Water Supply and Sanitation, 2225 Social Welfare, 2515 Other Rural Development Department , 2702 Minor Irrigation and 3054 Roads and Bridges.

Government accounts making it amenable to computerization and building of database for generation of all India level data and effective monitoring. The formats of accounts were circulated to all ZPs/PSs and GPs in November 2003 by the RDD for its implementation since 2001-02.

Scrutiny of records (December 2008 to May 2009) revealed that out of eight selected ZPs, Akola, Chandrapur and Nasik submitted their accounts in the formats prescribed by C&AG for four years *i.e.* 2003-07, Ratnagiri, Satara and Yavatmal for only one year *i.e.* 2003-04. Thane ZP prepared the accounts in the old format for the year 2003-04 and in new format for the years 2004-07, whereas Jalna ZP did not prepare accounts in any formats for the entire period of 2003-08. The funds received from Central Government were also not incorporated in the new formats of accounts by selected ZPs. Further, it was observed that none of the selected PSs/GPs had prepared and submitted their accounts in the formats prescribed by C&AG for the entire period of 2003-08.

The Government stated (September 2009) that in view of flow of funds in two different ways *i.e.* the funds received by ZPs through State budget and Centrally Sponsored Schemes (CSS) funds received by the PSs directly from DRDA, it was found difficult to incorporate CSS funds in the accounts of ZPs.

2.7.1.2 Delay in submission of monthly accounts by PSs to ZPs

Rule 61 of the Code stipulates that the PS shall forward monthly accounts of receipts and expenditure by the 20th of each month to ZP.

It was observed from the records that for the period 2003-08, 16 selected PSs except Balapur, Chiplun and Ratnagiri, did not submit the monthly accounts on due date to ZPs. The delay in submission of monthly accounts ranged between four and ninety days.

The Government accepted the facts (September 2009) and agreed to issue instructions for compliance by ZPs.

2.7.1.3 Finalization of annual accounts

In accordance with the provisions of section 136 of the Maharashtra Zilla Parishads and Panchayat Samitis (MZPs & PSs) Act, 1961 read with Rule 66 of the Code, Chief Executive Officer (CEO) of ZP is required to prepare annual statement of accounts of revenue and expenditure of a financial year on or before 10 July of the following financial year for placing before the Finance Committee of the ZP by 10 August. Subsequently, these accounts are to be approved on or before 30 September by ZPs and finally publish the abstract of statement of accounts in the Government gazette before 15 November.

It was observed from the records of two ZPs¹³ that there were delay ranging between six and 22 months in compilation of accounts whereas there were delays ranging from seven months to 23 months in publishing of annual accounts by three¹⁴ ZPs during 2003-04 to 2007-08.

The Government accepted the facts (September 2009) and agreed to issue instructions for strict compliance by ZPs.

2.7.1.4 Non-accountal of grants of Centrally Sponsored Schemes

An amount of Rs 56.11 crore received during 2003-08 for CSS *viz.* Indira Awas Yojana (IAY) and Rajiv Gandhi Niwara Yojana (RGNV) were not included in the monthly accounts by the PSs with consequential effect of not getting included in annual accounts of ZPs as detailed below:

(Rupees in crore)

| (Rupees in Crores) | | | | | |
|--------------------|----------------|------------------|---------|------|-------------|
| Sr. No. | Zilla Parishad | Panchayat Samiti | 2003-08 | | Grand Total |
| | | | IAY | RGNV | |
| 1 | Akola | Balapur | 2.02 | 0.19 | 2.21 |
| | | Murtizapur | 1.76 | 0.00 | 1.76 |
| 2 | Chandrapur | Chimur | 3.50 | 0.00 | 3.50 |
| | | Warora | 3.37 | 0.11 | 3.48 |
| 3 | Jalna | Jalna | 3.29 | 0.34 | 3.63 |
| 4 | Nasik | Nasik | 3.92 | 0.31 | 4.23 |
| | | Deola | 1.17 | 0.16 | 1.33 |
| 5 | Ratnagiri | Ratnagiri | 1.84 | 0.27 | 2.11 |
| 6 | Satara | Mahabaleshwar | 0.49 | 0.04 | 0.53 |
| | | Karad | 9.39 | 0.82 | 10.21 |
| 7 | Thane | Murbad | 8.48 | 1.27 | 9.75 |
| | | Vasai | 4.84 | 0.64 | 5.48 |
| 8 | Yavatmal | Pusad | 5.64 | 0.34 | 5.98 |
| | | Wani | 1.89 | 0.02 | 1.91 |
| Total | | | 51.60 | 4.51 | 56.11 |

Thus, non-adoption of accounts format in totality by ZPs/PSs defeated the objective of introducing a proper accounting system as envisaged by EFC.

The Government agreed (September 2009) to re-examine the issue.

¹³ Chandrapur and Yavatmal

¹⁴ Akola, Chandrapur and Yavatmal

2.7.1.5 Certification of accounts in new format

As per GOM circular dated 10 November 2003, the CALFA is responsible for certification of Annual Accounts of ZPs, PSs and GPs prepared in the new formats as prescribed by C&AG.

It was observed from the records that in selected ZPs Akola, Ratnagiri, Satara and Yavatmal, no accounts were certified in the new formats for the period 2003-07. The accounts of Chandrapur, Nasik and Thane prepared in new format for the year 2004-07 were certified by CALFA.

The facts were accepted (September 2009) and Government agreed to intimate the latest position.

2.7.2 Maintenance of basic and subsidiary records by ZPs and PSs

2.7.2.1 Payment in cash exceeding prescribed limit

According to Rule 25(2) of the Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968 (Code) payment of any sum exceeding Rs 1000 shall be made by cheque or letter of credit and not in any other form of payment.

Scrutiny of records revealed that an amount of Rs 7.35 lakh was paid in cash in 178 cases by ZP Satara and six¹⁵ PSs during 2003-08 exceeding the prescribed limit in each case. The possibility of misappropriation of Government money cannot be ruled out.

The facts were accepted (September 2009) and Government agreed to issue instructions.

2.7.2.2 Retention of cheques

Rule 27 of the Code stipulates that no cheque shall be signed unless it is required for immediate delivery to the payee. Violation of the codal provision was noticed in the following cases:

(I) Un-disbursed cheques

In eight¹⁶ PSs under these seven¹⁷ selected ZPs, 187 cheques amounting to Rs 57.38 lakh drawn on account of IAY, Sarva Shiksha Abhiyan, Total Sanitation Scheme, works related payment during 2004-08 were not disbursed. This has resulted in irregular booking of expenditure and denial of benefit to the individuals. The details are given in the following table:

| Sr No | Name of ZPs | No. of cheques | Amount in Rupees |
|--------------|--------------------|-----------------------|-------------------------|
| 1 | Akola | 10 | 96997 |
| 2 | Chandrapur | 9 | 117343 |
| 3 | Nasik | 14 | 125557 |
| 4 | Ratnagiri | 132 | 4960381 |

¹⁵ Chimur, Jalna, Karad, Murbad, Vasai and Warora

¹⁶ Chimur, Karad, Murbad, Murtizapur, Nasik, Vasai, Wani and Warora

¹⁷ Akola, Chandrapur, Nasik, Ratnagiri, Satara, Thane and Yavatmal

| | | | |
|---|--------------|------------|----------------|
| 5 | Satara | 10 | 355934 |
| 6 | Thane | 6 | 58909 |
| 7 | Yavatmal | 6 | 23100 |
| | TOTAL | 187 | 5738221 |

The facts were accepted (September 2009) and the Government stated that instructions would be issued for strict compliance by ZPs.

(II) Non-credit/belated credit of taxes, royalty and insurance premium

According to provisions of the Income Tax Act, 1961, Income Tax (IT) deducted at source shall be remitted within one week from the last date of the month in which deduction was made. Section 40 of Bombay Sales Tax Act, 1959 provides that Sales Tax(ST) deducted at source be credited within 15 days from the expiry of the month in which deduction was made. Similarly, Maharashtra State Tax on Professions, Trades, Calling and Employment Rules, 1975 provides that Profession Tax deducted shall be credited within 15 days from the date on which the salary is disbursed. Further, insurance premium deducted are immediately payable to the Director of Insurance (DOI) in order to obtain insurance cover for the work and workers. Royalty deducted is required to be credited immediately to the authority concerned.

Scrutiny of records in four selected ZPs revealed that 121 cheques amounting to Rs 17.98 lakh were drawn towards deductions on account of IT, ST, Royalty and Insurance premium during the period 2006-08. However, these cheques were not delivered (May 2009) to the authorities concerned as detailed below:

(Rupees in lakh)

| Sr. No | Zilla Parishad | Royalty (2007-08) | | Sales Tax (2006-08) | | Income Tax (2006-08) | | DOI (2006-08) | |
|--------|--------------------|-------------------|-------------|---------------------|-------------|----------------------|-------------|----------------|--------------|
| | | No. of cheques | Amount | No. of cheques | Amount | No. of cheques | Amount | No. of cheques | Amount |
| 1 | Akola | 2 | 0.09 | 0 | 0.00 | 0 | 0.00 | 4 | 0.13 |
| 2 | Nasik | 2 | 6.17 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 3 | Ratnagiri | 0 | 0.00 | 25 | 2.82 | 25 | 3.36 | 49 | 4.04 |
| 4 | Thane | 0 | 0.00 | 3 | 0.39 | 1 | 0.09 | 10 | 0.89 |
| | Total | 4 | 6.26 | 28 | 3.21 | 26 | 3.45 | 63 | 5.06 |
| | Grand Total | | | | | | | | 17.98 |

Delayed remittance of IT and ST carries liability of penal interest under IT Act and Bombay ST Act. The benefit of the insurance for the work and workers was not available as the insurance premium was not paid to DOI.

Further, it was noticed in eight selected ZPs that taxes, royalty and insurance of Rs 15.16 crore in 889 cases for the period 2003-08 deducted at source were credited belatedly to the authorities concerned. The delays ranged between 2 to 354 days as detailed below:

(Rupees in lakh)

| Sr. No. | ZP | IT | ST | PT | Insurance | Royalty | Total | Period of delay in days |
|--------------|------------|---------------|---------------|--------------|--------------|---------------|----------------|-------------------------|
| 1 | Akola | 8.31 | 6.89 | 0.00 | 2.25 | 7.02 | 24.47 | 17 to 142 |
| 2 | Chandrapur | 38.65 | 46.63 | 0.00 | 10.04 | 12.81 | 108.13 | 86 to 176 |
| 3 | Jalna | 11.75 | 23.49 | 0.41 | 0.05 | 0.21 | 35.91 | 19 to 351 |
| 4 | Nasik | 211.77 | 243.05 | 0.00 | 63.19 | 526.71 | 1044.72 | 4 to 353 |
| 5 | Ratnagiri | 52.05 | 46.49 | 0.00 | 0.08 | 0.00 | 98.62 | 9 to 354 |
| 6 | Satara | 129.35 | 0.00 | 0.00 | 0.00 | 0.00 | 129.35 | 9 to 186 |
| 7 | Thane | 25.15 | 7.46 | 10.76 | 0.00 | 0.00 | 43.37 | 10 to 159 |
| 8 | Yavatmal | 23.52 | 7.70 | 0.00 | 0.00 | 0.00 | 31.22 | 2 to 136 |
| Total | | 500.55 | 381.71 | 11.17 | 75.61 | 546.75 | 1515.79 | |

ZP Nasik did not initiate action for remittance of IT in time during 2007-08 despite being penalized for delayed remittances in the past.

The facts were accepted (September 2009) and the Government stated that instructions would be issued for compliance by ZPs.

(III) Non-accountal of interest payment in the cash book

As mentioned in paragraph 2.7.2.2(II) above delayed remittance of IT carries liability of penal interest under IT Act. Under Rule 57 of the Code the debits made by the bank are to be accounted for in cash book or to be taken up with bank for withdrawal of such debits at the time of preparation of bank reconciliation.

Scrutiny of records of ZP Nasik revealed that although demand of interest of Rs 8.37 lakh on delayed remittances of IT in the years 2004-07 was raised by the IT authorities, yet the said amount was not remitted by the ZP Nasik. As directed by IT authority, the District Fund (DF) account of ZP Nasik was debited by Rs 8.37 lakh (March 2008). The said expenditure had not been accounted for in the cash book for the year 2007-08 resulting in understatement of expenditure to that extent.

The facts were accepted (September 2009) and the Government stated that instructions would be issued for compliance by ZPs.

2.7.2.3 Non-refund of interest to DRDA

Interest earned on fund of each scheme for CSS is to be passed on to the DRDA for utilizing the same as additional source of fund.

It was observed that interest amounting to Rs 27.50 lakh earned under various schemes during the year 2003-08 by six selected PSs was not refunded to DRDAs. Thus, the benefit of utilization of interest as an additional source of fund for the schemes could not be derived.

The Government stated (September 2009) that the amount of interest had been refunded to DRDA and agreed to issue instructions to all ZPs.

2.7.2.4 Incorrect accounting

Rule 57 of the Code stipulates that all receipts and realizations in cash or by cheque shall be entered daily in chronological order in cash book as and when the transactions occur.

In six¹⁸ ZPs test checked, 168 cheques amounting to Rs 107.51 crore during the period 2003-08 were shown to have been credited in the same year even though these cheques were actually deposited in the next financial year. This had resulted in projection of incorrect accounts.

The facts were accepted (September 2009) by the Government and it was stated that instructions to avoid delay in remittance to bank would be issued.

2.7.2.5 Non-reconciliation of revenue receipts.

Rule 13 of the Code stipulates that the challan in quadruplicate shall be submitted to bank. One copy each will be sent by depositor and bank to the ZP or PS, as the case may be. The revenue receipt as recorded based on a copy of challan received from the depositor is to be reconciled with challan received with the bank scroll. However, Rule 49 of the Code permits recording of receipts in cash book with reference to daily scroll received from the bank.

It was observed from the records that the selected ZPs and PSs had recorded receipts in the cash book with reference to daily bank scroll instead of the challans received from the depositors.

This defeated the very purpose of reconciliation due to existence of conflicting provisions.

The facts were accepted (September 2009) by the Government and it was stated that instructions were issued in August 2009. The Government further agreed to amend Rule 49 of the Maharashtra ZP and PS Account Code, 1968, if found necessary.

2.7.2.6 Non-compliance of codal provisions

Rule 64(2) of Code stipulates that the CEO and BDO shall communicate the closing balance of the DF on 31 March each year as per cash book by telegram to the Regional Deputy Chief Auditors, Local Fund Accounts (RDCALFA) on the first working day thereafter.

It was observed from the records that none of the selected ZPs & PSs had communicated the closing balance of the DF on 31 March each year telegraphically to the RDCALFA on due dates. Further, it was also seen that such communication by other means was made by eight PSs after delay ranging upto five months. This indicates that the cash books were not closed on 31 March.

The Government accepted (September 2009) the facts.

¹⁸ Chandrapur, Jalna, Nasik, Satara, Thane and Yavatmal

2.7.2.7 Creation of database on finances of PRIs

It was pointed out in paragraph 1.9.1 of the Audit Report of C&AG (Local Bodies) for the year ended 31 March 2006 that GOM had reserved Rs 22.30 crore from the EFC grants for maintenance of accounts and for preparation of a database on the finances of PRIs. Out of this, Rs 5 crore was released during 2001-04 to the PRIs for purchase of computer hardware. The balance amount of Rs 17.30 crore, instead of being used for development of database, was released to the PRIs for implementation of different schemes. Further, an amount of Rs 28.30 crore was kept (October 2005) for maintenance of database out of first installment received from Twelfth Finance Commission (TFC). The Department redistributed (March 2006) the same for implementation of different schemes.

Scrutiny of records of selected ZPs and PSs revealed that database on the finances was not developed/created by any of the ZPs and PSs.

Thus, a fund of Rs 45.60 crore was irregularly diverted for purposes which were not intended. The present position of funds received for preparation of database and its distribution and utilization was sought for from the Department (May 2009). The Government accepted (September 2009) the facts and assured to undertake this work on priority basis.

2.7.2.8 Excess demand of interest on Provident Fund

As per the provisions contained in Rules 226 to 241 of the Code relating to Provident fund (PF), the subscription recovered from the subscribers is to be credited to treasury. The interest accrued to the subscribers' accounts is to be intimated to the Department for issue of orders, debiting the interest to Major Head 2049-Interest payment.

Scrutiny of the records of PF revealed that the selected ZPs had demanded funds of Rs 301.29 crore on estimated basis from the Department towards interest during the period 2003-08. Actual amount of interest credited to subscribers' account by the selected ZPs during the said period was Rs 290.44 crore. However, the Department issued orders for adjustment of interest of Rs 291.80 crore resulting in net excess booking of expenditure of Rs 1.36 crore.

The Government accepted (September 2009) the facts and assured to take corrective action.

2.7.3 Observance of the principles of economy and efficiency

2.7.3.1 Irregular retention of money

(I) Heavy cash balance kept outside Bank/Treasury Account

The Department in GOM issued (December 1990) instructions that grants received by the ZPs shall be kept in DF to be maintained by CAFO in a District Central Co-operative Bank Limited.

Scrutiny of records of District Health Officer(DHO), ZP, Chandrapur revealed (October 2008) that the DHO maintained six cash books for various schemes as detailed below.

(Amount in Rupees)

| Year | Types of cash book | | | | | | Total |
|---------------|-----------------------|---------------------------------|-----------------------|----------------|-----------|---------------|---------|
| | MH 2210 Medical | MH 2211 Family Welfare | Petty cash book | Pulse polio | Koutumbik | World bank | |
| March 2005 | 16020 | 143506 | 302933 | 203126 | 473485 | 436077 | 1575147 |
| March 2006 | 573407 | 118285 | 6699 | 57223 | 984528 | 121250 | 1861392 |
| March 2007 | 390873 | 409500 | 420 | 435261 | 816414 | 137020 | 2189488 |
| March 2008 | 177311 | 66190 | 2260 | 217142 | 536167 | 97477 | 1096547 |

The cheques received for implementation of various schemes were encashed and cash obtained kept in the cash chest although the money was not required for immediate disbursement. This money was also not deposited in DF. The minimum cash in chest was more than Rs 5.61 lakh during May 2005 to March 2008 except December 2005 and the maximum balance was Rs 22.36 lakh in May 2006. In addition, the following irregularities were noticed.

- i. Cash amounting to Rs 42910 forming part of closing balance was not physically available since 1982-83.
- ii. Advances were paid without presentation of bill and these payments were not recorded in the cash book.
- iii. The cash to the extent of advances paid was not available in the cash chest although it formed part of cash balance as per cash book.
- iv. More than two advances were paid to an official without ensuring submission of bills for adjustment of earlier advances.
- v. The denomination wise break up of cash balance was incorrectly exhibited in the closing balance.
- vi. Surprise check of cash balance was not carried out by the DHO, CAFO and CEO as required under Rule 42(2) of the Code.

The facts were accepted (September 2009) and Secretary assured to issue instructions in this regard.

(II) Un-disbursed cash

According to Rule 50(2) of the Code, un-disbursed cash shall not be retained beyond three months of its drawal.

It was observed from the records that an amount of Rs 0.50 lakh remained undisbursed with the departments of six¹⁹ ZPs for more than three months as of March 2008.

The facts were accepted (September 2009) by the Government and it agreed to issue instructions to all ZPs in this regard.

2.7.3.2 Loss of interest

According to Section 130(4) of the MZP&PS Act, 1961, the ZP may invest a portion of the fund kept under DF in securities of the State or Central Government with the approval of State Government. Further, the Department issued instructions(August 2002) to invest the surplus fund in short term deposit with a view to earn interest.

Scrutiny of the records of selected ZPs revealed that there was an accumulation of surplus fund of Rs 592.33 crore in DF during the period 2003-08 and this amount was not invested in Government securities or short term deposits. This resulted in loss of interest of Rs 38.50 crore as detailed below:

| (Rupees in crore) | | | |
|-------------------|-----------------|---|----------------------------|
| Sr. No. | Zilla Parishads | Amount available for investment (2003-08) | Loss of interest (2003-08) |
| 1 | Akola | 38.55 | 2.48 |
| 2 | Chandrapur | 65.42 | 4.29 |
| 3 | Jalna* | 17.65 | 1.12 |
| 4 | Nasik | 71.01 | 4.63 |
| 5 | Ratnagiri | 28.30 | 1.84 |
| 6 | Satara | 94.06 | 6.07 |
| 7 | Thane | 179.36 | 11.50 |
| 8 | Yavatmal | 97.98 | 6.57 |
| Total | | 592.33 | 38.50 |

* Saving bank account in State Bank of Hyderabad with multiple option deposit

Had these available funds been invested as stated above, the interest earned could have been utilised for developmental activities.

The Government while accepting the facts (September 2009) stated that instructions were issued in June 2009.

2.7.3.3 Irregular credit to deposit account

Rule 214 of the Code provides that deposits generally cover items such as contractor deposit, earnest money deposit, security deposit and other deposit for sums which cannot be brought to account under any revenue head. Further, Rule 218 of the Code provides that (i) sums that can be clearly brought to account under any revenue head (ii) pay, pension, leave salary or other allowances and (iii) fines shall not be credited to deposit head of account.

¹⁹ ZP Chandrapur (Rs 1440), Jalna (Rs 20000), Ratnagiri (Rs 6382), Satara (Rs 20683), Thane (Rs 822) and Yavatmal (Rs 588)

It was observed from the records in six²⁰ ZPs and 11²¹ PSs that 119 items amounting to Rs 33.58 lakh were incorrectly booked under deposit account during 2003-08. The details are given below:

| Sr. No | Particulars | No. of cases | Amount in Rupees |
|--------|------------------------------|--------------|------------------|
| 1 | Cancellation of Cheques | 18 | 869629 |
| 2 | Public Contribution | 38 | 1177258 |
| 3 | Recovery of Hand Pump | 4 | 80250 |
| 4 | Recovery of Misappropriation | 46 | 221151 |
| 5 | Recovery of Over Payment | 6 | 14621 |
| 6 | Un-disbursed Salary | 1 | 6520 |
| 7 | Unspent Grant | 6 | 988548 |
| | TOTAL | 119 | 3357977 |

This resulted in not only violation of codal provision but also in blocking of funds from making it available for implementation of developmental activities.

The facts were accepted (September 2009) by the Government.

2.7.3.4 Lapsed Deposit not credited to revenue head

As per Rule 219 of the Code, any deposit remaining unclaimed for more than three accounting years was required to be treated as lapsed and credited to revenue head.

Scrutiny of records of six ZPs²² and nine PSs²³ revealed that unclaimed deposits amounting to Rs 2.35 crore pertaining to period 2003-04 were not credited to the revenue head.

The facts were accepted (September 2009) by the Government and it stated that instructions were issued in August 2009.

2.7.3.5 Adjustment of advances

Rule 220 of the Code stipulates that advances should be kept at minimum and adjusted in time.

It was observed from the records of selected ZPs and seven PSs that advances amounting to Rs 3.64 crore made during the period 1949-50 to 2006-07 were pending adjustment as of March 2008. The details of outstanding advances are as follows :

²⁰ Akola, Chandrapur, Nasik, Satara, Thane and Yavatmal

²¹ Balapur, Murtizapur, Chimur, Warora, Jalna, Deola, Nasik, Karad, Murbad, Vasai and Wani

²² Akola, Chandrapur, Ratnagiri, Satara, Thane and Yavatmal

²³ Chimur, Deola, Jalna, Karad, Mahabaleshwar, Nasik, Pusad, Vasai and Wani

| Adjustment of advance | | | | | (Rupees in lakh) | | | | |
|--|------------------------------|---------|---------|---------------|------------------|-------------------|---------|---------|--------------|
| Sr. No. | Zilla Parishads | Period | | Amount | Sr. No. | Panchayat Samitis | Period | | Amount |
| | | From | To | | | | From | To | |
| 1 | Akola | 2001-02 | 2006-07 | 35.85 | 1 | Chimur | 2002-03 | 2007-08 | 38.71 |
| 2 | Chandrapur | 1976-77 | 2007-08 | 75.48 | 2 | Warora | 2003-04 | 2007-08 | 3.93 |
| 3 | Jalna | 1988-89 | 2007-08 | 15.39 | 3 | Nasik | 2003-04 | 2007-08 | 0.77 |
| 4 | Nasik | 1956-57 | 2007-08 | 27.45 | 4 | Deolali | 2003-04 | 2006-07 | 0.21 |
| 5 | Ratnagiri | 1949-50 | 2007-08 | 5.69 | 5 | Murbad | 2006-07 | 2006-07 | 9.33 |
| 6 | Satara | 1991-92 | 2007-08 | 78.24 | 6 | Vasai | 2004-05 | 2006-07 | 0.02 |
| 7 | Thane | 1964-65 | 2007-08 | 16.44 | 7 | Wani | 2003-04 | 2006-07 | 0.02 |
| 8 | Yavatmal | 1986-87 | 2007-08 | 56.38 | | | | | |
| | Total | | | 310.62 | | | | | 52.99 |
| | Total Rupees in crore | | | 3.11 | | | | | 0.53 |
| Grand Total ZP+PS (Rupees in crore) | | | | | | | | | 3.64 |

The facts were accepted (September 2009) by the Government and it was stated that instructions were issued in August 2009.

2.7.4 Appropriate account of utilization and refund of unspent balance of grants

2.7.4.1 Retention of unspent balance

The Finance Department, GOM issued instructions (October 2002, September 2005 and November 2006) that the unspent grants should be refunded to the Government account. Audit has noticed many cases of failure to refund unspent balances leading to huge blocking of public money for no purpose.

Scrutiny of records of selected ZPs revealed that unspent grants under Agency scheme amounting to Rs 97.29 crore as on 31 March 2008 were not refunded to Government. The details were as under:

| (Rupees in crore) | | | | |
|-------------------|-----------------|-----------------------------|-----------------|---------------------|
| Sr. No. | Zilla Parishads | Unspent amount on 31/3/2008 | Amount refunded | Amount not refunded |
| 1 | Akola | 7.86 | 0.00 | 7.86 |
| 2 | Chandrapur | 9.43 | 0.00 | 9.43 |
| 3 | Jalna | 24.06 | 0.00 | 24.06 |
| 4 | Nasik | 12.30 | 0.00 | 12.30 |
| 5 | Ratnagiri | 11.04 | 0.00 | 11.04 |
| 6 | Satara | 12.33 | 1.95 | 10.38 |
| 7 | Thane | 11.84 | 0.00 | 11.84 |
| 8 | Yavatmal | 10.38 | 0.00 | 10.38 |
| | Total | 99.24 | 1.95 | 97.29 |

The amount of Rs 97.29 crore was blocked with ZPs and not available to Government for any developmental purposes.

The facts were accepted (September 2009) by the Government and they stated that instructions were issued in May 2009.

(I) Unspent balance under Sampurna Gramin Rozgar Yojna

The Ministry of Rural Development, Government of India launched a scheme of Sampurna Gramin Rozgar Yojna (SGRY) by merging of Employment Assurance Scheme (EAS) and Jawahar Gram Samruddhi Yojna (JGSY) from September 2001. Meanwhile, Maharashtra Rural Employment Guarantee Scheme (MREGS) was introduced by GOM in December 2005. SGRY was merged with MREGS from 2 February 2006 and unspent balance thereof was also to be deposited to MREGS account.

Scrutiny of records revealed that the unspent balance of Rs 22 lakh lying with the seven²⁴ PSs was neither deposited to MREGS account nor refunded.

The amount remained idle in SGRY account and was thus, not made available for implementation of MREGS.

The facts were accepted (September 2009) by the Government and it agreed to issue instructions for closure of all bank accounts of SGRY and transfer the entire amount to MREGS.

2.7.4.2 Wrong booking of expenditure

As per Rule 31 of the Code no cheque shall be current for more than six months and after expiry of the said period, it is required to be revalidated. Such cheque if not revalidated within one year of its drawal, shall be considered as cancelled and a fresh cheque shall be issued. If fresh cheque is not issued, the amount involved shall be written back by a minus entry under the relevant expenditure head in the same financial year or by credit to the concerned revenue head, after close of the financial year.

Scrutiny of records of selected ZPs revealed that 375 time barred cheques amounting to Rs 1.73 crore issued during the period 2003-07 were neither cancelled (May 2009) nor written back in relevant books of accounts. This had resulted in wrong booking of expenditure of Rs 1.73 crore by the selected ZPs.

On this being pointed out by audit, Government accepted the fact and stated that instructions were issued in August 2009.

2.7.4.3 Reconciliation of cash book balances with bank balances

Rule 57 of the Code stipulates that the closing balance as per cash book shall be compared with the balance as per Bank or treasury records and a reconciliation statement shall be drawn up on the last day of the month for analyzing the difference between the cash book and bank balance. Where the differences are due to any errors, immediate and effective steps shall be taken to rectify these errors or otherwise clear the differences.

²⁴ Chimur, Chiplun, Karad, Mahabaleshwar, Partur, Ratnagiri and Wani

Scrutiny of records revealed that reconciliation of cash book balances with bank balances as on 31 March 2008 was not carried out by ZP Thane and four²⁵ selected PSs for the period 2003-08. As a result, the difference of Rs 12.20 crore between Cash Book and Bank Pass Books remained unreconciled as of March 2008. The details are shown in the following table :

(Rupees in crore)

| Sr. No. | ZP/PS | Bank Account No | Cash Book | Reconciliation done upto | Balance as of 31 March 2008 | | Difference |
|--------------|---------------|-----------------|--------------|--------------------------|-----------------------------|--------------|--------------|
| | | | | | Cash book | Bank | |
| 1 | ZP Thane | 26/1 | DF | August 2007 | 14.30 | 20.87 | 6.57 |
| | | 8420 | 12 FC | September 2006 | 42.02 | 45.32 | 3.30 |
| 2 | PS Chimur | 1 | DF | February 2008 | 0.55 | 0.70 | 0.15 |
| | | 6330 | IAY | June 1998 | 0.38 | 0.42 | 0.04 |
| 3 | PS Murtizapur | 2735 | IAY | March 2007 | 0.00 | 0.34 | 0.34 |
| 4 | PS Murbad | 1 | DF | March 2003 | 0.41 | 1.02 | 0.61 |
| | | 3 | Agency | August 2005 | 0.01 | 0.75 | 0.74 |
| | | 7596 | 12 FC | January 2007 | 0.08 | 0.02 | (-)0.06 |
| | | 54 | Water Supply | March 2003 | 0.02 | 0.04 | 0.02 |
| | | 489 | YGSY | December 2007 | 0.04 | 0.06 | 0.02 |
| 5 | PS Partur | 14/1 | DF | February 2008 | 1.33 | 1.80 | 0.47 |
| Total | | | | | 59.14 | 71.34 | 12.20 |

In PS Murbad, it was also observed that reconciliation under DF and Water Supply Scheme were pending since March 2003 and in other cases from August 2005 to February 2008. Fraud and embezzlement cannot be ruled out due to non-reconciliation of balances between cash book and bank accounts.

The facts were accepted (September 2009) by the Government and they stated that instructions were issued in August 2009.

2.7.4.4 Pension Contribution under Defined Contribution Pension Scheme

The Finance Department, GOM introduced (October 2005) the Defined Contribution Pension Scheme (DCPS) for employees recruited on or after 1 November 2005. According to the scheme, contribution at the rate of 10 *per cent* of pay (Basic pay plus Dearness pay plus Dearness Allowance) is to be recovered from the salary of employees and matching contribution is to be provided by the State Government. State Record Keeping Agency (SRKA) under the administrative control of Directorate of Accounts and Treasuries has been created to maintain accounts and other related records in respect of DCPS. The amount recovered is to be credited to the Treasury under the prescribed head of account.

²⁵ Chimur, Murtizapur, Murbad and Partur

In two ZPs²⁶ 661 persons were recruited after 1 November 2005 and the amount of Rs 0.42 crore was recoverable towards DCPS contribution during 2005-08. However, the employees' share of Rs 0.20 crore only was recovered leaving balance of Rs 0.22 crore unrecovered as detailed below:

| Sr. No. | Zilla Parishads | Period | No. of officials | Amount recoverable | Amount recovered | Balance recoverable |
|------------------------|-----------------|---------|------------------|--------------------|------------------|---------------------|
| 1 | Jalna | 2005-08 | 202 | 1843412 | 0.00 | 1843412 |
| 2 | Satara | 2005-08 | 459 | 2353832 | 2015128 | 338704 |
| Total | | | 661 | 4197244 | 2015128 | 2182116 |
| Rupees in crore | | | | 0.42 | 0.20 | 0.22 |

The amount recovered by the ZPs was not credited to Treasury. Further, matching contribution of Rs 0.42 crore was also not paid.

The Government stated (September 2009) that draft proposal was submitted to Finance Department for approval.

2.7.4.5 Other observations

(I) Disbursement of revenue grant to Gram Panchayats

According to the provisions contained in Section 153 and 156 of MZPs & PSs Act, 1961 the local cess shall be paid by the Collector to ZP. Section 131 of Bombay Village Panchayat Act, 1958 (BVP) every Panchayat is entitled to receive as grant the average of the amounts of Land Revenue recovered.

Scrutiny of records of PS Vasai in Thane ZP revealed that revenue grant of Rs 41.71 lakh received by the PS during 2002-08 was not disbursed to GPs and the same was kept in deposit account due to non-receipt of list from Collectorate. The details are shown below.

| Sr. No. | Year | Nature of grant | | | Total |
|--------------|---------|-----------------|--------------|-----------------|--------------|
| | | GP grant | Land revenue | Royalty charges | |
| 1 | 2002-03 | 0.00 | 0.05 | 0.00 | 0.05 |
| 2 | 2003-04 | 0.00 | 0.64 | 0.00 | 0.64 |
| 3 | 2004-05 | 0.00 | 0.00 | 4.72 | 4.72 |
| 4 | 2005-06 | 0.00 | 12.54 | 6.99 | 19.53 |
| 5 | 2006-07 | 0.00 | 0.99 | 6.38 | 7.37 |
| 6 | 2007-08 | 2.23 | 7.17 | 0.00 | 9.40 |
| Total | | 2.23 | 21.39 | 18.09 | 41.71 |

Failure on the part of Collectorate and lack of initiative on the part of BDO, deprived GPs of their due benefit.

The Government accepted the facts (September 2009) and assured to issue instructions in this regard.

²⁶ Jalna and Satara

(II) Non-opening of separate bank account under Bharat Nirman Scheme

The Department in GOM while releasing the grant to ZPs under Bharat Nirman Scheme, directed (July 2006) to maintain separate accounts.

It was observed from the records of ZP Ratnagiri that the grant of Rs 9.90 crore received during 2006-08 under Bharat Nirman scheme was deposited into DF (current account) instead into a separate bank account.

The possibility of diversion of funds could not be ruled out. Maintenance of separate Saving Bank account would have not only earned interest but also facilitated depicting exact balance available from time to time.

The facts were accepted (September 2009) by the Government and they stated that corrective action would be taken.

(III) Non-refund of un-utilised cash grant

The Department in GOM released (August 2004) cash grant of Rs 24.96 lakh for payment of interest to employees retired or expired between 1 January 1996 and 30 September 1998 before crediting arrears of Fifth Pay Commission to PF account based on the demand made by ZP Akola.

It was observed (February 2009) that Rs 24.96 lakh was drawn in September 2004 and kept under deposit head of account. The ZP utilized only an amount of Rs 5.25 lakh as payment of interest to employees and balance of Rs 19.71 lakh was not refunded to Government. Thus, it was evident that the demand of ZP was in excess of requirement.

The Government accepted (September 2009) the facts and stated that the amount has been refunded in August 2009. Government also assured that instructions would be issued to all ZPs.

(IV) Improper maintenance of PF records

According to provisions contained in Rule 57 of the Code, monthly reconciliation of cash book balance with Treasury Pass Book balance is to be carried out.

Scrutiny of reconciliation statement as on February 2008 of ZP Jalna revealed that there was unreconciled difference of Rs 2.20 crore with the treasury balance. Moreover, there were 398 defunct PF accounts having closing balance of Rs 1.05 crore as on 31 March 2008.

The Government accepted (September 2009) the facts and stated that necessary action would be taken.

2.7.5 Maintenance of accounts and related records by GPs

2.7.5.1 Submission of annual accounts by GPs

Section 62(4) of the BVP Act, 1958 stipulates that the annual accounts of GPs are to be approved by Gram Sabha each year before submission to ZPs.

It was observed from the records that 17 out of 80 selected GPs had not submitted 65 annual accounts for the period 2003-08 to Gram Sabha for approval as detailed in **Appendix V**.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs.

2.7.5.2 Submission of accounts to ZP/PS

Under Rule 5(2) of the BVP (Budget & Accounts) Rules 1959 stipulates that GPs shall submit their annual accounts to PS/ZP on or before 1 June of each financial year.

Scrutiny of records revealed that none of the selected 80 GPs had submitted their annual accounts to ZPs during the period from 2003-08.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs in this regard.

2.7.5.3 Audit of Gram Panchayats

Rule 3 and 7 of the Maharashtra Village Panchayats (MVP) (Audit of Accounts) Rules, 1961 stipulates that the accounts of the GPs shall be audited by auditors under the direction and control of the CALFA. The audit of all GPs in the district shall be completed within a span of five years.

It was observed from the records that the audit of four GPs viz. Kharoshi, Uchat, Bhurbhushi in ZP Satara and Paradh in ZP Akola were in arrears since 1983-84, 1985-86, 2000-01 and 2000-01 respectively.

The Government accepted (September 2009) the facts and stated that special drive would be taken to clear arrears. The Additional Chief Auditor assured to complete audit of all GPs covering the period upto 2006-07 by the end of March 2010.

2.7.5.4 Payment in cash exceeding prescribed limit

According to Rule 5(A) of the BVP, (Budget & Accounts) Rules, 1959 payment of any sum in excess of Rs 500 out of the village fund shall be made by cheque signed by the Sarpanch and Secretary of the GP.

Scrutiny of the records revealed that in 72 selected GPs money was drawn in cash from the village/scheme funds and payments in excess of Rs 500 in 1511 cases involving an amount of Rs 88.47 lakh were made to the parties concerned in cash during the period 2003-04 to 2007-08. The details are shown below:

(Rupees in lakh)

| Sr. No | Zilla Parishads | Number of Gram Panchayats | No. of cases | Amount |
|--------|-----------------|---------------------------|--------------|--------|
| 1 | Akola | 10 | 173 | 20.59 |
| 2 | Chandrapur | 10 | 484 | 25.30 |
| 3 | Jalna | 8 | 121 | 4.48 |
| 4 | Nasik | 10 | 182 | 6.78 |

| | | | | |
|--------------|-----------|-----------|-------------|--------------|
| 5 | Ratnagiri | 8 | 146 | 2.14 |
| 6 | Satara | 9 | 87 | 1.97 |
| 7 | Thane | 8 | 101 | 2.73 |
| 8 | Yavatmal | 9 | 217 | 24.48 |
| Total | | 72 | 1511 | 88.47 |

Further, it was observed that higher amounts and even payments beyond Rupees One lakh were made in cash. The details are given below:

| Sr. No. | Payments between (in Rupees) | No. of cases | Total amount paid (Rupees in lakh) |
|----------------|-------------------------------------|---------------------|---|
| 1 | 2001 – 10000 | 583 | 23.81 |
| 2 | 10001 – 25000 | 132 | 20.01 |
| 3 | 25001 – 100000 | 63 | 26.86 |
| 4 | Beyond 100000 | 7 | 9.68 |
| Total | | 785 | 80.36 |

Appropriate administrative action need to be taken to prevent the GPs from violating the rules.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs in this regard. The Government further agreed to examine the need for enhancing the limit fixed long back.

2.7.5.5 Maintenance of accounts in prescribed forms

As per Rule 5 of the BVP (Budget & Accounts) Rules, 1959, the Secretary of GP shall keep the accounts in Form 3 to 27.

Scrutiny of records revealed that 70 out of test checked 80 GPs did not maintain Forms 3 to 27 required for proper accounting as detailed in the **Appendix VI**.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs in this regard.

2.7.5.6 Incorrect accounting of grants

The grants received are to be accounted for on gross basis as per accepted principles of accounting.

Scrutiny of records of seven²⁷ out of 80 selected GPs revealed that in 13 cases grants received after deduction of recoverable amounts were accounted for on net basis instead of on gross basis resulting in non-accountal of Rs 2.08 lakh during the period 2003-08.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs in this regard.

²⁷ Brahmapur, Baramhata, Dusa, Londhara, Pokhara, Umbra and Warud

2.7.5.7 Diversion of fund

As per guidelines of the scheme, funds received from Government should be utilized for the purpose it was sanctioned.

Scrutiny of records of four selected GPs from three ZPs revealed that Rs 2.32 lakh were diverted from one scheme to another scheme during 2006-07. The amount was not returned to original schemes (April 2009). The details are as follows:

| Sr. No. | Zilla Parishads | Gram Panchayats | Scheme from fund diverted | Scheme to which fund diverted | Amount (Rs) | Date of diversion |
|--------------|-----------------|-----------------|---------------------------|-------------------------------|---------------|-------------------|
| 1 | Akola | Kazikhed | TFC ²⁸ | YGSY ²⁹ | 22000 | 4 April 2006 |
| 2 | Chandrapur | Masal | IAY | General fund | 7500 | 3 February 2005 |
| 3 | | Chargaon | SGRY ³⁰ | IAY | 2625 | 8 July 2006 |
| 4 | Satara | Moleshwar | NSS ³¹ | YGSY | 200000 | 19 August 2006 |
| Total | | | | | 232125 | |

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs to avoid recurrence of such instances.

2.7.5.8 Maintenance of Cash Book

As per BVP (Budget and Accounts) Rule, 1959, the cash book has to be maintained by the Gram Sevak in Form-5 for recording the transactions of receipts and payments.

Test check of cash books of six GPs (out of 80 selected) from three³² ZPs revealed that the cash books were not maintained during the period 2003-08 as detailed in the following table:

| Sr. No | Gram Panchayat | Zilla Parishads | Name of the Cash Book | Period of non-maintenance |
|--------|----------------|-----------------|--------------------------|---|
| 1 | Borta | Akola | General Fund | 1-4-2003 to 5-1-2005 and 11-3-2006 to 31-3-2008 |
| | | | Water Supply | 1-4-2003 to 30-6-2004 |
| | | | Dalit Wasti Sudhar Yojna | 10-7-2006 to 31-3-2008 |
| | | | SGRY | 1-04-2003 to 31-3-2008 |
| 2 | Paradh | Akola | TFC | 5-5-2006 to 31-3-2008 |
| 3 | Kotgaon | Chandrapur | IAY | 1-3-2005 to 31-12-2005 |
| 4 | Subhash Nagar | Nasik | SGRY | 24-11-2006 to 31-3-2008 |
| 5 | Dongargaon | Nasik | Water Supply | 15-10-2007 to 31-3-2008 |
| | | | SGRY | 30-7-2007 to 31-3-2008 |
| | | | TFC | 17-9-2007 to 31-3-2008 |
| 6 | Meshi | Nasik | TFC | 1-7-2006 to 31-3-2008 |

²⁸ Twelfth Finance Commission,

²⁹ Yeshwant Gram Samrudhi Yojana

³⁰ Sampurna Gramin Rojgar Yojana

³¹ Nirmal Swachata Scheme.

³² Akola, Chandrapur and Nasik

Possibilities of fraud and mis-appropriation cannot be ruled out due to non-recording of transactions in cash books. This also shows lack of proper control and supervision of GPs by higher officials like BDO of PS and CEO of ZP.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs for strict compliance.

2.7.5.9 Misappropriation of funds

It was observed (March 2009) from the records of four GPs³³ that an amount of Rs 19,698 was mis-appropriated during April 2004 to December 2007 due to improper maintenance of cash book. The details are shown below.

(Amount in Rupees)

| Sr. No | Zilla Parishads | Gram Panchayats | Amount misappropriated | Amount recovered | Balance | Modus operandi |
|--------------|-----------------|-----------------|------------------------|------------------|--------------|---|
| 1 | Chandrapur | Chincholi | 6800 | 3000 | 3800 | Cash withdrawn from bank was not accounted for in the cash book |
| 2 | | Dadapur | 250 | 0 | 250 | Tax collected was neither recorded in cash book nor credited to bank |
| 3 | Ratnagiri | Kasarveli | 2778 | 0 | 2778 | Tax collected was neither recorded in cash book nor credited to bank |
| 4 | Satara | Molleshwar | 9870 | 5606 | 4264 | Cash was shown to have been deposited in the bank without actually depositing |
| Total | | | 19698 | 8606 | 11092 | |

On this being pointed out by Audit, the GPs have recovered an amount of Rs 8606 (January and March 2009). This reflects lack of proper control and supervision by Deputy CEO of ZPs and BDOs of the related PSs.

The Government accepted (September 2009) the facts and assured to issue instructions to the Dy.CEOs and BDOs for exercising proper supervisory control.

2.7.5.10 Employees Provident Fund

As per Rule 5 to 8 of the Maharashtra Village Panchayats (Employees) Provident Fund Rules, 1961 subscription towards Employees Provident Fund (Fund) at the rate of 8.33 *per cent* of monthly pay shall be deducted every month from the employees' pay. At the beginning of every month a Panchayat shall contribute to the fund, a sum equal to the subscription of the subscriber concerned. The fund shall be deposited in the Postal Savings Bank account to be opened in the name of Sarpanch on behalf of each subscriber.

³³ Chincholi, Dadapur, Kasarveli and Molleshwar

Scrutiny of records of 26 out of 80 selected GPs revealed that in respect of 30 employees appointed between 1 May 1988 and 1 June 2006, the subscription towards fund was not deducted from the pay of the subscriber despite lapse of period ranging between two to twenty years and therefore, the accounts were not opened. The total subscription recoverable from pay of these employees for the year 2007-08 was Rs 0.42 lakh. The matching contribution of the Panchayat was also not paid. Thus, non-maintenance of Employees Provident Fund accounts resulted in denial of due benefits to the employees.

The Government accepted (September 2009) the facts and assured to issue instructions to all GPs for strict compliance.

2.7.6 Effective monitoring mechanism

2.7.6.1 Training to staff

It was observed from the records that no training programme was conducted in four selected ZPs³⁴ and three PSs³⁵ during the period 2003-04 to 2007-08.

The facts were accepted by the Government (September 2009).

2.7.6.2 Internal audit

Provision of Appendix I and IV of the Code stipulate that the CAFO is responsible for internal audit and periodical checking of account records maintained by various departments of ZP.

Scrutiny of the records of selected ZPs revealed that internal audit of the departments for the entire period 2003-08 was not carried out by CAFO except in case of ZP Nasik where audit was pending for three years (2005-08). The Government accepted (September 2009) the facts and stated that efforts to establish separate Internal Audit Wing would be made.

2.7.7 Conclusion

Though the Department adopted new format of accounts as prescribed by C&AG, yet ZPs and PSs did not compile the accounts in these formats in totality. The CALFA also did not insist on submission of accounts in the new format for certification. No effective mechanism was available to keep track of disbursement of cheques drawn. Remittances of State and Central taxes were delayed leading to levy of interest and penalty. Preparation of database on finances has not yet started. The pace of adjustment of advance was very slow. Huge surplus funds with ZPs were noticed. Bank reconciliation on monthly basis was in arrears and time barred cheques were not cancelled. The GPs were also making huge payment in cash violating all codal instructions. Widespread non-maintenance of cash book by GPs were noticed some of which resulted in misappropriation of fund. Internal Audit which is one of the

³⁴ Chandrapur, Nasik, Ratnagiri and Yavatmal

³⁵ Nasik, Murbad and Ratnagiri

tools to ensure internal control was not carried out in selected ZPs except Nasik ZP where it was carried out up to 2004-05

2.7.8 Recommendations

The following recommendations were made for consideration of the Government.

- The Department should ensure compilation of accounts in the prescribed formats by all the three tier of PRI and start building up the database.
- Effective steps need to be taken for adjustment/recovery of advances outstanding for more than a year.
- Accumulation of huge fund with ZPs needs to be examined.
- Control mechanism needs to be strengthened at ZP and PS level to ensure monthly reconciliation with banks.
- The department should ensure strict compliance of codal provisions in respect of heavy cash payments by GPs.
- Maintenance of cash books by GPs should be ensured.
- Supervision of GP accounts needs to be strengthened.
- Imparting of periodical training at all levels of employees may be ensured.
- Internal audit needs strengthening.

CHAPTER III

AUDIT OF TRANSACTIONS

RURAL DEVELOPMENT AND WATER CONSERVATION DEPARTMENT

3.1 Misappropriation

Improper maintenance of accounts and lack of control by Medical Officer and Block Development Officer resulted in misappropriation of Rs 0.40 lakh

i) Misappropriation of Outdoor Patient Department (OPD) Fees at Public Health Centre (PHC), Sakharkherda

As per provisions of Rule 49 and 50 of the Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968 all money received shall be credited within 24 hours in the bank or treasury and accounted for in the cash book. Even in places where banking facilities do not exist, no amount shall remain uncredited for longer than a fortnight. Rule 57 *ibid* provides for accounting of money transactions in chronological order and daily closing of cash book under signature of the officer in charge.

Scrutiny of the records of the Block Development Officer (BDO) Panchayat Samiti(PS) Shindkhed Raja in Buldhana district and of the Medical Officer (MO), PHC Sakharkherda (May 2008) and subsequent verification (April 2009) revealed that OPD fees of Rs 87978 collected during April 2003 to March 2008 was not accounted for in the cash book by the PHC. Out of the total collection of Rs 87978, an amount of Rs 64556 was remitted to District Fund Account (DFA) after a delay ranging from 41 days to 233 days and balance of Rs 23422 was misappropriated. It was also observed that the PHC did not make any entries in the cash book for the period from 27 June 2004 to 12 September 2004 and from 20 May 2006 to 31 March 2007. The cash book was also not being closed daily and signed by the MO.

On this being pointed out (May 2008), the Chief Executive Officer (CEO) Zilla Parishad(ZP), Buldhana intimated (December 2008) recovery of Rs 8836. The MO, PHC Sakharkherda also confirmed (April 2009) misappropriation of the remaining fees of Rs 14586 collected during 1 April 2003 to 31 March 2006.

ii) Misappropriation of OPD Fees at PHC Amthana

Scrutiny (September 2008) and subsequent verification (April 2009) of records maintained by the BDO, PS Sillod in Aurangabad district and MO,

PHC, Amthana revealed various deficiencies, viz. (i) the cash book was not closed daily (ii) the closing cash balance was neither verified by the officer in charge daily nor was it verified by an independent official from time to time (iii) delay in remittance of OPD fees ranging from 70 days to 958 days. Further OPD fees aggregating to Rs 16234 collected from 1 August 2006 to 20 April 2007 was misappropriated and accounted for in the cash book belatedly in March 2009 only at the instance of audit. It was also noticed that the records of collection and remittance of OPD fees for the period from 1 November 2004 to 10 November 2004 and from 1 October 2007 to 3 October 2007 were not available.

On this being pointed out (September 2008 and April 2009), the MO, PHC, Amthana confirmed (April 2009) recovery of misappropriated amount of Rs 16234. The MO, PHC, Amthana also stated that further recovery would be made after ascertaining the details of fees collected during 1 November 2004 to 10 November 2004 and from 1 October 2007 to 3 October 2007.

The delay in remittance of OPD fees as well as non-remittance in both the cases were neither noticed by the MO in-charge nor by the BDOs due to non-observance of codal provisions.

Thus, improper maintenance of cash book and accounts and failure by MO and BDO to exercise proper control led to misappropriation of Rs 0.40 lakh.

The matter was referred to Government in May 2009; reply had not been received (November 2009).

3.2 Non-levy of Property Tax on Sugar factories by Gram Panchayats

Raigaon and Wangi Gram Panchayats under Kadegaon Panchayat Samiti in Sangli district did not levy and collect Property Tax of Rs 52.68 lakh from two Sugar factories.

The Maharashtra Tax and Fee Rules, 1960 empowers the Gram Panchayats (GP) to levy and collect Property Tax on factories in their jurisdiction at the specified rates. Alternatively, the factories may opt for lump sum contribution in lieu of Property Tax with the approval of Government as per the provisions of Bombay Village Panchayat Act, 1958.

It was observed (November 2008) that though Property Tax was leviable under Maharashtra Tax and Fee Rules, 1960, Raigaon and Wangi GPs in Kadegaon, PS under Sangli, ZP did not levy and collect the tax in respect of Cane Agro Engineering (India) Ltd. and Sonhira Co-operative Sugar Factory Ltd. for the years 2002-08 and 2000-08 respectively. The tax leviable at the minimum of the specified rates worked out to Rs 34.16 lakh and Rs 18.52 lakh

respectively in respect of these two factories. These factories had not taken approval of the Government for lump sum contribution in lieu of Property Tax. This resulted in non-realization of revenue of about Rs 52.68 lakh.

On this being pointed out (November 2008), the CEO, Sangli ZP stated (June 2009) that demand notices for Property Tax aggregating to Rs 52.68 lakh had been issued to the two Sugar factories in May 2009 at the minimum of the specified rates. Reports on the amount of tax leviable at applicable rates and recovery thereof was awaited (July 2009).

The matter was referred to the Government in July 2009, reply had not been received (November 2009).

3.3 Irregular drawal

Irregular payment of salaries of Rs 85.02 lakh to 17 Block Resource Personnel from Sarva Shiksha Abhiyan initially appointed under District Primary Education Programme

Sarva Shiksha Abhiyan (SSA) is the comprehensive and integrated flagship programme of Government of India which aims to provide quality education to all children in the age group of 6-14 years by 2010. Paragraph 39.8 of Manual on Financial Management and Procurement relating to SSA does not permit expenditure on salaries of Block Resource Personnel (BRP) in Block Resource Centers (BRCs) already created under District Primary Education Programme (DPEP) from SSA funds and the salary of BRP was to be borne by the State Government.

Scrutiny of records (April 2008) of Education Officer, Zilla Parishad (EO,ZP) Gadchiroli and further information collected (November 2008) revealed that 17 teachers were sent on deputation from July 2003 onwards as BRPs in BRCs from DPEP strength and the salary of these BRPs were charged to SSA. It was further noticed that during the years 2003-04 to 2007-08 the salary of Rs 85.02 lakh of these 17 BRPs was also drawn from State Government and lying unspent in the District Fund. This resulted in not only double drawal of salary of these 17 BRPs, but also irregular debit of Rs 85.02 lakh to SSA funds.

The EO, ZP, Gadchiroli accepted (April 2008, November 2008 and February 2009) the drawal of funds from State Government as well as from SSA funds. EO,ZP also intimated that the amounts drawn from Government were not yet refunded.

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

3.4 Unfruitful expenditure on Minor Irrigation Tank

Failure to provide canal for irrigation resulted in unfruitful expenditure of Rs 75.01 lakh on Minor Irrigation Tank at Sarati

With the objective of irrigating 90 hectares (ha) of land through contour canal (2.79 kilometres), the work of Minor Irrigation (MI) tank at Sarati, District Osmanabad at an estimated cost of Rs 71.53 lakh (including cost of canal of Rs 14.92 lakh) was approved by the General Body of ZP in March 1994. The work of MI tank was completed in April 1999 at a revised cost of Rs 86.46 lakh without construction of canal.

Scrutiny of records of the Executive Engineer (EE), MI revealed that the work awarded to the contractor in June 1994 at a tendered cost of Rs 44.75 lakh was withdrawn in March 1997 after execution of work of Rs 43.02 lakh, due to obstructions by the farmers. The balance as well as additional work of gorge filling, head regulator, drainage excavation, pitching and tail channel was awarded to another contractor in July 1998 at a cost of Rs 10.41 lakh. The said work was completed in April 1999 at a cost of Rs 13.07 lakh. Further, the work costing Rs 18.92 lakh³⁶ was carried out departmentally. Initially the plans and estimates of the canal were prepared based on contour survey to ensure the required command. The Deputy Engineer, sub-division Tuljapur had intimated (February 1998) the EE, ZP, Osmanabad that (i) the canal is passing through hilly areas and hence maintenance expenditure would increase, (ii) the owners of land have refused to give land for canal as no water was supplied in the past through the canal despite acquisition of land and (iii) the old records of irrigation tanks constructed earlier in the same area indicated that irrigation potential achieved through canal was five *per cent* of projected potential and accordingly proposed for converting MI tank to storage tank. The proposal for deletion of work of canal was approved by the ZP Osmanabad in November 2006.

The revised estimate of Rs 101.55 lakh (including cost of canal) submitted in July 2004 by the EE, ZP was further revised (July 2007) to Rs 86.46 lakh (excluding cost of canal) by the Superintending Engineer (SE) and approved by the Chief Engineer (CE) in January 2008. The objective of irrigating the land through canal has not been achieved despite incurring expenditure of Rs 75.01 lakh. The liability of Rs 11.46 lakh has not yet been discharged.

On this being pointed out the EE stated (August 2007, July 2008 and May 2009) that water was not utilized so far and would be utilized by forming Water Utilization Societies. It was also contended by the EE that there was

³⁶ Land compensation charges, Miscellaneous charges etc.

indirect benefit for cultivation by way of percolation of water. The CE had also advised (January 2008) the SE that action to form society be taken so that water could be utilized.

The department's reply is not acceptable as the proposed scheme did not envisage construction of storage tank. Failure to conduct proper survey for canal before taking up project ultimately resulted in deletion of canal and the desired benefit of irrigation was not achieved despite lapse of more than 10 years. Further, department's contention about indirect benefit by way of percolation had not been substantiated by technical report. Thus, faulty planning coupled with factors affecting the canal work not considered at the time of planning resulted in unfruitful expenditure of Rs 86.47 lakh including un-discharged liability of Rs 11.46 lakh.

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

3.5 Unfruitful expenditure on purchase of water filters cum purifiers

Injudicious purchase of Water Filter cum Purifier for supplying pure drinking water to Schools without continuous water and electricity supply resulted in unfruitful expenditure of Rs 82.91 lakh

With a view to provide safe drinking water to schools, Rural Development and Water Conservation Department (RDD), Government of Maharashtra (GOM) had intimated (March 2006) all ZP their decision to purchase Water Filter cum Purifier (WFCP) and directed the CEO to furnish requirement. Based on the response received, GOM placed (October 2006) order on M/s Subham Industries (SI) for supply of 10077 WFCPs to 27 ZPs including ZP Nagpur.

Scrutiny of records revealed (April 2008) that the CEO, ZP Nagpur on receipt of a copy of supply order of October 2006 intimated (January 2007) the Department that the type of WFCPs ordered for supply were not useful as these schools neither had continuous water supply through tap nor had electricity supply for 8 to 10 hours *per* day. In response, the Department clarified (February 2007) that the order was placed based on the proposal received from ZP Nagpur in May 2006. SI supplied 774 WFCPs costing Rs 69.23 lakh to 13 Block Education Officers (BEOs) of the Nagpur District in May 2007. The payment of Rs 69.23 lakh was made (June 2007) to SI by the EO, ZP, Nagpur. Further, verification of the records and utilization certificates obtained (June 2008 and August 2009) from test checked 28 Schools of four³⁷ BEOs revealed that none of the schools had put to use the

³⁷ Kalmeshwar-3, Mouda-15, Ramtek-6, Saoner-4

WFCPs due to non-availability of continuous water supply through tap as there were no overhead tanks in the schools. Moreover, electricity supply was also not available even for 8 to 10 hours a day. Thus, procurement of 774 WFCPs at a cost of Rs 69.23 lakh without ascertaining availability of basic requirements mainly the power and water had resulted in unfruitful expenditure of Rs 69.23 lakh besides not achieving the desired objective of providing safe drinking water to the school children.

On being pointed, the EO, ZP Nagpur stated (April 2008) that these WFCPs would be used in future, subject to availability of continuous water/electricity supply. The reply was not acceptable as the purchases were made without ascertaining the viability of the WFCPs.

Further verification (August 2009) revealed that 153 WFCPs costing Rs 13.68 lakh were not installed out of 880 WFCPs purchased by four³⁸ ZPs during March to May 2007 due to non-availability of overhead water tank and continuous water supply. As a result, WFCPs were lying idle and students of these schools were deprived of the benefit of safe drinking water.

The matter was referred to Government in December 2008 and August 2009; reply had not been received (November 2009).

3.6 Blocking of fund

Failure to obtain refund of security deposit of Rs 59.77 lakh by returning unused Gas Cylinders/regulators and non-disposal of gas stoves costing Rs 36.66 lakh has resulted in blocking of Rs 96.43 lakh

Under the centrally sponsored Integrated Child Development Scheme (ICDS) supplementary nutritional food was provided by cooking food in Anganwadi to the children below 6 years, pregnant women and breast feeding women in the state. For this purpose 33 Child Development Project Officers (CDPOs) in three³⁹ ZPs procured (March and July 2000) 6386 gas cylinders and 3193 regulators from Bharat Petroleum Corporation Limited (BPCL), by payment of Security Deposit (SD) of Rs 59.77 lakh. Further, 3193 Gas stoves were purchased from M/s Rajesh gas agency at a cost of Rs 36.66 lakh.

Scrutiny of records of CDPO, Morshi, District Amravati (August 2008) and information collected subsequently from the Deputy Chief Executive Officers, (Dy.CEOs) Women and Child Development Department (WCDD), ZPs, Akola, Amravati, and Nagpur (November 2008, June/September 2009) revealed that the work of preparation of ready to eat nutritional food for the beneficiaries was entrusted to Mahila Bachat Gat (MBG) from 2005-07. The rate fixed for supply of food by MBG included cost of fuel. Thus, with the

³⁸ Amravati (23), Bhandara (40), Gondia (22) and Wardha (68)

³⁹ Akola, Amravati and Nagpur

entrustment of work of cooking food to MBG, all the gas cylinders and regulators were no longer required and should have been returned and refund of SD of Rs 59.77 lakh obtained from BPCL. The dealer had requested (April 2007) the ZP Amravati to return these cylinders and regulators to the company as these are not being used and the agreement was only upto June 2006. The Dy.CEO, ZP Amravati had also taken up (August 2007) the issue of return of cylinders with the Commissioner, ICDS. However, these cylinders/regulators were not returned till November 2008. No action was stated to have been taken due to non receipt of reply from the Commissioner, ICDS to the reference made in August 2007.

The gas stoves costing Rs 36.66 lakh were also not disposed off.

Thus, non-refund of deposit of Rs 59.77 lakh from BPCL resulted in blockage of fund which could have been utilized for other constructive work.

The matter was referred to Government in December 2008 and September 2009; reply had not been received (November 2009).

3.7 Diversion of Funds

Failure to observe Government instructions led to diversion of funds of Rs 79.23 lakh from one scheme to another and retention of funds under Sampoorna Gramin Rozgar Yojana despite closure of the scheme

Swarnjayanti Gram Swarozgar Yojana (SGSY) was commenced from April 1999 with the object for bringing a specific number of Below Poverty Line (BPL) families above the poverty line. Later with effect from September 2001 the Ministry of Rural Development, Government of India (GOI), launched the new scheme of SGRY by merging of Employment Assurance Scheme (EAS) and Jawahar Gram Samridhi Yojana (JGSY). The funds received from GOI for execution of centrally sponsored schemes are distributed to agencies through District Rural Development Agency (DRDA) based on annual targets. As per the guidelines issued by the GOI the funds are to be utilized on the scheme for which these are sanctioned. Meanwhile, Maharashtra Rural Employment Guarantee Scheme 2005 (MREGS) was introduced in December 2005 by the Planning Department in Government of Maharashtra (GOM). SGRY was merged with MREGS from 2 February 2006 and unspent balance thereof was to be transferred to MREGS account.

Scrutiny of records of BDO, PS Tiwsa (September and November 2008) and subsequent verification (February/March 2009) revealed that funds of Rs 79.23 lakh were diverted from one scheme to another during December

2003 to February 2008 by the BDO without recording justification for such transfers. The details of diversion of funds are shown in the following table :

| Name of scheme | Date of Transfer from | Amount (Rupees in lakh) | Name of scheme to which transferred | Date of transfer to | Amount (Rupees in lakh) |
|----------------|-----------------------|-------------------------|-------------------------------------|---------------------|-------------------------|
| SGSY | 4-12-03 | 10.00 | IAY | 4-12-03 | 10.00 |
| SGSY | 4-11-04 | 11.23 | IAY | 19-11-04 | 11.23 |
| SGRY | 4-12-03 | 15.00 | IAY | 4-12-03 | 15.00 |
| SGRY | 24-03-04 | 05.00 | IAY | 25-03-04 | 05.00 |
| SGRY | 28-02-05 | 05.00 | IAY | 28-02-05 | 05.00 |
| SGRY | 24-03-05 | 05.00 | IAY | 30-03-05 | 05.00 |
| SGRY | 28-03-05 | 05.00 | IAY | 31-03-05 | 05.00 |
| SGRY | 22-02-08 | 10.00 | IAY | 22-02-08 | 10.00 |
| SGRY | 25-03-04 | 04.00 | SGSY | 29-03-04 | 04.00 |
| SGSY* | 20-05-04 | 06.00 | SGRY | 20-05-04 | 06.00 |
| SGSY | 30-12-05 | 03.00 | SGRY | 30-12-05 | 03.00 |
| Total | | 79.23 | | | 79.23 |

Note: - * Actual transaction is of Rs 10 lakh which includes Rs 4 lakh on account of refund

Out of Rs 79.23 lakh, an amount of Rs 32.89 lakh was refunded and balance of Rs 46.34 lakh (February 2009) was not transferred to the respective schemes.

Even after lapse of more than two years (February 2006 to March 2008), the balance fund of Rs 61.08 lakh was not transferred from SGRY account to MREGS which resulted in blocking of fund and denial of the benefit under the MREGS.

On this being pointed out, the BDO while accepting the fact of not recording justification for transfer of funds, stated (September 2008, February 2009 and March 2009) that funds were placed by the DRDA as per list of beneficiaries duly approved by the Gram Sabha submitted by the Gram Panchayat and without demand from his office. An amount of Rs 15 lakh was also refunded from IAY to SGRY in February 2009 based on audit objection. Thus, lack of proper monitoring led to irregular transfer of fund from one scheme to another and also unnecessary idling of fund which should have either been utilized or refunded.

The matter was referred to Government in April 2009; reply had not been received (November 2009).

3.8 Undue benefit to the contractors

Failure to observe directives of Government of Maharashtra and non-obtaining of insurance from Director of Insurance has resulted in undue benefit of Rs 40.17 lakh to contractors

Government of Maharashtra (GOM) Finance Department had directed (January 1984) all the heads of the Department and local bodies to place their insurance with the Government Insurance Fund. GOM decided (August 1998) that all the contracted works executed under ZP should be insured through the Director of Insurance (DOI), Mumbai. Further, Rural Development and Water Conservation Department (Department), GOM instructed (May 2002) the CEOs of all ZPs that the insurance of the work and the workers employed thereon be taken by the contractor by paying premium to the DOI or Insurance Company authorized by the DOI. In case of failure, one *per cent* of the cost of work is to be recovered from bills of contractor. The Department reiterated (May 2002) that the local bodies should obtain insurance from DOI in respect of the works executed under all the schemes. As per clause 13 of Standard Bidding Document (SBD), the work should be insured from the “start date”. The Ministry of Rural Development (MoRD), Government of India (GOI) had intimated (September 2008) the Chief Engineer of GOM that the amendment, specifying purchase of insurance policy from DOI, to the said clause of SBD of Pradhan Mantri Gram Sadak Yojana (PMGSY) can be made based on proposal from GOM. DOI intimated (November 2008) that the insurance for PMGSY works in the State is mandatory in view of guarantee given by GOM for such works.

Scrutiny of records (April 2008) of Executive Engineer (EE), Works Department (WD), ZP Gadchiroli (WDZP) and further information collected (November 2008 and July 2009) revealed that the 12 works of construction and up-gradation of road works under package MH 1006 to 1009 and MH 1011 to 1018 under PMGSY were entrusted to five contractors at a tendered cost Rs 28.62 crore during 2005-06 and 2006-07 with the completion period of 12 months. Based on a reference made by the EE, ZP Gadchiroli, DOI fixed (March 2007) insurance premium of Rs 29.76 lakh taking into account stipulated period of one year for completion of these 12 works. Accordingly, WD,ZP Gadchiroli had recovered an amount of Rs 22.28 lakh between September 2006 to March 2007 from the contractors and balance amount of Rs 7.48 lakh was not recovered. But the amount recovered was not passed on to DOI. However, an amount of Rs 13.12 lakh was erroneously refunded to the contractors between June 2007 and March 2008 on the basis of production of insurance policy (not taken on start date) and request received from

contractors for release of amount already recovered towards insurance. Further, these works were not completed within the stipulated time. It was also observed that the insurance premium of Rs 19.57 lakh for the extended period of completion of the works was also not recovered.

On this being pointed out the EE stated (April 2008) that insurance from Private Insurance Companies were accepted as per instructions (April 2007) of the Superintending Engineer (SE), PMGSY, Nagpur Division, Nagpur. The EE initially accepted (November 2008) the Audit observation for recovery of insurance premium for extended period. However, the EE subsequently contended (July 2009) that amount deductible as per DOI was Rs 29.76 lakh.

Thus, despite clear instructions to deduct one *per cent* of cost of work from bills of the contractors to be credited to DOI, the EE ZP Gadchiroli did not collect an amount of Rs 27.05 lakh (Rs 7.48 lakh + Rs 19.57 lakh) from the contractors in violation of above orders. Further, Rs 22.28 lakh collected from bills were not deposited with DOI, out of which an amount of Rs 13.12 lakh was refunded and balance of Rs 9.16 lakh is still retained (July 2009). Thus, insurance premium amounting to Rs 40.17 lakh was not recovered from the contractors. Further, the SBD needs to be amended to incorporate GOM decision that insurance is to be taken from DOI.

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

3.9 Yashwant Gram Samrudhi Yojana

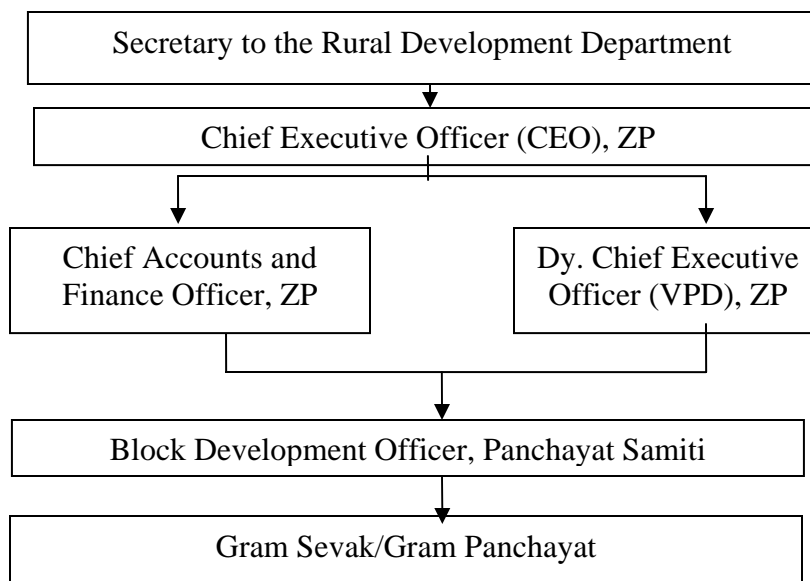
3.9.1 Introduction

With the objective of involving people in building rural assets, the Government of Maharashtra introduced the Yashwant Gram Samrudhi Yojana (YGSY) in August 2002. Under the scheme, two works at a total estimated cost upto Rs 10 lakh can be undertaken in a financial year by the GP concerned. The works of essential and urgent nature are to be decided and sanctioned by the Gram Sabha. After selection of the work and collection of 15 *per cent* Popular Contribution (PC) (10 *per cent* for SC/ST areas) from the villagers, the State Government would release the balance amount of 85 *per cent* grants-in-aid in three installments in the ratio of 40: 40: 20. The work is required to be taken up and completed between 15 September and 31 March of the respective year. The total outlay of the project till 31 March 2009 was Rs 1448.83 crore which included PC of Rs 211.89 crore. Out of 27909 GPs in the State, the scheme was implemented in 21178 GPs wherein 24030 works were taken up during 2002-09.

The scheme was intended to encourage execution of works of choice by the GPs and active participation of villagers in decision making, creation and maintenance of assets, reflecting the true spirit of devolution of functions to Panchayati Raj Institutions (PRI).

3.9.2 Organizational Set-up

The Rural Development Department (RDD) of the State Government disburses the grants through ZPs, which further routes the same through PSs to the GPs. GP is responsible for the implementation and monitoring of the project. The organizational structure is as follows:



3.9.3 Audit scope and methodology

The YGSY is implemented throughout the State, except Mumbai, through respective ZPs. The implementation of the scheme was examined in eight ZPs⁴⁰ out of 33 ZPs, ensuring atleast one ZP from each division, along with four PSs⁴¹ under each ZP and 4 GPs under each PS. Thus, eight ZPs, 32 PSs and 128 GPs were selected through random sampling technique.

3.9.4 Financial Management

As per the scheme guidelines, maximum of two works costing upto Rs 10 lakh can be taken up by each GP during each financial year. As the selection and

⁴⁰ Ahmednagar, Akola Auarangabad, Bhandara, Jalgaon, Pune, Raigad and Satara

⁴¹ Ahmednagar, - Parner, Rahuri, Akole and Sangamner; Akola – Akola, Balapur, Barshi Takli and Murtizapur; Auarangabad- Fullambri, Sillod, Soegaon and Paithan Bhandara-Bhandara, Tumsar, Sakoli and Lakhani, Jalgaon- Jamner, Chopada, Pachora and Yawal, Pune- Baramati, Junner, Ambegaon and Haveli, Raigad- Pen, Panvel, Roha and Alibag and Satara- Phaltan, Karad, Mahabaleshwar and Wai

execution of the work was the responsibility of the GP, the role of State Government was only to ensure availability of funds.

The scheme envisaged Government grants upto Rs 8.50 lakh (Rs 9 lakh for SC/ST areas) *per annum* per GP, subject to collection of PC by the GP. The total requirement of Government grants for the period from 2002-03 to 2005-06 amounted to Rs 1284.26 crore. However, the Government grants provided till 2005-06 were only Rs 768.66 crore as follows:

(Rupees in crore)

| Year of sanction of works | Demand based on PC Collection | | Amount released by the State Government | Percentage release |
|---------------------------|-------------------------------|--------------------------|---|--------------------|
| | Demand for the year | Demand including backlog | | |
| 2002-03 | 319.69 | 319.69 | 152.36 | 47.66 |
| 2003-04 | 168.34 | 335.67 | 141.92 | 42.28 |
| 2004-05 | 206.30 | 400.05 | 219.57 | 54.89 |
| 2005-06 | 589.93 | 770.41 | 254.81 | 33.07 |
| Total | 1284.26 | | 768.66 | |

Due to resource crunch, the State Government stopped PC collection from April 2006 onwards and for the remaining amount of Rs 515.60 crore in respect of PC already collected, grant of Rs 468.17 crore was provided during the period from 2006-07 to 2008-09 as indicated below:

| Year of release of grants for PC collected upto 2005-06 | Amount released (Rupees in crore) |
|---|-----------------------------------|
| 2006-07 | 150.00 |
| 2007-08 | 61.13 |
| 2008-09 | 257.04 |
| Total | 468.17 |

It is evident from the table that the scheme was introduced without proper financial planning by the State Government. Number of works undertaken during the last seven years was 24030 works which was far less than even one work per GP. Although the scheme provided for release of grants only to those GPs which deposited the required PC, the State Government did not ensure participation of all GPs through adequate publicity. If PC had been collected as per scheme guidelines, the total number of works that could have been executed during the last seven years by all GPs would be 195363 as against a meager 24030 works undertaken out of Government grants of Rs 1236.83 crore during 2002-09. Adequate planning and wide publicity would have ensured reasonable number of works for each GP and ensured overall development of GPs under the scheme.

3.9.4.1 Popular contribution vis-à-vis contractors contribution–adverse impact

Under YGSY, works costing up to Rs 10 lakh were sanctioned after collection of 15 *per cent* (10 *per cent* for SC/ST areas) of estimated cost as PC from the villagers.

The scheme was originally envisaged to be executed by the villages directly. However, subsequently execution of works through contractors was permitted from December 2002. The Tata Institute of Social Sciences who conducted a review of the scheme reported that PC was mainly made by contractors. Further, payment of PC by contractors would not only go against the spirit of public participation but also had a bearing on the quality of the works executed by the contractors, who have paid the contribution and got the work allotted to them.

It was noticed during audit that in six cases in Fullambri PS in ZP Aurangabad, the number of persons who contributed PC ranged from one to 12 persons.

3.9.4.2 Inadequacy of budgetary support

During the first year of implementation of the scheme (2002-03), the requirement of Government grants based on PC collected was Rs 319.69 crore. Against this, the grant provided by State Government was only Rs 152.36 crore and even out of this Rs 110.20 crore was provided by diversion of Central Government grants under Eleventh Finance Commission (EFC). Thus the scheme was introduced in 2002-03 with a budgetary support of only Rs 42.16 crore although the requirement was Rs 319.69 crore in the first year itself. Further diversion of Rs 111.66 crore was made from EFC grants during 2003-05 resulting in an overall diversion of Rs 221.86 crore from EFC grants during 2002-03 to 2004-05.

3.9.4.3 Diversion of YGSY grants by PRIs

During 2004-05 to 2007-08, PS Karad diverted YGSY funds of Rs 1.56 crore for investment in short term fixed deposits for 3 to 6 months in banks. Further, in PS Balapur of ZP Akola and PS Sillod of ZP Aurangabad, YGSY funds of Rs 1.17 crore were irregularly diverted as security deposit for opening of Mahila Bachat Gat (self help group). While the funds of Rs 62 lakh were subsequently recouped in PS Sillod (June 2009), the funds diverted in PS Balapur (Rs 55 lakh) had not been recouped (April 2009).

3.9.4.4 Delay in release of funds by the State Government and PSs

Under YGSY, the funds were to be released by the Government to ZPs for further distribution to PSs. The PSs were to release funds to GPs in three

installments of 40:40:20 by 10 November, 20 December and 15 February respectively.

However, it was observed that the State Government released Rs 257.04 crore and Rs 61.13 crore for 2005-06 to ZPs after a delay of three years and two years respectively. It was further noticed that ZPs Akola, Aurangabad, Bhandara and Jalgaon released funds amounting to Rs 10.09 crore to PSs with delays of more than six months in nine instances.

ZP Aurangabad stated (June 2009) that the delay was mainly due to verification of PC and other ZPs stated that the delay was due to administrative reasons. While the delay in release of funds by Government to ZPs was due to inadequate planning of funds by State Government as stated earlier, the administrative delay in release of funds by ZPs to PSs lacks justification.

Due to abnormal delay in release of funds, the time schedule prescribed under the guidelines could not be adhered to. This resulted in blockage of funds at ZP and PS level and delay in execution of works at GP level. The delay in release of funds had an adverse impact on the scheme as PCs were withdrawn by GPs as indicated in Paragraph 3.9.6.2.

3.9.4.5 Loss of interest due to unspent funds kept in District Central Co-operative Bank

Grants received from Government is generally drawn and kept in district fund by ZPs. It was noticed in all the test checked ZPs that the district fund was maintained in District Central Co-operative Bank (DCC Bank) which did not provide any interest. In ZP Akola, Aurangabad, Bhandara and Jalgaon, funds amounting to Rs 10.59 crore were kept for periods ranging from three months to 11 months in DCC bank resulting in loss of interest of Rs 27.27 lakh.

3.9.4.6 Non-refund of interest and excess grants

According to the scheme guidelines, interest earned by PRIs on the funds kept in savings bank account should be credited back to the State Government. The excess grants, if any, are also required to be refunded by the PSs/GPs.

It was, however, noticed that 16 PSs and 102 GPs had not refunded the accrued interest of Rs 1.63 crore and Rs 10 lakh respectively to the State Government. Further, 22 PSs have not refunded the excess grant of Rs 26.18 lakh in respect of 65 works to the respective ZPs.

3.9.5 Implementation of scheme

3.9.5.1 Incomplete works

As of March 2009, the physical achievement under the scheme was as follows:

| Year | Number of works sanctioned and taken up | Estimated cost of works (Rupees in crore) | Number of works completed | Expenditure (grant disbursed excluding PC) (Rupees in crore) |
|--------------|---|--|---------------------------|---|
| 2002-03 | 2500 | 174.12 | 2500 | 152.36 |
| 2003-04 | 2362 | 162.19 | 2362 | 141.92 |
| 2004-05 | 3890 | 286.27 | 3890 | 219.57 |
| 2005-06 | 8003 | 291.21 | 6688 | 254.81 |
| 2006-07 | 2006 | 171.42 | 0 | 150.00 |
| 2007-08 | 690 | 69.86 | 0 | 61.13 |
| 2008-09 | 4579 | 293.76 | 0 | 257.04 |
| Total | 24030 | 1448.83 | 15440 | 1236.83 |

It would be evident from above that as many as 8590 works (36 *per cent*) with an estimated cost of Rs 517.92 crore were incomplete as of March 2009.

3.9.5.2 Execution of inadmissible works

The scheme guideline stipulates that the works undertaken should be of essential and urgent nature. It also specifies the works which cannot be executed under the scheme. Works such as Mangal Karyalaya, Multipurpose Hall, public meeting hall, Rangmanch were not admissible under YGSY.

Audit scrutiny revealed that 16 PSs executed 172 works costing Rs 9.53 crore which are listed as ‘inadmissible works’ under the scheme.

The execution of inadmissible works was not only a violation of Government order but also adversely affects the execution of admissible works under the scheme.

3.9.5.3 Excess expenditure

In respect of works being executed by GPs, 5 *per cent* of the profit margin has to be credited to the village fund since estimates are prepared as per PWD DSR which included 10 *per cent* contractor’s profit.

Audit scrutiny revealed that the above provisions were not observed by any of the 128 GPs test checked in respect of works executed under the scheme. This had resulted in excess expenditure of Rs 70.44 lakh representing 5 *per cent* of the cost of 201 works undertaken in these GPs.

3.9.5.4 Unfruitful expenditure

In PS Wai, ZP Satara, six irrigation schemes costing Rs 34.25 lakh were completed in 2005-06. Due to inadequate provision of fund for electricity connection, the required amount of deposit could not be made to MSEB by the GPs. Due to non-provision of electricity connection, the irrigation schemes could not be put to use rendering the expenditure of Rs 34.25 lakh unfruitful even after the lapse of three years of their completion.

3.9.5.5 Construction of roads without required gutters

As per the guidelines of YGSY, the work of construction of road should be accompanied with construction of side gutters so that roads could be saved from damage during rainy season.

In 177⁴² road works constructed during 2002-03 to 2008-09 the required side gutters were not constructed leaving them vulnerable to damage due to water logging.

3.9.6 Other points of interest

3.9.6.1 Statutory deductions

In the case of works being executed by the GPs departmentally, the deductions of Income Tax, Sales Tax (Value Added Tax), insurance charges, security deposit *etc.*, were not to be recovered by PSs from the work bills of GPs while releasing installment. However, in 275 cases, seven PSs had erroneously made these deductions amounting to Rs 53.41 lakh.

On the contrary, the statutory deductions amounting to Rs 12.56 lakh were not made by the 25 GPs in 72 cases from the works bills of the contractors.

3.9.6.2 Withdrawal of popular contribution

In three test checked ZPs, 148 GPs have withdrawn their PC amounting to Rs 162.78 lakh. This included :

- Rs 40.05 lakh by 29 GPs in ZP Aurangabad due to delay in sanction of works for 2005-06 by CEO/ZP.
- Rs 16.88 lakh by 16 GPs in ZP Jalgaon due to delay in release of funds.
- Rs 105.85 lakh by 103 GPs in ZP Solapur during December 2005 to March 2006 resulting in refund of grants of Rs 5.02 crore to the State Government (December 2008).

Thus, delay in sanction of works and release of grants had an adverse impact on the overall implementation of the scheme.

3.9.6.3 Other Irregularities

(i) In GP Chitegaon under PS Paithan, ZP Aurangabad, PC amounting to Rs 0.75 lakh was transferred from village fund as PC instead of collecting the same from villagers. The transfer of village revenue instead of collecting PC as prescribed amounted to irregular expenditure of State Government funds.

(ii) In GP Andhari under PS Sillod, ZP Aurangabad, shopping complex was constructed at a cost of Rs 20 lakh during 2002-03 and 2003-04. The allotment of shops was made only to those 53 persons who paid the PC. This

⁴² Cost of construction of 55 roads was Rs 4.09 crore

resulted in utilization of State Government grants for extending undue favour to few individuals.

3.9.7 IEC Activities

Under YGSY, training at GP level, PS level, ZP level and also within the department was required to be conducted for effective and proper implementation of the scheme. However, no training was provided and lapses by the implementing officers in execution of the schemes as detailed in earlier paragraphs can be attributed to lack of training.

Further, the guidelines provided for one *per cent* of the available funds to be spent for publicity of the scheme. The one *per cent* of the total amount spent on the scheme during 2002-09 period works out to Rs 12.36 crore. However, no expenditure had been incurred for publicity and non-coverage of the scheme in 6731 villages could be attributed to lack of publicity.

3.9.8 Monitoring mechanism

For timely and efficient execution of any project, there should be adequate monitoring mechanism to watch the physical and financial progress of the work. The system also should have sufficient built in internal control to guard against time and cost overrun and to ensure compliance of instructions on the scheme. The following points, however, reflects the inadequacy of internal control and monitoring mechanism in implementation of YGSY.

3.9.8.1 Social audit and inspection of work

Under YGSY, social audit of a work is required to be done by villagers. Further, inspection of the work is required to be done by the BDO, Extension Officer, Deputy Engineer *etc.* However, out of 128 GPs test checked, 92 GPs had not conducted the envisaged social audit. The inspection reports of inspections conducted, if any, on the progress of work were not on record in any of the PRIs test checked.

3.9.8.2 Mid term appraisal of scheme not carried out

As per the guidelines, the BDOs should conduct midterm appraisal/evaluation of the scheme during October/November each year and allot the grants not immediately required by GPs (for which grants were sanctioned and received) to other GPs who require the grants.

However, it was noticed that no midterm appraisal was carried out to assess the situation and divert funds to needy works.

3.9.9 Conclusion

YGSY was implemented in the State without adequate planning on requirement of funds. As against the requirement of Rs 1284.26 crore during the period 2002-09, the State Government provided only Rs 768.66 crore and consequently only 24030 works (13 *per cent*) were taken up as against the estimated 195363 works during the scheme period. In 45 GPs, PC amounting to Rs 56.93 lakh for works costing Rs 3.80 crore was withdrawn due to delay in release of funds by the State Government. Out of the 24030 works involving Rs 1448.83 crore undertaken during past seven years, 8590 works (36 *per cent*) were still incomplete. Cases of irregular diversion of funds and execution of inadmissible works were noticed. Monitoring mechanism was weak as in most of GPs the social audit as envisaged in the scheme was not conducted and mid-term appraisal was not carried out.

3.9.10 Recommendations

- State should have a proper plan to assess the fund requirement and make available the same in the respective year.
- The GPs should be encouraged to prepare perspective plan for implementation of the scheme.
- Incomplete works should be completed in time bound manner and accountability should be ensured strengthening internal control system.
- Contribution from contractors should be discouraged and villagers involvement be ensured as envisaged under the scheme.

SECTION B

CHAPTER IV

ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

4.1 Introduction

4.1.1 In keeping with the 74th Constitutional Amendment, the Government of Maharashtra (GOM) amended in December 1994, the existing Mumbai Municipal Corporation (MMC) Act, 1888, the Bombay Provincial Municipal Corporation (BPMC) Act, 1949, the Nagpur Municipal Corporation (NMC) Act, 1948 and the Maharashtra Municipal Councils (MMC) Act, 1965. All the Corporations except Brihanmumbai Municipal Corporation (BMC) and the NMC which had enacted their own Acts are governed by the provisions of amended BPMC Act. As on 31 March 2008, there were 22 Municipal Corporations and 222 Municipal Councils in Maharashtra.

4.1.2 Out of the 18 functions referred to in the Twelfth Schedule of the Constitution, 12 functions were assigned to the Urban Local Bodies (ULBs) under Sections 61 and 63 of the MMC Act and Section 63 of the BPMC Act, prior to the 74th amendment. The remaining six functions were also transferred/assigned to the ULBs after 1994.

4.2 Organisational set up

4.2.1 As per the Census of 2001, the total population of Maharashtra was 9.69 crore, of which 42.42 *per cent* was from urban areas. The state has 40 cities/urban agglomerations having a population of over one lakh.

4.2.2 Twenty two Municipal Corporations in the state have been created for urban agglomerations having a population of more than three lakh. These Corporations have been classified into four categories *i.e.* A, B, C and D, based on the criteria of population, *per capita* income and *per capita* area. At present, apart from the BMC which is in category A, there are two Corporations⁴³ in category 'B' and four⁴⁴ and 15⁴⁵ Corporations in categories C and D respectively.

⁴³ Nagpur and Pune

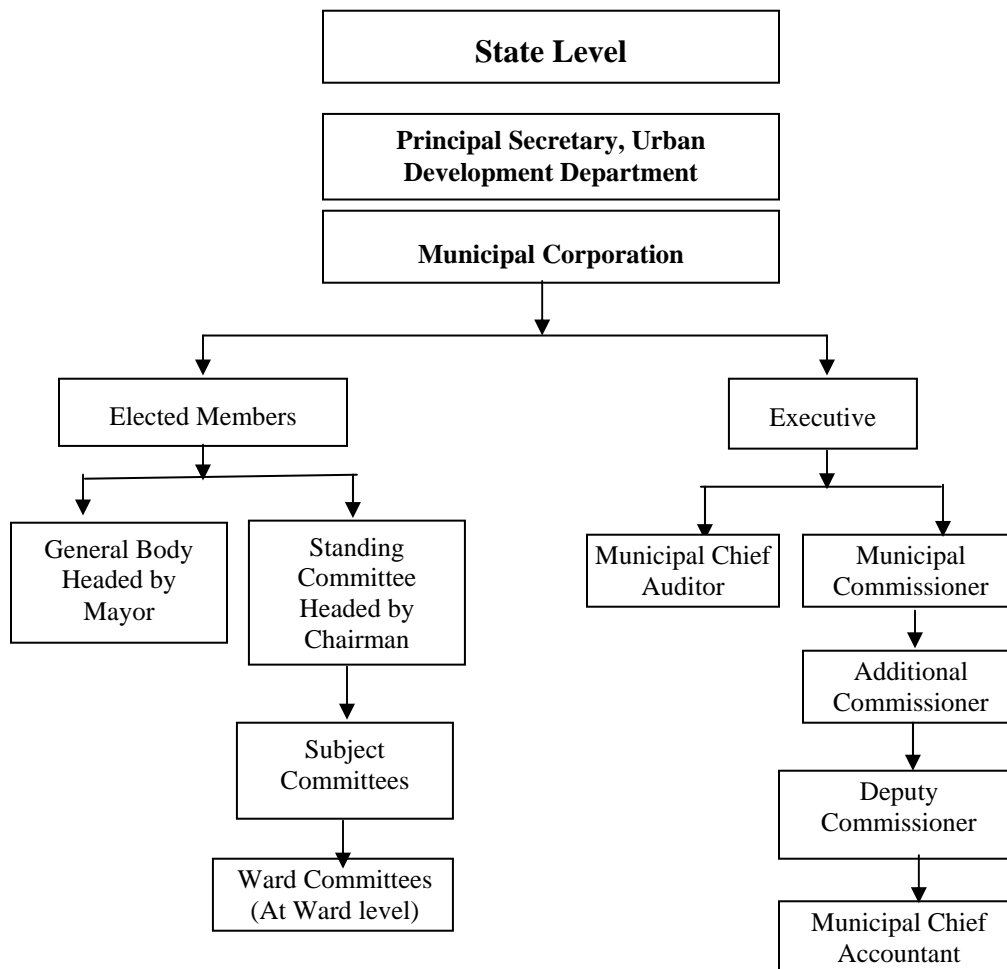
⁴⁴ Nashik, Navi Mumbai, Pimpri-Chinchwad and Thane

⁴⁵ Ahmednagar, Akola, Aurangabad, Amravati, Bhiwandi-Nizampur, Dhule, Jalgaon, Kalyan-Dombivli, Kolhapur, Malegaon, Mira-Bhayander, Nanded-Waghala, Sangli-Miraj-Kupwad, Solapur and Ulhasnagar.

4.2.3 Similarly, 222 Municipal Councils have been created for smaller urban areas and categorized based on their population. At present, there are 18 'A' class (having population more than one lakh), 62 'B' class (having population more than 40,000 but not more than one lakh) and 142 'C' class (having population of 40,000 or less) Municipal Councils.

4.3 Organisational Structure

4.3.1 The organisational set up of Municipal Corporations is depicted below:



4.3.2 The accountability structure of a Municipal Corporation is as follows :

| Sr. No. | Name of the Authority | Accountable for |
|---------|-----------------------|--|
| 1 | General Body | Policy decisions related to expenditure from the Corporation's Municipal Fund, implementation of various projects, schemes, etc. |
| 2 | Standing Committee | All functions related to approval of budget and sanction for expenditure as per the delegation. (Can delegate its |

| | | |
|---|----------------------------|--|
| | | powers to sub Committee/s). |
| 3 | Municipal Commissioner | Administration and execution of all schemes and projects subject to conditions imposed by the General Body |
| 4 | Municipal Chief Accountant | Preparation of the annual budget and finalisation of accounts and internal audit. |
| 5 | Municipal Chief Auditor | Audit of municipal accounts, preparation and submission of Audit Reports to the Standing Committee |

4.4 Financial profile

4.4.1 Municipal Funds are constituted under the provisions contained in the MMC Act, 1888 and BPMC Act, 1949. All the moneys received by or on behalf of the Corporations under the provisions of the respective Acts, all moneys raised by way of taxes, fees, fines and penalties, all moneys received by or on behalf of Corporation from the Government, public or private bodies, from private individuals by way of grants or gifts or deposits and all interest and profits are credited to the Municipal Funds.

4.4.2 The State Government and the Government of India release grants to the Municipal Corporations for implementation of schemes of the State sector and for centrally sponsored schemes, respectively. In addition, grants under the State Finance Commission and the Central Finance Commission recommendations are released for developmental works.

4.4.3 The accounts of each scheme/project are required to be kept separately. Utilisation Certificates are required to be sent to the Central Government for centrally sponsored schemes and to the State Government for State schemes.

4.4.4 Under the BPMC Act and the MMC Act, Corporations are required to constitute special purpose funds *e.g.* Water and Sewerage Fund, Depreciation Fund, Sinking Fund, *etc.* The capital works of water supply schemes and sewerage projects are to be executed out of the Water and Sewerage Fund. The Depreciation Fund is to be created for replacement of capital assets. The Sinking Fund is to be created for redemption of long term loans.

4.4.5 The consolidated position of receipts and expenditure of ULBs are not maintained at the State level. This information although called for (July 2009) from the State Government is yet to be received. As per the Annual Reports published by GOM, Directorate of Economics and Statistics under the heading Economic Survey of Maharashtra for the years 2007-08 and 2008-09 and the figures furnished by BMC for 2007-08, the overall receipts and expenditure of the Corporations in the State from 2005-06 to 2007-08 is as follows:

| (Rupees in crore) | | | |
|------------------------|---------|---------|-----------------------|
| Item | 2005-06 | 2006-07 | 2007-08 ⁴⁶ |
| Receipts ⁴⁷ | 12927 | 16217 | 18348 |
| Expenditure | 12335 | 14820 | 16728 |

However, based on the information received from the all the Corporations for the year 2007-08, the total receipts worked out to Rs 19581 crore and expenditure Rs 16779 crore as detailed in the **Appendix VII**. Further, the above figures for 2007-08 includes total receipts and expenditure of BMC for 2007-08 amounting to Rs 10075 and Rs 7528 crore respectively which were furnished by BMC in September 2009 as unreconciled figures. BMC is yet to reconcile and finalize the receipts and expenditure figures for 2007-08 inspite of lapse of one and a half years.

4.4.6 Receipts

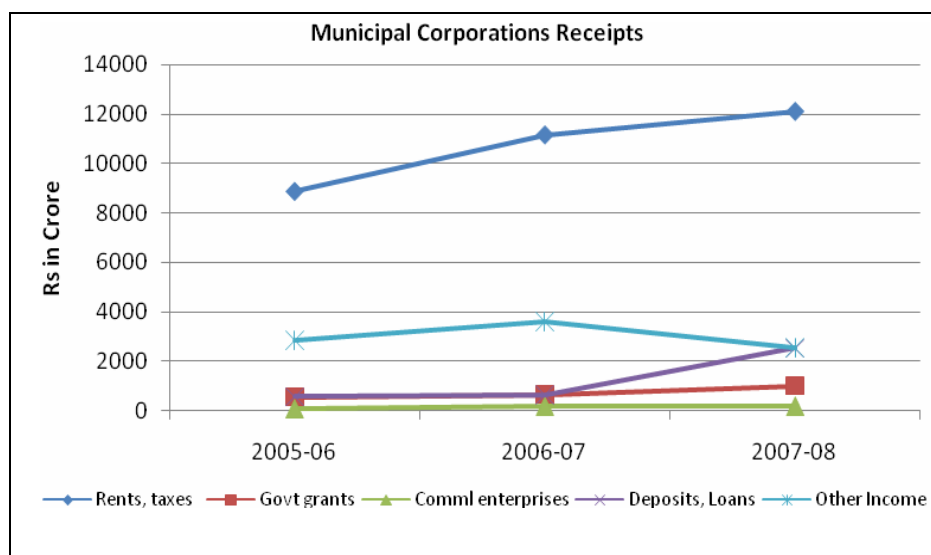
As per the Economic Survey of Maharashtra for the year 2007-08 and 2008-09, and information furnished by BMC, the total receipts from various sources during the last three years in respect of all the Corporations were as follows.

(Rupees in crore)

| Items | 2005-06 | Percentage to total receipts | 2006-07 | Percentage to total receipts | 2007-08 | | | Percentage to total receipts |
|--|--------------|------------------------------|--------------|------------------------------|----------------|--------------|--------------|------------------------------|
| | | | | | Other than BMC | BMC | Total | |
| Rents, taxes etc. including octroi, property tax and water charges | 8867 | 68.59 | 11147 | 68.74 | 5751 | 6343 | 12094 | 65.91 |
| Government grants | 552 | 4.27 | 636 | 3.92 | 881 | 109 | 990 | 5.40 |
| Commercial enterprises | 95 | 0.73 | 199 | 1.22 | 120 | 78 | 198 | 1.08 |
| Deposits and Loans, etc. | 578 | 4.47 | 640 | 3.95 | 1045 | 1480 | 2525 | 13.76 |
| Other Income | 2835 | 21.94 | 3595 | 22.17 | 476 | 2065 | 2541 | 13.85 |
| Total Receipts | 12927 | 100.00 | 16217 | 100.00 | 8273 | 10075 | 18348 | 100.00 |

⁴⁶ Includes the unreconciled figures furnished (September 2009) by BMC

⁴⁷ Excluding opening balance



Total receipt of all Municipal Corporations in the State during 2007-08 was Rs 18348 crore which was higher by 13.14 *per cent* over previous year. The receipts on account of rent, taxes *etc.* to total receipts reduced from 68.74 *per cent* in 2006-07 to 65.91 *per cent* in 2007-08.

Arrears in Tax collection: A scrutiny of records furnished by the Corporations revealed that water tax aggregating to Rs 1229.39 crore (**Appendix VIII**) and Property tax aggregating to Rs 4222.40 crore (**Appendix IX**) had been outstanding for recovery as at the end of March 2008 which requires proper monitoring and effective action.

4.4.7 Expenditure

As per the Economic Survey of Maharashtra for the year 2007-08 and 2008-09 the total item-wise expenditure of all Municipal Corporations put together in the state for the last three year are as follows:

(Rupees in crore)

| Municipal Corporation Item | 2005-06 | | 2006-07 | | 2007-08 | | | |
|--|--------------|---------------------------------|--------------|---------------------------------|----------------|--------------------------|--------------|---------------------------------|
| | | Percentage to total expenditure | | Percentage to total expenditure | Other than BMC | BMC | Total | Percentage to total expenditure |
| 1. Administration | | | | | | | | |
| (a) Establishment | 4677 | 37.92 | 4265 | 28.78 | 1748 | 2993 | 4937 | 29.51 |
| (b) Others | 235 | 1.91 | 209 | 1.41 | 196 | - | - | - |
| 2. Recovery of taxes | 37 | 0.30 | 45 | 0.30 | 20 | 6515 | 11791 | 70.49 |
| 3. Street lighting | 205 | 1.66 | 274 | 1.85 | 235 | | | |
| 4. Water Supply | 1232 | 9.99 | 1410 | 9.51 | 921 | | | |
| 5. Public Security | 29 | 0.24 | 42 | 0.28 | 114 | | | |
| 6. Public Health | 503 | 4.08 | 651 | 4.39 | 109 | | | |
| 7. Drainage and sewerage | 465 | 3.77 | 1047 | 7.07 | 462 | | | |
| 8. Construction works | 932 | 7.56 | 1462 | 9.87 | 1560 | | | |
| 9. Transport | 247 | 2.00 | 439 | 2.96 | 30 | | | |
| 10. Education | 183 | 1.48 | 289 | 1.95 | 94 | | | |
| 11. Expenditure on weaker sections | 26 | 0.21 | 58 | 0.39 | 50 | | | |
| 12. Extraordinary expenditure and loans extended | 590 | 4.78 | 871 | 5.88 | 542 | | | |
| 13. Other expenditure | 2974 | 24.10 | 3758 | 25.36 | 1139 | | | |
| Total Col 2 to 13 | 7423 | 60.17 | 10346 | 69.81 | 5276 | 6515⁴⁸ | 11791 | 70.49 |
| Total expenditure | 12335 | 100.00 | 14820 | 100.00 | 7220 | 9508 | 16728 | 100.00 |

Thus, out of total expenditure of Rs 16728 crore during 2007-08, the share of expenditure on the main functions was on Administration (29.51 *per cent*), and other works and services (70.49 *per cent*) as in the case of 2006-07. In the case of BMC, the total expenditure Rs 9508 crore for 2007-08 comprised the following.

| Expenditure | Rupees in crore | Percentage to total expenditure |
|-------------------------------|-----------------|---------------------------------|
| Establishment expenses | 2860 | 30.08 |
| Administrative Expenses | 133 | 1.40 |
| Operation and maintenance | 1415 | 14.88 |
| Interest and Finance Expenses | 393 | 4.13 |
| Programme Expenses | 50 | 0.53 |
| Revenue Grants, Contribution | 2486 | 26.15 |
| Provision and Write off | 67 | 0.71 |
| Depreciation | 124 | 1.30 |
| Capital Expenditure | 1980 | 20.82 |
| Total | 9508 | 100.00 |

⁴⁸ Includes Capital Expenditure of Rs 1980 crore. BMC could not furnish the figure of expenditure for 2007-08, under the caption mentioned above and so total expenditure (other than administration and establishment) has been clubbed.

4.5 Twelfth Finance Commission grants

4.5.1 As stated in Para 6.11 of Report of C&AG for the year 2006-07 (Local Bodies–Government of Maharashtra), the Twelfth Finance Commission (TFC) recommended grant of Rs 791 crore to the ULBs in Maharashtra State for the years 2005-06 to 2009-10, payable at Rs 158.20 crore every year to be utilised for development of civic services and basic amenities in the urban areas. Out of this, Rs 316.40 crore had been received during the period upto 2007-08. Subsequently during 2008-09, the State received TFC grants of Rs 237.30 crore for ULBs. The position of receipt and expenditure of TFC grant for ULBs is as follows.

(Rupees in crore)

| Installments | Period of receipt | Amount received | Amount spent | | |
|-----------------------|--------------------|-----------------|--------------|---------------|------------|
| | | | Up to | Amount | Percentage |
| I to V | 2005-06 to 2007-08 | 316.40 | June 08 | 229.68 | 73 |
| VI to VII | 2008-09 | 237.30 | Sept 09 | 57.70 | 24 |
| Total I to VII | 2005-09 | 553.70 | | 287.38 | 52 |

The TFC grants received upto 2007-08 had been audited and cases of delay in utilization and diversion *etc* of TFC grants had been given in the para 6.11 of Report of C&AG for the year 2006-07. However, out of Rs 553.70 crore of the total TFC grants, the Corporations had utilized Rs 287.38 crore (September 2009) only.

4.6 Accounting arrangements

4.6.1 Section 93 of the BPMC Act, 1949 and Section 123 of MMC Act, 1888 provide that the accounts of the Corporations should be maintained in the formats prescribed by the Standing Committees. In pursuance of the Eleventh Finance Commission (EFC) recommendations, the Task Force constituted by the CAG had prescribed an accrual based accounting system for ULBs. In accordance with the Task Force recommendations (2002), the Ministry of Urban Development, Government of India in consultation with C&AG had prescribed the National Municipal Accounts Manual (NMAM) for implementation of accrual based accounting system by ULBs.

4.6.2 The GOM adopted (July 2005) the NMAM for implementation from 2005-06. The State Accounting Manual in conformity with the NMAM was under preparation. Till finalisation of the Manual, all Corporations were directed to maintain their accounts on accrual basis from the year 2005-06, as

per the NMAM guidelines. The Steering Committee constituted by the State Government also recommended (January 2007) the implementation of accrual system of accounting in the ULBs. Six Corporations *viz* Akola, Bhiwandi, Dhule, Jalgaon, Mira-Bhayander and Solapur were yet to maintain their accounts on accrual basis as per the NMAM guidelines and these Municipal Corporations stated that the work is in progress for implementing accrual system. GOM informed (August 2008) that 25 Municipal Councils have also adopted accrual based accounting system.

4.7 Audit Arrangements

4.7.1 Municipal Chief Auditor (MCA) is appointed by the respective Corporation under Section 78(a) of the MMC Act, 1888 and Section 45(i) of the BMC Act, 1949. The pay and allowances of the MCA is borne on the establishment expenditure of the respective Corporation.

4.7.2 Section 105 of the BMC Act, 1949 and Section 135 of the MMC Act, 1888 provide that the MCA should audit the Municipal accounts and submit a report thereon to the Standing Committee. This report should comment on the instances of material impropriety or irregularities which the MCA may, at any time, observe in the expenditure or in the recovery of the money due to the Corporation. Section 136 of the MMC Act, 1888 further provides that the MCA shall examine and audit the statement of accounts and shall certify and report upon these accounts.

4.7.3 It was noticed that in respect of Nagpur, Nasik, Navi Mumbai, Pimpri-Chinchwad and Sangli-Miraj Kupwad Municipal Corporations, audit of the annual accounts by MCA is in arrears for the period ranging from 2001-02 to 2007-08 and no reports were submitted to the Standing Committees.

The entrustment of audit of accounts of the Corporations to a person who is under the administrative control of the Corporation dilutes the independency of the auditor.

4.7.4 The State Government issued orders in October 2002 entrusting the audit of Municipal Corporations to the C&AG of India. The C&AG conducts audit of Municipal Corporations under Section 14(2) of the C&AG's Duties, Powers and Conditions of Services (DPC) Act, 1971. The audit of Municipal Councils has not been entrusted by the State Government to C&AG.

The audit observations on financial irregularities and defects in initial accounts/records noticed during local audits but not settled on the spot are communicated to the heads of offices and departmental authorities through Inspection Reports. Statements indicating the number of observations outstanding for over six months are also sent to the Government for action.

4.8 Internal Control

4.8.1 The Commissioners, Officers and the elected bodies/standing committees are mainly responsible for the internal control. For efficient implementation of the functions transferred to the ULBs, all deficiencies pointed out by the Accountant General's audit were required to be complied with as early as possible and this would ultimately be helpful in achieving the objective of service to the urban population. However, the position of huge outstanding Audit Inspection reports and paras issued by Accountant General, Maharashtra to the Corporations, as detailed below, is a reflection of inadequate internal control.

| Year | Inspection Reports | | | Paragraphs | | |
|--------------|--------------------|-----------|------------|-------------|------------|-------------|
| | Mumbai | Nagpur | Total | Mumbai | Nagpur | Total |
| Upto 2002-03 | 52 | 1 | 53 | 213 | 12 | 225 |
| 2003-04 | 16 | 1 | 17 | 59 | 32 | 91 |
| 2004-05 | 57 | 5 | 62 | 234 | 229 | 463 |
| 2005-06 | 45 | 2 | 47 | 190 | 63 | 253 |
| 2006-07 | 89 | 5 | 94 | 392 | 157 | 549 |
| 2007-08 | 45 | 5 | 50 | 276 | 169 | 445 |
| Total | 304 | 19 | 323 | 1364 | 662 | 2026 |

The arrears in audit of the Corporations by MCA as already pointed out in Para 4.7.3 also indicates weaknesses in the internal control of the Corporations.

4.9 Conclusion

Octroi receipts continued to be the major source of revenue of ULBs. Next to that property tax and water tax also was the major source of revenue to the Corporation. However, large scale arrears in collection of water tax and property tax indicates lack of internal control and improper monitoring which ultimately can affect the financial position of the Corporation and hamper the development activities. TFC grants were utilised to the extent of 52 *per cent* affecting the development of civic services and basic amenities.

Although the GOM adopted (July 2005) the NMAM for implementation from 2005-06, the ULBs had not implemented the same so far. Arrears in audit of Municipal Corporations by MCAs indicate weak internal control. Further, the entrustment of audit of accounts of the Corporations to MCA, who is under the administrative control of the respective Corporation was against the principles of independence of auditors.

4.10 Recommendations

- The State Government should consider early implementation of National Accounting Manual by all ULBs.
- Government should consider effective audit of the annual accounts and transactions of all Municipal Corporations by MCA.
- ULBs should ensure timely compliance to the Audit observations especially on financial irregularities for overcoming the deficiencies in the working of the ULBs.
- Steps should be taken for recovery of water and property tax.
- Steps to be taken for expediting utilization of TFC grants
- BMC has to ensure timely compilation and audit of its annual accounts.

CHAPTER V

AUDIT OF TRANSACTIONS

URBAN DEVELOPMENT DEPARTMENT

AKOLA MUNICIPAL CORPORATION

5.1 Unintended benefit to the property holders

Failure of the Akola Municipal Corporation to raise Special Water Tax demand of Rs 3.12 crore resulted in extending unintended benefit to the property holders

The model bye-laws in respect of Water Supply and Special Water Tax (SWT) were notified by the Government of Maharashtra (GOM) in June 1978. The schedule prescribing minimum rates for recovery of SWT depending on nature of locality, usage (Residential/Commercial) and diameter of connection appended to the said bye-laws was amended in April 1997. The Akola Municipal Corporation (AMC) after formation in October 2001 continued to levy the rates adopted by the then Municipal Council from 1 April 2000. The Water Works Department (WWD) of AMC provides water connections (WC) to the property holders subject to payment of charges including SWT for the year. The list of connections provided during the year is passed on to the Property Tax Department (PTD) for raising demand of SWT along with Property Tax (PT) in future.

Scrutiny of records of AMC (November 2008) and subsequent verification (May 2009) revealed that 32534 connections were provided upto 31 March 2008 by the WWD. The details of connections provided were passed on to PTD for raising demand from the subsequent years. The demand of PT including SWT was, however, raised for 23543 WCs only. The demand covering the period upto 31 March 2008 for 8991 WCs amounting to Rs 3.12 crore was not raised due to non updating the records by PTD. Of this outstanding amount, Rs 1.28 crore pertains to a comparatively current period from 2002-03.

On this being pointed out, the AMC accepted (May 2009) the facts and stated that the recovery of SWT would be enforced through a special drive.

Thus, failure of the AMC to update the PT records over six years, lack of monitoring of PTD by the higher management and non-raising of demands for

SWT of Rs 3.12 crore along with PT has resulted in deferment of revenue and extending unintended benefit to the property holders.

The matter was referred to Government in May 2009; reply had not been received (November 2009).

BRIHANMUMBAI MUNICIPAL CORPORATION

5.2 Loss of revenue due to non recovery of tax on pet dogs

Non recovery of tax from pet dog owners as required under Mumbai Municipal Corporation Act resulted in loss of revenue of Rupees one crore during last five years

Section 191A of the Mumbai Municipal Corporation Act, 1888 provides that a tax not exceeding Rs 100 *per annum* shall be levied on every dog over the age of six months kept within Brihanmumbai Municipal Corporation (BMC) area. There are four dog units in BMC for collection of tax and issue of licenses for pet dogs. Every person who owns or is in charge of a dog on which tax is leviable is required to submit a return to the Corporation and pay the tax due. The Act requires that BMC shall maintain a register showing the names and addresses of the person liable to pay tax.

It was noticed (December 2008) that from 2004-05 onwards BMC did not maintain authentic data on pet dogs as required under the Act and there was no effective monitoring on recovery of tax on dogs, issue of licenses and submission of returns by dog owners. As stated by BMC (June 2009), 4200 and 7652 licenses only were issued during 2007-08 and 2008-09 respectively as against 27147 pet dogs available in the city as per an Animal Census conducted by BMC in 2007. BMC stated (June 2009) that advertisements were issued through leading news papers during 2008 which resulted in increase in number of pet dog licenses. It was further stated that a decision had been taken to computerize the process of dog licenses and issue them through Citizen Facilitation Centres in 24 Wards under BMC.

Thus, due to failure to create data of dog owners, BMC suffered a recurring loss of revenue of Rs 20 lakh per annum by non-levy of tax on 20,000 dogs (approximately) every year. The revenue lost during 2004-05 to 2008-09 amounted to Rupees one crore.

Also, the sterilization and vaccination of all dogs by BMC could not be ensured in the absence of suitable data. Further, as BMC had not prescribed any standard procedure to ensure the issue of licenses for all pet dogs and depends on voluntary approach by the public, future revenue losses cannot be

ruled out.

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

5.3 Non recovery of Service Tax from a Foreign Service provider

Brihanmumbai Municipal Corporation did not recover Service Tax amounting Rs 27.65 lakh from a Foreign Service provider resulting in overpayment to the contractor and non-payment of Service Tax to Government of India

As per the Service Tax Rules, 1994, in the case of Foreign Service provider, the recipient of the taxable service in India is responsible to deduct applicable taxes from the bills of the service provider and pay to Government of India (GOI).

Audit scrutiny (September 2008) of transactions of BMC for 2006-07 revealed that BMC had entrusted (January 2007) the project work of preparation of master plan for the Veermata Jijabai Bhosle Udyan Zoo to M/s HKS Designer and Consultant International Co. Ltd, Thailand who had quoted a fee of Rs 2.26 crore and Service Tax of Rs 27.65 lakh separately as required by BMC. While making payments during June 2007 to July 2008, BMC did not recover Service Tax of Rs 27.65 lakh from the Foreign Service provider. This has also in a way resulted in overpayment of Rs 27.65 lakh to the contractor and nonpayment of Service Tax to the GOI.

On this being pointed out, BMC stated (January 2009) that the contractor has been asked to pay either the Service Tax immediately or give consent for recovery from subsequent bills due to him. The contractor, however, intimated (January 2009) that the Service Tax included in the contract payment was Service Tax payable in Thailand. Thus, although the Service Tax was quoted separately by Foreign Service provider as per the requirement in the proforma given by BMC (which also worked out to exactly the rate of 12.24 *per cent* payable in India), the failure to indicate it as Service Tax payable to GOI coupled with non compliance of the relevant rules resulted in excess payment of Rs 27.65 lakh to the Foreign Service provider.

The matter was referred to Government in September 2009; reply had not been received (November 2009).

JALGAON MUNICIPAL CORPORATION

5.4 Overpayment of penal charges

Application of incorrect rate of penal charges on belated payment of royalty fee on supply of raw water resulted in overpayment of delayed payment charges of Rs 41.19 lakh

The Jalgaon Municipal Corporation (JMC) is required to pay royalty fee at the prescribed rate for the raw water supplied to it by the Irrigation Department. Delayed payment charges (DPC) are payable at the prescribed rate for belated payment of royalty fee. The State Government revised the rate of the DPC (December 2002) from 10 *per cent* of the monthly outstanding amount of each month to 10 *per cent* of the amount *per annum* from 1 April 2002.

Audit scrutiny revealed (June 2008) that JMC continued to pay DPC to Irrigation Department at the pre-revised rate of 10 *per cent* of the monthly outstanding amount for the period from April 2002 to February 2008 and paid DPC aggregating to Rs 51.15 lakh as against Rs 9.96 lakh payable for the said period. This resulted in overpayment of delayed payment charges of Rs 41.19 lakh.

On this being pointed out in audit, JMC accepted the fact and stated (June 2009) that the matter was taken up with the Irrigation Department in May 2009 for adjustment of the overpaid DPC in future bills. Further report on recovery/adjustment of overpaid amount has not been received (June 2009).

The matter was referred to Government in June 2009; reply had not been received (November 2009).

KOLHAPUR MUNICIPAL CORPORATION

5.5 Loss due to transmission and distribution losses of water and rebate on cess payable to Pollution Control Board

The Kolhapur Municipal Corporation suffered loss of Rs 11.40 crore on account of heavy transmission and distribution loss of water during 2003-09 due to defective construction of the Water Supply Scheme. The Corporation also suffered a loss of Rs 0.36 crore on account of rebate on cess payable to Maharashtra Pollution Control Board due to inadequate provision for sewer water treatment before discharge into the river

The Kolhapur Water Supply Scheme consisting of construction of KT Weir at Shingnapur, transmission and distribution systems, reservoirs and water treatment plant of 60 MLD capacity had been executed by Maharashtra

Jeevan Pradhikaran (MJP) during 1999-2001 as deposit contribution work. Out of the total cost of Rs 40.62 crore, Kolhapur Municipal Corporation (KMC) spent Rs 30.26 crore (76.67 *per cent*) and the balance by the State Government. Audit scrutiny of the records of Shingnapur Water Supply Scheme revealed (June 2005/April 2009) that KMC had suffered losses amounting to Rs 11.76 crore on account of heavy leakages of water and rebate in cess payable to Maharashtra Pollution Control Board (MPCB) as follows :

(i) The loss of raw water in transmission from Panchaganga river to water treatment plant and thereafter in distribution of treated water exceeded the maximum permissible limit of 2 *per cent* and 15 *per cent* respectively. This resulted in loss of Rs 11.40 crore during 2003-09 due to excessive transmission and distribution loss of water. The excessive loss of water was due to use of Pre-Stressed Cement (PSC) pipes instead of Mild Steel (MS) pipes, improper alignment of PSC pipes, inadequacy of air valves *etc.* The loss had been higher in section with PSC pipes and it was minimum in sections with MS pipes. Though KMC had stated (April 2009) that action was taken by the contractor and MJP upto 31 December 2005 to rectify the defects, loss of water due to leakages and pollution persisted indicating the failure of KMC to arrest the recurring loss on this account.

(ii) As per Section 7 of the Water (Prevention and Control of Pollution) Cess Act, 1977, local bodies are eligible for rebate of 25 *per cent* on the cess payable by it to MPCB if they set up the Sewer Treatment Plant (STP) and discharge the sewer water after treatment into the river. However, KMC had been discharging untreated sewer water into Panchaganga river as it had not set up STP of adequate capacity. The MPCB had levied water cess of Rs 1.45 crore during January 1992 to June 2008 and KMC paid Rs 60 lakh upto September 2007. Had KMC set up the STP or increased the capacity of existing STP, it would have availed rebate of 25 *per cent* amounting to Rs 36.32 lakh on the total amount of water cess levied by MPCB. The failure of KMC to set up STP of adequate capacity resulted not only in loss of rebate amounting to Rs 36.32 lakh but also in polluting the river Panchaganga. It also caused frequent failure of another water treatment plant of KMC at Kasababawada for which water from Panchaganga is drawn from a point down the stream.

The matter was reported to the Government in August 2009, reply had not been received (November 2009).

5.6 Acceptance of Contractor's alternative design resulted in less demand for shops and consequential loss of revenue

The Kolhapur Municipal Corporation accepted an alternative design from a contractor for construction of a commercial complex (Vichare Market) on Finance, Build and Transfer basis which proved to be disadvantageous to the Corporation. This resulted in 178 shops remaining vacant for over five years and recurring loss of revenue which aggregated to Rs 1.08 crore till March 2009

The Kolhapur Municipal Corporation (KMC) decided (April 2001) to develop a commercial complex (Vichare Market) in the premises of its Vichare High school on Finance, Build and Transfer (FBT) basis. After construction of Vichare Market on a plot admeasuring 5800 square meters, the contractor was to hand over to KMC 100 shops for hawkers (937.04 square meters), 100 shops (439.64 square meters) for retailers and school premises on 211.37 square meters area free of cost. The Contractor had the option to accept the plan as per tender documents or to have an alternative design with the prior approval of KMC and the right to collect non-refundable upfront payment (premium) from the occupants of the remaining shops during first five years.

Audit scrutiny revealed (June 2005/April 2009) that while accepting an alternative design from the Contractor, KMC failed not only to ensure proper entrance for its 200 shops but also to have an encroachment free easy access thereto. Though the Contractor handed over (February 2004) 200 shops and school premises to KMC, it could allot (April/July 2005) only six shops to retailers and 74 to hawkers and collected lease premium, rent and maintenance charges of Rs 5.59 lakh and Rs 2.80 lakh respectively upto March 2008. Out of 74 hawkers to whom shops were allotted, 39 allottees paid deposits (Rs 2.80 lakh) and only 16 hawkers had taken possession of shops. As such 178 out of 200 shops remained unoccupied (March 2009) resulting in recurring loss on account of non-realization of premium, maintenance, deposits and lease rent. The loss of revenue on this account up to March 2009 aggregated Rs 1.08 crore. This indicated that KMC failed to realize that the alternative design was advantageous only to the contractor. No effective steps were taken by KMC for gainful utilization of shops.

KMC stated (February 2009) that demands for these shops were poor as they were not on the main road and that hawkers were resisting to move to shops allotted to them. However, the hawkers were being persuaded to accept the allotments. Further report has not been received (July 2009).

The matter was reported to the Government in August 2009; reply had not

been received (November 2009).

5.7 Short levy of road restoration charges

Kolhapur Municipal Corporation had short levied road restoration charges for Optic Fiber Cable laying by Rs 1.08 crore due to incorrect application of the rates prescribed. On this being pointed in audit, the Corporation recovered Rs 0.70 crore from two companies in 2002 and Rs 0.38 crore in 2007-08.

Government of Maharashtra (GOM) decided (27 April 2000) to recover restoration charges from the companies providing network of Optic Fiber Cable (OFC) at the rate of Rs 750 and Rs 300 per running meter for asphalt and side margin roads respectively within boundaries of Local Bodies. The restoration charges were to be deposited in advance with the Local Bodies.

Scrutiny (July 2002) of records revealed that Kolhapur Municipal Corporation (KMC) while granting permission to three private companies⁴⁹ for road excavation, collected the restoration charges at the rate of Rs 320 and Rs 345 per meter instead of the applicable rate of Rs 750 per meter resulting in short recovery of restoration charges of Rs 1.08 crore.

On this being pointed out in audit (July 2002), KMC issued (August 2002) notices to three companies for the recovery of charges short levied and recovered (October 2002) Rs 0.70 crore from two companies⁵⁰. Although the third company⁵¹, accepted (December 2003) the liability of Rs 0.38 crore they did not make the payment. A case was filed against the firm in a court of law for non-payment of outstanding dues of Rs 0.38 crore and the amount was finally recovered in 2007-08.

Thus, while KMC recovered road restoration charges of Rs 1.08 crore at the instance of audit, the case reflects inadequate internal control in collection of restoration charges. KMC could have avoided the delay and litigation, had it verified the correctness of restoration charges through a well established precheck or other internal control system.

The matter was referred to the Government in September 2009; reply had not been received (November 2009).

⁴⁹ M/s. Huges Telecom (India) Private Ltd., M/s. Bharti Telesonic Ltd., and M/s. The Giga Solution Private Ltd.

⁵⁰ M/s. Huges Telecom (India) Private Ltd., M/s. Bharti Telesonic Ltd.

⁵¹ M/s. The Giga Solution Private Ltd.

SANGLI MIRAJ KUPWAD MUNICIPAL CORPORATION

5.8 Financial loss due to excess investment in Co-operative Bank

Injudicious and excess deposit of fund in a Co-operative Bank by Sangli-Miraj-Kupwad Municipal Corporation in violation of Government directives and its retention inspite of audit comment thereon resulted in blockage of deposit of Rs 14.11 crore

As per Section 92 of the Bombay Provincial Municipal Corporations Act, 1949, the surplus money in a Municipal Fund can be deposited in a Scheduled bank or an approved Co-operative bank provided it does not exceed the amount specified by the State Government. The Government Resolution (GR) of October 1977 stipulates that Municipal Corporations should not deposit more than 20 *per cent* of their surplus funds in any one co-operative bank.

Audit scrutiny of records of Sangli-Miraj-Kupwad Municipal Corporation (SMKMC) revealed (January 2007) that as on 31 March 2006 the SMKMC had a surplus of Rs 28.06 crore of which Rs 25.07 crore (89 *per cent*) had been invested in a single Co-operative Bank *viz.* Vasantdada Shetkari Sahkari Bank Limited, (VSS Bank) Sangli. When the excess deposit was pointed out by audit in January 2007, the SMKMC had stated that the deposit would be brought down to permissible limit and balance amount would be invested in a Nationalized bank. Subsequent scrutiny by audit (February 2008) however revealed that SMKMC instead of bringing down the amount deposited in VSS Bank, further deposited an additional amount of Rs 2.37 crore in December 2007. Out of this, while an amount of Rs 0.50 crore was received back by SMKMC in January 2008, the remaining Rs 1.87 crore was reinvested in January 2008 by VSS Bank even without the required sanction of Standing Committee of SMKMC. As on 31 March 2008, the total investment/deposit of SMKMC was Rs 27.58 crore of which the deposit in VSS Bank alone was Rs 19.83 crore (72 *per cent*) as against the permissible limit of Rs 5.52 crore. SMKMC did not even encash fixed deposits in VSS Bank amounting to Rs 9.77 crore which had matured during the period 2006-09.

In July 2008, the Reserve Bank of India (RBI) imposed restrictions on VSS Bank under Section 35A of Banking Regulation Act, 1949 and in January 2009 cancelled its license due to severe deterioration in its financial position and prohibited it from carrying on any banking business. RBI also requested the Registrar of Co-operative Societies, Maharashtra to issue an order for winding up the VSS Bank and appointment of liquidator.

Thus, the injudicious investment by SMKMC not only flouted the

Government directives but also failed to take corrective action on the audit comment (January 2007) which resulted in blockage of Rs 14.11 crore. Further, though SMKMC had stated (January 2007) that the investment would be brought down to permissible limit and balance investments would be made in Nationalized bank on maturity, the SMKMC had not encashed even the deposits amounting to Rs 7.63 crore which had matured before the imposition of restriction by RBI in July 2008. SMKMC had taken up with RBI (May 2009) for refund of investments but there was no further progress.

The matter was referred to Government in May 2009; reply had not been received (November 2009).

Mumbai,
The

(RAJIB SHARMA)
Principal Accountant General (Audit) I
Maharashtra

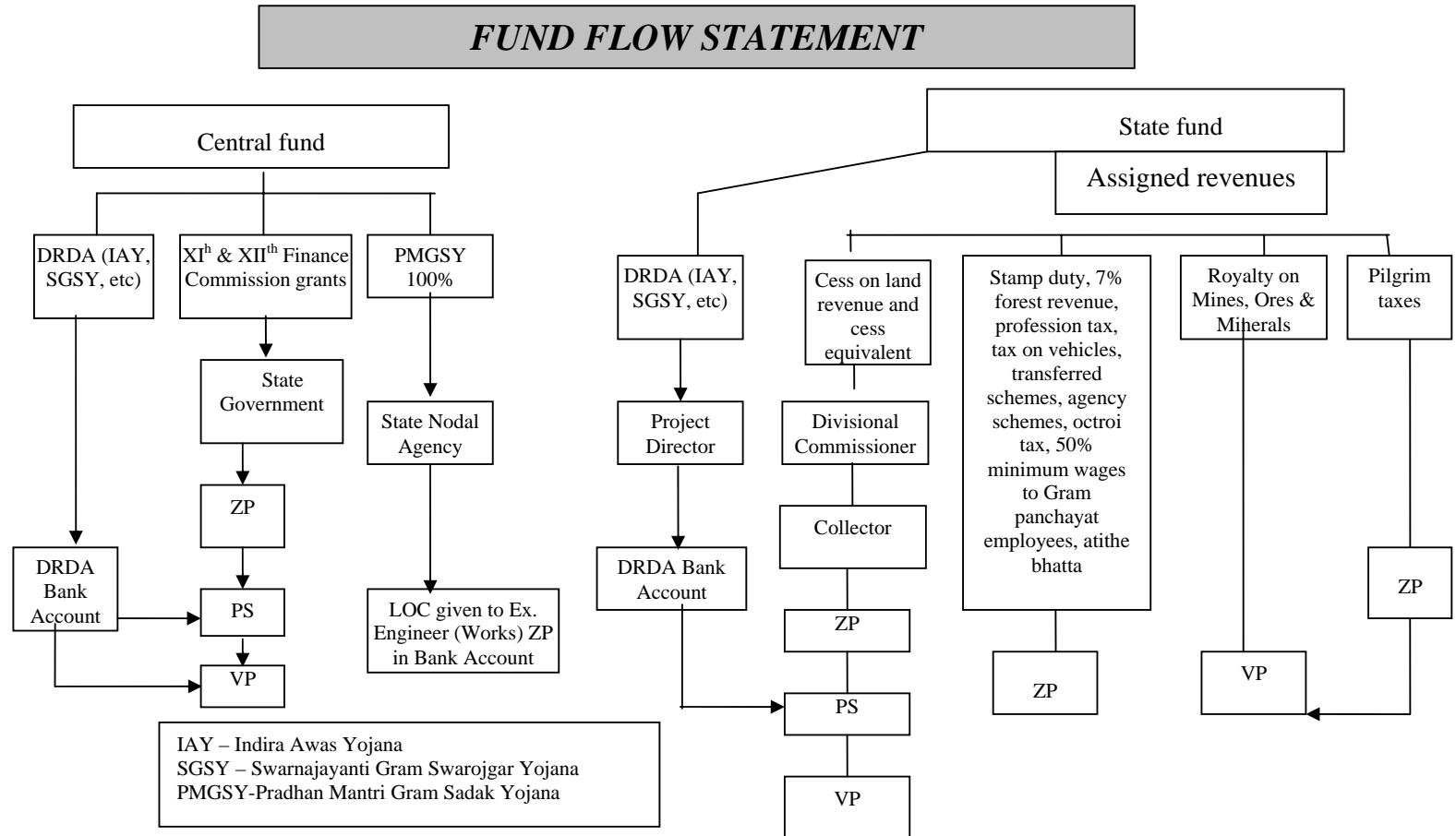
Countersigned

New Delhi,
The

(VINOD RAI)
Comptroller and Auditor General of India

APPENDIX I

(Reference: Paragraph 1.4.4; Page 3)



APPENDIX II

(Reference : Paragraph 1.7.5; Page 9)

**Details of expenditure on transferred schemes, agency schemes and Zilla Parishads
Own schemes for the year 2007-08**

(Rupees in crore)

| Sr. No. | Name of Zilla Parishad | Expenditure on Transferred Schemes | Expenditure on Agency Schemes | Expenditure on ZPs own Schemes | Total expenditure |
|---------|------------------------|------------------------------------|-------------------------------|--------------------------------|-------------------|
| 1. | Ahmednagar | 439.13 | 34.01 | 19.49 | 492.63 |
| 2. | Akola | 311.83 | 47.71 | 6.70 | 366.24 |
| 3 | Amravati | 285.67 | 39.21 | 8.68 | 333.56 |
| 4 | Aurangabad | 242.50 | 46.09 | 3.37 | 291.96 |
| 5 | Bhandara | 155.92 | 33.26 | 0.09 | 189.27 |
| 6 | Beed | 514.57 | 94.21 | 14.02 | 622.80 |
| 7 | Buldhana | 262.94 | 36.54 | 51.64 | 351.12 |
| 8 | Chandrapur | 236.95 | 24.65 | 13.67 | 275.27 |
| 9 | Dhule | 172.28 | 38.00 | 18.66 | 228.94 |
| 10 | Gadchiroli | 153.43 | 23.63 | 6.50 | 183.56 |
| 11 | Gondia | 162.69 | 32.09 | 13.45 | 208.23 |
| 12 | Hingoli | 261.96 | 31.26 | 5.05 | 298.27 |
| 13 | Jalgaon | 321.11 | 90.05 | 11.03 | 422.19 |
| 14 | Jalna | 340.32 | 72.84 | 4.05 | 417.21 |
| 15 | Kolhapur | 340.07 | 33.95 | 23.75 | 397.77 |
| 16 | Latur | 434.40 | 64.21 | 6.97 | 505.58 |
| 17 | Nagpur | 479.97 | 87.84 | 17.92 | 585.73 |
| 18 | Nanded | 342.97 | 56.55 | 5.92 | 405.44 |
| 19 | Nandurbar | 160.45 | 42.61 | 3.02 | 206.08 |
| 20 | Nashik | 437.52 | 46.17 | 8.08 | 491.77 |
| 21 | Osmanabad | 358.71 | 43.73 | 4.36 | 406.80 |
| 22 | Parbhani | 304.54 | 41.30 | 0.33 | 346.17 |
| 23 | Pune | 411.25 | 50.10 | 41.29 | 502.64 |
| 24 | Ratnagiri | 485.64 | 55.17 | 4.43 | 545.24 |
| 25 | Raigad | 227.98 | 22.79 | 20.84 | 271.61 |
| 26 | Sangli | 262.31 | 46.80 | 5.14 | 314.25 |
| 27 | Satara | 325.23 | 42.26 | 69.00 | 436.49 |
| 28 | Sindhudurg | 170.59 | 19.66 | 1.98 | 192.23 |
| 29 | Solapur | 712.18 | 104.41 | 57.39 | 873.98 |
| 30 | Thane | 356.67 | 54.95 | 14.64 | 426.26 |
| 31 | Wardha | 157.04 | 19.90 | 5.45 | 182.39 |
| 32 | Washim | 129.42 | 26.44 | 3.63 | 159.49 |
| 33 | Yavatmal | 331.19 | 53.67 | 12.90 | 397.76 |
| | Total | 10289.43 | 1556.06 | 483.44 | 12328.93 |

(As per information received from CAFOs of respective ZPs)

APPENDIX III

(Reference: Paragraph 1.14.3 ; Page 13)

Outstanding Inspection Reports and Paras from Chief Auditor, Local Fund Accounts Report

| Year of the Report | Number of outstanding Paras | | Objected Amount (Rupees in crore) | |
|--------------------|-----------------------------|---------------|-----------------------------------|---------------|
| | Government Funds | ZPs Own funds | Government Funds | ZPs Own funds |
| 1962-63 to 1997-98 | 36796 | 20169 | 894.31 | 206.24 |
| 1998-99 | 4610 | 2254 | 187.88 | 42.59 |
| 1999-00 | 5023 | 2760 | 248.09 | 63.96 |
| 2000-01 | 4799 | 2115 | 157.31 | 37.71 |
| 2001-02 | 5665 | 2295 | 189.03 | 50.81 |
| 2002-03 | 7136 | 3029 | 497.71 | 75.15 |
| 2003-04 | 6599 | 3356 | 450.67 | 69.83 |
| 2004-05 | 9500 | 4592 | 395.98 | 96.44 |
| 2005-06 | 12971 | 3994 | 523.70 | 135.75 |
| 2006-07 | 13354 | 3559 | 1253.94 | 157.92 |
| Total | 106453 | 48123 | 4798.62 | 936.40 |

(Source: As per CALFA report 2006-07)

APPENDIX IV

(Reference : Paragraph 2.3; Page 20)

List of selected Gram Panchayats

| Sr. No. | Gram Panchayat | Panchayat Samiti | Zilla Parishad | Sr. No | Gram Panchayat | Panchayat Samiti | Zilla Parishad |
|---------|----------------|------------------|----------------|--------|----------------|------------------|----------------|
| 1 | Bharatpur | Balapur | Akola | 41 | Alore | Chiplun | Ratnagiri |
| 2 | Gaigaon | | | 42 | Mandki | | |
| 3 | Kazikhed | | | 43 | Talsar | | |
| 5 | Malwade | | | 44 | Terav | | |
| 4 | Sangi (Jomdeo) | | | 45 | Vehale | | |
| 6 | Borta | Murtizapur | | 46 | Dandeadam | Ratnagiri | |
| 7 | Goregaon | | | 47 | Gaokhadi | | |
| 8 | Paradh | | | 48 | Kasarveli | | |
| 9 | Umri Arab | | | 49 | Tonade | | |
| 10 | Virwada | | | 50 | Ukshi | | |
| 11 | Borgaonbuti | Chimur | Chandrapur | 51 | Bholewadi | Karad | Satara |
| 12 | Chincholi | | | 52 | Burbushi | | |
| 13 | Kotgaon | | | 53 | Dushare | | |
| 14 | Masal | | | 54 | Tembha | | |
| 15 | Sonegaon Van | | | 55 | Umbraj | | |
| 16 | Arjuni | Warora | | 56 | Dabhedabhekar | Mahabaleshwar | |
| 17 | Barwha | | | 57 | Kharoshi | | |
| 18 | Chargaon | | | 58 | Moleshwar | | |
| 19 | Dadapur | | | 59 | Niwali | | |
| 20 | Mesa | | | 60 | Uchat | | |
| 21 | Antarwada | Jalna | Jalna | 61 | Askot | Murbad | Thane |
| 22 | Dahiphal | | | 62 | Kisol | | |
| 23 | Malegaon | | | 63 | Korwale | | |
| 24 | Manegaon | | | 64 | Songaon | | |
| 25 | Mirkheda | | | 65 | Tulai | | |
| 26 | Babultara | Partur | | 66 | Chinchoti | Vasai | |
| 27 | Deola | | | 67 | Dhaniv | | |
| 28 | Dolhara | | | 68 | Khaniwade | | |
| 29 | Phulwadi | | | 69 | Mardesh | | |
| 30 | Salegaon | | | 70 | Sativali | | |
| 31 | Dongargaon | Deola | Nasik | 71 | Bramhangaon | Pusad | Yavatmal |
| 32 | Khalap | | | 72 | Londari | | |
| 33 | Meshi | | | 73 | Pokhari | | |
| 34 | Subhashnagar | | | 74 | Selu (Bk) | | |
| 35 | Vijaynagar | | | 75 | Warud | | |
| 36 | Devergaon | Nasik | | 76 | Bramhni | Wani | |
| 37 | Hinganvede | | | 77 | Gowari (P) | | |
| 38 | Lakhalgaon | | | 78 | Kurai | | |
| 39 | Ozarkhede | | | 79 | Maregaon | | |
| 40 | Palse | | | 80 | Mungoli | | |

Appendix V

(Reference : Paragraph 2.7.5.1; Page 37)

Submission of annual accounts by Gram Panchayats

| Sr. No. | Gram Panchayat | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---------|----------------|---------|---------|---------|---------|---------|
| 1 | Borta | N | N | N | N | N |
| 2 | Bramhangaon | N | N | N | N | N |
| 3 | Chicholi | N | N | Y | Y | Y |
| 4 | Chargaon | N | N | N | Y | Y |
| 5 | Goregaon | N | N | N | Y | Y |
| 6 | Gaokhadi | N | N | N | Y | Y |
| 7 | Hinganwede | N | N | N | N | Y |
| 8 | Kasarveli | Y | Y | Y | Y | N |
| 9 | Khanivade | N | N | N | N | N |
| 10 | Masal | Y | N | N | N | N |
| 11 | Palase | N | N | N | N | N |
| 12 | Paradh | N | N | N | N | N |
| 13 | Shelu (BK) | N | N | N | N | N |
| 14 | Tembhu | N | N | N | N | N |
| 15 | Umri Arab | N | N | N | N | Y |
| 16 | Ukshi | N | Y | Y | Y | Y |
| 17 | Virvada | N | N | N | N | N |

Note: - N= No, Y= Yes

Appendix VI

(Reference : Paragraph 2.7.5.5; Page 38)

Maintenance of account in prescribed forms

| Sr. No. | Number of Gram Panchayats | Form Number not maintained |
|---------|---------------------------|----------------------------|
| 1 | 6 | 3 |
| 2 | 6 | 4 |
| 3 | 13 | 6 |
| 4 | 1 | 8 |
| 5 | 22 | 11 |
| 6 | 6 | 15 |
| 7 | 9 | 16 |
| 8 | 21 | 17 |
| 9 | 7 | 18 |
| 10 | 6 | 19 |
| 11 | 14 | 20 |
| 12 | 58 | 21 |
| 13 | 1 | 22 |
| 14 | 5 | 23 |
| 15 | 10 | 25 |
| 16 | 9 | 26 |
| 17 | 10 | 27 |

Appendix-VII

(Reference: Paragraph 4.4.5; Page 64)

Overall financial position of Municipal Corporations for 2007-08

(Rupees in crore)

| Sr.No | Name of the Corporations | Receipts | Expenditure |
|-------|--------------------------|--------------|--------------|
| 1 | Ahmednagar | 97 | 95 |
| 2 | Akola | 138 | 136 |
| 3 | Amravati | 86 | 87 |
| 4 | Aurangabad | 221 | 224 |
| 5 | Bhivandi | 197 | 196 |
| 6 | BMC | 10075 | 7528 |
| 7 | Dhule | 77 | 84 |
| 8 | Jalgaon | 107 | 105 |
| 9 | Kalyan-Dombivli | 270 | 278 |
| 10 | Kolhapur | 201 | 197 |
| 11 | Malegaon | 94 | 69 |
| 12 | Mira Bhayender | 214 | 201 |
| 13 | Nagpur | 471 | 424 |
| 14 | Nanded Waghela | 146 | 227 |
| 15 | Nashik | 577 | 541 |
| 16 | Navi Mumbai | 578 | 530 |
| 17 | Pimpri Chinchwad | 1304 | 1275 |
| 18 | Pune | 3573 | 3506 |
| 19 | Sangli | 111 | 180 |
| 20 | Solapur | 151 | 151 |
| 21 | Thane | 754 | 612 |
| 22 | Ulhasnagar | 139 | 133 |
| | Grand Total | 19581 | 16779 |

Appendix VIII

(Reference: Paragraph 4.4.6 : Page 65)

Statement of Arrears in Water Tax Collection

(Rupees in crore)

| Name of Municipal Corporation | Opening Balance as on 1 April 2007 | Demand for the year | Total Receivable | Recovery | | Closing Balance as on 31 March 2008 |
|-------------------------------|------------------------------------|---------------------|------------------|---------------|---------------|-------------------------------------|
| | | | | Current Year | Previous Year | |
| Ahmednagar | 7.75 | 8.83 | 16.58 | 2.43 | 2.23 | 11.92 |
| Akola | 30.37 | 1.54 | 31.91 | 6.77 | 12.50 | 12.64 |
| Amravati | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Aurangabad | 16.87 | 10.98 | 27.85 | 7.78 | 4.56 | 15.51 |
| Bhivandi | 19.12 | 5.59 | 24.71 | 2.24 | 1.83 | 20.64 |
| BMC | 308.76 | 1049.47 | 1358.23 | 613.06 | 0.00 | 745.17 |
| Dhule | 0.03 | 0.03 | 0.06 | 0.01 | 0.01 | 0.04 |
| Jalgaon | 0.71 | 1.12 | 1.83 | 0.75 | 0.66 | 0.42 |
| Kalyan Dombivali | 17.65 | 31.68 | 49.33 | 30.10 | 0.00 | 19.23 |
| Kolhapur | 6.29 | 17.92 | 24.21 | 16.27 | 0.00 | 7.94 |
| Malegaon | 3.95 | 4.58 | 8.53 | 2.08 | 1.40 | 5.05 |
| Mira Bhayander | 0.02 | 0.21 | 0.23 | 0.19 | 0.01 | 0.03 |
| Nagpur | 19.54 | 48.41 | 67.95 | 46.96 | 0.00 | 20.99 |
| Nanded waghala | 6.73 | 4.99 | 11.72 | 2.52 | 3.53 | 5.67 |
| Nasik | 5.61 | 23.74 | 29.35 | 4.11 | 19.69 | 5.55 |
| Navi Mumbai | 21.44 | 49.32 | 70.76 | 48.61 | 4.18 | 17.97 |
| Pimpri Chinchwad | 22.90 | 26.44 | 49.34 | 23.92 | 0.00 | 25.42 |
| Pune | 219.89 | 60.43 | 280.32 | 39.21 | 21.22 | 219.89 |
| Sangli-Miraj-Kupwad | 1.80 | 3.60 | 5.40 | 3.04 | 1.18 | 1.18 |
| Solapur | 22.84 | 13.57 | 36.41 | 9.96 | 2.46 | 23.99 |
| Thane | 34.56 | 54.29 | 88.85 | 36.60 | 13.96 | 38.29 |
| Ulhasnagar | 30.98 | 3.01 | 33.99 | 2.14 | 0.00 | 31.85 |
| TOTAL | 797.81 | 1419.75 | 2217.56 | 898.75 | 89.42 | 1229.39 |

Appendix IX

(Reference: Paragraph 4.4.6 : Page 65)

Statement of Arrears in Property Tax Collection

(Rupees in crore)

| Name of Municipal Corporation | Opening Balance as on 1 April 2007 | Demand for the year | Total Receivable | Recovery | | Closing Balance as on 31 March 2008 |
|-------------------------------|------------------------------------|---------------------|------------------|----------------|---------------|-------------------------------------|
| | | | | Current Year | Previous Year | |
| Ahmednagar | 64.55 | 18.46 | 83.01 | 4.31 | 7.41 | 71.29 |
| Akola | 14.04 | 9.95 | 23.99 | 4.86 | 7.43 | 11.70 |
| Amravati | 11.22 | 16.27 | 27.49 | 12.81 | 3.46 | 11.22 |
| Aurangabad | 19.78 | 19.25 | 39.03 | 11.26 | 11.90 | 15.87 |
| Bhivandi | 27.33 | 14.03 | 41.36 | 7.38 | 5.80 | 28.18 |
| BMC | 2768.05 | 2877.29 | 5645.34 | 1681.09 | 253.4 | 3710.85 |
| Dhule | 0.05 | 0.03 | 0.08 | 0.03 | 0.02 | 0.03 |
| Jalgaon | 11.22 | 20.28 | 31.50 | 16.66 | 3.91 | 10.93 |
| Kalyan Dombivali | 35.13 | 60.19 | 95.32 | 44.85 | 10.26 | 40.21 |
| Kolhapur | 4.05 | 17.95 | 22.00 | 15.37 | 2.87 | 3.76 |
| Malegaon | 6.36 | 5.91 | 12.27 | 3.22 | 2.06 | 6.99 |
| Mira-Bhayander | 23.03 | 46.92 | 69.95 | 40.60 | 12.20 | 17.15 |
| Nagpur | 74.29 | 62.86 | 137.15 | 48.99 | 42.88 | 45.28 |
| Nanded-Waghala | 12.99 | 10.54 | 23.53 | 5.76 | 7.95 | 9.82 |
| Nasik | 34.35 | 24.81 | 59.16 | 29.25 | 13.47 | 16.44 |
| Navi Mumbai | 54.90 | 137.46 | 192.36 | 107.16 | 45.23 | 39.97 |
| Pimpri Chinchwad | 15.21 | 40.10 | 55.31 | 34.91 | 14.02 | 6.38 |
| Pune | 27.40 | 30.87 | 58.27 | 19.43 | 65.78 | -26.94 |
| Sangli | 5.46 | 9.57 | 15.03 | 2.06 | 6.89 | 6.08 |
| Solapur | 20.05 | 17.76 | 37.81 | 13.47 | 4.49 | 19.85 |
| Thane | 68.42 | 135.10 | 203.52 | 103.54 | 25.98 | 74.00 |
| Ulhasnagar | 93.07 | 35.74 | 128.81 | 11.77 | 13.70 | 103.34 |
| TOTAL | 3390.95 | 3611.34 | 7002.29 | 2218.78 | 561.11 | 4222.40 |