

## CHAPTER-II

### Performance Audit

#### 2.1 Twelfth Finance Commission- Utilisation of grants by Panchayati Raj Institutions

##### 2.1.1 Introduction

The Twelfth Finance Commission (TFC) was appointed (November 1, 2002) to make recommendations for 2005-10 regarding, *inter alia*, the measures needed to augment the consolidated fund of the State to supplement the resources of the Panchayati Raj Institutions (PRIs) in the State.

##### 2.1.2 Recommendations of TFC

As per recommendation of the TFC, PRIs were to be encouraged to take over drinking water supply assets created under the Accelerated Rural Water Supply Programme, Swajaldhara Programme and Central Rural Sanitation Programme to maintain them utilizing TFC's grants to improve efficiency in water supply, disposal of solid waste and cleaning of drains. The PRIs could recover a minimum of 50 *per cent* of the recurring cost incurred on Operation and Maintenance (O&M) of these services in the form of user charges from the consumers/users to cover deficit as the PRIs were not in a position to meet the entire cost of O&M.

Besides, high priority was to be given to creation of database of the finances of the PRIs including their assets, revenue generation by them and expenditure to assess the requirement of funds for basic civic and developmental functions. This was to be done by all the three tiers of Panchayats.

##### 2.1.3 Scope of Audit

Records relating to release and utilization of TFC grants of 14 ZPs<sup>9</sup>, 41 KPs falling under the selected ZPs and 110 GPs falling under the selected KPs for the period 2005-08 were test checked between March 2008 and June 2008.

##### 2.1.4 Financial management

The TFC recommended (November 2004) that the GOI should release grants of Rs. 20,000 crore to PRIs, of which, Rs. 2928 crore (14.64 *per cent*) was allocated to Uttar Pradesh.

---

<sup>9</sup> Allahabad, Azamgarh, Badaun, Farrukhabad, Gorakhpur, Hardoi, Jaunpur, Kannauj, Lakhimpur Kheri, Lucknow, Muzaffarnagar, Raibareli, Sitapur and Sultanpur.

**(i) Overall position of grants**

Year-wise receipt of grants and their utilization are given below:

<b>(Rupees in crore)</b>				
<b>Year</b>	<b>Grants received</b>	<b>Retained by Directorate for computerization</b>	<b>Released to GPs for maintenance of accounts</b>	<b>Release to all the 3 tiers of PRIs for work</b>
2005-06	585.60	Nil	20.80	564.80
2006-07	585.60	33.64	20.80	531.16
2007-08	585.60	28.85	20.80	535.95
<b>Total</b>	<b>1756.80</b>	<b>62.49</b>	<b>62.40</b>	<b>1631.91</b>

Source : Director, Panchayati Raj, U.P.

(a) As per Utilization Certificate (UC) submitted by State Government to Government of India (April 15, 2008) total utilization of grants by PRI for the period 2005-08 was Rs. 1399.06 crore upto March 2008.

(b) Rupees 62.49 crore earmarked for ZPs, KPs and GPs was retained by the Directorate for computerization as mentioned in the table was kept in the Personal Ledger Account (PLA) of ZP, Lucknow. No action regarding creation of database and computerisation of accounts was taken as of June 2008.

**(ii) Release of grants by the State Government**

The State Government was to ensure that the grants were credited in the PRIs account within 15 days of their receipt from the GOI, failing which, interest at RBI rate prevailing at that time for the delayed period was to be given. Scrutiny of records in the office of the Director, PR, revealed that Rs. 292.80 crore received on 30<sup>th</sup> January 2008 by the State Government was transferred to PRIs on 13<sup>th</sup> March, i.e., after a delay of 43 days causing a liability of Rs. 1.35 crore payable to PRIs as interest. This was, however, not paid.

In respect of remaining grants, though the State Government issued orders for releasing the grants within 15 days but records of test-checked PRIs revealed that the amount was actually credited in PRIs' account with the delay ranging from 02 to 274 days due to (i) delay in presentation of bills at the treasuries by ZPs in respect of ZPs and (ii) delay by banks at district level in transferring the amounts in the bank account of KPs and GPs at block and village level.

## **Diversification of funds**

### **(i) Diversification of fund by KPs**

Guidelines issued by TFC provided for utilization of grants by PRIs for repairs and rejuvenation as also the O&M costs of water supply and sanitation and creation of database. In the test check, it was noticed that 11 KPs utilized Rs. 1.17 crore<sup>10</sup> on construction/repair of office/residential premises, establishment of solar lights, construction of school boundary which were not permissible under TFC grant. In reply, KPs stated (March-June 2008) that it was spent under the orders of the District Magistrates. Reply was not correct as except expenditure on solar lights, all other expenditure were incurred by KPs on their own.

### **(ii) Non-recovery of user charges**

Out of Rs. 389.12 crore allotted to GPs during 2005-06, Rs. 24.05 crore was spent towards drinking water schemes as per utilization certificates (UCs) sent to the GOI by the State Government. The GPs were to recover a minimum of 50 per cent of the recurring cost, i.e., Rs. 12.02 crore in the form of user charges against which Rs. 7.39 crore was shown as recovered in the UCs which included the users charges recovered in the test checked PRIs also. However, as per records in the test checked PRIs<sup>11</sup>, neither provision for recovery was made in their budget estimates nor the amount recovered on this account. Thus, the UCs sent by State Government to GOI were not correct.

### **(iii) Lapse of grant**

The PRIs were required to present the bills to the treasury within the financial year for the grants released by the State Government to be transferred in their PLAs. In case of PRIs not having PLAs, cheques were issued by the treasuries which were to be deposited by the PRIs in their bank accounts latest by the next month of their issue. However, ZP, Sultanpur did not present the requisite bill to the treasury for the first installment of Rs. 1.12 crore of its grant for 2007-08 released by State Government on 03.08.2007 to be transferred to its PLA within the time schedule and hence the grant lapsed. Similarly, KP, Kurwar and Sangrampur (district Sultanpur ) did not present the cheques of Rs. 3.29 lakh and Rs. 1.45 lakh respectively issued by the Treasury, Sultanpur on 27.03.2006 to the Bank for collection within time limit, therefore, the

---

<sup>10</sup> Badlapur : 0.04, Barhalganj: 0.11, Bijuwa: 0.09, Jaisinghpur : 0.06, Kadipur : 0.02, Koraon: 0.34, Machlishahar: 0.10, Pahela: 0.05, Pasgavan: 0.24, Sakaran: 0.02 and Uruva (Gorakhpur): 0.10 crore.

<sup>11</sup> Allahabad, Azamgarh, Gorakhpur, Hardoi , Jaunpur, Lakhimpur Kheri, Sitapur and Sultanpur.

amounts lapsed. This indicated ineffective functioning of the PRI's and improper monitoring at the Directorate level.

**(iv) Non-submission of utilisation certificates (UCs)**

The Director, Panchayati Raj (PR) released Rs. 1,350.44 crore to 820 KPs (Rs. 166.61 crore) and 52,000 GPs (Rs. 1,183.83 crore) during 2005-08. The KPs/GPs were required to submit the UCs in respect of this amount to the District Panchayati Raj Officer (DPRO). Scrutiny of the records in the test checked PRIs revealed that KPs and GPs did not submit the UCs to the DPROs. However, the DPROs without obtaining the UCs from KPs and GPs to whom funds were released submitted the UCs to the Director, PR and on that basis, the State Government sent the UCs to the GOI. It indicated that actual utilization of funds was not watched.

**2.1.5 Non-transfer of assets**

As per TFC's recommendations assets related to water supply and sanitation was to be transferred to PRIs for maintenance. However, in none of the test checked PRIs, these assets except hand pumps were transferred as of June 2008. No order for transfer of other water supply assets was issued by the State Government as of June 2008.

**2.1.6 Creation of database**

TFC emphasized creation of database of the assets of the PRIs, revenue generation by them and expenditure to assess their requirement of funds for basic civic and developmental functions and rational determination of the gap between the cost of maintenance of various services such as water supply, sanitation, roads, etc. and the capacity to raise resources on their own and computerisation of accounts on priority basis. The State Government intimated the GOI (April 2008) that Rs. 62.49 crore earmarked for creation of database had been transferred to PRIs. However, scrutiny of records in the Directorate revealed that the money was not transferred and was lying in the PLA of ZP, Lucknow as unutilized.

Further, the amount was shown as Rs. 62.14 crore instead of Rs. 62.49 crore in the PLA statement. Reason for discrepancy was not explained by the Directorate.

### **2.1.7 Irregular Work**

According to para 14 of Kshetra Panchayat and Zila Panchayat Nirman Niyamawali 1985, ZP or KP without the consent of Executive Engineer, Provincial Division, Public Works Department (PWD), shall not execute a work which was maintained by or under the limits of PWD. Administrative/Financial/Technical sanctions for Rs. 30.00 lakh was, however, accorded (August 2007) by the State Government for construction of 2.5 Km. road upto painting level from Tekardih crossing to Kalyanpur in district Jaunpur out of the grant received from the TFC. Rs. 29.41 lakh was paid to the contractor. Earlier, the Provincial Division, PWD had constructed the road upto painting level and transferred (October 2003) it to Construction Division of the department for maintenance. The ZP, Jaunpur while submitting estimates to the State Government for technical sanction did not mention that the road was constructed/ maintained earlier by the PWD. In reply, ZP stated (March 2008) that the selection of work was done at Government level and sent to it for execution. The reply is not tenable as while submitting the estimates for the technical sanction the ZP should have mentioned these facts in the estimates.

### **2.1.8 Unfruitful Expenditure**

The State Government, PR Department accorded administrative and financial sanction (April 2006) for construction of 2.00 km. road from Girgotha to Jamohara on Km 18 of Manda to Koraon Road at estimated cost of Rs. 24.00 lakh by ZP, Allahabad. The work was to be done in accordance with the provisions of KP/ZP Nirman Niyamawali, 1985. A small river existed between Girgotha to Jamohara on which construction of bridge was not proposed which was essential for linking of the road between Girgotha to Jamohara. Rs. 20.76 lakh was paid up to 4<sup>th</sup> Running Bill. Work measured in May 2007 completing 1<sup>st</sup> and 2<sup>nd</sup> coat painting and seal coat in 2.00 km. up to 5<sup>th</sup> Running Bill for Rs. 23.30 lakh but not paid as yet (December 2008). The road could not be fully utilized without construction of Bridge.

On being pointed out in audit, ZP replied (December 2008) that the case was under enquiry.

### **2.1.9 Monitoring**

As recommended by the TFC, a High Level Committee (HLC) headed by the Chief Secretary with Principal Secretary, Panchayati Raj, Principal Secretary, Finance and Director, Panchayati Raj as members was constituted by the State Government to monitor proper utilization of TFC grants. The HLC was

responsible through its quarterly meetings for monitoring of both, physical as well as financial targets and ensuring adherence to the specific conditions attached to each grant. The HLC held 6 meetings against 12 between April 2005 and March 2008 and issued instructions regarding recovery of user charges, etc. by the PRI but the same was not followed. This indicated that monitoring was not effective.

Further, to ensure proper utilization of the grant, the Director PR issued (January 2006) instructions that the DPROs would inspect the works executed by GPs and Chief Development Officers would inspect the works executed by the KPs. However, no inspection reports were shown to audit.

#### **2.1.10 Conclusion**

The TFC's two major recommendations viz., transfer of assets of water supply and sanitation to PRIs and creation of database and computerization of maintenance of accounts were not implemented even after lapse of over two years. The State Government did not issue order for taking over the assets of water supply and sanitation by the PRIs nor made any effort for computerization and creation of database. Monitoring was not effective as there was no system to ensure credit of TFC grants in the account of PRIs within 15 days from the date of release by the GOI. UCs were not obtained by DPROs from the KPs and GPs.

#### **2.1.11 Recommendations**

- State Government should develop the system for crediting the grants to the PRIs' accounts within 15 days from the date of release by GOI.
- UCs should be obtained from all the three tiers of PRIs.
- Panchayats should take over the assets of water supply and sanitation.
- Panchayats should levy the user charges on account of maintenance of water supply and sanitation.
- Works to be executed as per guidelines of TFC should not be decided by State Government but by PRIs themselves.
- Computerization and creation of database should be done on priority basis.

## **2.2 Transfer of Functions, Functionaries and Funds to Panchayati Raj Institutions**

### **Highlights**

Through the UP Act no. 9 of 1994, the powers and functions of Kshetra Panchayat and Zila Panchayat were redefined and described in schedule I and II respectively of UP Kshetra Panchayat and Zila Panchayat Act 1961. The powers and functions of Gram Panchayats were described in Section 15 of U.P Panchayat Raj Act, 1947. These powers and functions were devolved to enable them to function as institution of self Government. Actual transfer of powers and functions was, however, partial and inadequate, consequently their function was limited. Some of the highlights are given below:

**Transfer of functions/activities and funds to Panchayati Raj Institutions was incomplete and partial.**

**(Paragraph 2.2.6 & 2.2.10)**

**Powers entrusted to Panchayati Raj Institutions regarding supervision of Public Distribution System and Health Sub Centres were not exercised by them.**

**(Paragraph 2.2.8)**

**Distribution of work among three tiers of PRIs was not clearly defined, consequently, the same work such as construction of road in villages was done by all of them.**

**(Paragraph 2.2.9)**

**Shortfall in deployment of staff in Gram Panchayats was to the extent of 88 per cent due to non transfer of functionaries from line departments.**

**(Paragraph 2.2.11 (ii))**

**Despite availability of funds under Poverty Alleviation Programme, Zila Panchayat, Allahabad did not create jobs to give employment to rural people.**

**(Paragraph 2.2.13)**

**Foodgrains required to be given to labourers under Sampoorna Gram Rozgar Yojna as part of their wages to ensure food security in rural areas was not given, instead the payment was made in cash.**

**(Paragraph 2.2. 14)**

**Internal Control System consisting of financial control in Zila Panchayats and payments for works executed in Panchayati Raj Institutions was weak.**

**(Paragraph 2.2.16)**

### 2.2.1 Introduction

Seventy third amendment in the Constitution of India (Constitution) vide Article 243G-Eleventh Schedule<sup>12</sup> empowered the State Legislature to make laws for endowing Panchayati Raj Institutions (PRIs) with such powers and authority which could enable them to function as institutions of self government. Major elements of devolution were functions, functionaries and funds to the PRIs, accompanied by administrative control over staff and freedom to take administrative and financial decisions at the local level.

In accordance with the Article 243-G of the Constitution, the UP State Legislature amended the UP Panchayat Raj Act, 1947 (UP PR Act) and U.P. Kshetra Panchayat and Zila Panchayat Act, 1961 (UP KP&ZP Act) by U.P. Act No. 9 of 1994 and devolved powers and functions to GPs as specified in Section 15 of the UP PR Act and to KPs and ZPs as specified in Schedule-I Schedule-II to UP KP&ZP Act. The functions so devolved includes all the functions enshrined in the Eleventh Schedule of the Constitution except Khadi.

### 2.2.2 Organisational set up

The PRIs constitute three tier system (i) Zila Panchayat (ZP) at district level, (ii) Kshetra Panchayat (KP) at block level, and (iii) Gram Panchayat (GP) at village level.

At Government level, Principal Secretary, Panchayati Raj Department is the controlling authority and at Department level, Director, Panchayati Raj is the head of the Department. At district level, Chairman, ZP for ZP and District Panchayat Raj Officer (DPRO) for KPs and GPs are the administrative heads.

### 2.2.3 Audit Objectives

The review was conducted to ascertain whether:

- (i) The functions, functionaries and funds were actually transferred as per Eleventh Schedule of the Constitution.

---

<sup>12</sup> (1)Agriculture, including agricultural extension. (2) Land improvement, implementation of land reforms, land consolidation and soil conservation. (3) Minor irrigation, water management and watershed development. (4) Animal husbandry, dairying and poultry. (5) Fisheries. (6) Social forestry and farm forestry. (7) Minor forest produce. (8) Small-scale industries, including food processing industries. (9) Khadi, village and cottage industries. (10) Rural housing. (11) Drinking water. (12) Fuel and fodder. (13) Roads, culverts, bridges, ferries, waterways and other means of communication. (14) Rural electrification, including distribution of electricity. (15) Non-conventional energy sources. (16) Poverty alleviation programme. (17) Education, including primary and secondary schools. (18) Technical training and vocational education. (19) Adult and non-formal education. (20) Libraries. (21) Cultural activities. (22) Markets and fairs. (23) Health and sanitation, including hospitals, primary health centres and dispensaries. (24) Family welfare. (25) Women and child development. (26) Social welfare, including welfare of the handicapped and mentally retarded. (27) Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes. (28) Public distribution system. (29) Maintenance of community assets.

- (ii) The transfer of functions, functionaries and funds were adequate.
- (iii) The transferred functions were performed effectively and efficiently.
- (iv) Adequate monitoring and internal control system exists for effective planning and execution of functions/activities.

#### **2.2.4 Audit Criteria**

The criteria for the review were

- (i) Eleventh Schedule of the Constitution
- (ii) Provisions of the UP KP&ZP Act 1961 and UP PR Act 1947.
- (iii) Orders, notifications and instructions issued by Government of Uttar Pradesh regarding devolution of functions, functionaries and funds to PRIs from time to time.

#### **2.2.5 Scope of Audit**

Performance review covering the period from 2003-08 was conducted between March 2008 and May 2008 by test check of the records of 99 units of PRIs. These include 6 ZPs out of 70 (Gonda, KushiNagar, Ballia, Allahabad, Budaun, Ghaziabad), 12 KPs out of 820 (Kaptanganj, Padrauna (KushiNagar), Chhapia, Nabawaganj (Gonda), Loni, Hapur (Ghaziabad), Ujhani, Dataganj (Budaun), Bahadurpur, Pratappur (Allahabad) and Sohawa and Siyar (Ballia)) and 81 GPs out of 52,000 GPs (*Appendix 4*).

Besides, information was collected from Panchayati Raj (PR), Rural Development and other line departments, viz., Child and Women Welfare, Social welfare and Agriculture.

#### **2.2.6 Audit Findings**

##### **Transfer of functions, functionaries and funds**

The State Government constituted (1994) an Administrative Reforms and Decentralization Commission to make recommendations, *inter alia*, on administrative reforms and decentralization in PRIs. The Commission recommended (August 1995) transfer of all the 29 functions devolved as per UP Act no. 9 of 1994 to PRIs alongwith activity mapping for different tiers of PRIs.

It also recommended transfer of functionaries and funds relating to the transferred functions to carry out the functions efficiently and effectively. To examine these recommendations further for implementation, a High Powered Committee (HPC) under the chairmanship of Agricultural Production

Commissioner was constituted (December 1995) which agreed (February 1997) to the proposal of the Commission.

The Eleventh Schedule of the Constitution envisaged the transfer of 29 functions to PRIs by the State Government to enable them to function as institutions of local self government. The State Government devolved all the subjects except Khadi to PRIs by amendment in UP KP&ZP Act 1961 and UP PR Act 1947 but actually transferred 16 functions partially to PRIs out of which 15 functions were transferred to GPs, four to KPs and two to ZPs.

### 2.2.6 (i) Transfer of activities to GPs

As per UP PR Act 1947, 50 activities (*Appendix 5*) related to the 29 functions were to be transferred to GPs. The State Government, however, issued orders (July 1999) for transfer of only 12 activities to GPs as detailed below:

Sl. No.	Activities to be transferred (As per G.Os. of July 1999)	Name of the function to which the activities belongs (As per 11 <sup>th</sup> Schedule of the Constitution)
1	Construction of school buildings and up keep of schools	Education including Primary and Secondary Education
2	Maintenance and repair of Tube wells	Irrigation
3	Maintenance of Health Sub-Centres	Health and Sanitation including Hospitals, Primary Health Centres and Dispensaries
4	Maintenance of veterinary hospitals in villages	Animal Husbandry, Dairy and Poultry
5	All activities undertaken at village level of youth welfare	Cultural Activities
6	Selection of pensioners under old age scheme and distribution of scholarships	Social Welfare
7	All village level works of Anganwadi programme	Women and Child Welfare
8	All village level works of agriculture	Agriculture
9	Establishment and cancellation of fair price shops	Public Distribution System
10	All village level works of Rural Development	Rural Development
11	Maintenance of hand pumps	Drinking Water
12	All village level works of Panchayati Raj	Panchayati Raj

Out of the above twelve activities, four activities, at serial numbers 1, 3, 4, and 9 have not been mentioned in the list of activities to be transferred to GPs in UPPR Act (*Appendix- 5*). The activities at serial number 1 and 9 have been earmarked for ZPs and activities at serial numbers 3 and 4 have been earmarked for KPs as per UP KP & ZP Act.

Test check of records of PR Department revealed that 15 activities were actually transferred to GPs as of June 2008 as detailed below:

Sl. No.	Activities transferred	Department from which activity transferred
1.	Maintenance and Supervision of 'D' category Veterinary Hospitals	Animal Husbandry
2.	Basic Education including Mid-Day-Meal	Basic Education
3.	Rural Sanitation Programme	Medical and Health
4.	Maintenance of assets created under Sodic land Reclamation Projects	Land Development and Water Resources
5.	Minor Irrigation- Selection of beneficiaries	Minor Irrigation
6.	Operation and Maintenance of Rural Water Supply Schemes	Rural Development
7.	Poverty alleviation programmes	Rural Development
8.	Rural Housing Schemes- Selection of Beneficiaries	Rural Development
9.	Rural Library	Education & Youth Welfare
10.	Welfare Programme for SC,ST and other Weaker Sections- selection of pensioners and distribution of scholarships	Social Welfare
11.	Youth Welfare Programme at village level	Youth Welfare
12.	Verification of Inspection notes of CMOs and Dy. CMOs of CHCs and PHCs by KP Pramukh and GP Pradhans respectively	Medical and Health
13.	Maintenance of assets created in Panchayat Area	Panchayati Raj
14.	Food and Civil Supplies- Supervision of Public Distribution System (PDS) throughout the State including Jan Kerosene Programme.	Food & Civil Supply
15.	Operation and Maintenance of Rural Market and fairs	Panchayati Raj

Out of the above activities, activities at serial number 5 and 12 actually belong to KPs and at serial number 14 belong to ZPs as per UP KP & ZP Act. Thus, remaining 38 activities were retained by respective line departments.

### 2.2.6 (ii) Transfer of activities to KPs

As per U.P. KP & ZP Act 1961, 47 activities (*Appendix 5*) related to the 29 functions were to be transferred to KPs but only 4 functions/activities were transferred as detailed below:

Sl No	Activities transferred	Department from which activity transferred
1.	Maintenance of seed stores etc. in Kshetra Panchayats	Agriculture
2.	Verification of Inspection notes of CMOs and Dy. CMOs of CHCs and PHCs by KP Pramukh and GP Pradhans respectively	Medical and Health
3.	Maintenance of assets created in Panchayat Area	Panchayati Raj
4.	Food and Civil Supplies- Supervision of Public Distribution System (PDS) throughout the State including Jan Kerosene Programme.	Food & Civil Supply

### **2.2.6 (iii). Transfer of activities to ZPs**

As per U.P. KP & ZP Act 1961, 65 activities (*Appendix 5*) related to the 29 functions were to be transferred to ZPs but only 2 activities viz., Operation and maintenance of rural markets and fairs and Supervision of PDS including Jan Kerosine Programme were transferred.

On being pointed out in audit, it was replied by the Panchayat Raj (PR) Department that the matter related to different departments and consensus was not arrived at for transfer of activities. The PR department also stated that the matter was under consideration since 1999.

### **2.2.7 Inadequate transfer of functions/activities-**

The GPs were entrusted with the job of selection of beneficiaries under different pension schemes such as old age pension scheme etc., and distribution of scholarship to the students of village schools. Test check of records revealed that in 16 GPs<sup>13</sup>, 762 beneficiaries out of 2971 selected by these GPs were not sanctioned pensions by Social Welfare Department during the period from 2003-08.

Thus, without the power to sanction the pension by GPs, merely recommendation for pension was not effective to help needy people in the villages by GPs.

### **2.2.8 Non-execution of powers entrusted to GPs/KPs**

- (i) As per UP KP & ZP Act, supervision of PDS was entrusted to ZPs but scrutiny of records of ZP Allahabad, Badaun and Ghaziabad revealed that inspection of PDS shops were not conducted at all.
- (ii) The KP Pramuks and GP Pradhans were entrusted with the work of verification of inspection notes of Chief Medical Officer (CMO) and Deputy CMOs in respect of CHCs and PHCs respectively to ascertain functioning of the CHCs and PHCs to ensure proper health care to the people. Test check of records of all test checked KPs and GPs revealed that inspection notes were not received in KPs and GPs for verification.

The above indicated that the PRIs did not exercise proper control over the functions transferred to them.

### **2.2.9 Activity mapping amongst PRIs**

---

<sup>13</sup> Kusmaura Halwapur, Barkatabd jaahangirabad, Sakra, Saifalpur, Basraila, Gopramau, Kura Etegaon, Karjhan, Thawar, Banshigarhi, Fatehganj, Kakrabad, Sarsanda, Kusalganj, Karimabad and Baragaon of KP Kakori, district Lucknow

Entrustment of different activities relating to function to the three tiers of PRIs requires balanced distribution of functions and activities among them, the basic criteria for such distribution being that an activity should be performed by a tier to which it belongs naturally and there be a mechanism for inter tier co-ordination in case of overlapping of activities related to the function. The UP KP & ZP Act, 1961 and U.P. PR Act, 1947 as amended in 1994 distributed activities related to 29 functions among the three levels of PRIs which shows overlapping among different tiers in as many as 12 items as detailed below:

<b>Sl. No.</b>	<b>Activities transferred to ZPs as per U.P. KP &amp; ZP Act</b>	<b>Activities transferred to KPs as per U.P. KP &amp; ZP Act</b>	<b>Activities transferred to GPs as per U.P.PR Act</b>
1.		a) Promotion and Development of agriculture and horticulture.	a) Promotion and development of agriculture and horticulture.
2.	a) Maintenance of veterinary services b) Promotion dairying, poultry and piggery.	a) Maintenance of veterinary services b) Improvement of breed of cattle, poultry and other live stocks c) Promotion dairying, poultry and piggery.	a) Improvement of breed of cattle, poultry and other live stocks b) Promotion dairying, poultry and piggery
3.		a) Planting and preserving trees on the sides of roads and public lands b) Development and promotion of social forestry and sericulture	a) Planting and preserving trees on the sides of roads and public lands b) Development and promotion of social and agricultural forestry and sericulture
4.		Promotion and development of minor forest produce	Promotion and development of minor forest produce
5.		Implementation of poverty alleviation programmes	Implementation of poverty alleviation programmes
6.		Promotion of rural artisans and vocational education	Promotion of village art and artisans.
7.	Promotion of cultural activities		Promotion of cultural activities
8.	Participation in the social welfare programmes including welfare of the handicapped and mentally retarded.	Participation in the social welfare programmes including welfare of the handicapped and mentally retarded.	Participation in the social welfare programmes for handicapped and mentally retarded.
9.	a) Establishment, maintenance and management of PHCs and dispensaries.	a) Establishment and maintenance of PHC and dispensaries. b) Control of epidemics	a) Prevention against epidemics.
10.		Promotion of health and family welfare programmes	Promotion of family welfare programmes
11.	a) Promotion of welfare of schedule castes and weaker section. b) Preparation of plans and implementation of schemes for social justice	a) Promotion of welfare of the scheduled castes and weaker sections b) Preparation of plans and implementation of schemes for social justice	a) To prepare and implement programmes for social justice.
12.	Preservation and maintenance of	Preservation and maintenance of	Preservation and maintenance of

	community assets.	community assets.	community assets.
--	-------------------	-------------------	-------------------

Even the order issued subsequently (July 1999) by the State Government assigning the responsibilities regarding supervision of fair price shops by all the three tiers of Panchayats, operation and maintenance of Rural markets and fairs, maintenance of assets created in Panchayat and different works such as construction of roads, ponds, etc. undertaken under Poverty alleviation programme did not clarify how the overlapping activities would be segregated for carrying out the work. Consequently, all the three tiers of PRIs carried out the same work in the same village as noticed in the test check of the records in ZP, Ballia and KPs, Sohaw (district Ballia) and Bahadurpur (district Allahabad) where, during 2007-08, ZP, Ballia constructed four roads in four villages and these KPs constructed one road in two villages which were under natural jurisdiction of GPs. It also needs mention that as per Section 33 of the UP KP&ZP Act, ZPs were required to classify roads as village roads, inter village roads and district roads for the purpose of management by the GPs, KPs and ZPs respectively but it was not done.

#### 2.2.10 Transfer of funds

(i) The State Government took decision (July 1999) for transferring funds for 13 functions to GPs as detailed below:

Sl. No.	Funds transferred for
1	Maintenance of schools
2	Reading writing material for schools
3	Construction of new and existing schools.
4	Construction of additional classrooms in schools.
5	Maintenance of Government tubewells.
6	Maintenance of health sub-centres.
7	Maintenance of veterinary hospitals.
8	Funds for activities undertaken at village level related to youth welfare.
9	Funds for Anganwadi programme at village level.
10	Funds for all village level works related to agriculture.
11	Funds allotted for all village level works under poverty alleviation programme.
12	Funds allotted for all village level works for rural library and operation and maintenance of rural markets and fairs.
13	Maintenance of hand pumps

However, test check revealed that funds for eight activities viz., (1) Poverty alleviation programme, (2) Rural water supply-operation and maintenance, (3) Construction and maintenance of rural markets and fairs, (4) Rural sanitation programme, (5) Social welfare-distribution of scholarships (6) Maintenance of assets, (7) Rural library and (8) Youth welfare programme were transferred to PRIs. Funds are also being released to Panchayats by individual line departments based on the schemes entrusted to them.

Though the Government has taken the decision for transferring funds for the five functions viz., (1) Maintenance of Government Tubewells, (2) Maintenance of Health Sub-Centers, (3) Maintenance of Veterinary hospitals, (4) Anganwadi Programme at village level and (5) All village level works related to agriculture but these have not been actually transferred and these functions are still being carried out by the concerned department .

(ii) The PRIs receive funds from the state government as per recommendation of Central Finance Commission (CFC) and State Finance Commission (SFC). Besides, they get funds for execution of Centrally Sponsored Schemes (CSS) and also generate fund from their own sources by levying taxes such as property tax, house tax and water tax, *tahbazari*, etc. Details of devolution of funds prior and post devolution of functions to PRIs are given below:

**Devolution of funds prior to transfer of functions**

(Rupees in crore)

Year	CFC	SFC	Total
1997-98	151.90	187.69	339.59
1998-99	68.66	217.70	286.36

Source: Director, Panchayati raj, Lucknow

**Devolution of funds after transfer of functions**

(Rupees in crore)

Year	CFC	SFC	Total
2003-04	233.42	550.00	783.42
2004-05	00.00	778.45	778.45
2005-06	585.60	868.83	1454.43
2006-07	585.60	1174.66	1760.26

Source: Panchayati Raj Department, Government of UP

It reveals that there is effective increase in devolution of funds to PRIs after the devolution of functions.

(iii) Scrutiny of records relating to utilization of SFC's grants revealed that PRIs were slow in its utilization as there were unutilized grants ranging between 9 per cent and 57 per cent during 2003-07 which indicated the failure of the PRIs to manage their affairs in a planned manner to provide the intended benefit to their inhabitants.

(Rupees in crore)

Year	Funds available	Expenditure	Balance (per cent)
2003-04	550.00	372.24	177.76 (32)
2004-05	778.45	710.23	68.22 (9)
2005-06	868.83	481.77	387.06 (45)
2006-07	1174.66	503.07	671.59(57)

Source: Director of Panchayati Raj, Lucknow.

(iv) The State Government issued order (May 1999) for transferring funds to GPs payable as honorarium to village level Anganwadi Workers of Women and Child Welfare Department. As per provisions of the order, the honorarium was to be disbursed to the workers on the basis of their attendance and monthly report given by the concerned committee of the Gram Panchayat. However, the State Government has withdrawn (March 2001) the financial powers of GPs for disbursement of honorarium and directed the Women and Child Welfare Department for transferring the honorarium of Anganwadi Workers directly into their bank account. Thus, the withdrawal of financial control of GPs over payment of honorarium to Anganwadi Workers on the basis of their attendance and monthly report would affect adversely the GPs due to lack of control by concerned committee of Gram Panchayat.

### 2.2.11 Transfer of functionaries:

(i) The State Government issued orders (July 1999) for transfer of 12 functionaries from 8 departments to GPs as detailed below:

Sl. No.	Functionaries transferred	Name of Department	Number of functionaries transferred
1	Tubewell operator	Irrigation	22290
2	Seenchpal (Nalkoop)	-do-	----
3	Seenchpal (Nahar)	-do-	155
4	Male health worker	Medical and Public Health	102
5	Gram Vikas Adhikari (Social Welfare)	Social Welfare	665
6	Village level worker	Land Development and Water Resources	----
7	Inspector	-do-	----
8	Seenchpal/ Supervisor	-do-	----
9	Kisan sahayak	Agriculture	5401
10	Gram Vikas Adhikari	Rural Development	7136
11	Ganna Paryavekshak	Cane	2569
12	Gram Panchayat Adhikari	Panchayati Raj	6981
<b>Total</b>			<b>45299</b>

Source: Director, Panchayati Raj.

Functionaries of Land Development and Water Resources Department and Seenchpal (Nahar) of Irrigation Department were not transferred to GPs inspite of Government orders. However, 38318 functionaries from seven Departments except 6981 functionaries of Panchayati Raj Department were sent back (by July 2006) to their parent departments on the ground that work in their parent departments was suffering. Thus, remaining functionaries relating to Panchayati Raj Department were attached with GPs as of June 2008.

(ii) **Shortfall in deployment of staff:-** State Government in its order of July 1999 envisaged manning of each GP at least by one multipurpose village

level worker by transferring village level staff of eight departments but due to transfer back of the staff of seven departments viz.,(1) Irrigation, (2) Medical and Public Health, (3) Social Welfare, (4) Land Development and Water Resources (5) Agriculture (6) Rural Development and(7) Cane, out of eight, resulted in shortage of staff. Consequently, one staff nominated as Gram Panchayat Adhikari (GPA) was looking after on an average 8 villages to look after all the work of the transferred functions as only 6235 GPA (12 *per cent*) as of January 2008 were available against 52,000 GPs. With such a huge shortage, it was difficult to discharge the duty efficiently with the available man power covering 15 activities and utilize the funds.

(iii) As per provisions of Gramin Karya Nirdeshika, payments for construction or supply of materials can be made only after recording proper measurements in the measurement book. Scrutiny of records of all test checked GPs revealed that Rs. 5.36 crore was spent in carrying out the activities of construction of kaccha/kharanja roads, drains, nallas, maintenance of drinking water facilities and sanitation work without recording measurement. In reply, GPs stated (March -May 2008) that measurement could not be done due to non availability of Junior Engineer.

#### **2.2.12 Ineffective functioning of the transferred functions**

In compliance of the provisions of UP PR Act and UP KP& ZP Act, 6 committees<sup>14</sup> were constituted in each PRIs but all the committee except Nirman Karya Committee were non- functional as the expenditure on concerned activities were being incurred by the respective line departments. However, *Nirman Karya Samiti* was constituted in all the 3 tiers of PRIs consisting of elected members of the panchayat to exercise effective control over construction and maintenance work of the buildings and roads etc. and also to keep quality under check in construction works, but minutes of meetings of the committee were not made available to audit to ascertain its effectiveness.

#### **2.2.13 Non-creation of rural employment**

The PRIs are required to utilize the funds promptly received under poverty alleviation programme to create jobs. It was, however, noticed that ZP, Allahabad did not utilize Rs. 19.64 crore (53 *per cent*) out of Rs. 36.91 crore available in 2007-08 due to shortage of technical staff and enforcement of model code of conduct for elections. This indicated that poverty alleviation programme did not achieve its objective to create rural employment.

---

<sup>14</sup> (1) Niyojan evamVikas Samiti, (2) Prashasanik Samiti, (3) Swasthya evam Kalyan Samiti, (4) Shiksha Samiti, (5) Jal Prabandhan Samiti and (6) Nirman Karya Samiti.

#### **2.2.14 Non-providing food security to labourers**

Under Sampoorna Gramin Rojgar Yojna (SGRY) wages to labourers were to be paid partly in cash and partly in the form of foodgrains with a view to provide food security in rural areas. Foodgrains were to be provided by the District Rural Development Agency (DRDAs). It was, however, noticed in test check that foodgrains were not provided to labourers as part of wages but paid in cash in ZPs, Allahabad and Ghaziabad, (during 2006-07), in ZP, Budaun (during 2006-07), in 5 KPs and 46 GPs (during 2003-08). In the remaining 7 KPs and 35 GPs test checked, records relating to issue of food grains were not maintained properly, hence it could not be ascertained in audit whether food grains were distributed.

Non-distribution of food grains was attributed by the units checked to non-supply of foodgrains by DRDAs. This showed lack of coordination between the PR Department and the Rural Development Department which defeated the objective of providing food security to poor people in rural areas.

#### **2.2.15 Depriving ZPs & KPs from their powers & functions in implementation of 'Swajal Dhara Yojna'**

The ZPs, KPs and GPs are responsible for planning, programming, monitoring, construction, maintenance and repair etc. of drinking water facilities in rural areas (*Appendix – 5*).

Government of India launched (November 2002) Swajal Dhara Yojna, a community based rural drinking water supply scheme to provide drinking water in rural areas. The objective of the scheme was to institutionalize community participation to ensure sustainability of system and sources by adopting demand response strategy. The Rural Development Department ordered (May 2004) that the scheme would be executed by Village Water and Sanitation Committee (VWSC). Jal Prabandhan Samiti of GPs will execute the projects as VWSC. District Water and Sanitation Committee (DWSC) will plan, manage, and monitor the scheme. The accounts of DWSC would be jointly operated by Chief Development Officer (CDO) and District Development Officer (DDO) of the District. Thus, ZPs and KPs have been deprived of their powers and functions of planning, providing and assisting in development of drinking water facilities in rural areas.

#### **2.2.16 Internal Control System and Monitoring**

(i) A Financial Adviser (FA) was posted in each ZP for management and advice on financial matters. The FA prepared quarterly observation reports containing improper preparation of budget, control on expenditure,

maintenance of financial records and follow up of audit observations for compliance by ZPs. It was, however, noticed that the objections raised in the quarterly observation reports were not attended to by any of the 6 ZPs test checked.

(ii) For effective functioning of a system and better delivery of services, periodical review and monitoring of activities and a prescribed control mechanism are important. The performance of PRIs in relation to transferred activities in general was not effective as five committees constituted in PRIs were nonfunctional, payment for construction in GPs was made without measurement. PRIs did not ensure that foodgrains were distributed to labourers to ensure food security to poor, jobs were not created despite availability of funds.

(iii) As per provisions of “Gramin Karya Nirdeshika”, Assistant Engineer(AE) is required to check and verify five *per cent* of the measurements recorded by Junior Engineer for the works of value between Rs. 10,000 to Rs. 50,000 and 20 *per cent* for the works of the value above Rs. 50,000. However, measurements were not checked and verified by AE in any of the test checked ZPs & KPs.

#### **2.2.17 Conclusion**

Seventy third amendment in the Constitution envisaged devolution of 29 functions to PRIs to enable them to work as institutions of local self government. Though the State Government amended the UP KP&ZP Act 1961 and UP PR Act 1947 and devolved the transfer of functions, functionaries and funds but it actually transferred 16 functions, one functionary and funds for eight activities only. In absence of functionaries and funds, even the transferred functions could not be implemented effectively by PRIs. Further, PRIs’s functioning was not efficient in respect of works assigned to them as was noticed in test check that five Samitis though constituted in PRIs did not function at all to supervise activities under its jurisdiction.

#### **2.2.18 Recommendations**

- The Government should consider transferring of all the functions as envisaged in the 11<sup>th</sup> Schedule of the Constitution.
- The State Government should transfer adequate number of functionaries to GPs for their effective functioning and funds for implementing the functions so transferred.
- The State Government should strengthen the internal control system in PRIs to have effective financial control over funds and execution of work.