

## CHAPTER II

### Theme Audit on Backward Regions Grant Fund (BRGF)

#### Executive Summary

The GoI launched BRGF during 2006-07 for 11<sup>th</sup> five year plan (2007-12) in 250 districts of the country. The Main objective of BRGF is to mitigate regional imbalances, contribute towards poverty alleviation in backward districts of the country besides focused development of backward areas by bridging gaps in critical infrastructure as well as other developmental requirements. BRGF provides financial resources for supplementing and converging existing developmental inflows into 250 districts of the country which includes 11 districts of Assam.

Results of Theme Audit on 'BRGF' implemented by LBs in two districts<sup>12</sup> covering the period 2007-12 are summarised below:

- There were short release of ₹473.63 crore (₹23.04 crore under Capacity Building and ₹450.59 crore under Development Grant). Short release of funds was due to under utilisation of funds and delay in submission of proposals and Utilisation Certificates by the State Government. **(Para 2.7.1.1)**
- In the two test checked districts, the GoI released ₹61.55 crore as development grants during 2007-11 and ₹31.96 crore to State Institute of Rural Development (SIRD) for capacity building of 11 BRGF districts. However, State Government failed to release the funds to PRIs, SIRD and NERIWLM<sup>13</sup> within the stipulated period of 15 days. **(Para 2.7.1.2)**
- In the two test checked districts, it was noticed that Perspective Plans were prepared without indicating the priority of works to mitigate the critical gaps in the development. As a result, the provision of guidelines to prioritize the identified critical gaps in the backward district addressing specific requirement was not achieved. **(Para 2.7.2.1)**
- There was total absence of institutional support arrangements under BRGF at PRIs and ULBs level to strengthen the planning process and preparation of Annual Plans in a participatory mode. **(Para 2.7.2.6)**
- Morigon and Bongaigaon ZPs diverted the BRG fund of ₹41.70 lakh for execution of projects outside the plan approved by HPC in violation of the scheme guidelines.

<sup>12</sup> Morigaon and Bongaigaon

<sup>13</sup> North Eastern Regional Institute of Water and Land Management

- Besides, the necessity for such changes addressing the backwardness had also not been specified. **(Para 2.7.3.1)**
- Gram Sabhas were also not involved in the selection of beneficiaries. SHGs were selected by the President and Members of the Morigaon ZP. Criteria adopted for selection of SHGs were not found on record. As a result the genuineness in selection of beneficiaries also could not be ascertained in audit. **(Para 2.7.3.2)**
- Incurring of expenditure on other purposes not covered under the guidelines meant that the rural people were deprived of the otherwise intended benefits from the stipulated sectors that would accrued from diverted fund of ₹47.25 lakh. **(Para 2.7.3.3)**
- ₹3.19 crore (₹0.89 crore + ₹2.30 crore) released by the GoI for capacity building remained unutilised as of March 2012. Keeping of scheme fund unutilised not only affected the achievement of desired target for providing training to ERs but also resulted in blocking up of Government funds to that extent. **(Para 2.7.4.1)**
- Government did not institute any monitoring system to ensure the quality of works executed under BRGF scheme. **(Para 2.7.5.2)**
- The State Government had not issued any guidelines on Social Audit as of August 2012 as envisaged under Para 4.15 of BRGF guidelines. **(Para 2.7.5.3)**

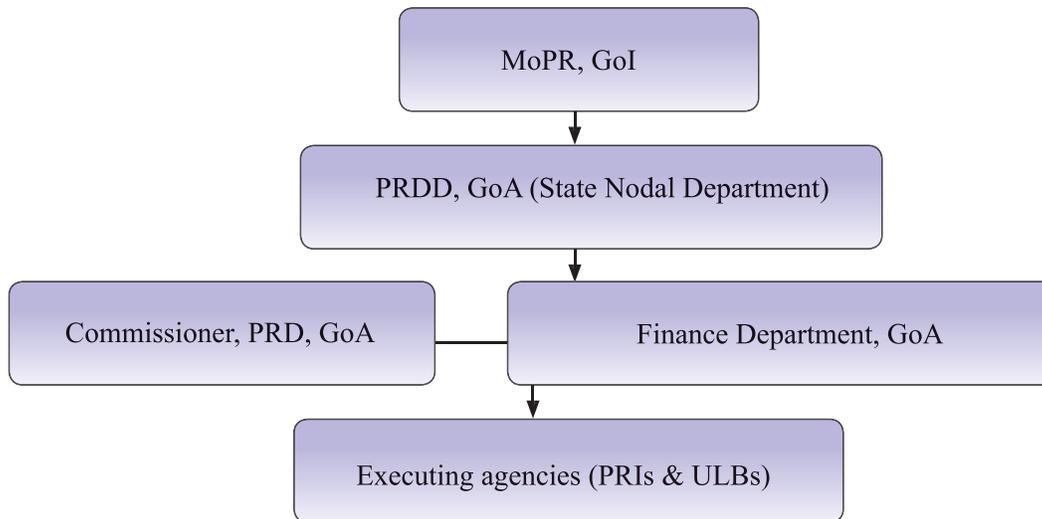
## 2.1 Introduction

The GoI launched BRGF during 2006-07 for 11<sup>th</sup> five year plan (2007-12) in 250 districts of the country. In Assam 11 districts are covered under the BRGF to mitigate regional imbalances, contribute towards poverty alleviation in backward districts of the country besides focused development of backward areas by bridging gaps in critical infrastructure as well as other developmental requirements. However, BRGF in addition, aimed at convergence of existing developmental inflows under various flagship programmes to speed up the development process and had a capacity building component to strengthen Panchayat and Municipality level governance with more appropriate capacity building and provide professional support to LBs for planning, implementation and monitoring their plans. The guidelines of BRGF were issued by the GoI in January 2007. The integrated district plans were to be prepared through participatory planning from grass root level to district level, ensuring inclusion of sub plans of SC/ST.

## 2.2 Organizational Setup

The BRGF is administered by the Ministry of Panchayati Raj (MoPR), GoI, through the High Power Committee (HPC) headed by the Chief Secretary and consisting *inter alia*, the

Development Commissioner, Planning Secretary, Principal Secretary, PRDD, Principal Secretary, UDD and State Secretaries in-charge of the sectors under which works are to be taken up under the programme. The PRDD of the State is the nodal department that administers the BRGF funds in the state. The projects are implemented by Panchayats and Municipalities of the district. The organizational structure for implementation of BRGF is given below:



### 2.3 Scope of Audit

Theme Audit on BRGF implemented by LBs in Morigaon and Bongaigaon districts for the period 2007-11 was conducted during 21 August 2011 to 29 September 2011 and 24 January 2012 to 18 February 2012 respectively by test check of records of two ZPs, four APs and 16 GPs. The two districts were selected based on geographical location of the State and percentage of SC/ST population of the district was also taken into consideration. To update the position of implementation of scheme under BRGF, information was collected from two test checked districts, Commissioner, PRD and also from SIRD, Assam to give emphasis on Capacity Building of BRGF. In addition to that, information was also collected from GPs and ULBs of the two sampled districts.

### 2.4 Audit Objective

The objectives of the audit were to assess whether:-

- the allocation and releases of funds were transferred timely to the implementing agencies in accordance with the provision of guidelines;
- planning for selection of backward districts and projects was based on reliable data and as per the GoI guidelines;

- the projects were implemented as per guidelines in an efficient manner;
- an effective monitoring, internal control and evaluation system was in place to keep track of the implementation of the scheme.

## 2.5 Audit Criteria

The criteria for assessing the achievement of the objectives of the scheme were as under

- BRGF guidelines.
- Minutes of meeting of HPC for execution of BRGF projects.
- Perspective Plan for implementation of individual projects/schemes.
- Prescribed monitoring mechanism.
- Capacity Building for Elected Representatives (ERs) and functionaries of PRIs/ULBs.

## 2.6 Audit Methodology

Theme Audit on BRGF commenced with an entry conference on 21 August 2011 with the Principal Secretary, PRDD and Commissioner, PRD, Assam, and on 6 August 2011 and 24 January 2012 with the CEO, Morigaon Zilla Parishad (MZP) and Bongaigaon Zilla Parishad (BZP) respectively wherein audit objectives, criteria and methodology were discussed. Projects were selected Sector-wise for detailed scrutiny. Audit findings were discussed with the CEOs of the two test checked districts in exits Conferences (29 September 2011 and 17 February 2012).

## 2.7 Audit Findings

The important audit findings are discussed in the succeeding paragraphs.

### 2.7.1 Financial Management

**Audit Objective: Whether the allocation and releases of funds were transferred timely to the implementing agencies in accordance with the provision of guidelines**

Regular and timely release of funds is an essential requirement for effective implementation of any programme. Delay, irregular or short release of funds has a cascading impact on the execution of time-bound activities that are interlinked.

#### 2.7.1.1 Short release of funds

BRGF consists of two funding windows (a) Capacity Building fund and (b) Untied Development fund. 11 districts of Assam are covered under BRGF with annual

entitlement of ₹157.19 crore as Development Grants and ₹11.00 crore as Capacity Building grants being cent *per cent* Central grant to the State.

The year wise position of receipt of funds from GoI, corresponding release by the State Government and utilization of funds by the implementing agencies under BRGF during 2007-12 is given in **Table 2.1**:

**Table 2.1: Receipt and utilisation of funds under BRGF**

(₹ in crore)

Year	Allocation and fund released by GoI				Funds released by State Government to		Amount utilised by the implementing agencies		Percentage of utilization	
	Capacity Building		Development Grants		SIRD	ZPs	SIRD	PRIs and ULBs	Capacity Building	Development Grants
	Allocation	Fund released	Allocation	Fund released						
2007-08	11.00	9.12	157.19	59.98	5.47	59.98	0.12	59.98	1.32	100
2008-09	11.00	-	157.19	53.23	-	-	3.10	-	34.40	-
2009-10	11.00	-	157.19	56.03	2.10	86.58	2.58	63.27	43.73	73.08
2010-11	11.00	13.08	157.19	126.04	8.81	57.70	6.62	NA	60.68	NA
2011-12	11.00	9.76	166.74	49.63	5.49	132.15	9.14	NA	72.08	NA
<b>Total</b>	<b>55.00</b>	<b>31.96</b>	<b>795.50</b>	<b>344.91</b>	<b>21.87</b>	<b>336.41</b>	<b>21.56</b>	<b>123.25</b>		

Source: Commissioner, PRD and SIRD, Assam.

GoI released ₹31.96 crore and ₹344.91 crore to the State against the allocation of ₹55.00 crore and ₹795.50 crore during the year 2007-12 under Capacity Building and Development Grant respectively. Thus, there were short release of ₹473.63 crore (₹23.04 crore under Capacity Building and ₹450.59 crore under Development Grant). Short release of funds was due to under utilisation of funds and delay in submission of proposals and Utilisation Certificates (UCs) by the State Government.

SIRD had utilized ₹21.56 crore against available fund of ₹21.87 crore during 2007-12 leaving unspent funds of ₹0.31 crore. Actual utilization of Development funds released to ZPs could not be ensured due to non furnishing of information by the State Government. Under utilization of available funds by the SIRD led to non/partial implementation of training programmes as discussed in paragraph 2.7.4.

### 2.7.1.2 Delay in Release of funds

As per Para 4.6 of BRGF guidelines, the BRG funds should be transferred to the Panchayats, Municipalities and other implementing authorities within 15 days from the date of release of funds by the GoI. In case of delay in transfer of funds, penal interest at RBI rate shall be required to be transferred by the State Government to the

PRIs/ULBs/other implementing authorities concerned along with the principal amount of the funds.

In the two test checked districts, the GoI released ₹61.55 crore as development grants during 2007-11 and ₹31.96 crore to SIRD for capacity building of 11 BRGF districts. However, State Government failed to release the funds to PRIs and SIRD/NERIWLM within the stipulated period of 15 days.

As there were delays ranging from 30 to 1116 days in release of funds to ZPs and SIRD/NERIWLM, interest of ₹3.05 crore as detailed in *Appendix XII & XIII* was due for payment to Morigaon ZP, Bongaigaon ZP and SIRD/NERIWLM as of March 2012. But no interest for delayed release of funds was transferred to the PRIs as well as to SIRD, Assam by the State Government till December 2012.

The Principal Secretary, PRDD explained (September 2011) in details the sequence of steps followed in the fund flow mechanism till it reached the districts. He also mentioned about the time taken at each step which come to at least three months. He attributed the delay to the procedure and formalities to be observed in each step which ultimately made it difficult to release the fund to the districts within 15 days. The observation of the Principal Secretary is not tenable as the department should have evolved a suitable mechanism for timely transfers of funds for timely implementation of the projects under the Scheme.

Thus, delay in release of funds led to delay in implementation of projects as well as imparting of training in time, besides creating liability of ₹3.05 crore on State Government being interest @ ₹6 per cent p.a.

#### **2.7.1.3 Non-adherence to prescribed fund flow mechanism**

Each BRGF district would receive ₹1.00 crore per annum as Capacity Building Fund. The Untied Development Grants were to be distributed among the districts as a fixed minimum amount of ₹10 crore per annum per district and 50 per cent of the allocation was to be distributed on the basis of the share of the population of the district and remaining 50 per cent would be distributed on the basis of the share of the area of the district. The Government was to indicate the normative formula for inter-se allocation of BRGF grants in each Panchayat and ULBs within the district. But the State Government violating the Central Guidelines distributed the fund received from the GoI, district wise using population figures and divided it between rural and urban using the ratio proportionate to the population in PRIs and ULBs. Fund for the PRIs were allocated at

20 per cent, 30 per cent and 50 per cent among ZP, APs and GPs respectively. Thus, funds were not allocated among the PRIs and ULBs as per guidelines.

In respect of Capacity Building, the fund received from GoI by the State Government were released to the SIRD/NERIWLM for imparting training to the ERs and functionaries of the PRIs without earmarking any district wise allocation of fund as envisaged in the guidelines. Apart from this, no provision of funds were made for imparting training of elected representatives and functionaries of ULBs.

#### 2.7.1.4 Utilisation of funds

Allocation, receipt and utilisation of funds under BRGF during 2007-12 in respect of two test checked districts are shown in **Table 2.2**:

**Table 2.2: Receipt and utilisation of development grants under BRGF**

(₹ in crore)

Plan year	Name of district	Approved cost/ allocation of fund	Fund released by the GoI to GoA	Fund released to Zilla Parishads as of 31 March 2012	Expenditure reported
2007-08	Bongaigaon	13.23	11.90	11.90	11.90
2008-09		13.23	-	-	-
2009-10		13.23	8.60	8.60	6.45
2010-11		13.23	13.23	13.23	-
2011-12		13.88	-	-	-
<b>Sub total</b>		<b>66.80</b>	<b>33.73</b>	<b>33.73</b>	<b>18.35</b>
2007-08	Morigaon	12.79	7.50	7.50	7.50
2008-09		12.79	10.13	10.13	8.31
2009-10		12.79	-	-	-
2010-11		12.79	10.19	10.19	-
2011-12		13.36	-	-	7.39
<b>Sub total</b>		<b>64.52</b>	<b>27.82</b>	<b>27.82</b>	<b>23.20</b>
<b>Total</b>		<b>131.32</b>	<b>61.55</b>	<b>61.55</b>	<b>41.55</b>

Source: Commissioner, PRD, Assam

It would be seen from the above table that, the GoI released ₹61.55 crore to Morigaon and Bongaigaon districts against their total allocation of ₹131.32 crore during the year 2007-12 resulting in short release of ₹69.77 crore (53.13 per cent) to those two districts. The short release was due to non submission of proposals and UCs in time. Moreover, it was also observed that against the total receipt of ₹61.55 crore by the two districts, an amount of ₹10.85 crore remained undisbursed with ZPs as of March 2012 as detailed in *Appendix - XIV*. This had retarded the progress of works under the schemes and also frustrated the intended benefits to the targeted beneficiaries.

### 2.7.1.5 Non utilisation of bank interest

In terms of Para 4.9 of BRGF guidelines, funds received under the scheme/programme are to be kept in savings bank account and the interest accrued on such deposits should be treated as additional resources under the BRGF and should be utilized as per guidelines of the programme. Guidelines also envisaged that no work under BRGF can be executed/ taken up unless it forms part of Annual Action Plan approved by the concerned DPC of the district.

Scrutiny of records revealed that neither the DPCs of two test checked districts/ SIRD, Assam had made any provisions in the Annual Plans nor the HPC of the State issued any instruction for utilisation of interest earned on unutilised amount of BRGF Grants kept in savings bank account. As such, additional receipt in the form of bank interest amounting to ₹1.06 crore<sup>14</sup> could not be utilised for poverty alleviation programme as well as imparting training to the ERs and Panchayat functionaries in two backward districts of the State resulting blocking up of interest fund to that extent.

### 2.7.1.6 Other irregularities

The guidelines under BRGF provided for transfer of funds directly into the accounts of the Panchayats and ULBs using mechanism of on line bank transfer. In the two test checked districts it was noticed that the Government instead of transferring the funds directly into the accounts of the Panchayats and ULBs, released the funds to ZPs of the concerned district.

Thus, transferring of funds without following the mechanism of bank transfer as envisaged in the guidelines subsequently affected release of full share to ULBs amounting to ₹0.42 crore as detailed in *Appendix - XV* and frustrated the very objective of the programme. The short release of funds to ULBs was calculated based on population of urban area as adopted by the State Government for distribution of funds to PRIs and ULBs.

<sup>14</sup> ( SIRD ₹ 0.58 crore+ Morigaon ₹0.09 crore+ Bongaigaon ₹0.39 crore)

## 2.7.2 Planning

**Audit Objective: Whether planning for selection of backward districts and projects was based on reliable data and as per the GoI guidelines for BRGF programme**

### 2.7.2.1 Delay in preparation of Perspective Plans

As per the guidelines, BRGF programme was to be commenced within each BRGF district based on study of its backwardness which would include a baseline survey followed by preparing a well conceived district development Perspective Plan covering period of 11<sup>th</sup> Five Year Plan for 2007-12 and Annual Action Plan 2007-08 by March 2007 to redress the backwardness. The Perspective Plan would be prepared with assistance from Technical Support Institute (TSI). However, the State Government agreed to prepare the Perspective Plan in respect of the entire BRGF district for all the five years of 11<sup>th</sup> plan period, i.e. 2007-12 by October 2008 and assigned the works to TSI namely National Institute of Rural Development (NIRD) and Institute of Applied Man Power Research (IAMPR).

Test check of records of two selected districts revealed that in Morigaon, NIRD has been entrusted with the preparation of district Perspective Plan and the NIRD submitted the Perspective Plan in August 2009 after a delay of 10 months from the date of engagement.

Similarly, IAMPR has been assigned (October 2008) by the State Government to provide the Technical Support and play the role of TSI for facilitation in preparation of the district Perspective Plans of Bongaigaon district which was submitted in May 2009 after delay of seven months from the date of engagement of TSI.

As a result, Annual plans of these two districts for ₹29.53 crore was approved by HPC without any Perspective Plans as detailed in **Table 2.3:**

**Table 2.3: Annual Plan approved by HPC without Perspective Plan**

(₹ in crore)

Year	Name of district	Month of approval by HPC	Total amount of annual plan
2007-08	Bongaigaon	NA	11.90
	Morigaon	NA	7.50
2008-09	Morigaon	NA	10.13

Source: ZPs

In the absence of Perspective Plan, assessment of regional imbalances in the development to bridge the critical gaps therein could not be ensured and works of ₹29.53 crore were taken up without ascertaining the prime objective of the programme.

Further, in the two test checked districts, it was noticed that Perspective Plans were prepared without indicating the priority of works to mitigate the critical gaps in the development. As a result, the provision of guidelines to prioritize the identified critical gaps in the backward district addressing specific requirement was not achieved.

#### **2.7.2.2. Non preparation of Sub-Plan showing allocation of funds for SCs/STs**

Paragraph 2.2 of BRGF guidelines envisaged formation of a separate sub plan within the Annual Action Plan of each Panchayat/ULB showing scheme-wise allocation of funds for SCs/STs. Funds at least in proportion of the population of these communities in the Panchayats/ULBs were to be provided under this sub plan. Amenities such as school, anganwadis, health centre etc. were to be provided in areas having substantial SC/ST population. However, no such sub plan was prepared with in the Annual Plans in respect of any of the BRGF districts during 2007-12 even though SC/ST population of 11 BRGF districts ranged from 11.10 *per cent* to 70.10 *per cent* of total population of the State as per Census 2001. Thus, provision of ₹105.67 crore as detailed in *Appendix-XVI* was to be made for development of SCs/STs population of those districts considering the total receipt of ₹336.41 crore as of March 2012. Approval of annual plans without the sub plan for SCs/STs deprived 26.12 lakh SC/ST population of BRGF districts from the benefit of the BRGF.

#### **2.7.2.3 Non-adoption of Plan Plus software**

MoPR, GoI had advised the State Government (October 2009) to adopt software 'Plan Plus' designed by NIC for preparation of the BRGF plan and asked to ensure that the district plans were uploaded by 30 November 2009. Although 665 officials were trained both in the state and district level through workshops during 2007-09, Plan Plus software was not uploaded as of July 2012.

#### **2.7.2.4 Absence of Integrated as well as Participatory Planning**

BRGF programme envisaged decentralised bottom up planning and strengthening of Gram Sabhas in rural areas and Area Sabhas in urban areas. It also required convergence of all developmental inflows under flagship programmes to form an integrated district plan to speed up the development process in backward districts. The participatory plans prepared by Panchayats and Municipalities were to be consolidated into integrated district plan by the DPCs and the same would reflect all financial resources available in the district and ensure their optimal use without delay, diversion, duplication and leakages. However, in the two test checked districts, plans were prepared without comprising all

other programmes and resources available resulting in lack of integration as well as planning.

#### **2.7.2.5 Absence of policy framework and non-issue of guidance**

Despite requirement under Para 1.8 of BRGF guidelines and directions (July 2010) of the GoI, no guidelines were issued by the State Government (July 2012) for:

- *Inter se* allocation of BRGF funds between different levels of PRIs considering the backwardness index or level of development and addressing specific district wise priorities;
- Policy for earmarking a reasonable percentage of funds towards performance incentive, based on specified criteria;
- Prescribing a quality monitoring system which should be regularly reviewed by the HPC;
- Manner of conducting Social Audit by Gram Sabhas/Ward Sabhas in rural areas and Area Sabhas/Ward Committees in urban areas;
- Making implementing agencies accountable to PRIs and ULBs;
- Conducting peer review of progress by Panchayats themselves and constitution of a Review Committee by the DPC to review such reports.

Due to non issue of guidelines and specific instructions by the State Government, the above aspects were not adhered to while implementing the programme in the State and to make it more effective.

#### **2.7.2.6 Professional support staff not posted at Block/ GP level**

BRGF guidelines envisaged for providing a trained community level person to provide knowledge inputs to the community on agriculture, water management, livestock management, post-harvest management, agri-business and a gender empowerment community leader to undertake activity for female literacy and micro finance and one barefoot engineer to enhance local engineering capacity to each GP. Similarly, at the block level, one Panchayat Resource Centre (PRC) was to be set-up with one engineer (for preparation of estimate and monitoring quality of execution), an Accountant (to enforce financial discipline in block and GPs) and a social specialist (to conduct participatory planning by mobilising villagers to attend Gram Sabha/Palli Sabha etc.). The guidelines

and GoI instructions (March 2007) also permitted utilisation of development grants upto five *per cent* (per district) to support the functionaries of PRIs and ULBs and ₹13.00 lakh out of capacity building component per PRC at block level. However, no such manpower was provided in any of the test checked blocks and GPs as of August 2012. As a result smooth implementation of the programme very often got affected.

Thus, there was total absence of institutional support arrangements under BRGF at PRIs and ULBs level to strengthen the planning process and preparation of Annual Plans in a participatory mode.

### **2.7.3 Implementation of BRGF - Development Grants**

**Audit Objective: To assess whether the projects were implemented as per guidelines in an efficient manner**

#### **2.7.3.1 Execution of other projects in place of the projects approved by the HPC**

Scrutiny of records of ZPs of Morigaon and Bongaigaon and Baitamari AP revealed that the funds sanctioned for projects approved by the HPC were diverted to other projects without the prior approval of the competent authority as detailed below:

- In Morigaon ZP a sum of ₹9.70 lakh was sanctioned (2007-08) by the HPC for Agricultural bundh from Suren Bora house (Baramari village) to Jengpari E&D bundh and construction of switch gate at Dimaljan near No. 2 Matiparbal. However, ZP implemented three other schemes viz Road construction for Dunger youth club to Hasiram Biswas house via Dungerpar tinali for ₹1.50 lakh, Raised Platform at Chansimalu Kathpari Sapari for ₹2.20 lakh and construction of road from Dakhin Dharmtul to Matiparbal with earth work and sand gravel for ₹5.00 lakh by utilising the fund earmarked for implementation of other schemes without the prior approval of HPC. On being pointed out CEO, Morigaon ZP stated that, revised schemes were implemented with the approval of DPC. Reply of the CEO is not tenable as the DPC has not been empowered to revise the plan approved by HPC.
- In Bongaigaon ZP a sum of ₹27.50 lakh was sanctioned (2006-07) by the HPC for Purchase of 2 Nos. Power Tiller (KAMCO) for ₹3.50 lakh, construction of Oudubi Chali Jarnah and Switch Gate for ₹20.00 lakh and for distribution of Tractor to Farmers for ₹4.00 lakh. However, Bongaigaon ZP implemented six

other schemes viz Extension of Goalpara-Bangalpara GP office building with earth filling at office campus for ₹2.97 lakh, construction of road from Bhasakar Jyoti Sangha to Bankum Das House under Kashdola Village for ₹5.00 lakh, RCC bridge over Dangtol River at Silgahgri Ph-II for ₹1.00 lakh, Construction of Bongaigaon ZP Ghar for ₹8.00 lakh, construction of SPT bridge over river Kujia at Chipansil Ph-III for ₹3.00 lakh and construction of SPT bridge over river Tuniya at Bechimari for ₹4.00 lakh by utilising the funds earmarked for other schemes without the prior approval of HPC.

On being pointed out, CEO, Bongaigaon ZP stated that the revised schemes were implemented with the approval of DPC. The reply of the authority is not tenable as the DPC has not been empowered to revise the plan approved by HPC.

- Further in Baitamari AP under Bongaigaon ZP a sum of ₹4.50 lakh was sanctioned by the HPC for implementation two schemes namely Construction of Culvert over Haripani Dhara at Jakarmari for ₹3.00 lakh and Construction of HP Culvert with earth filling at Kabitary Pt-III for ₹1.50 lakh. However, audit noticed that the BDO, Baitamari implemented two other schemes viz development of FCI bazar for ₹3.00 lakh and development of Kabitary daily market for ₹1.50 lakh without the prior approval of HPC. In reply BDO, Baitamari stated that the revised schemes were implemented with the approval of President of Bongaigaon ZP and Chairman of DPC which was not tenable as the DPC was not the competent authority to approve the projects. Audit could not ascertain whether the works undertaken by diverting BRGF were actually required for improvement of local infrastructure as no records justifying such changes was found on record.

Thus, the Morigaon and Bongaigaon ZPs diverted the BRG funds of ₹41.70 lakh for execution of projects outside the plan approved by HPC in violation of the scheme guidelines. Besides, the necessity for such changes addressing the backwardness had also not been specified.

### **2.7.3.2 Undue financial benefits extended to SHGs**

Section 4 (8) (B) of AP Act, 1994 entrusted Gram Sabha for identification of beneficiaries for the implementation of development schemes pertaining to the respective villages. It was decided in the HPC meeting held on 24 September 2010 on implementation and monitoring of BRGF that Power Tillers and other Farm Equipment should be provided to the beneficiaries according to norms followed by the Department of Agriculture. As

per the norms of Agriculture Department, for assistance to landless Small and Marginal Farmers, the agricultural farm equipment may be provided to SHGs formed with five or more number of beneficiaries with 75 per cent subsidy subject to a maximum of ₹1.13 lakh and balance amount was to be borne by the SHGs as beneficiaries contribution. Scrutiny of records revealed that the HPC approved 414 power pumps and 42 power tillers for distribution to SHGs out of BRGF grant during 2007-08. On receipt of proposal from the DPC, Morigaon, 414 Power Pumps and 42 Power Tillers valued ₹161.60 lakh were distributed amongst SHGs selected by the Chairman/members of ZP without involving Gram Sabha. Moreover, 414 power pumps and 42 power tillers were distributed with cent per cent subsidy against admissible of 75 per cent subsidy resulting in undue financial assistance to the tune of ₹40.40 lakh extended to SHGs. Due to non-realising of the beneficiaries contribution, many SHGs could not be given the benefit of the scheme.

Apart from this, the Gram Sabhas were also not involved in the selection of beneficiaries. SHGs were selected by the President and Members of the Morigaon ZP. Criteria adopted for selection of SHGs were not found on record. As a result, the genuineness in selection of beneficiaries also could not be ascertained in audit.

#### **2.7.3.3 Expenditure on inadmissible works**

Contrary to Para 4.31 of BRGF guidelines, an amount of ₹48.55 lakh under BRGF was spent irregularly during 2011-12 on execution of 29 inadmissible works like construction of toilet, latrine and land development on a site belonging to a religious institution and construction of community halls, office building etc. in the two test checked districts as detailed in *Appendix XVII*.

Incurring of expenditure on other purposes not covered under the guidelines meant that the rural people were deprived of the otherwise intended benefits from the stipulated sectors that would have accrued from diverted fund of ₹48.55 lakh.

Thus, expenditure on inadmissible items hampered the redressal of regional imbalances for development of the districts.

#### **2.7.3.4 Excess expenditure**

The DPC of Morigaon district allocated ₹74.54 lakh under BRGF 2008-09 for providing diesel pump to rural farmers living below poverty line for irrigation purposes under the jurisdiction of Morigaon ZP at cent per cent subsidy.

Test check of records revealed that CEO, Morigaon ZP spent ₹74.54 lakh for procurement of 308 numbers 5HP USHA diesel pump set @₹24200.00 per pump set from M/s Assam Machinery Stores, Nagaon during 25 August 2008 to 9 September 2008 instead of accepting lower rate (₹21788.00) offered by M/s Kirloskar Oil Engine Limited, Guwahati. Both the firms offered the same after sale services, period of guarantee and installation, etc. Reason for accepting higher rate was not found on record. Thus, non procurement of pump sets at lower rate having same specification resulted in excess expenditure of ₹7.43 lakh (308 × difference in cost of pump set @₹2412.00 each).

In reply CEO, Morigaon ZP stated that, the purchases were made as per decision of the purchase committee and choice of beneficiaries. The reply of the authority was not tenable as purchases of materials at higher rate instead of accepting lower rate having same specification was in violation of the financial rules of the Government.

Further, the beneficiaries were selected by the President and Members of the Morigaon ZP without consultation with the Gram Sabha. Procedure adopted by the District Panchayat Bodies for selection of beneficiaries was neither found on record nor stated though called for. As a result, actual selection of beneficiaries could not be ascertained in audit.

#### **2.7.3.5 Incorrect reporting to fund sanctioning authority**

Bongaigaon ZP received ₹20.60 crore, of which ₹20.39 crore was incurred and distributed to different implementing agencies viz APs, GPs, MB/TCs during the period 2007-11 and issued UC for the amount of ₹20.39 crore showing unutilised amount of ₹0.21 crore while information collected only from five APs, eight GPs and one MB of Bongaigaon district revealed that an amount of ₹0.51 crore were lying unutilized (February 2012). Thus, there was an excess reporting of expenditure of ₹0.51 crore. Similarly, Morigaon ZP received ₹27.92 crore (including ₹10.00 lakh bank interest), of which ₹24.99 crore was incurred and distributed to APs, GPs, MB during the period 2007-12 and UC issued for the said amount (₹24.99 crore). But as per information furnished by seven APs and 83 GPs it was noticed that an amount of ₹2.89 crore was lying unutilised in their bank accounts till February 2012 resulting in excess reporting of expenditure to that extent. Thus, the two test checked districts had submitted inflated UCs to the extent of ₹3.40 crore (₹0.51 + ₹2.89 crore) as detailed in *Appendix - XVIII* to the MoPR, GoI.

## 2.7.4 Implementation of BRGF - Capacity Building

### 2.7.4.1 Blocking up of funds

With a view to develop the capacity of ERs and functionaries of LBs and to enable them to perform their roles more effectively in the context of the reform in the Panchayati Raj System, the MoPR had provided assistance to the State Government under BRGF to meet the training needs of ERs and functionaries of LBs. The objective of the scheme is to assist the State in carrying out actual training activities for the ERs and officials to meet their capacity requirement.

The funding covers:

- Training of ERs and functionaries of LBs,
- Setting up of infrastructure for satellite based/other modes of distance training,
- Infrastructure for Training Resource Centres at the BRGF district/Block level,
- Orientation of Key officials associated with functions devolved to panchayats,
- Promoting sensitisation of Gram Sabha and
- Sensitisation of media, ERs.

The position of funds received and expenditure incurred by SIRD, Assam during 2007-12 is given in **Table 2.4**:

**Table 2.4: Receipt and utilization of funds under Capacity Building**

(₹ in crore)

Year	Opening balance	Receipt	Bank interest	Total	Expenditure	Balance
2007-08	-	5.47	-	5.47	0.12	5.35
2008-09	5.35	-	0.16	5.51	3.10	2.41
2009-10	2.41	2.10	0.14	4.65	2.58	2.07
2010-11	2.07	8.81	0.09	10.97	6.62	4.35
2011-12	4.35	5.49	0.19	10.03	9.14	0.89
<b>Total</b>		<b>21.87</b>	<b>0.58</b>	<b>22.45</b>	<b>21.56</b>	<b>0.89</b>

Source: SIRD, Assam

As per information furnished by SIRD, Assam, out of total available funds of ₹22.45 crore, an amount of ₹21.56 crore was spent towards imparting training and setting up of infrastructure leaving an unspent balance of ₹0.89 crore as of 31 March 2012. Further, scrutiny revealed that out of ₹21.56 crore, an amount of ₹2.30 crore was released to Resource Centre in IT and skill development to SIRD, Kahikuchi during 2009-10 for Capacity Building and Training (CB&T) programme. The entire amount of ₹2.30 crore remained unutilised as of March 2012. No training programmes had been conducted

due to inadequate infrastructure facilities as reported by the Executive Director. Thus, ₹3.19 crore (₹0.89 crore + ₹2.30 crore) released by the GoI for capacity building remained unutilised as of March 2012. Keeping of scheme fund unutilised not only affected the achievement of desired target for providing training to ERs but also resulted in blocking up of Government funds to that extent.

While accepting the fact Executive Director, Resource Centre in IT and skill development SIRD, Kahikuchi stated (August 2012) that due to General Election and inadequate infrastructure during that period the training programmes entrusted to the resource centres were hampered resulting in blocking up of funds. The reply is not acceptable as without assessing the availability of suitable infrastructure required for organising the training programmes, funds were released to aforesaid resource centre for imparting training to ERs and Panchayat functionaries. To improve the training outreach and ensure that training is conducted continuously, the training facilities in the centres was require to be upgraded to organise training programmes locally.

#### 2.7.4.2 Training achievements

In respect of Capacity Building of PRIs, the SIRD, Assam had taken the leading role. SIRD with its two campuses at Guwahati and 19 Extension Centres/Extension Cum Resource Centres in different places organises subject specific rounds of training every year for the ERs and PRI functionaries. As reported, its faculty includes 25 academic staff at the Head Quarter and 60 academicians in 12 Extension Centre levels. Besides its own faculty members, the SIRD had created a panel of trainers consisting of academicians for the Headquarters and Extension Centres as well as selected officials from line departments who were involved in the training programmes at field level Resource Centres. The estimated training coverage of ERs and functionaries of PRIs as per the plan prepared by the SIRD, Assam during 2007-2012 are appended in the **Table 2.5**.

**Table 2.5: Target and achievement of Training programme of ERs and functionaries of PRIs**

Name of scheme	Elected representative			Functionaries			Other stakeholders		
	Target	Achievement	(-)Short fall/ (+) excess (%)	Target	Achievement	(-)Short fall/ (+) excess (%)	Target	Achievement	(-)Short fall/ (+) excess (%)
BRGF	25149	17561	(-) 7588 (30)	9860	10111	(+) 251 (3)	133500	95968	(-) 37532 (28)

Source: SIRD, Assam

It was seen from the above table that the achievement in imparting training to ERs was less than that of training imparted to the functionaries. In case of other stakeholders, the achievement was 72 *per cent*. Regarding shortfall of training to ERs and other stakeholders, the Director, SIRD, Assam stated (August 2012) that more emphasis was given to Panchayat functionaries as they were directly involved with the implementation of the programmes. The reply of the authority was not tenable as duties and responsibilities of ERs of PRIs have been increased many fold due to decentralisation of power to local governance at an unprecedented scale.

Thus, in order to understand the complexities of these responsibilities and fulfil the responsibilities of their constituencies, the ERs need strong support in the form of training and capacity building so that they could effectively perform their functions. However, scrutiny of records revealed that neither any training was imparted to ERs and functionaries of ULBs nor any provision was made in the Perspective Plan of Capacity Building under BRGF.

#### **2.7.4.3 Utilisation of BRGF funds in non BRGF districts**

Satellite Communication (SATCOM) and information technology are not optimally used in Assam for capacity building and training of ERs and functionaries. The technology had not been sufficiently developed to able to substitute face-to-face training. However, SATCOM, alongwith allied technological solutions could be an useful resource to further clarity, re-orientation, follow up training inputs and review application of the inputs. To have a better impact on training of both face-to-face and IT based methods a provision of ₹120.36 lakh was made in the Perspective Plan 2007-12 for strengthening and management of SATCOM net work for BRGF districts. It was noticed in test check that an amount of ₹10.36 lakh was spent during 7 February 2012 to 17 March 2012 from the funds earmarked for BRGF districts towards strengthening and management of SATCOM network of non BRGF districts beyond the scope of Perspective Plan prepared under BRGF (capacity building) for 2007-12.

Due to diversion of funds, the satellite based terminals for training had not reached some Block and GP levels of BRGF districts where majority of the ERs and officials were the aspirants of capacity inputs.

#### 2.7.4.4 Excess expenditure on Resource Centre

The facilities available in the existing Extension Centres/APs/associated organisations are being utilised by the SIRD, Assam for organising trainings. Apart from SIRD, 12 Extension Training Centres (ETCs) are used for imparting training. In order to improve the outreach, SIRD, Assam proposed the establishing of one Resource Centre (RC) at each AP level, but only 20 were sanctioned under BRGF capacity building. The objective of establishment of RCs are to cater to the training needs at the village level and to serve as a store house of information, education and communication activities in BRGF districts. It was noticed that a provision of ₹8.70 crore was made in the Perspective Plan for 2007-12 as capital cost for construction of 87 units of RCs @ ₹10.00 lakh per unit at Intermediate Panchayat level of BRGF districts. Scrutiny of records revealed that the SIRD established 20 RCs at a total cost of ₹5.86 crore in excess of ₹3.86 crore (₹5.86 crore - ₹2.00 crore) provided in the Perspective Plan.

Thus, due to excess expenditure of ₹3.86 crore on 20 RCs, the SIRD failed to develop at least 38 other units of RCs in the BRGF districts of the State. As reported by SIRD, Assam (December 2012) the physical infrastructure of each RC was developed at a cost of ₹6.61 lakh and after developing the physical infrastructure, arrangements were made for providing furniture, fixtures, training aids, equipments and other materials to make the RCs functional and training programme meaningful. The reply is not acceptable as SIRD had spent ₹1.32 crore (20 × ₹6.61 lakh cost of physical infrastructure of each RC) for construction of 20 RCs and balance ₹4.54 crore were spent for furniture, fixtures and trainings aids etc. Thus, the fact remains that an amount of ₹3.86 crore was spent beyond the purview of the Perspective Plan.

Thus, non-adherence of cost norms made in the Perspective Plan resulted not only in excess expenditure of ₹3.86 crore but also led to failure to fulfil the needs of training at village level besides failure to serve information, education and communication activities in BRGF districts.

## **2.7.5 Monitoring and evaluation**

**Audit Objective: Whether an effective monitoring, internal control and evaluation system was in place to keep track of the implementation of the scheme**

### **2.7.5.1 Review Committee at district level were not constituted**

Para 4.13 of BRGF envisaged that at the district level, a Review Committee shall be constituted by the DPC, chaired by the chairperson of the District Panchayat and Chairpersons of the AP and ULBs in the District in such a manner on rotation basis that the Committee consists of not more than eight-10 members. The Review Committee would examine and review report/schemes prepared by Panchayats. Scrutiny of records of ZPs of the two test checked districts revealed that the Review Committee at district level were not constituted by the DPC owing to which shortcoming in the execution of various works under BRGF remained un-assessed.

### **2.7.5.2 Quality Monitoring System was not instituted**

The guidelines provided that a quality monitoring system shall be instituted in order to maintain quality of works executed under the programme. Moreover, the HPC was also required to review regularly the working of monitoring system to maintain quality of works executed under BRGF programme. However, the Government did not institute (August 2012) any monitoring system to ensure the quality of works executed under BRGF.

### **2.7.5.3 Social Audit**

The basic objective of social audit is to ensure public accountability in the implementation of projects, laws and policies. Social Audits allow people and civic society organizations/groups to enforce accountability and transparency, providing the ultimate users an opportunity to scrutinize developmental programmes.

Provision under Para 4.15 of BRGF guidelines envisaged that the State Government was to issue clear guidelines for conducting Social Audit by Gram and Ward Sabhas in rural and urban areas. The process followed was to be the same as prescribed in the guidelines of MGNREGS. Test check of records of PRIs of two test checked districts revealed that no such guidelines for conducting Social Audit was issued by the State Government as of August 2012. Thus, the provision contained in the guidelines for conducting social audit was not adhered to. This had frustrated the basic objective of the system.

## 2.8 Conclusion

Financial management remained far from satisfactory mainly due to short release of funds by the State Government, delay transfer of funds (within 15 days of their release by the GoI), implementation of programme without the approval of HPC, non-utilisation of bank interest and incorrect reporting to GoI. Further, the State Government did not adhere to the normative formula adopted for inter-se allocation of grants within the districts and PRIs. Perspective Plans were not prepared in time and there was absence of professional support at various levels of implementation of the scheme. Despite engagement of TSIs for plan formulation, irregularities like inclusion of inadmissible projects in the AAPs were noticed. Plans were prepared without comprising all other programmes and resources available resulting in lack of integration as well as planning. The Morigaon and Bongaigaon ZPs diverted the BRG fund for execution of projects outside the plan approved by HPC in violation of the scheme guidelines. Gram Sabha was not involved in selection of beneficiaries. SHGs were selected by the President and the Members of the ZPs.

Neither any training was imparted to ERs and functionaries of ULBs nor was any provision made in the Perspective Plan for Capacity Building under BRGF. ₹10.36 lakh was spent towards strengthening and management of SATCOM network of non BRGF districts. Monitoring was inadequate and outcomes were not evaluated. The required guidelines for Social Audit, Peer Review of performances of PRIs and ULBs had not yet been prescribed by the State Government to ensure effective implementation of the programme.

## 2.9 Recommendation

- State Government should adopt normative formula for inter-se allocation of grants between PRIs and ULBs. Government should intimate all PRIs/ULBs, about the expected flow of funds from all flagship programmes every year to facilitate convergence with other schemes and also preparation of need based plan.
- Funds released by GoI may be transferred directly into the bank accounts of concerned LBs by the State Government to avoid delay in release of funds.
- Institutional arrangements and professional support at various levels should be provided for timely utilisation of fund and effective implementation of the

programme to avoid lapses of fund.

- Perspective Plans should be prepared in accordance with the guidelines by involving Gram Sabha and Ward Sabha for identifying the critical gaps in development. Timely preparation of plan should also be ensured by issuing suitable instructions in this regard.
- Government should ensure imparting training to ERs and Functionaries of ULBs under BRGF.
- Government should ensure proper monitoring and evaluation at various level for effective implementation of the programme and utilisation of fund within the stipulated time frame.