# PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. Chapters I and III of this Report contain observations arising from examination of accounts and finances of Panchayati Raj Institutions and Urban Local Bodies respectively.

3. Chapters II and IV deal with performance review and the findings of audit in respect of financial transactions of Panchayati Raj Institutions and Urban Local Bodies respectively.

4. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2007-08 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2007-08 have also been included wherever necessary.

# OVERVIEW

This Report includes four Chapters. Chapters I and III present an overview of the accounts and finances of the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. Chapter II comprises of one performance review and five transaction audit paragraphs and Chapter IV comprises eight transaction audit paragraphs arising out of the audit of financial transactions of the PRIs and ULBs respectively.

A synopsis of important findings contained in this Report is presented in this overview.

## (A) Panchayati Raj Institutions

### 1. An Overview of Accounts and Finances of Panchayati Raj Institutions

- Government had accepted (August 2003) the formats of annual accounts prescribed by the Comptroller and Auditor General of India, PRIs were maintaining the accounts in conventional formats. Database on the finances of PRIs was not yet developed.

***(Paragraph 1.3.1)***

- There was a difference of ₹ 37.50 lakh between cash books and PD/Bank pass books in one *Zila Parishad* and three *Panchayat Samitis* as on 31 March 2007

***(Paragraph 1.3.2.2)***

- 'Own Revenue' of the PRIs constituted only 4.43 *per cent* of their total receipts during 2007-08. Thus, they were largely dependent on Government grants.

***(Paragraph 1.6.1)***

- Budgetary and internal control mechanism in PRIs was weak. Instances of excess expenditure (₹ 11.89 crore), non-refund of unspent balances of closed schemes (₹ 8.93 crore), unadjusted advances (₹ 59.64 lakh) and outstanding utilisation certificates (₹ 842.33624.99 crore) were noticed.

***(Paragraphs 1.7.1 to 1.7.5)***

## 2. Performance review on Devolution of functions, funds and functionaries to Panchayati Raj Institutions

The 73rd Constitutional Amendment Act passed by parliament in 1992 had defined the process of decentralisation of governance in India. In 1994 Government of Rajasthan passed Rajasthan Panchayati Raj Act to empower the establishment of local bodies viz. *Zila Parishads*, *Panchayat Samitis* and *Gram Panchayats* upto village level. In compliance of legislations, the State Government had issued various orders mainly in June 2003 for devolution of functions, funds and functionaries relating to 29 subjects enumerated in the Eleventh Schedule of the Constitution to Panchayati Raj Institutions from 16 departments of the State Government.

The above devolution order neither specified the modalities of devolution nor the time schedule for implementing the process of devolution by the State Government.

Activities related to Animal Husbandry, Dairy and Poultry, Public Health Engineering Department, Public Works Department were devolved and withdrawn on account of one or other reasons. Funds were also not devolved as per recommendations of Third State Finance Commissions.

Twenty nine subjects of 16 departments ordered for devolution in June 2003 were not actually devolved in true letter and spirit, which ultimately forced the Government to issue fresh orders in October 2010 for devolution of functions, funds, and functionaries in respect of all district level functions being executed in rural areas of five departments i.e. Primary Education, Women and Child Development, Medical and Health, Social Welfare and Justice and Agriculture Department in first phase.

***(Paragraph 2.1)***

## 3. Audit of Transactions

- In *Zila Parishads* (Rural Development Cell), Dholpur, Banswara and Jaipur an expenditure of ₹ 88.06 lakh were was incurred by sanctioning of excess funds over the prescribed limit to certain beneficiary organisations under Member of Parliament Local Area Development Scheme without obtaining prior approval of Government of India and by sanctioning of funds to ineligible trust.

***(Paragraph 2.2.1)***

- In *Zila Parishad* (Rural Development Cell), Hanumangarh an expenditure of ₹ 61.62 lakh was incurred irregularly on construction of cattle breeding centres in contravention to '*Haryali*' guidelines of Desert Development Programme.

***(Paragraph 2.2.2)***

- In *Zila Parishad* (Rural Development Cell), Bharatpur funds of ₹ 22.85 lakh received from Government of India under Area Intensive Programme for Educationally Backward Minorities for creation of educational infrastructure and facilities were utilised irregularly on road works.

***(Paragraph 2.2.3)***

- Construction of defective and incomplete anicut by *Zila Parishad* (Rural Development Cell), Sawaimadhopur led to wasteful expenditure of ₹ 24.46 lakh.

***(Paragraph 2.3)***

## (B) Urban Local Bodies

### 4. An Overview of Accounts and Finances of Urban Local Bodies

- 'Own revenue' of Urban Local Bodies accounted for only 31.37 *per cent* of their total receipts during 2007-08 as such they were dependent on grants and loans from the Central and State Governments.

***(Paragraphs 3.3.2 and 3.3.3)***

- The share of assigned revenue (entertainment tax) declined by 61.06 *per cent* in 2007-08 as compared to 2002-03 due to relaxation in tax on certain items and reduction in rate of entertainment tax.

***(Paragraph 3.3.4)***

- State Government's partial acceptance of recommendation of Third State Finance Commission from 2008-09 instead of 2005-06 resulted in denial of share of ULBs amounting to ₹ 120.07 crore for the period 2005-06 to 2007-08.

***(Paragraph 3.4.2)***

- Instances of excess expenditure (₹ 4.94 crore) over the sanctioned budget grants and outstanding advances (₹ 4.70 crore) given to individuals for long period were noticed in audit.

***(Paragraphs 3.6.2 and 3.6.3)***

## 5. Audit of Transactions

- Municipal Board, Kesrisinghpur realised regularisation amount and lease money at residential rates instead of commercial rates on conversion of land use from agriculture to commercial purpose which resulted in loss of revenue of ₹ 22.99 lakh.

***(Paragraph 4.1.1)***

- Failure of Municipal Council, Tonk to negotiate timely with Rajasthan State Road Transport Corporation for collection of passenger tax at enhanced rate and non-collection of the tax from private vehicles resulted in loss of revenue of ₹ 30.53 lakh.

***(Paragraph 4.1.2)***

- Municipal Council, Alwar incurred expenditure on other works, from funds meant for heritage conservation resulting in diversion of funds ₹ 28.27 lakh.

***(Paragraph 4.2)***

- Supply of two more fire brigade vans by Local Self Government Department in violation of Government of India norms and without ascertaining the requirement and availability of requisite trained staff with Municipal Board, Dungarpur led to avoidable expenditure of ₹ 27.90 lakh.

***(Paragraph 4.3)***

- Irregular extension of lease periods of rented properties by Municipal Board, Dungarpur and slackness on part of Director, Local Bodies in according approval for sale of land on lease of 99 years deprived the municipality revenue of ₹ 32.31 lakh.

***(Paragraph 4.4.2)***

# CHAPTER-I

# AN OVERVIEW OF ACCOUNTS AND FINANCES OF PANCHAYATI RAJ INSTITUTIONS

## 1.1 Introduction

The Rajasthan Panchayat Act, 1953 was enacted keeping in view the philosophy enshrined in Article 40 of the Constitution of India, which lays down that the State shall take steps to organise Village Panchayats and endow them with such powers and authority so as to enable them to function as units of self Government. Subsequently, with a view to bringing in conformity with the new pattern of Panchayati Raj, the Rajasthan Panchayat Samiti and Zila Parishad Act was enacted in 1959 which provided for a three tier[1] structure of local self governing bodies at district, block and village levels and further decentralised powers. As a consequence of the 73rd Constitutional Amendment, the Rajasthan Panchayati Raj Act (RPRA), 1994 came into force in April 1994, which apart from mandatory provisions delineated functions and powers of Panchayati Raj Institutions (PRIs). Later, Rajasthan Panchayati Raj Rules (RPRR), 1996 were incorporated thereunder to ensure the smooth functioning of PRIs.

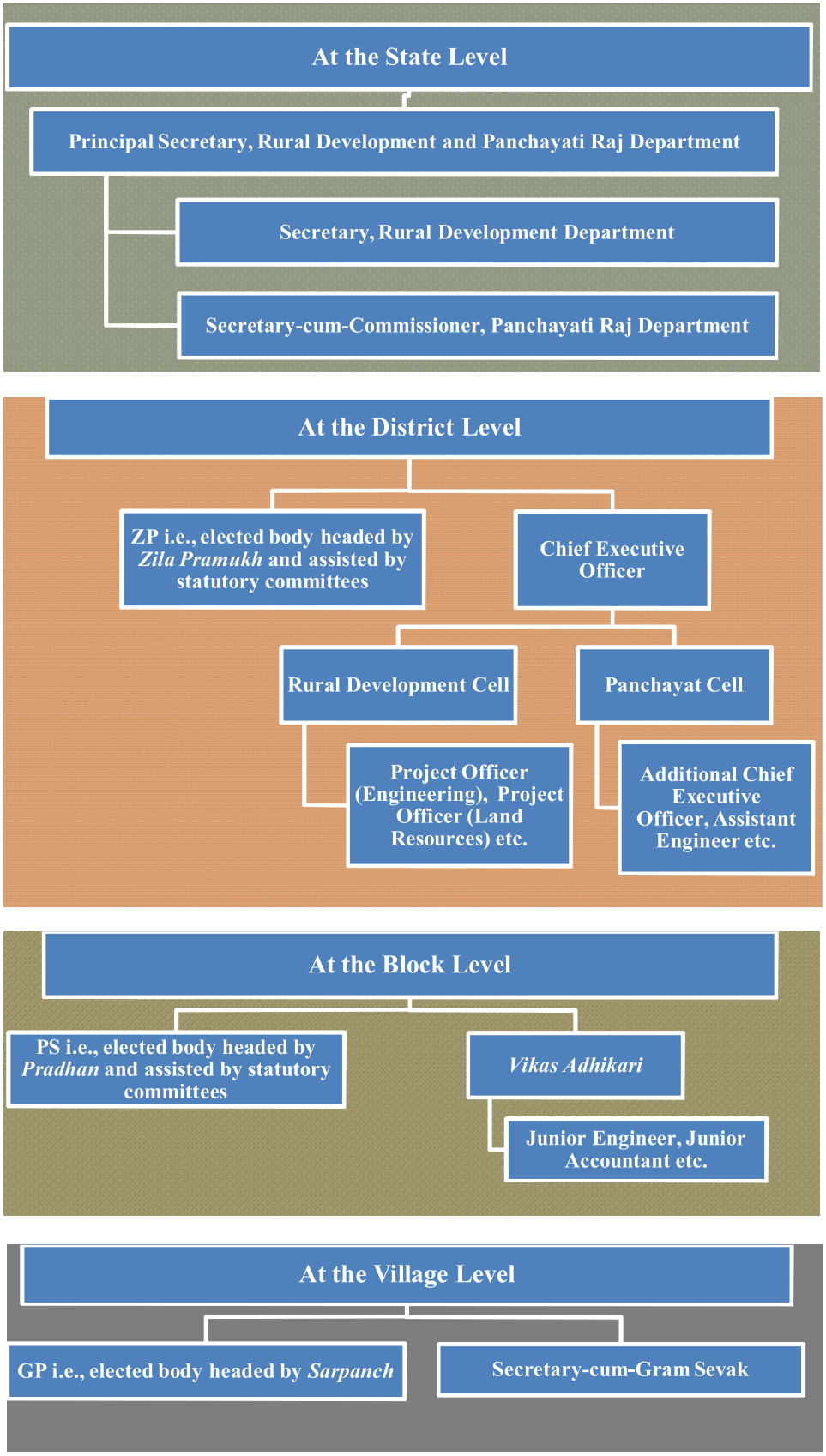
There were 323 *Zila Parishads* (ZPs) with two cells in each ZP i.e., Rural Development Cell (RDC) and Panchayat Cell (PC), 237 *Panchayat Samitis* (PSs) and 9,189 *Gram Panchayats* (GPs) as on 31 March 2008. As on December 2010 there were 33 ZPs, 239 PSs and 9,185 GPs in the State with a population of 4.33 crore (76.64 *per cent* of the State's total population of 5.65 crore[2]).

## 1.2 Organisational set up

The administrative department dealing with affairs of the PRIs, is Rural Development and Panchayati Raj Department (RD&PRD). The department is headed by Principal Secretary RD and PR at Government level, by Director Panchayati Raj at directorate level. The organisational chart on the administration of PRIs is given below:

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1. *Zila Parishad* at District level, *Panchayat Samiti* at Block level and *Gram Panchayat* at Village level.
2. As per Census, 2001.


At the State Level
Principal Secretary, Rural Development and Panchayati Raj Department
Secretary, Rural Development Department
Secretary-cum-Commissioner, Panchayati Raj Department
At the District Level
ZP i.e., elected body headed by *Zila Pramukh* and assisted by statutory committees
Chief Executive Officer
Rural Development Cell
Panchayat Cell
Project Officer (Engineering), Project Officer (Land Resources) etc.
Additional Chief Executive Officer, Assistant Engineer etc.
At the Block Level
PS i.e., elected body headed by *Pradhan* and assisted by statutory committees
*Vikas Adhikari*
Junior Engineer, Junior Accountant etc.
At the Village Level
GP i.e., elected body headed by *Sarpanch*
Secretary-cum-Gram Sevak

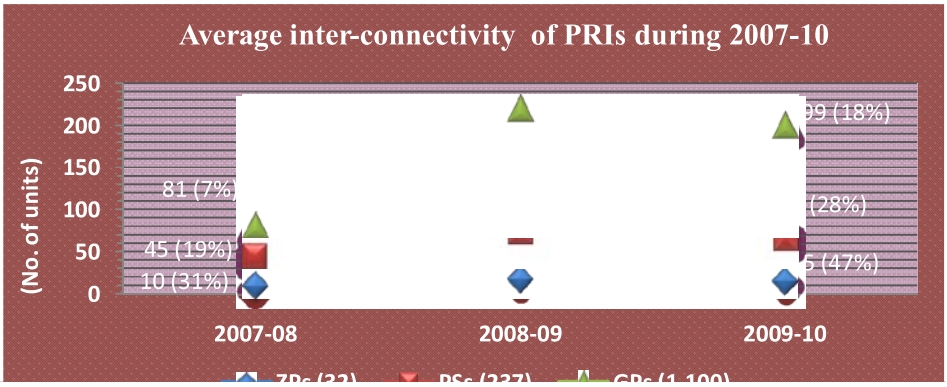
## 1.3 Accounting arrangements and maintenance of accounts

### *1.3.1 Accounting arrangements*

Although the State Government had accepted (August 2003) the formats of accounts prescribed by the Comptroller and Auditor General of India (C&AG) for preparation of annual accounts (16 formats) and database (8 formats) yet annual accounts for the year 2007-08 were being maintained by the PRIs in conventional formats prescribed under Chapter 11 of RPRR, 1996 and database was also not being maintained in prescribed formats. RD&PRD intimated (September 2010) that prescribed formats for database has been implemented and *panchayat samitis* concerned were being directed to maintain database in prescribed formats.

There was no system of consolidation and compilation of accounts at the State level in respect of receipts and expenditure of the various tiers of PRIs for generation of information on flow of funds to the local bodies and its application. Consolidation of realistic data on income and expenditure of PRIs is required for realistic assessment of the needs of the Panchayats for basic civic and developmental functions.

The RD&PRD has taken up a project called Computerisation Automation Refinement of Integrated System of Management and Accounts (CARISMA) for computerising and inter-connecting the PRIs. The project includes software pertaining to accounting, management information system, statutory duties (birth and death registration) and village database. The State Government initiated the project in November 2005 to interlink Panchayati Raj Headquarters, 32 ZPs, 237 PSs, 1,100 out of 9,189 GPs at the initial cost of ₹ 23.31 crore. The project alongwith its major key components viz. creation of database, inter-connectivity of PRIs and maintenance of accounts is scheduled to be completed by February 2011. The average inter-connectivity of live links during 2007-10 as intimated by RD&PRD in July 2010 is given below:




The above position indicates that average inter-connectivity of live links decreased during 2009-10 (ZPs: 47 *per cent*, PSs: 28 *per cent* and GPs: 18 *per cent*) in comparison to average live links of 2008-09 (ZPs: 53 *per cent*, PSs: 31 *per cent* and GPs: 20 *per cent*). Reasons for lesser connectivity were attributed (July 2010) to problems relating to power and network points, technical matters related with hardware/software and towers, online connectivity and natural calamities etc. Further, due to incorporation of additional and ancillary works such as installation of routers, CMM batteries and increase in the height of RF towers etc. an amount of ₹ 47.53 crore[3] was available for implementation of scheme. Out of which ₹ 43.15 crore had been spent as of March 2010 and pending liabilities of ₹ 2.17 crore were yet to be met.

### *1.3.2 Maintenance of accounts*

#### *1.3.2.1 Delayed submission of annual accounts*

Annual accounts of ZPs (RDC) for the year 2006-07 were required to be sent to the Rural Development Department (RDD) by 30 September 2007. It was, however, observed that annual accounts for the year 2006-07 were sent (October 2007 to February 2009) by 29 ZPs (RDC) with delays ranging from four days to sixteen months and ZPs (RDC), Pali and Jaisalmer had not submitted (June 2010) their accounts. Reasons for delayed submission and non-submission of accounts were not made available to Audit (June 2010) by RDD.

Similarly, annual accounts of ZPs (PC) are required to be sent to the Panchayati Raj Department (PRD) by 15 May of the following year. The position of timely/delayed/non-submission of accounts by ZPs (PC) to the PRD could not be verified by audit, as the same was not available with PRD at the time of audit (February 2011).

3. Eleventh Finance Commission: ₹ 26.38 crore, *Rashtriya Gram Swarojgar Yojana*: ₹ 2.00 crore, Panchayat Empowerment & Accountability Incentive Scheme: ₹ 0.70 crore, TFC: ₹ 18.45 crore.

Director, Local Fund Audit Department (DLFAD) intimated (April 2011) that they conduct only transaction audit of accounts and do not certify the accounts of PRIs. Hence, authentication of accounts of PRIs cannot be verified in audit.

#### *1.3.2.2 Non-rectification of differences between cash books and Personal Deposit (PD)/Bank pass books*

As per provisions of RPRR, 1996 all the transactions of the cash book (deposit and withdrawal) of ZP/PS during each month were required to be reconciled with PD/Bank pass books and differences, if any, were to be rectified.

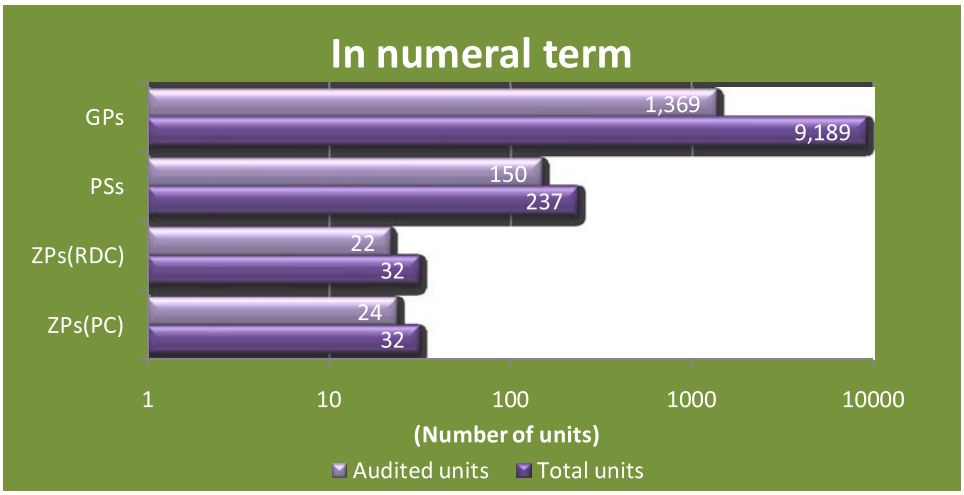
Test check of records revealed that one ZP and three PSs had not rectified the differences (as on 31 March 2007) of ₹ 37.50 lakh (***Appendix-I***) between cash books and PD/Bank pass books. There were exceptionally huge differences in PSs, Chittorgarh (₹ 11.02 lakh), Deoli (₹ 10.45 lakh) and Dudu (₹ 9.50 lakh). PSs, Chittorgarh and Dudu attributed (March 2011) differences due to non/delayed submission of cheques to banks for payment and non-intimation of various charges levied by banks. The paras of similar nature was were also included in Audit Reports (Civil–Local Bodies) for the years 2004-05, 2005-06 and 2006-07. In order to rectify such irregularities the State Government instructed (January 2010) all the ZPs to reconcile PD accounts with and bank accounts with cash books every month and to send reconciliation certificate by PS to ZP latest by 10 of every month. However, action taken by PRIs had not been intimated.

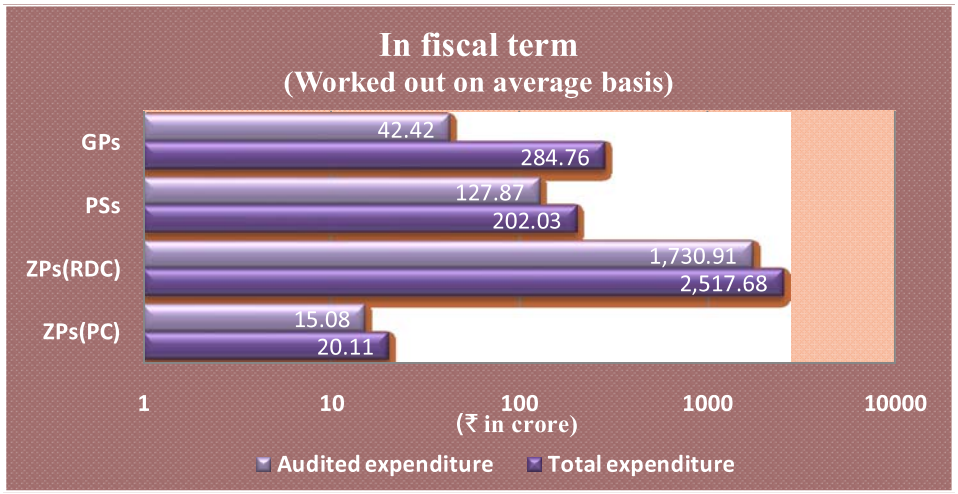
## 1.4 Audit arrangement

The DLFAD is the primary auditor of the accounts of the PRIs under the RPRA, 1994. Section 75(4) of the RPRA, 1994 also empowers the C&AG to test checks the accounts of PRIs. Audit of accounts is also being conducted by the C&AG under Section 14 of C&AG's (Duties, Powers and Conditions of Service) Act, 1971. The State Government entrusted (February 2011) Technical Guidance and Supervision by the C&AG over audit of PRIs by DLFAD.

## 1.5 Audit coverage

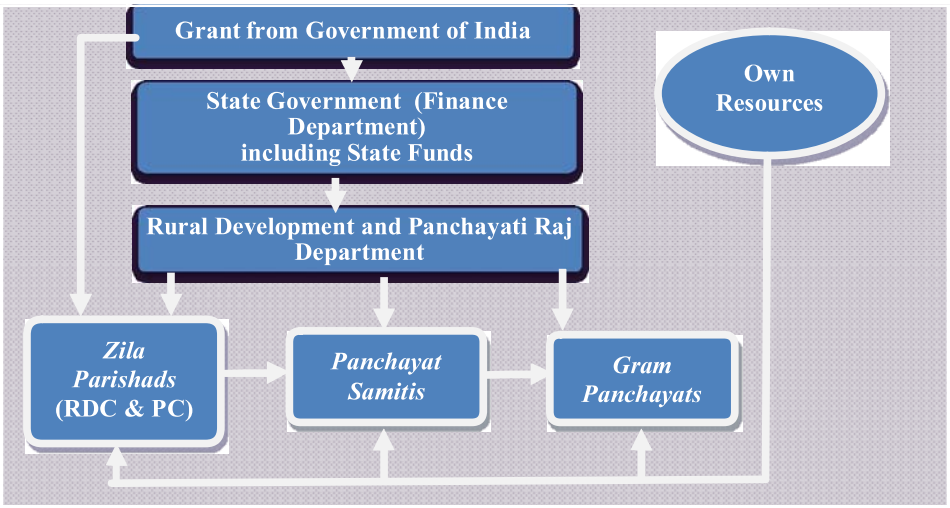
Out of 32 ZPs (each of PC and RDC), 237 PSs and 9,189 GPs, test check of accounts of 24 ZPs (PC), 22 ZPs (RDC) and 150 PSs including 1,369 GPs for the period up to 2006-07 was conducted during 2007-08. The position of audit coverage (numeral as well as fiscal) is indicated in the following graphs:




## 1.6 Financial position of PRIs

Fund flow chart of PRI is given below:




### 1.6.1 Financial position of Panchayati Raj Department

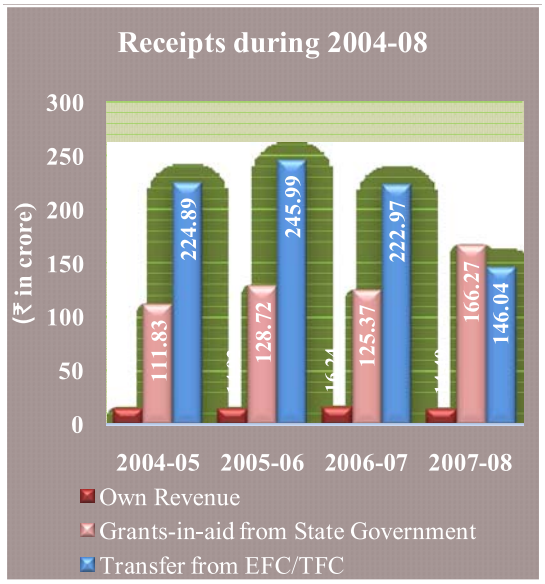
Apart from own resources of tax and non- tax revenue e.g., fair tax, building tax, fees, rent from land and buildings, water reservoirs etc. and capital receipts from sale of land, the PRIs receive funds from the State Government and Government of India (GOI) in the form of grants-in-aid/loans for general administration, implementation of developmental schemes/works, creation of infrastructure in rural areas etc. Funds are also provided under recommendations of the Central/State Finance Commissions. The position of receipts and expenditure of PRIs for the period 2004-08 based on data made available (June 2009) by the PRD is as under:

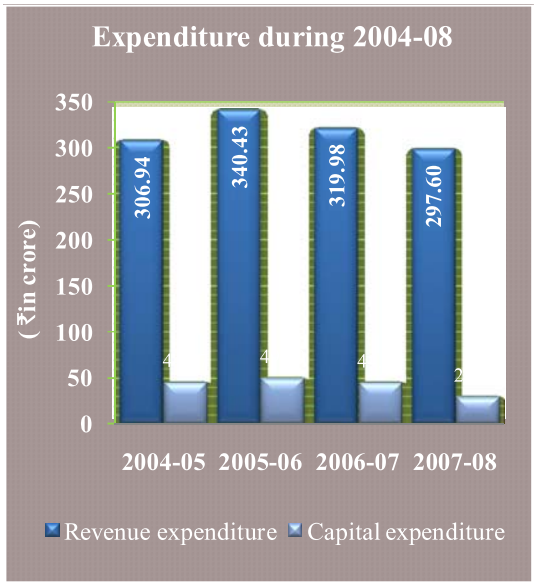
**(₹ in crore)**

| Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---|---|---|---|
| **(A ) Revenue receipts** | | | | |
| **Own Tax** | 1.68 | 2.59 | 2.25 | 2.04 |
| **Own Non-Tax** | 13.51 | 12.33 | 13.99 | 12.45 |
| **Total Own Revenue** | **15.19** | **14.92** | **16.24** | **14.49** |
| **Grants-in-aid from State Government** | 111.83 | 128.72 | 125.37 | 166.27 |
| **Eleventh Finance Commission (EFC)/ Twelfth Finance Commission (TFC) grants** | 224.89 | 245.99 | 222.97 | 146.04 |
| **Total Receipts** | **351.91*** | **389.63*** | **364.58*** | **326.80*** |
| **( B) Expenditure** | | | | |
| **Revenue expenditure (Pay and allowances and maintenance expenditure)** | 306.94 | 340.43 | 319.98 | 297.60 |
| **Capital expenditure** | 44.97 | 49.20 | 44.60 | 29.20 |
| **Total Expenditure** | **351.91** | **389.63** | **364.58** | **326.80** |

*Source :Source: As per data provided by Panchayati Raj Department.*

* *In addition, grants of ₹ 135.54 crore, ₹ 157.57 crore, ₹ 180 crore and ₹ 180.10 crore were released during 2004-05, 2005-06, 2006-07 and 2007-08 respectively as per recommendations of Third State Finance Commissions and same amounts were booked as expenditure by PRD in the relevant years.*




The above position indicates that:

- 'Own Revenue' of the PRIs in 2004-05, 2005-06, 2006-07 and 2007-08 constituted only 4.32 *per cent*, 3.83 *per cent*, 4.45 *per cent* and 4.43 *per cent* of their total receipts. Thus, they were largely dependent on government grants.

- While grants-in-aid from the State Government (excluding State Finance Commission grants) and EFC/TFC grants had decreased by 10.34 *per cent* from ₹ 348.34 crore for the year 2006-07 to ₹ 312.31 crore in the year 2007-08, the own revenue of PRIs also decreased by 10.78 *per cent* from ₹ 16.24 crore in 2006-07 to ₹ 14.49 crore in 2007-08 mainly due to decrease in recovery of fees/user charges.

- Total expenditure of PRIs decreased by 10.36 *per cent* from ₹ 364.58 crore in 2006-07 to ₹ 326.80 crore in 2007-08. Revenue expenditure decreased by 6.99 *per cent* from ₹ 319.98 crore in 2006-07 to ₹ 297.60 crore in 2007-08 while capital expenditure decreased by 34.53 *per cent* from ₹ 44.60 crore in 2006-07 to ₹ 29.20 crore in 2007-08 mainly due to decrease in expenditure on water supply and sanitation works. Separate bifurcation of capital and revenue expenditure out of State Finance Commission grants was not made available by the PRD.

### *1.6.1.1 Twelfth Finance Commission grants*

The position of grants released by GOI and further released by the State Government to PRIs under recommendations of the Twelfth Finance Commission (TFC) during 2007-08 is as under:

**(₹ in crore)**

| Grants released by GOI to the State Government | | Grants released by the State Government to PRIs | |
|---|---|---|---|
| **Amount** | **Date of receipt of grants** | **Amount** | **Date of release of grants to PRIs** |
| **123.00 (First instalment)** | 02.11.2007 | 123.00 | 16.11.2007 |
| **123.00 (Second instalment)** | 23.05.2008 | 123.00 | 05.06.2008 |

### *1.6.2 Financial position of Rural Development Department*

The position of receipts and expenditure of Rural Development Department (RDD) for the years 2004-08 based on data made available (October 2009) by the RDD is as under:

(₹ in crore)

| Particulars | 2004-05 | | | 2005-06 | | | 2006-07 | | | 2007-08 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | CSS | SSS | Total | CSS | SSS | Total | CSS | SSS | Total | CSS | SSS | Total |
| Opening Balance | 295.96 | 130.26 | **426.22** | 346.81 | 181.86 | **528.67** | 365.46 | 211.12 | **576.58** | 552.81 | 233.44 | **786.25** |
| Receipts | 648.52 | 125.22 | **773.74** | 805.67 | 173.35 | **979.02** | 1,573.73 | 149.25 | **1,722.98** | 1,908.66 | 240.54 | **2,149.20** |
| Total Available Funds | 944.48 | 255.48 | **1,199.96** | 1,152.48 | 355.21 | **1,507.69** | 1,939.19 | 360.37 | **2,299.56** | 2,461.47 | 473.98 | **2,935.45** |
| Expenditure | 661.75 | 113.50 | **775.25** | 843.85 | 172.70 | **1,016.55** | 1,521.85 | 179.99 | **1,701.84** | 2,282.57 | 235.11 | **2,517.68** |
| Closing Balance | 282.73 | 141.98 | **424.71** | 308.63 | 182.51 | **491.14** | 417.34 | 180.38 | **597.72** | 178.90 | 238.87 | **417.77** |
| Percentage of expenditure | 70.07 | 44.43 | **64.61** | 73.22 | 48.62 | **67.42** | 78.48 | 49.95 | **74.01** | 92.73 | 49.60 | **85.77** |

*Source :Source: As per data provided by Rural Development Department.*
*(CSS: Centrally Sponsored Scheme, SSS: State Sponsored Scheme)*

The above table indicates that:

- There was difference of ₹ 103.96 crore, ₹ 85.44 crore and ₹ 188.53 crore between the closing balances of 2004-05, 2005-06 and 2006-07 and the opening balances of 2005-06, 2006-07 and 2007-08. RDD attributed (January 2010) the difference due to non-inclusion of release made by the Central and State Governments at the end of the 2004-05, 2005-06 and 2006-07 and interest accrued for 2004-05, 2005-06 and 2006-07 which were credited at the beginning of next financial year. The procedure adopted by the State Government was not appropriate as the receipts should have been credited under the Receipt Head of the relevant year instead of increasing the opening balance with reference to closing balance of preceding year.

- During 2004-05, 2005-06, 2006-07 and 2007-08 RDD could utilise only 64.61 *per cent*, 67.42 *per cent*, 74.01 *per cent* and 85.77 *per cent* respectively of total available funds under Centrally Sponsored Schemes and State Sponsored Schemes.

## 1.7 Budgetary and internal control

RPRA, 1994 empowers PRD to exercise control over PRIs by prescribing returns, reports and documents to be sent by a PRI as it deems fit. PRD has not intimated any remedial action taken in this regard. Audit findings of deficient fund management, ineffective monitoring of activities etc. indicative of weak internal controls are detailed in the succeeding paragraphs.

### *1.7.1 Excess expenditure over the allotted funds*

As per Rule 210 of RPRR, 1996 the Drawing and Disbursing Officer is responsible for controlling of expenditure against allotment of funds. Two ZPs and 20 PSs incurred excess expenditure over the funds authorised/received due to which there were minus balances of funds of ₹ 11.89 crore under various heads of accounts/schemes as on 31 March 2007 **(*Appendix-II*)**. Excess expenditure was met from the funds lying unutilised under other schemes specifically closed/inactive schemes. This reflects weak internal control and financial indiscipline in PRIs.

ZP, Barmer and five PSs while accepting the facts stated (April 2007 to April 2008) that action was being taken for obtaining regularisation/ allotment/reimbursement of funds from the departments concerned. No reply was furnished by remaining one ZP and 15 PSs. Similar irregularities were also included in Audit Reports (Civil–Local Bodies) for the years 2005-06 and 2006-07, but no concrete action was taken by RD&PRD.

### *1.7.2 Non-refund of balances lying unutilised under closed schemes*

Rural Development Department instructed (November 1997 and March 2004) to ZPs that unspent amounts of closed schemes be transferred to the scheme in which the closed schemes had been amalgamated or to refund the same to the respective departments.

**1.7.2.1** Test check of records for the year 2006-07 revealed that in eight ZPs unspent funds relating to various closed /inactive schemes aggregating ₹ 4.86 crore were lying blocked in their PD accounts for two to 15 years as of March 2007. These funds were neither utilised in accordance with the guidelines of the schemes nor refunded to the department concerned (***Appendix-III***).

On this being pointed out three ZPs (Bundi, Churu and Udaipur) stated (November 2007 - February 2008) that actions were being taken to refund the funds. Remaining five ZPs did not furnish any reply. Similar irregularities were also included in Audit Reports (Civil–Local Bodies) for the years 2005-06 and 2006-07, but no action was taken by the RD&PRD.

**1.7.2.2** Similarly, in 12 PSs unspent funds aggregating ₹ 4.07 crore were lying in their PD accounts pertaining to various closed/inactive schemes, where no transaction had taken place during last one to 14 years as of March 2007. These funds were neither refunded to department nor the balances transferred to the amalgamated schemes ***(Appendix-III)***.

On this being pointed out four PSs (Kekri, Kotputali, Marwar Junction and Rani) stated (August - October 2007) that actions were being taken to refund the funds. Remaining eight PSs did not furnish any reply.

### 1.7.3 Advances lying unadjusted/ unrecovered

In three ZPs and 10 PSs advances aggregating ₹ 59.64 lakh for petrol and lubricants, pay and travelling allowance under various schemes and miscellaneous construction works etc. disbursed upto March 2007 were outstanding against 304 individuals (ZPs: 37 and PSs: 267 ) for last one to 49 years as of March 2009 **(*Appendix-IV*).** This indicated lack of effective and efficient control mechanism in these PRIs. Possibilities of recovery of advances outstanding for very long period are also remote.

On this being pointed out, ZP, Ajmer (August 2008) and four PSs (April-August 2007) accepted the facts and stated that actions for recovery of outstanding advances were being taken. The remaining two ZPs and six PSs did not furnish any reply. Similar irregularities were also included in Audit Reports (Civil–Local Bodies) for the years 2005-06 and 2006-07, however, no action was taken by RD&PRD.

### 1.7.4 Irregular credit of interest ₹ 13.70 lakh to own income instead of depositing into scheme concerned

Test check of records of PSs, Bonli and Dudu for the year 2005-07, revealed that interest earned ₹ 13.70 lakh[4] during 2001-07 on the funds of various schemes (Eleventh/Twelfth Finance Commissions, Mid Day Meals, Modified Area Development Approach etc.) was irregularly credited to their (PSs) own income, instead of depositing into concerned scheme. Interest earned on funds of schemes was to be credited to the scheme concerned.

On this being pointed out (April - September 2007), PS, Bonli while accepting the facts stated that funds related to all schemes were being kept in bank accounts. Reply was not tenable as interest so earned was to be credited to scheme concerned instead of own income. PS, Dudu did not furnish any reply.

### 1.7.5 Outstanding utilisation certificates

4. PSs, Bonli: ₹ 9.65 lakh and Dudu: ₹ 4.05 lakh.

Against advances of ₹ 842.33 crore given to 31 ZPs (RDC) up to March 2008, utilisation certificates (UCs) of ₹ 374.02 crore were pending from the executing agencies as of March 2009. The position of pending UCs as of March 2010 was not made available by the RDD. In case of ZPs (PC) against advances of ₹ 408.10 crore[5] given to 33 ZPs (PC) upto March 2009, UCs of ₹ 250.97 crore[6] were pending against 33 ZPs (PC) as of April 2010.

### *1.7.6 Arrears of audit*

The DLFAD is the Statutory Auditor for the accounts of PRIs. There was arrear of audit of 22,102 PRIs (ZPs: 34, PSs: 356 and GPs: 21,712) by DLFAD as of December 2010 out of which audit of 8,703 PRIs (ZPs: 18, PSs: 220 and GPs: 8,465) was in arrear for the current year (2009-10). The tier-wise and zone-wise position of arrear of audit is shown in table below:

| Name of Zonal Office | ZPs | PSs | GPs | Total |
|---|---|---|---|---|
| Ajmer | 5 | 80 | 3,875 | 3,960 |
| Bharatpur | - | 27 | 2,573 | 2,600 |
| Bikaner | 6 | 31 | 3,165 | 3,202 |
| Jaipur | 1 | 23 | 2,097 | 2,121 |
| Jaipur First | - | 26 | 2,310 | 2,336 |
| Jodhpur | 10 | 69 | 3,122 | 3,201 |
| Kota | 2 | 38 | 1,705 | 1,745 |
| Udaipur | 10 | 62 | 2,865 | 2,937 |
| **Total** | **34** | **356** | **21,712** | **22,102** |

*Source :Source: As per data provided by Director Local Fund Audit Department.*

In order to reduce arrear of audit, DLFAD intimated (February 2011) that audit of previous years arrears have been taken up alongwith audit of current year and efforts are being made for filling up of vacant posts alongwith creation of additional manpower for clearance of arrears.

## 1.8 Lack of response to audit observations

***1.8.1*** Up to December 2010, 23,61,742 paragraphs of inspection reports of PRIs issued by DLFAD were pending for settlement. Audit observations includes 434 paragraphs of embezzlement involving ₹ 14.51 crore for the period up to 2009-10, were also pending for action as of December 2010. The zone-wise and tier-wise details of pendency of settlement of audit observations are as under:

| Name of Zonal Office | Outstanding Paragraphs | | | |
|---|---|---|---|---|
| | ZPs | PSs | GPs | Total |

5. Twelfth Finance Commission (TFC): ₹ 235.70 crore and Third State Finance Commission (SFC): ₹ 172.40 crore.
6. TFC: ₹ 158.60 crore and Third SFC: ₹ 92.37 crore.

| | | | | |
|---|---|---|---|---|
| Ajmer | 154 | 7,008 | 3,51,102 | 3,58,264 |
| Bharatpur | 293 | 5,489 | 2,09,290 | 2,15,072 |
| Bikaner | 237 | 3,559 | 2,95,338 | 2,99,134 |
| Jaipur | 226 | 5,557 | 3,37,958 | 3,43,741 |
| Jaipur First | 352 | 5,482 | 2,69,253 | 2,75,087 |
| Jodhpur | 406 | 7,926 | 4,60,425 | 4,68,757 |
| Kota | 204 | 4,185 | 1,12,923 | 1,17,312 |
| Udaipur | 182 | 7,858 | 2,76,335 | 2,84,375 |
| **Total** | **2,054** | **47,064** | **23,12,624** | **23,61,742** |

*Source : As per data provided by Director Local Fund Audit Department.*

***1.8.2*** A total of 1,421 inspection reports of ZPs and PSs (including GPs) comprising 12,212 paragraphs involving ₹ 1977.59 crore issued by Office of the Principal Accountant General upto July 2004 and thereafter by Office of the Senior Deputy Accountant General (Local Bodies Audit and Accounts) from August 2004 to March 2008 were pending for settlement at the end of November 2010 as detailed below:

**(₹ in crore)**

| Year | Inspection Reports | Paragraphs | Money Value |
|---|---|---|---|
| Up to 2001-02 | 142 | 261 | 67.47 |
| 2002-03 | 98 | 242 | 55.07 |
| 2003-04 | 236 | 1,364 | 211.27 |
| 2004-05 | 317 | 2,960 | 355.38 |
| 2005-06 | 242 | 2,658 | 432.88 |
| 2006-07 | 188 | 2,105 | 412.97 |
| 2007-08 | 198 | 2,622 | 442.55 |
| **Total *** | **1,421** | **12,212** | **1,977.59** |

* *This includes 101 inspection reports comprising 380 outstanding paragraphs involving ₹ 80.89 crore of Soil Conservation Department.*

## 1.9 Impact of audit

During 2007-08, excess payments, double payments, dues, interest on excess cash balances, rent of shops etc. aggregating to ₹ 66.67 lakh were recovered in 220 cases by the PRIs at the instance of C&AG's audit.

## 1.10 Conclusion

- The 'own revenue' of PRIs was meagre and therefore they were largely dependent on Government grants eroding their financial autonomy.

- Widespread and persistent irregularities and deviations from prescribed accounting and budgetary control procedure indicating lack of adequate internal control mechanism in the PRIs such as non-reconciliation/rectification of differences in balance as per cash book and PD pass book, expenditure in excess of the allotted funds, non-adjustment/recovery of outstanding advances against individuals for a long period, non-submission of UCs and non-refund of unspent balances of closed/inactive schemes were noticed in audit.

- There was no mechanism with the PRD for centralised database on the receipts and expenditure of various tiers of PRIs for monitoring and decision making purpose.

- There were huge pendency of audit observations and delays in their settlement.

## 1.11 Recommendations

- PRIs should be encouraged to augment their own resources so as to reduce dependency on the Government assistance. The State Government should make provisions for levy of certain major taxes and exploitation of non-tax revenue sources obligatory for PRIs. Minimum revenue collection by GPs should be insisted with incentive for collection beyond minimum amount. All the common properties vested in the village panchayats may be identified, listed and made productive of revenue and power to levy tax/surcharge/cess on agriculture holding should be given to the intermediate or district panchayats.

- PRIs should ensure optimum utilisation of the available resources and the grants should be utilised in a time bound manner to derive the intended benefit.

- The PRIs should be made accountable for preparation of their annual accounts in the formats prescribed by C&AG within a specified period and their accounts should be compiled at the district and at the State level so that very purpose of maintenance of accounts for monitoring and decision making could be fulfilled.

- Internal control and monitoring mechanisms should be strengthened to ensure monthly reconciliation of differences between balances as per cash books and PD/Bank pass books, timely refund of unutilised funds to Government and to exercise checks on excess expenditure over the allotted funds.

- Special and concerted efforts are needed to adjust/recover the old outstanding advances from the employees or concerned.

# CHAPTER-II

# PERFORMANCE REVIEW AND AUDIT OF TRANSACTIONS

# PANCHAYATI RAJ INSTITUTIONS

This chapter contains one Performance Review on "Devolution of Functions, Funds and Functionaries to Panchayati Raj Institutions" and five paragraphs relating to transaction audit of Panchayati Raj Institutions.

## PERFORMANCE REVIEW

### 2.1 Devolution of Functions, Funds and Functionaries to Panchayati Raj Institutions

#### Highlights

The 73rd Constitutional Amendment Act passed by parliament in 1992 had defined the process of decentralisation of governance in India. In 1994, Government of Rajasthan passed Rajasthan Panchayati Raj Act (RPRA) to empower the establishment of local bodies viz. *Zila Parishads* (ZPs), *Panchayat Samitis* (PSs) and *Gram Panchayats* (GPs) upto village level. In compliance of the legislations, the State Government had issued various orders mainly in June 2003 for devolution of functions, funds and functionaries relating to 29 subjects enumerated in the Eleventh Schedule of the Constitution to Panchayati Raj Institutions (PRIs) from 16 departments of the State Government without identifying the appropriate level of PRIs which could execute the devolved functions. It was observed that till March 2008 proper follow up action had not been taken for suitable devolution of functions, funds, and functionaries in consonance with the spirit of RPRA, 1994 and orders of June 2003. As such Devolution Index (DI) rank of Rajasthan State lowered down from 8th (2006-07) to 16th (2009-10).

Some of the important findings are as below:

- **There was no activity mapping in order to ascertain level of devolution done by the State Government.**

***(Paragraph 2.1.6)***

- **State Government's partial acceptance of recommendation of Third State Finance Commission from 2008-09 instead of 2005-06 resulted in denial of share of PRIs amounting to ₹ 391.87 crore for the period 2005-06 to 2007-08.**

***(Paragraph 2.1.8.1)***

- **Provisions of ₹ 16.42 crore made in budget of Forest Department during 2004-05 to 2007-08 on account of earnings from *Tendu Patta* was surrendered as rules were not framed for transfer of income from *Tendu Patta* to PRIs.**

***(Paragraph 2.1.8.2)***

- **State government withdrew already transferred functions relating to PWD, Animal Husbandry, Dairy and Poultry Departments from PRIs was indicative of ad hoc approach to decentralization process.**

***(Paragraphs 2.1.9.3 and 2.1.7.1)***

## 2.1.1 Introduction

Panchayati Raj Institutions were accorded constitutional status by 73rd Constitutional Amendment Act (CAA), 1992 which came into force with effect from 24 April 1993. Article 243 G and Eleventh Schedule introduced by the 73rd CAA vests powers in the State Legislatures to endow Panchayats with such powers and authority to function as institutions of self Government.

Under authority of Article 243 G and Eleventh Schedule of the Constitution, the State Legislature enacted RPRA, 1994 followed by Rajasthan Panchayati Raj Rules (RPRR), 1996. Schedules I, II and III of RPRA, contain lists of subjects/activities mentioned in Eleventh Schedule of the Constitution, which may be performed and exercised by GPs, PSs and ZPs, respectively.

As per provision made in the Panchayat Act, five standing committees are formed at all levels of Panchayats, namely: (1) Administration and establishment, (2) Finance and taxation, (3) Development and production programmes, (4) Education and (5) Social services and social justice.

District Planning Committees (DPCs) were to be constituted under article 243Z D of the Constitution and Rule 121 of RPRA, 1994 to consolidate minimum need base annual action plan prepared by PRIs and urban local bodies (ULBs) and approved by State Government for comprehensive development of district.

### 2.1.2 Organisational set up

At State level the administrative department dealing with the PRIs is under control of Principal Secretary, Rural Development and Panchayati Raj Department (RD&PRD) who is assisted by Secretary-cum-Commissioner, Panchayati Raj Department (PRD) and Secretary, Rural Development Department (RDD). In the field, the executive heads of PRIs at District (ZP), Block (PS) and Village (GP) levels are Chief Executive Officers (CEO)(Project Officer/Additional Chief Executive Officers), *Vikas Adhikari* and Secretary-cum-Gram Sevak respectively. Similarly, the heads of elected bodies of PRIs at District (ZP), Block (PS) and Village (GP) levels are *Zila Pramukh*, *Pradhan* and *Sarpanch* respectively. *Zila Pramukh* is chairman of DPC. PRD is an administrative department of DPC. There are 25 members in each DPC, 20 persons are elected from amongst and by the elected representatives of ZP and local bodies in proportion to ratio of population of rural and urban areas in the district, other five are nominated (a) District Collector, (b) CEO, ZP nominated as nodal officers for annual plan implementation (c) Additional Executive Officer, ZP and (d) two persons nominated by Members of Parliament/Members of Legislative Assembly/ State Government.

### 2.1.3 Audit objectives

The audit objectives were to assess whether:

- Proper activity mapping was done by State Government for decentralising the governance in the spirit of 73$^{rd}$ CAA, 1992,
- Funds and functionaries were devolved to the PRIs commensurate with transfer of functions,
- Devolution orders were properly implemented.

### 2.1.4 Audit criteria

The criteria used for the review were:

- Seventy third CAA, 1992.
- RPRA, 1994 and RPRR, 1996.
- State Government orders issued regarding devolution of functions, funds, and Functionaries to PRIs by various departments.

- First, Second and Third State Finance Commissions (SFCs) recommendations/ reports.
- Advisory issued by Ministry of Panchayati Raj, Government of India (GOI).

### 2.1.5 Audit methodology and coverage

Besides, Department of Panchayati Raj, Agriculture, Watershed Development and Soil Conservation, Forest, Irrigation, Social Welfare, Public Health Engineering and Fisheries, records of three ZPs[1], 12 PSs[2] and 24 GPs[3] for the period 2003-04 to 2007-08 were test checked during April to August 2009, to examine devolution at local level. The selection was made on judgmental basis to see the performance at ground level. The records, reports, returns maintained in offices and units were test checked in selected districts.

### Audit findings

The audit findings are summarised in the succeeding paragraphs:

### *2.1.6 Activity mapping*

The process of decentralisation is to be guided by the principle that a central authority should have a subsidiary function, performing only those tasks which cannot be performed at a more local level. Different activities of functions should be performed by a tier to which it belongs naturally and there be a mechanism for inter-tier coordination in case of overlapping functions. Thus activity mapping involves identification of functions within a given sector and the disaggregation of these functions into tasks, activities and responsibilities for devolution of these to all three tiers viz. ZP, PS and GP of PRIs according to requirement and their capacity.

However, there was no evidence of proper activity mapping done by the various departments of the State Government for ascertaining devolution of functions at appropriate level of PRIs and proper segmentation of subjects into different activities for their appropriate devolution.

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1. *Zila Parishads* : Ajmer, Sikar and Tonk.
2. *Panchayat Samitis* : Arai, Kekri, Kishangarh, Shrinagar (District - Ajmer); Dhod, Khandela, Neem Ka Thana, Piprali (District - Sikar) and Deoli, Malpura, Newai, Tonk (District - Tonk).
3. *Gram Panchayats* : Akodia, Bhamulav (PS - Arai); Charnot, Duni (PS - Deoli); Jerthi, Khakoli (PS - Dhod); Gathiyali, Gorda (PS - Kekri); Gurar, Jajod (PS - Khandela); Barana, Badhurva (PS - Kishangarh); Chainpura, Deshma (PS - Malpura); Balupura, Biharipur (PS – Neem Ka Thana); Dangathal, Datwas (PS - Newai); Bhadwasi, Dadiya (PS - Piprali); Danta, Dilwara (PS - Shrinagar) and Bagadawa, Bambor (PS - Tonk).

After State Government's enactment regarding devolution of functions and powers to PRIs in 1994, Cabinet decision (May 2000) and recommendations (December 2002) of a Cabinet Sub-Committee , the major orders on transfer of functions, funds, and functionaries from various departments to the PRIs were issued (June 2003) by PRD.

It was observed that this devolution order of June 2003, in respect of devolution of five subjects[4] does not specify the level/tier at which these activities are to be devolved. The above devolution order neither specified the modalities of devolution nor the time schedule for implementing the process of devolution by the State Government.

On this being pointed out (June 2009 and June 2010), the Secretary-cum-Commissioner, PRD informed (August 2010) that activity mapping was done. However, instructions for activity mapping issued if any were not provided.

## 2.1.7 Devolution of Functions

### *2.1.7.1 Withdrawal of already transferred functions relating to Animal Husbandry, Dairy & Poultry Departments from PRIs*

Animal Husbandry Department transferred (April 2000) 1,727 sub-animal health centres, 1,327 moving centres and 400 new sub centres to PRIs prior to devolution order of June 2003. However, these orders were cancelled (July 2003) by the State Government. The Government's order of devolution issued in June 2003 transferred only a few functions related to fisheries and the main functions of animal husbandry, dairy & poultry were not transferred to PRIs. The Secretary-cum-Commissioner, PRD accepted (August 2010) the facts and assured for reconsideration for transfer of functions which were first transferred in April 2000 and withdrawn later in July 2003.This indicated ad hoc approach towards transfer of functions to PRIs.

### *2.1.7.2 Irrigation tax collected by Revenue Department instead of PRIs and also not assigned to PRIs*

The right to collect irrigation tax and use thereof was devolved (June 2003) to the PRIs. However, it was observed that irrigation tax of ₹ 4.84 crore[5] for the period 2003-08 was collected by Revenue Department instead of PRIs and not

4. (i) Agriculture including agricultures extension, (ii) Minor irrigation, water management and watershed development, (iii) Roads culverts, bridges, ferries, waterways and other means of communication, (iv) Education including primary and secondary schools and (v) Technical training and vocational education mentioned in Eleventh Schedule of the Constitution.
5. Years - 2003-04: ₹ 0.90 crore, 2004-05: ₹ 0.73 crore, 2005-06: ₹ 1.03 crore, 2006-07: ₹ 0.70 crore and 2007-08: ₹ 1.48 crore.

assigned to PRIs. The Secretary-cum-Commissioner, PRD stated (August 2010) that the irrigation tax is not being collected by PRIs at present. Thus, the main function of irrigation tax collection and use thereof was not devolved to PRIs.

#### 2.1.7.3 Transfer of funds without transfer of functions and functionaries

The State Government directed (June 2003) to transfer the schemes regarding hand pump maintenance, maintenance of pump and tank and piped schemes, works regarding *Janta Jal Yojana* and Traditional Water Sources. It also envisaged transfer of Assistant Engineers (AEN), Junior Engineers (JEN) and staff to PRI. Consequently, the Chief Engineer (Rural), Public Health Engineering Department (PHED) ordered transfer of functionaries viz. 237 JENs with staff to PRIs. However, the State Government, on the request of Secretary, PHED for deferment of transfer of PHED scheme with staff in view of difficulties of maintenance of PHED schemes during summer, issued directions (January 2004) for withdrawal of earlier order of June 2003.

As such the repair and maintenance work of hand pumps was done under the supervision of AENs/JENs of PHED by the hand pump *mistries* of PRIs. In view of the drinking water problems and need to have hand pumps etc. repaired on priority basis, orders of July 2008 reiterated that the task of repair and maintenance of hand pumps in both rural and urban areas continue with PHED till further order.

Thus, the work of hand pumps repairing and maintenance of rural schemes continue to be done by the PHED. The budget for repair and maintenance of hand pump and salary of *mistries* is transferred to PRIs by PHED. Secretary-cum-Commissioner, PRD accepted (August 2010) the facts and stated that the ban on transfer of PHED activities to PRIs was still in force. This indicates that only funds were devolved by PHED and the functions and functionaries were never transferred to the PRIs.

#### 2.1.7.4 Transfer of establishment cost/funds without transfer of functions of social and farm forestry by the Forest Department to PRIs

During test check of records of Forest Department it was revealed that Forest Department incurred expenditure of ₹ 306.17 crore on activities of social and farm forestry during 2003-08 as per details mentioned in ***Appendix-V***, wherein revenue expenditure was ₹ 130.19 crore and capital expenditure was ₹ 175.98 crore. However, only 10 *per cent* (₹ 31.90 crore) funds were devolved to PRIs for pay and allowances of the staff of Forest Department. Thus, there was transfer of funds only for salaries without transfer of functions of social and farm forestry to PRIs.

## 2.1.8 Devolution of funds

Seventy third CAA made it mandatory under Articles 243 I and 243 Y for all State Governments to constitute SFCs to work out the proper allocation for devolution of State funds to the local bodies. The State Government constituted three SFCs for the award periods of 1995-2000, 2000-05 and 2005-10.

### *2.1.8.1 Denial of share of PRIs ₹ 391.87 crore for the period 2005-06 to 2007-08 due to partial acceptance of recommendation of Third SFC from 2008-09 instead of 2005-06 by Government*

The Third SFC (2005-10) recommended release of 3.5 *per cent* of the net proceeds of the State own tax revenue to PRIs and ULBs in the ratio of 75.70 *per cent* and 24.30 *per cent* respectively. The Government accepted the recommendations from 2008-09 instead of 2005-06 due to which ₹ 391.87 crore was short released to PRIs as depicted in ***Appendix-VI***.

The State Government devolved funds to PRIs to the extent of ₹ 517.67 crore only (56.92 *per cent*) against the share of ₹ 909.54 crore because recommendation of Third SFC has not been completely accepted by Government from 2005-06 as assured in Action Taken Report upon interim recommendation of Third SFC. This resulted in denial of ₹ 391.87 crore to PRIs already facing paucity of funds. Reasons for partial acceptance of recommendations of Third SFC were not intimated.

### *2.1.8.2 Non transfer of revenue ₹ 59.06 crore collected on account of minor forest produce and Tendu Patta to PRIs and Surrender of budgetary provisions of ₹ 16.42 crore by Forest Department*

As per devolution orders (June 2003), the PRIs were conferred right on revenue of minor forest produce including earnings from *Tendu Patta*. It was observed that during period 2003-04 to 2007-08 a sum of ₹ 59.06 crore[6] was collected on account of minor forest produce and *Tendu Patta*, which were to be transferred to PRIs through State Government after deducting cost of collection. However, no amount was transferred to the PRIs as the matter regarding transfer of earnings from minor forest produce and *Tendu Patta* to PRIs was under consideration with the State Government.

6. Years - 2003-04: ₹ 7.55 crore, 2004-05: ₹ 5.05 crore, 2005-06: ₹ 2.88 crore, 2006-07: ₹ 4.57 crore and 2007-08: ₹ 39.01crore.

Further during the period from 2004-05 to 2007-08 total provision of ₹ 16.42 crore[7] was made under the head Forestry and Wildlife 2406-01-196-02[8] in the budget of the Forest Department as original grant (as revenue) for transfer to PRIs on account of earnings from *Tendu Patta.* But at the end of each year the State Government made re-appropriation and surrendered the entire provision. Forest Department also made provisions for transfer of funds ₹ 1.28 crore[9] during 2004-05 to 2005-06 for Social and Farm Forestry to PRIs but no funds were transferred which led to surrender of provisions made by Forest Department under head Forestry and Wildlife 2406-01-196-03[10]. Here too the rules were not framed for transfer of income to PRIs.

#### *2.1.8.3 No incentive to GPs to maximize the revenue*

Maintenance and revenue collection of fisheries ponds of B, C and D categories[11] in rural areas were ordered to be transferred (June 2003) to ZPs, PSs and GPs respectively. However, in accordance with orders of Animal Husbandry Department (27 June 2003) as and when revenue of a pond exceeds ₹ 5.00 lakh per annum, it will be deemed to be transferred to the Fisheries Department. Thus, during the period 2003-04 to 2007-08 the revenue of PRIs from fishing ponds (wherever revenue exceeded ₹ 5.00 lakh per annum) has been more or less fixed due to transfer of more than five lakh per annum revenue generating ponds to Fisheries Department. This also shows lack of incentive for PRIs to increase revenue from fisheries. The Secretary-cum-Commissioner, PRD accepted the facts (August 2010) and stated that the action has to be taken regarding revenue from the ponds.

### 2.1.9 Devolution of functionaries

#### *2.1.9.1 Transfer of functionaries of Education Department to PRIs without administrative control*

State Government issued orders (19 June 2003) for complete devolution of primary education to the PRIs. The orders envisaged placement of Block Elementary Education Officers (BEEOs) and District Elementary Education Officers (DEEOs) under PS and ZP. In March 2007, the PRD, Government of Rajasthan informed that all the functions, functionaries and funds related to

7. Years - 2004-05: ₹ 6.42 crore, 2005-06: ₹ 4.00 crore, 2006-07: ₹ 4.00 crore and 2007-08: ₹ 2.00 crore.
8. 2406 - Forestry and Wildlife, 01- Forestry, 196 - Assistance to *Zila Parishads*/District level Panchayats and 02 - transferred from revenue for Forest Development Prorgamme.
9. Years - 2004-05: ₹ 0.64 crore and 2005-06: ₹ 0.64 crore.
10. 2406 - Forestry and Wildlife, 01 - Forestry, 196- Assistance to *Zila Parishads*/District level Panchayats and 03 - Farm & *Van Vidhya.*
11. Revenue collection above ₹ 5.00 lakh per annum (A class ponds), ₹ 0.50 lakh to ₹ 5.00 lakh per annum (B class ponds) and ₹ 0.10 lakh to ₹ 0.50 lakh per annum (C class ponds) and upto 0.10 lakh per annum (D class ponds).

primary schools were transferred to the PRIs whereas in June 2009, the department informed that the PRIs had no charge of functions, functionaries and funds related to devolution of primary education. Study of various aspects of devolution and the test check revealed that the BEEOs and DEEOs were never placed under the PSs and ZPs. Moreover, the primary education in rural areas is being imparted by teachers coming from two streams i.e., Panchayati Raj and Education Department under the same roof. The teachers from Education Department are getting salary through treasuries under Education Department budget head 2202 and teachers from PRI stream through Personal Deposit (PD) account of concerned PRIs. Funds under this PD account are transferred from major (Education Department) head 2202, minor head 194-195, 196 assistance to PRIs by Education Department.

The PS and ZP have no role in transfer and posting of the teachers (from both streams) working under their jurisdiction. The transfer and posting of teachers of the primary and upper primary schools is being made by Education Department. The Secretary-cum-Commissioner, PRD refuting the facts stated (August 2010) that even today primary education is linked with PRIs. Reply is not tenable as PRIs have no role in appointment, transfer and posting of teachers/disciplinary action against them. This fact is also supported by the report of Third SFC (para 2.112) which also concluded that the claim made by the PRD of the State Government in this regard is not sustainable.

Although fresh devolution order (2 October 2010) has been issued by Education Department but situation still remains the same. Implementation of education schemes still vests with Education Department. Technical supervision and right to transfer of teachers still vests with Education Department.

#### *2.1.9.2 Inadequate transfer of functionaries to PRIs from Agriculture Department*

Agriculture Department issued order (July 2003) for placing 5,303 officials of Agriculture Department under PRIs which included 32 Assistant Directors, 96 Agriculture Officers, 662 Assistant Agriculture Officers, 4,263 Agriculture Supervisors in addition to 250 other officials[12].

Scrutiny revealed that neither the Assistant Directors, Agriculture Officers, Assistant Agriculture Officers were functioning under the PRIs, nor were sitting in ZPs/PSs. Out of 4,263 Agriculture Supervisors concerned with extension work, negligible numbers were placed under PRIs. Agriculture Supervisors were working under Agriculture Department instead of PRIs, though the staff was getting salary through Rural Development Cell of ZPs (salary bills were being countersigned by Additional CEO/ZP). In reply (July 2010) the Directorate, Agriculture, Jaipur stated that the administrative control viz. Annual Confidential Reports, leave, disciplinary action, transfer, etc. was

12. Investigators: 32, Junior Accountants: 32, Upper Division Clerks (UDC): 32, Lower Division Clerks (LDC): 64, Drivers: 26 and Peons: 64.

vested with the Agriculture Department. Thus, neither the functionaries were adequately transferred to PRIs nor the transferred functionaries were placed fully under the control of PRIs for efficient discharge of functions.

The Agriculture Department again issued fresh orders (2 October 2010) for transfer of 6,091 personnel[13], which confirms that earlier there was no devolution of functionaries to PRIs or functionaries were transferred in an unplanned and unsystematic way.

#### *2.1.9.3 Transfer of functionaries to PRI without transfer of funds and administrative control by PWD*

The State Government transferred (June 2003) work regarding rural roads and culverts along with Government buildings (up to sub division level) to PRIs. Subsequently, the Public Works Department (PWD) transferred the functionaries (AEN and work charged staff) also to PRIs. However, pay and allowances of the transferred staff were continued to be given by the PWD as the Finance Department could not transfer the budget to PRIs. Ultimately the orders of devolution were withdrawn (January 2004) by PWD and the administrative control of the transferred staff was again given under the PWD. The Secretary-cum-Commissioner, PRD accepted (August 2010) the facts and stated that at present there was ban on transfer of PWD activities to PRIs.

#### *2.1.9.4 Transfer of functionaries without transfer of functions of social and farm forestry*

Consequent to devolution orders of June 2003, the Forest Department transferred 980 officers/officials[14] to PRIs for social & farm forestry activities.

Scrutiny of records revealed that the staff of Forest Department posted in PRIs were grossly underutilised for want of funds on social and farm forestry activities. Keeping these facts in view and that the 15 *per cent* of forest works under Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) were allotted to Forest Department, the transferred functionaries were redeployed by Forest Department in compliance of the orders of RD&PRD for execution of forest works under MNREGS. Secretary-cum-Commissioner, PRD accepted (August 2010) the facts and stated that transferred staff has not been returned but their services are being utilised for better monitoring of MNREGS work.

The reply is not tenable as the functions of social and farm forestry activities were never devolved to PRIs as already commented in para 2.1.7.4.

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13. Deputy Directors: 33, Assistant Directors: 85, Agriculture Officers: 213, Agriculture Officers (Junior): 28, Assistant Agriculture Officers: 724, Agriculture Supervisors: 4,300, Agriculture Analysts: 63, Accountants: 34, Junior Accountants: 58, UDCs: 119, LDCs: 191, Drivers: 46 and Assistant employees: 197.
14. Assistant Conservators of Forest: 32, Rangers: 50, Foresters/ Assistant Foresters: 187, Forest Guards: 237 and Work Charge Officials: 474.

### 2.1.10 Parallel bodies

A positive feature of the State has been the merger of District Rural Development Agency with ZP since August 2003. The merged entity is referred to as the 'Rural Development Cell' of ZP thus doing away with two parallel bodies at district level. However, at the village level there are a number of parallel bodies operating that includes School Development Management Committee formed by Education Department, Water and Sanitation Committee formed by PHED, Forest Development Committee formed by Forest Department, etc. In addition similar kind of parallel bodies are formed under various projects funded by donor agencies like World Bank, United Nation Development Programme etc. The names of these bodies differ from project to project but generally they are called 'Village Development Committee'. In general it is worth noting that in term of functioning the committees formed by line departments are not accountable to the concerned standing committees of GPs, thus, defeating the very purpose of devolution of functions to GPs.

### 2.1.11 Ranking of the State in Devolution Index

The GoI, Ministry of Panchayati Raj has been conducting an independent study on devolution to PRIs in different states. These studies assess Devolution Index (DI) of major states based on large number of indicators relating to transfer of funds, functions and functionaries. The DI is used for Panchayat Empowerment & Accountability Incentive Scheme of GoI, for rewarding states with high DI.

The DI of Rajasthan over last four years in relation to Kerala is given below:

| Year | DI for Rajasthan | Rank of Rajasthan | DI for Kerala | Rank of Kerala |
|---|---|---|---|---|
| 2006-07 | 30.72 | 08 | 80.76 | 01 |
| 2007-08 | 34.83 | 05 | 69.62 | 02 |
| 2008-09 | 28.00 | 15 | 61.25 | 04 |
| 2009-10 | 37.56 | 16 | 74.73 | 01 |

The above table shows that position of Rajasthan in decentralization process has come down from 8$^{th}$ in 2006-07 to 16$^{th}$ in year 2009-10. Also in numerical terms the score of Rajasthan is only 37.56 against 74.73 of Kerala. The independent studies relating to DI confirms the findings of audit regarding reducing devolution to PRIs during 2003-04 to 2007-08.

## 2.1.12 Conclusion

The State Government assigned functions and powers to ZPs, PSs and GPs under the RPRA, 1994, but this enactment remained on papers. It was only after a decade that the PRD, Government of Rajasthan issued major orders in June 2003 for devolution, which were too inadequate and the follow up actions on these orders were also not in consonance with spirit of the devolution. Funds and functionaries were not transferred adequately to PRIs for efficient discharge of functions transferred. The devolution of finances raised from 2.18 to 3.5 *per cent* (as per recommendations of Third SFC) of net proceeds of State's own tax revenue yet actual devolution of funds by State Government sharply decreased from 83.25 *per cent* (1995-2000) to 56.92 *per cent* (2005-08). Short comings were noticed in cases of devolution in respect of Department of Agriculture, Irrigation tax, PWD, Animal Husbandry, Fisheries, Social and Farm Forestry, Drinking Water, Education, etc. DI rank of Rajasthan lowered down from 8$^{th}$ (2006-07) to 16$^{th}$ (2009-10) due to un-systematic transfer of functions without proper planning, activity mapping and exploring the capacity of PRIs to execute the devolved functions.

## 2.1.13 Recommendations

- Government should undertake Activity mapping based on principle of subsidiarity in a transparent and fair manner.

- Based on Activity mapping the state government should consider transfer of activities, funds and functionaries to PRIs.

- A massive capacity building programme should be undertaken to enhance effectiveness of PRIs.

- Government should transfer adequate funds to PRIs for carrying out transferred functions to enable them to work as institutions of self government.

- Government should make necessary regulatory mechanism by framing appropriate rules to overcome constraints in transfer of revenue due to PRIs.

- PRIs should be empowered with effective administrative control over the transferred functionaries.

# AUDIT OF TRANSACTIONS

## 2.2 Irregular expenditure/utilisation of funds

### 2.2.1 *Irregular expenditure under Member of Parliament Local Area Development Scheme*

**Sanction of excess funds over the prescribed limit to certain beneficiary organisations under Member of Parliament Local Area Development Scheme without obtaining prior approval of Government of India and sanction of funds to ineligible trust led to irregular expenditure of ₹ 88.06 lakh.**

Member of Parliament Local Area Development Scheme (MPLADS) guidelines envisage that Member of Parliament (MP) should not recommend works costing more than ₹ 25 lakh in an individual case. In case a work recommended by MP is not eligible or not feasible the District Authority should intimate the same with reason to the MP concerned. Government of India (GOI) further clarified (November 2001, April 2002 and November 2002) that works belonging to registered societies and trusts may be taken up under MPLADS subject to conditions that (i) the beneficiary organisation engaged in social services/welfare activities shall be in existence at least for three years and (ii) amount up to ₹ 25 lakh can be sanctioned to a particular society/trust irrespective of number of institutions/works under that society/trust. However, proposals requiring funds of more than ₹ 25 lakh from MPLADS to an organisation must be referred to GOI for prior clearance.

During test check (between April 2005 and May 2008) of records for the period 2003-07 of District Rural Development Agencies now *Zila Parishads* (Rural Development Cell) (ZP RDC), Dholpur, Banswara and Jaipur it was observed that respective Chief Executive Officers (CEO)/Additional Collector (Development) had irregularly sanctioned (2001-06) ₹ 1.83 crore to three *Shiksha Samitis* and one trust for construction of buildings, boundary walls, community hall, indoor stadium and purchase of computers for 20 schools/institutions. An expenditure of ₹ 178.06 lakh[15] had been incurred as of March 2007.

Besides this, ZP RDC, Jaipur sanctioned (November 2002) ₹ 10 lakh to a trust[16] for construction of building at Sheopur (Jaipur district). The sanctioned

15. Bhartiya Shiksha Samiti, Dholpur: ₹ 33.69 lakh; Bhartiya Shiksha Parchar Samiti, Udaipur: ₹ 52.61 lakh; Adarsh Shiksha Parishad Samiti, Jaipur: ₹ 51.76 lakh and Sri Gokarneshwar Mahadev Sarvajanik Trust, Jaipur: ₹ 40 lakh.
16. Lala Chaman Lal Education Trust for boys and Shrimati Bhagwan Devi Education Trust for girls, Jaipur.

amount (₹ 10 lakh) was spent as of March 2005. It was seen that the sanctioning of funds was irregular as the trust did not fulfill the basic criteria of having completed minimum three years' existence (registered on 11 April 2000) and was therefore not eligible to receive the funds under MPLADS. Under the guidelines the Divisional Commissioner was empowered to review the MPLADS implementation progress and guide the District Authorities. The above irregularities indicate that Divisional Commissioner did not review the works executed under MPLADS.

The CEO, ZP RDC, Dholpur stated (September 2006) that only ₹ 17 lakh had been sanctioned to the society during 2005-06. Reply was not tenable as a total grant of ₹ 36.40 lakh had been sanctioned to the society during June 2001 to June 2005. The CEO, ZP RDC, Banswara stated (June 2009) that amount in excess of ₹ 25 lakh was sanctioned for completion of sanctioned works and prior sanction from GOI for excess amount was not taken by mistake. The Project Officer (Engineering), ZP RDC, Jaipur stated (March 2006) that order regarding prescribed limit of ₹ 25 lakh to a society/trust was issued by GOI in April 2002 while administrative sanction of the work was issued in July 2001. The reply was not acceptable as technical sanction of the work was issued in September 2002 i.e., after issue of GOI instructions (April 2002) and work was completed during August 2002 to May 2003.

Thus, sanction of excess funds to the prescribed limit of ₹ 25 lakh to each beneficiary organisation under MPLADS without obtaining prior approval of GOI and sanction of funds to ineligible trust led to irregular expenditure of ₹ 88.06 lakh.

### *2.2.2 Irregular expenditure on construction of cattle breeding centres*

**Construction of cattle breeding centres in contravention to '*Haryali*' guidelines of Desert Development Programme led to irregular expenditure of ₹ 61.62 lakh.**

As per '*Haryali*' guidelines (April 2003) of Government of India (GOI), Ministry of Rural Development (MoRD), the activities of development of small water harvesting structures, renovation and augmentation of water sources, fisheries development, pasture development, land development, drainage line treatment etc. were to be taken under Desert Development Programme (DDP). While issuing sanction of watershed projects for 2006-07 under *'Haryali'*, GOI (MoRD) instructed (September 2006) that construction of any permanent buildings and other capital items was not allowed under the programme.

During test check (January–February 2008) of records of ZP RDC, Hanumangarh and further information collected (November 2009) it was observed that Chief Executive Officer (CEO), ZP RDC, Hanumangarh issued sanctions for watershed development under DDP (*Haryali*) during February 2004 to September 2006. The *Vikas Adhikaris*, *Panchayat Samitis* (PS), Nohar and Bhadra, however, included the construction of permanent structures in

detailed project reports and constructed 28 cattle breeding centres[17] (*sandshallas*) by incurring an expenditure of ₹ 61.62 lakh[18] during the year 2006-07 and 2007-08 in contrary to '*Haryali*' guidelines.





**Building of cattle breeding centres constructed under DDP (*Haryali*) at Kansar and Dhani Bhamuyan (PS, Nohar)**

The State Government stated (February 2010) that cattle breeding centres were sanctioned with the objective to increase the livelihood of the people of the area by improving cattle breeding. The reply was not acceptable as construction of *sandshallas* was not included in the scheme guidelines for which funds were earmarked and released by GOI. Moreover, Deputy Secretary (Land Resources), Rural Development Department and CEO, ZP RDC, Hanumangarh, subsequently (December 2007) held that construction of *sandshalla* was contrary to '*Haryali*' guidelines and directed not to execute these works if already taken up in the detailed project report.

Thus, execution of works of cattle breeding centers (*sandshallas*) in contravention to '*Haryali*' guidelines of DDP led to irregular expenditure of ₹ 61.62 lakh.

### *2.2.3 Irregular utilisation of central scheme funds*

**Funds Rs 22.85 lakh received from Government of India under Area Intensive Programme for Educationally Backward Minorities for creation of educational infrastructure and facilities were utilised on road works.**

Government of India (GOI), Ministry of Human Resources Development, Department of Education introduced (1993) a 100 *per cent* Centrally Sponsored, Area Intensive Programme for Educationally Backward Minorities (AIPEBM) for providing basic educational infrastructure and facilities in areas

17. Cattle breeding centres (*sandshalla*): The practical application of genetic analysis for development of lines of domestic animals suited to human purposes.
18. *Panchayat Samiti*, Nohar: ₹ 39.64 lakh on 17 *sandshallas* and PS, Bhadra: ₹ 21.98 lakh on 11 *sandshallas*.

where educationally backward minorities were concentrated and which did not have adequate provision for elementary and secondary education. The activities such as (i) establishment of new primary/upper primary schools, non-formal educational centres etc. in needy areas, (ii) strengthening of educational infrastructure and physical facilities in the primary/upper primary schools and (iii) opening of multi-stream residential higher secondary schools for girls where science, commerce, humanities and vocational courses were taught, were to be taken up under the scheme.

During test check (December 2006 to February 2007) of records of ZP RDC, Bharatpur, it was observed that GOI transferred (December 2001) Central Assistance of ₹ 1.00 crore to Government of Rajasthan (GOR) under AIPEBM. Out of ₹ 1.00 crore, the GOR (Elementary Education Department) released (December 2002) ₹ 25.88 lakh to ZP RDC, Bharatpur for construction of additional class rooms in primary schools (47), upper primary schools (48) and headmasters' rooms in primary schools (16) in various villages of *Panchayat Samitis* (PS), Kama and Nagar to be utilised by March 2003. The period of utilisation was further extended (September 2005) upto March 2006.

It was noticed that contrary to guidelines issued by GOI, Chief Executive Officer (CEO), ZP RDC, Bharatpur irregularly sanctioned (2005-06) 13 works at a cost of ₹ 23.80 lakh (***Appendix-VII***) for construction of cement concrete (CC)/gravel roads in PSs, Roopwas and Wair instead of sanctioned works of headmasters' rooms/additional class-rooms in primary and upper primary schools of PSs, Kama and Nagar. ZP RDC incurred an expenditure of ₹ 22.85 lakh out of sanctioned amount of ₹ 23.80 lakh for execution of these works.

The State Government while accepting the facts intimated (September 2009) that the ZP RDC, Bharatpur had been instructed to fix the responsibility and to initiate action against defaulting Officers. The fact remains that even though District Collector, Bharatpur had held (August 2006) the then CEO, ZP RDC responsible, but no concrete action has been taken by the State Government so far (March 2011). ZP RDC had forwarded (August 2006) only draft charge sheet to Deputy Secretary, Rural Development Department (RDD) but the same was not even received in RDD as of November 2009. This indicates slackness on part of the State Government/ ZP RDC to take any action against defaulting Officer.

Thus, the CEO, ZP RDC, Bharatpur irregularly sanctioned and incurred an expenditure of ₹ 22.85 lakh on activities other than providing basic educational infrastructure and facilities in backward minorities areas of identified blocks and defeated the intended purpose of the programme.

## 2.3 Wasteful expenditure

**Construction of defective and incomplete anicut led to wasteful expenditure of ₹ 24.46 lakh besides, irregular payment of ₹ 10.16 lakh and non-imposition of penalty of risk and cost to the contractor as per agreement.**

*Gramin Karya Nirdeshika* -2004 provides for execution of works by other departments also through contractor by adopting procedure of the department concerned. Clause 3 of the general conditions of the contract provides that in respect of any delay or inferior workmanship or otherwise or to any claims for damages in respect of any breaches of the contract, the Engineer-in-charge shall have powers to get the works executed on risk and cost of the contractor.

During test check (January – February 2008) of records of ZP RDC, Sawaimadhopur for the period 2006-07, it was noticed that ZP RDC, Sawaimadhopur sanctioned (February 2004) ₹ 34.05 lakh (revised to ₹ 34.43 lakh in December 2004) under *Swarnajayanti Gram Swarozgar Yojana* for construction of anicut at Lahsoda in *Panchayat Samiti* (PS), Khandar. The ZP RDC, Sawaimadhopur transferred ₹ 27.54 lakh (₹ 13.77 lakh in December 2004 and ₹ 13.77 lakh in March 2007) to Irrigation (now Water Resources Department-WRD) Division, Sawaimadhopur which was the Executing Agency (EA). The EA allotted (June 2005) the work to a contractor for ₹ 31.83 lakh with stipulated date of completion as 17 June 2006.

Scrutiny further revealed that the contractor started the work on 18 June 2005 and executed works worth ₹ 14.30 lakh up to May 2006 for which full payment was made (I to III running bills). During inspection (by the Junior Engineer and Executive Engineer (EE), WRD, Sawaimadhopur in May 2006) of the execution of work, foundation of toe wall[19] of anicut was found two metres deep as against the required level of 3.30 metres rendering the anicut unsafe. The EE, WRD, Sawaimadhopur directed (June 2006) the contractor to rectify the defects and to construct the toe wall upto designed level of 3.30 metres depth. The contractor did not rectify the defects pointed out by the EA, though he was liable to do so under clause 3 of the agreement. Instead, he further executed work worth ₹ 10.16 lakh by April 2008. Full payment of ₹ 24.46 lakh was made (December 2005 to July 2008) by the EA, out of which ₹ 10.16 lakh was made irregularly (IV running bill to VIII incomplete final bill) ignoring the defective works. The Superintending Engineer, Water Resources Circle, Jaipur withdrew (July 2008) the work by imposing penalty of ₹ 1.11 lakh for delay against the contractor and directed EE, WRD, Sawaimadhopur to get the remaining work executed at the risk and cost of the contractor. The EE, WRD Division, Sawaimadhopur instead of executing the work at the risk and cost of the contractor, intimated (July 2010) that

19. Toe wall means a low wall constructed at the bottom of an embankment to prevent slippage or spreading of the soil.

remaining work could not be executed due to non-providing of funds by the ZP RDC, Sawaimadhopur.

The State Government (Financial Adviser) while accepting the facts intimated (June 2009) that penalty amount of ₹ 1.11 lakh had been recovered from the final bill of the contractor and PWD had constructed 'Vented Pipe Cause way' on *nala* crossing due to which anicut was safe and rain water was collected in anicut. The reply was not acceptable as anicut was not constructed as per norms and requirement, hence it was not safe and construction of 'Vented Pipe Cause way' does not provide protection to anicut, as it only regulates flow of water discharged from anicut. The fact remains that construction of anicut was defective and unsafe and action to get the incomplete work, completed at the risk and cost of the contractor was not taken even after a period of more than two years. Further, reasons for release of payment inspite of non-rectification of defects by the contractor were not furnished (April 2011) by EA.

Thus, construction of defective and incomplete anicut led to wasteful expenditure of ₹ 24.46 lakh besides, irregular payment of ₹ 10.16 lakh and non-imposition of penalty of risk and cost to the contractor as per clause of the agreement.

## 2.4 Excess payment

**Release of grant beyond prescribed limit to Self Help Groups under special project of *Swarnajayanti Gram Swarozgar Yojana* for Dairy Development in Ajmer led to excess payment of ₹ 37.45 lakh.**

Government of India (GOI) sanctioned (October 2003) a "Special Project under *Swarnajayanti Gram Swarozgar Yojana* (SGSY) for Dairy Development in Ajmer District of Rajasthan" for ₹ 4.70 crore for improving income of the Below Poverty Line (BPL) families to enable them to cross the poverty line in three years. The project cost was to be shared between GOI and State Government in the ratio of 75:25. The 25 *per cent* State share was to be borne by Rajasthan Cooperative Dairy Federation Limited, Jaipur and *Ajmer Zila Dugdh Utpadak Sahakari Sangh Limited, Ajmer* (Milk Union, Ajmer). Project activity report provides that the Self Help Groups (SHG) consisting of BPL members were to be provided a revolving fund, training and credit facility. Further, para 4.16 of guidelines of SGSY provides that the grant to SHGs under the scheme was to be restricted to 50 *per cent* of project cost subject to a maximum of ₹ 0.10 lakh per member of SHG or ₹ 1.25 lakh for the entire group, whichever is less.

Audit scrutiny (October-December 2007) of records of ZP RDC, Ajmer and further information collected (September 2009) from Milk Union, Ajmer revealed that as per sanction of project, 200 milch animals were to be provided to 100 BPL members (two milch animals per member). In the meeting (3 January 2004) headed by District Collector and meeting (22 January 2004) of

Steering Committee headed by Secretary, RDD, it was decided to provide assistance to 1,000 members at the rate of ₹ 0.30 lakh (50 *per cent* as bank loan and remaining 50 *per cent* as grant from the project fund) per member for two milch animals. State Government forwarded (March 2004) proposals to GOI for approval to reallocate expenditure within the sub heads of the sanctioned project which was still awaited. Meanwhile the Milk Union, Ajmer transferred (March 2005 to March 2008) ₹ 1.50 crore to banks as grant to SHGs for purchase of animals. Out of the transferred amount of ₹ 1.50 crore, ₹ 1.45 crore was utilised for providing assistance to 95 SHGs (965 members) for purchase of 1,929 animals and ₹ 5.00 lakh was received back from the banks owing to non purchase of 71 animals. However, ₹ 94.70 lakh[20] was admissible as per para 4.16 of guidelines. Thus, Central share of grant of ₹ 37.45 lakh (75 *per cent* of (₹ 144.63 lakh - ₹ 94 .70 lakh)) was paid in excess to SHGs (in the form of grant at the rate of ₹ 7,500 per animal).

The Chief Executive Officer, ZP RDC, Ajmer intimated (July 2008 and March 2010) that grant was given to SHGs under special project of dairy development and not under SGSY and project had been completed. The reply was not tenable as the project was under SGSY and as per provisions of project activities, the credit benefits to SHGs were to be restricted as per guidelines of SGSY.

The matter was referred to the State Government in October 2009; reply was awaited (April 2011).

20. 847 member of 87 SHGs at the rate of ₹ 0.10 lakh per member (₹ 84,70,000) and 118 member of eight SHGs at the rate of ₹ 1.25 lakh per SHG (₹ 10,00,000) = Total = ₹ 94,70,000.

# CHAPTER-III

# AN OVERVIEW OF ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

## 3.1 Introduction

Consequent upon the 74th Constitutional Amendment in 1992, Articles 243 P to 243 ZG were inserted in the Constitution whereby the legislatures could endow certain powers and duties to the Municipalities in order to enable them to function as institutions of Self-Government and to carry out the responsibilities conferred upon them including those listed in the Twelfth Schedule of the Constitution. The Rajasthan Municipalities Act, 2009 was enacted by repealing all the prevailing municipal laws and enactments[1].

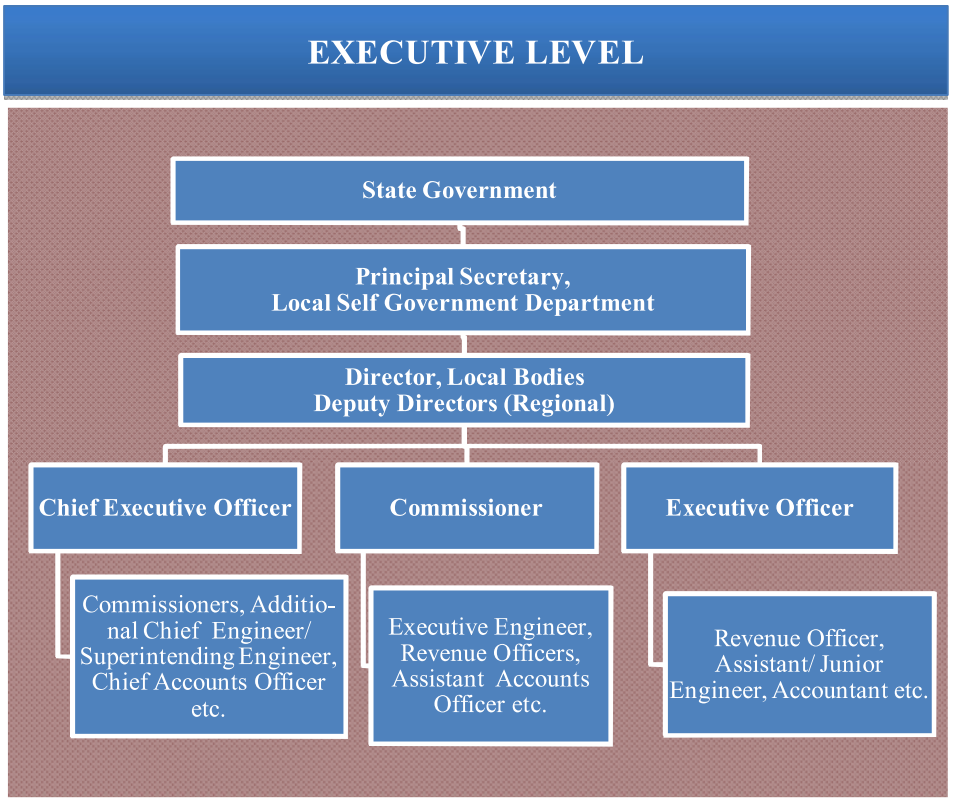
As per census 2001, the urban population of Rajasthan was 1.32 crore, which constituted 23.36 *per cent* of the total population (5.65 crore) of the State. In Rajasthan State, there were three Municipal Corporations[2] (M Cors), 11 Municipal Councils[3] (MCs) and 169 Municipal Boards[4] (MBs) as on 31 March 2008 and five M Cors, 13 MCs and 165 MBs as of November 2010.

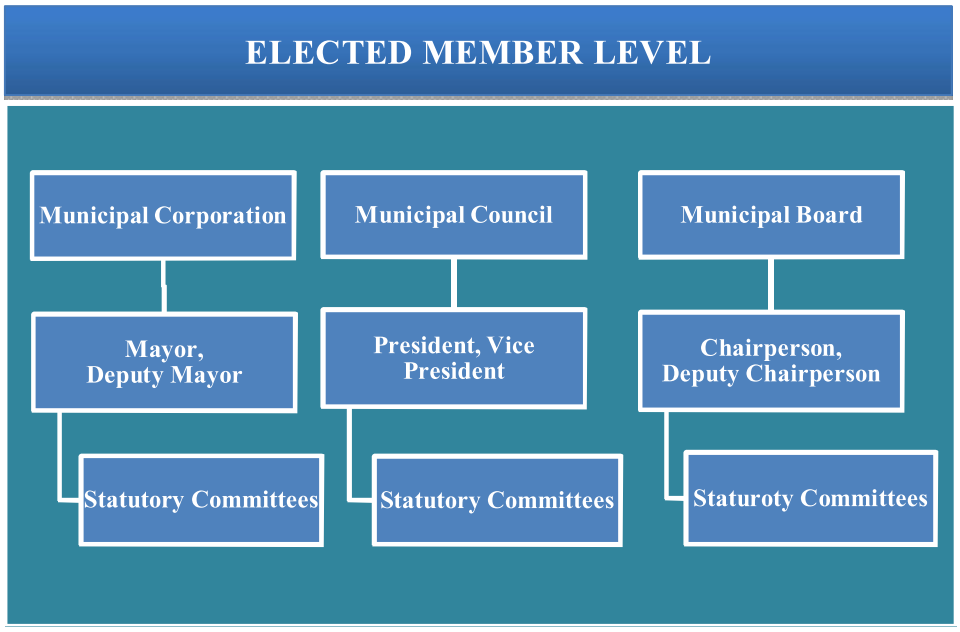
## 3.2 Organisational set up

The administrative department dealing with affairs of the urban local bodies (ULBs) is Local Self Government Department (LSGD). The department is headed by Principal Secretary, LSGD at Government level and by Director at

1. Bikaner Municipal Act, 1923; Udaipur City Municipal Act, 1945; Alwar State Municipalities & Small Towns Act, 1934 and Rajasthan Municipalities Act, 1959 etc.
2. Municipal Corporations, Jaipur, Jodhpur and Kota.
3. Municipal Councils, Ajmer, Alwar, Beawar, Bharatpur, Bhilwara, Bikaner, Pali, Sikar, Sriganganagar, Tonk and Udaipur.
4. Municipal Boards, Class-II (with population 50,000-99,999): 39, Class-III (with population 25,000-49,999): 58 and Class-IV (with population less than 25,000): 72.

Directorate Local Bodies level. An organisational chart combining the State Government administrative machinery with ULBs is given below:

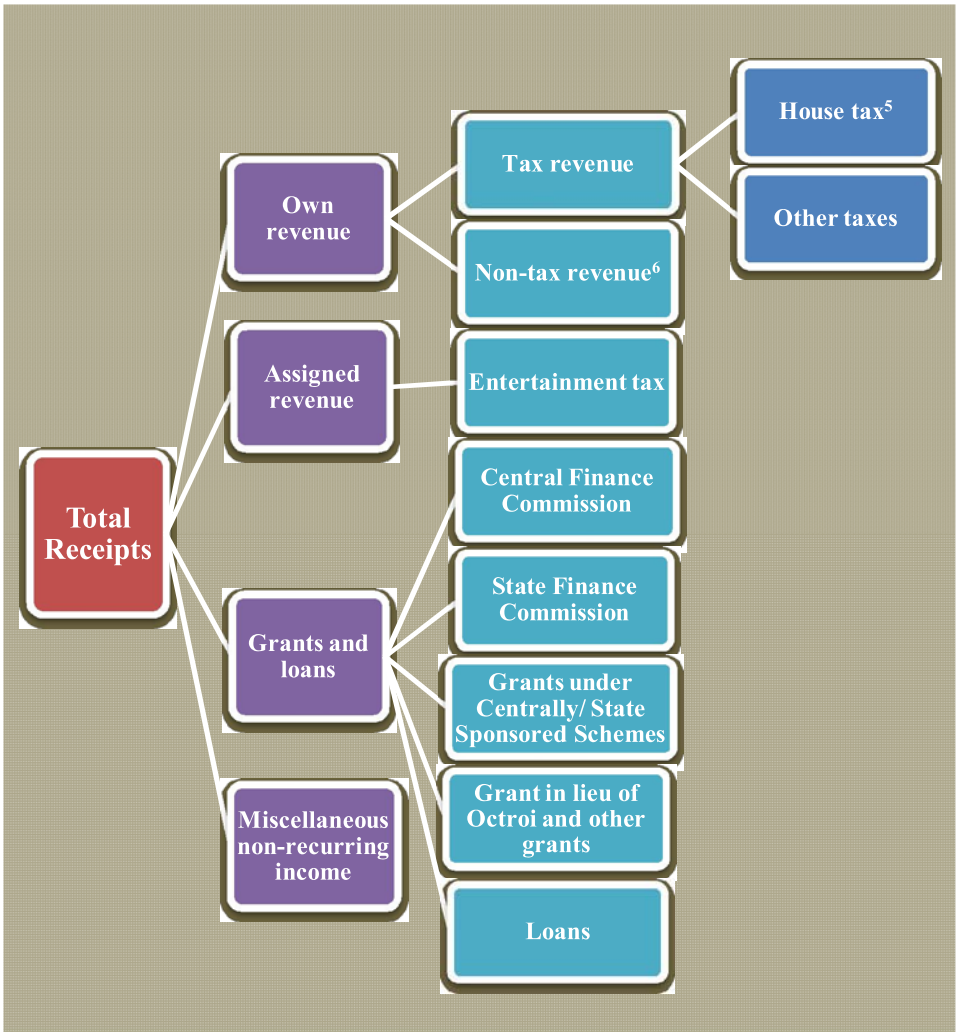


## 3.3 Financial management

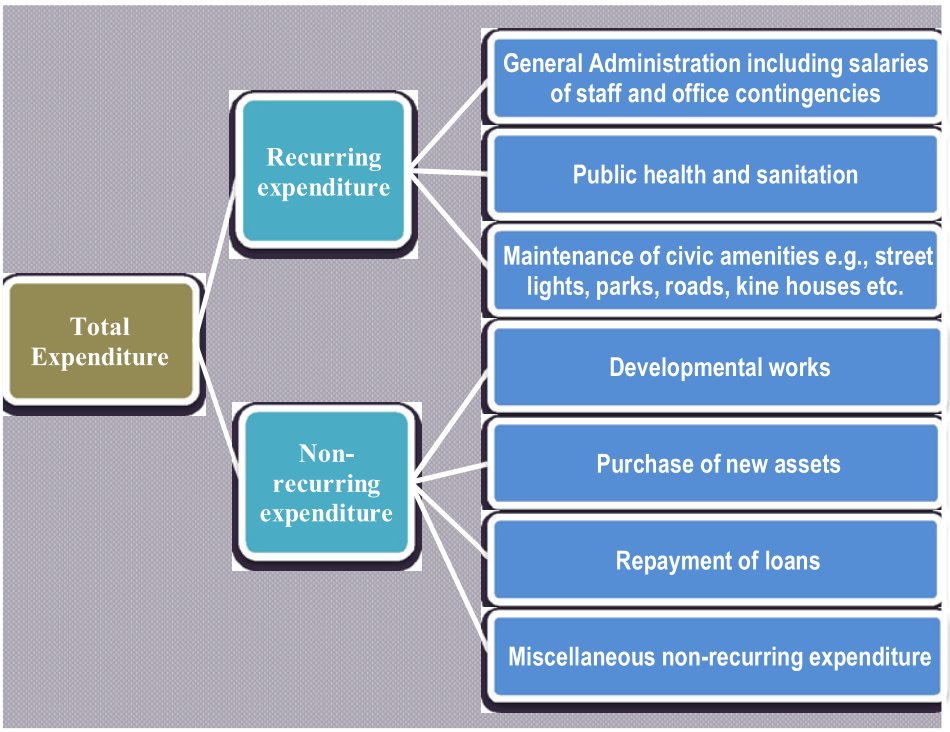
### 3.3.1 Sources of receipts and items of expenditure

Various sources of receipts of ULBs are depicted as under:




5. Tax on annual letting value or area of building or land or both.
6. Income under By-laws and Acts, income from assets, sale of land, interest on investment and miscellaneous recurring income.

Various items of expenditure of ULBs are depicted as under:




### 3.3.2 Receipts and expenditure

The total receipts and expenditure of the ULBs during 2003-08 were as under:

***(i) Receipts:***

**(₹ in crore)**

| Sources of receipts | 2003-04 | | 2004-05 | | 2005-06 | | 2006-07 | | 2007-08 | |
|---|---|---|---|---|---|---|---|---|---|---|
| (A) Own revenue | | | | | | | | | | |
| (a) Tax revenue | 26.81 | (3.57) | 21.80 | (2.48) | 41.23 | (3.89) | 27.56 | (2.31) | 22.87 | (1.53) |
| (b) Non-tax revenue | 74.22 | (9.87) | 159.93 | (18.22) | 233.84 | (22.09) | 300.53 | (25.15) | 444.76 | (29.84) |
| **Total (A)** | **101.03** | **(13.44)** | **181.73** | **(20.70)** | **275.07** | **(25.98)** | **328.09** | **(27.46)** | **467.63** | **(31.37)** |
| (B) Assigned revenue | 5.40 | (0.72) | 1.47 | (0.17) | 1.07 | (0.10) | - | - | - | - |
| (C) Grants and loans | 530.31 | (70.53) | 602.61 | (68.63) | 666.24 | (62.93) | 749.61 | (62.74) | 863.25 | (57.91) |
| (D) Miscellaneous non- recurring income[7] | 115.10 | (15.31) | 92.19 | (10.50) | 116.37 | (10.99) | 117.02 | (9.80) | 159.80 | (10.72) |
| **Grand Total (A to D)** | **751.84** | | **878.00** | | **1,058.75*** | | **1,194.72*** | | **1,490.68*** | |

*Source: As per data provided by Directorate, Local Bodies, Rajasthan, Jaipur.*
*Note: Figures in brackets denote percentage to the total receipts.*
** Figures in respect of 2005-06 and 2006-07 do not include grants released under recommendations of Twelfth Finance Commission and Third State Finance Commission and in respect of 2007-08 do not include grants released under recommendations of Third State Finance Commission as intimated by the State Government (April 2010) and Chief Accounts Officer, Director,ate Local Bodies, Rajasthan, Jaipur (August 2010) respectively.*

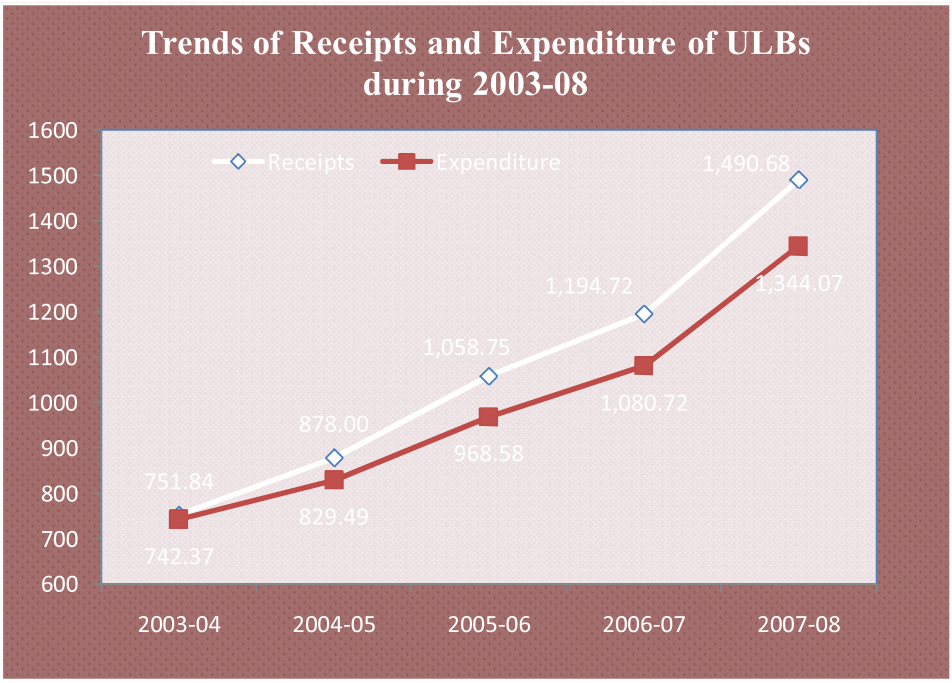
7. It includes deposits and recoveries of loans and advances.

### *(ii) Expenditure:*

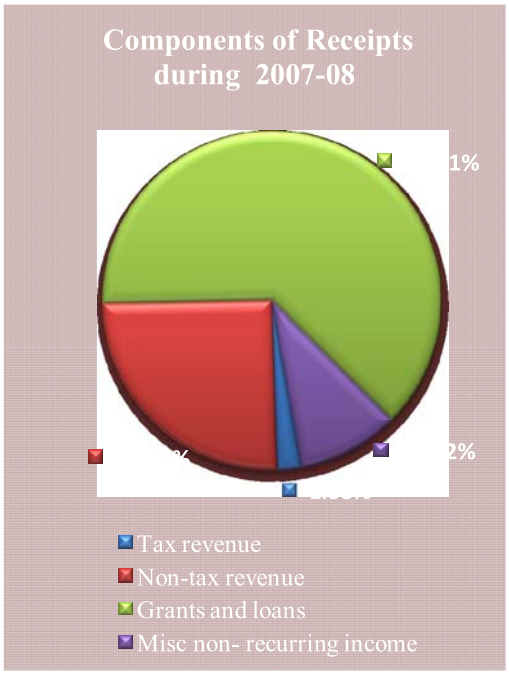
**(₹ in crore)**

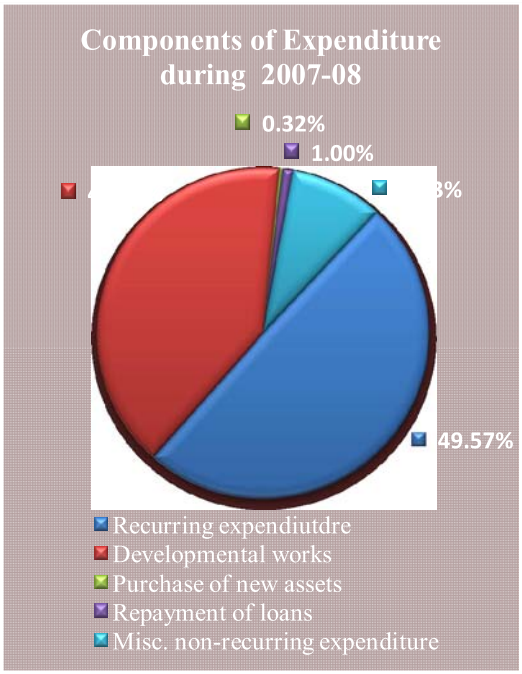
| Items of Expenditure | 2003-04 | | 2004-05 | | 2005-06 | | 2006-07 | | 2007-08 | |
|---|---|---|---|---|---|---|---|---|---|---|
| (A)Recurring expenditure | 419.34 | (56.49) | 484.38 | (58.39) | 524.98 | (54.20) | 594.53 | (55.01) | 666.30 | (49.57) |
| (B) Non-recurring expenditure | | | | | | | | | | |
| (a)Expenditure on developmental works | 200.42 | (27.00) | 233.13 | (28.11) | 282.08 | (29.12) | 330.38 | (30.57) | 538.63 | (40.08) |
| (b)Purchase of new assets | 4.35 | (0.59) | 10.90 | (1.32) | 8.91 | (0.92) | 7.41 | (0.69) | 4.29 | (0.32) |
| (c)Repayment of loans | 7.48 | (1.00) | 11.23 | (1.35) | 13.92 | (1.44) | 8.42 | (0.78) | 13.42 | (1.00) |
| (d)Miscellaneous non-recurring expenditure[8] | 110.78 | (14.92) | 89.85 | (10.83) | 138.69 | (14.32) | 139.98 | (12.95) | 121.43 | (9.03) |
| Total (B) | 323.03 | (43.51) | 345.11 | (41.61) | 443.60 | (45.80) | 486.19 | (44.99) | 677.77 | (50.43) |
| Grand Total (A+B) | 742.37 | | 829.49 | | 968.58* | | 1,080.72* | | 1,344.07* | |

*Source: As per data provided by Directorate, Local Bodies, Rajasthan, Jaipur.*
*Note :Note: Figures in brackets denote percentage to the total expenditure.*
** Figures in respect of 2005-06 and 2006-07 do not include expenditure incurred out of grants released under recommendations of Twelfth Finance Commission and Third State Finance Commission and in respect of 2007-08 do not include expenditure incurred out of grants released under recommendations of Third State Finance Commission as intimated by the State Government (April 2010) and Chief Accounts Officer, Directorate, Local Bodies, Rajasthan, Jaipur (August 2010) respectively.*




8. It includes refund or deposits, investments made and disbursement of loans and advances.



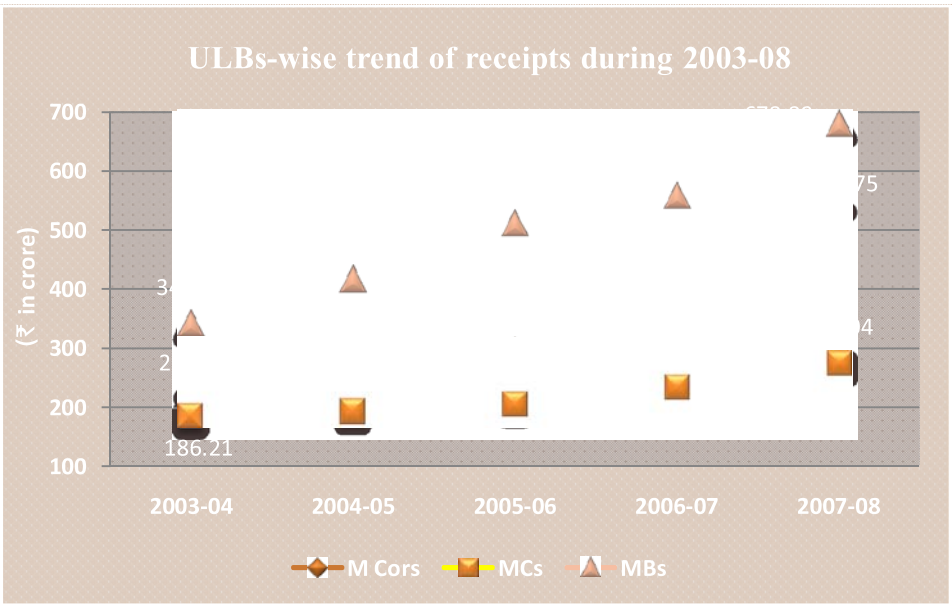



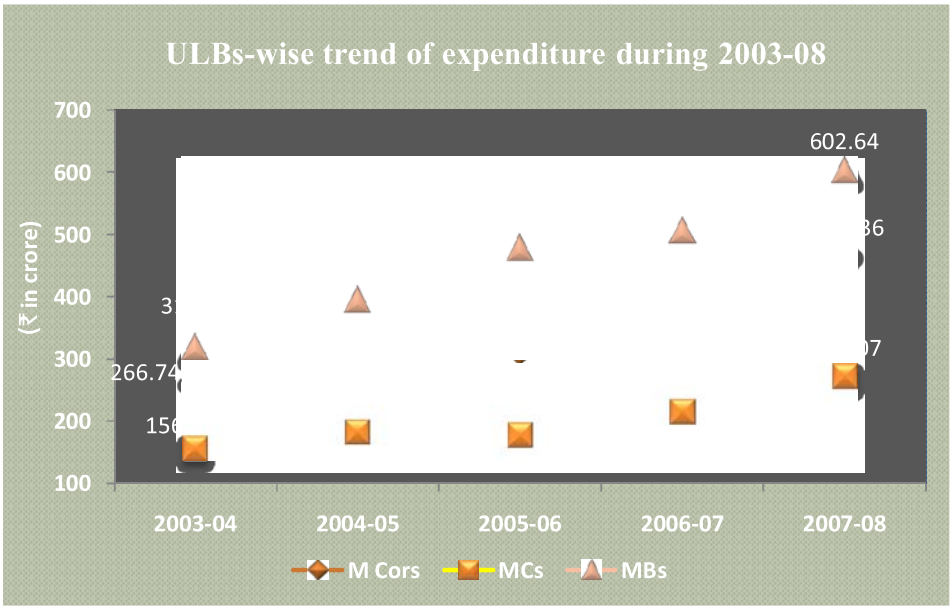

***(iii)*** The category-wise break-up of receipts and expenditure of ULBs is as under*:*

**(₹ in crore)**

| Category of ULBs | 2003-04 | | 2004-05 | | 2005-06 | | 2006-07 | | 2007-08 | | Percentage of increase (+)/ decrease (-) of 2007-08 with reference to 2006-07 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Receipts | Expendi-ture | Receipts | Expendi-ture | Receipts | Expendi-ture | Receipts | Expendi-ture | Receipts | Expendi-ture | Receipts | Expendi-ture |
| (A) Municipal Corporations (1) Jaipur | 127.10 | 170.21 | 158.54 | 150.01 | 222.99 | 206.56 | 283.27 | 244.19 | 389.24 | 326.99 | (+) 37.41 | (+) 33.91 |
| (2) Jodhpur | 35.75 | 37.06 | 43.20 | 40.06 | 53.04 | 42.56 | 54.40 | 52.80 | 62.77 | 65.42 | (+) 15.39 | (+) 23.90 |
| (3) Kota | 61.29 | 59.47 | 66.08 | 61.01 | 67.09 | 62.83 | 65.50 | 62.56 | 85.74 | 76.95 | (+) 30.90 | (+) 23.00 |
| **Total (A)** | **224.14** | **266.74** | **267.82** | **251.08** | **343.12** | **311.95** | **403.17** | **359.55** | **537.75** | **469.36** | (+) 33.38 | (+) 30.54 |
| (B) Municipal Councils (11) | 186.21 | 156.32 | 193.91 | 183.01 | 205.58 | 178.25 | 234.48 | 215.31 | 274.04 | 272.07 | (+) 16.87 | (+) 26.36 |
| (C) Municipal Boards (169) | 341.49 | 319.31 | 416.27 | 395.40 | 510.05 | 478.38 | 557.07 | 505.86 | 678.89 | 602.64 | (+) 21.87 | (+) 19.13 |
| Grand Total (A+B+C) | 751.84 | 742.37 | 878.00 | 829.49 | 1,058.75 | 968.58 | 1,194.72 | 1,080.72 | 1,490.68 | 1,344.07 | (+) 24.77 | (+) 24.37 |

*Source: As per data provided by Directorate, Local Bodies, Rajasthan, Jaipur.*




The above financial trends indicate that:

- Own resources of ULBs were not adequate and they were dependent on grants and loans from the Central and State Governments being 70.53 *per cent*, 68.63 *per cent*, 62.93 *per cent*, 62.74 *per cent* and 57.91 *per cent* during 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 respectively.

- Tax revenue of ULBs had decreased by 17.02 *per cent* during 2007-08 due to less recovery of tax on land and building (house tax) etc.

- While recurring expenditure had increased by 12.07 *per cent* from ₹ 594.53 crore in 2006-07 to ₹ 666.30 crore in 2007-08, the expenditure on

purchase of new assets decreased by 42.11 *per cent* from ₹ 7.41 crore in 2006-07 to ₹ 4.29 crore in 2007-08.

- The recurring expenditure on pay and allowances of the staff, office contingencies, maintenance of civic services, public health and sanitation etc. amounted to 49.57 *per cent* of the total expenditure in 2007-08 whereas it was 54.20 *per cent* and 55.01 *per cent* in 2005-06 and 2006-07 respectively.

- In MCs while receipts had increased by 16.87 *per cent* from ₹ 234.48 crore in 2006-07 to ₹ 274.04 crore in 2007-08, expenditure had increased by 26.36 *per cent* from ₹ 215.31 crore in 2006-07 to ₹ 272.07 crore in 2007-08.

- In M Cor, Jodhpur while receipts had increased by 15.39 *per cent* only, expenditure had increased by 23.90 *per cent* in 2007-08 as compared to 2006-07.

### *3.3.3 Own revenue*

***3.3.3.1*** The category-wise position of 'Own Revenue' realised by the ULBs and the percentage of own revenue to total receipts is as under:

**(₹ in crore)**

| Category of ULBs | 2006-07 | | | | 2007-08 | | | |
|---|---|---|---|---|---|---|---|---|
| | Tax | Non-Tax | Total own revenue | Percentage of own revenue to total receipts | Tax | Non-Tax | Total own revenue | Percentage of own revenue to total receipts |
| (A) Municipal Corporations (1) Jaipur | 10.55 | 124.56 | 135.11 | 47.70 | 6.59 | 195.59 | 202.18 | 51.94 |
| (2) Jodhpur | 0.94 | 15.97 | 16.91 | 31.08 | 0.09 | 19.25 | 19.34 | 30.81 |
| (3) Kota | 2.50 | 4.20 | 6.70 | 10.23 | 2.70 | 19.12 | 21.82 | 25.45 |
| **Total (A)** | **13.99** | **144.73** | **158.72** | **39.37** | **9.38** | **233.96** | **243.34** | **45.25** |
| (B) Municipal Councils (11) | 6.14 | 40.49 | 46.63 | 19.89 | 3.72 | 49.61 | 53.33 | 19.46 |
| (C) Municipal Boards (169) | 7.43 | 115.31 | 122.74 | 22.03 | 9.77 | 161.19 | 170.96 | 25.18 |
| Grand Total (A+B+C) | 27.56 | 300.53 | 328.09 | 27.46 | 22.87 | 444.76 | 467.63 | 31.37 |

*Source: As per data provided by Directorate, Local Bodies, Rajasthan, Jaipur.*

The analysis of the above indicates that:

- During the year 2007-08, total 'own revenue' of ULBs accounted for 31.37 *per cent* of their total receipts.

- There was increasing trend in own revenue of ULBs; it increased 53.31 *per cent*, 14.37 *per cent* and 39.29 *per cent* in M Cors, MCs and MBs respectively during 2007-08 mainly due to increased collection of income under By-laws, income from assets, sale of land and interest on investments etc.

- Own revenue of M Cor, Kota had increased by 225.67 *per cent* from ₹ 6.70 crore in 2006-07 to ₹ 21.82 crore mainly due to enhanced recoveries on account of taxes on vehicles, terminal tax, income from By-laws, interest on investments, sale of land etc.

***3.3.3.2*** The position of tax and non-tax revenue (excluding miscellaneous receipts in respect of which no targets/projections for collection were made) projected and actually realised by M Cors during 2006-08 is as under:

**(₹ in crore)**

| Name of Corporation | Tax Revenue | | | | | | Non-tax Revenue (excluding miscellaneous receipts) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006-07 | | | 2007-08 | | | 2006-07 | | | 2007-08 | | |
| | Projected | Actual | | Projected | Actual | | Projected | Actual | | Projected | Actual | |
| Jaipur | 40.00 | 10.55 | (26) | 5.00 | 6.59 | (132) | 69.40 | 58.13 | (84) | 133.75 | 53.45 | (40) |
| Jodhpur | 13.62 | 0.94 | (7) | 13.62 | 0.09 | (1) | 9.34 | 3.45 | (37) | 8.16 | 2.78 | (34) |
| Kota | 23.10 | 2.50 | (11) | 4.06 | 2.70 | (67) | 2.51 | 4.49 | (179) | 7.43 | 7.58 | (102) |

*Source: As per figures adopted in the annual accounts of respective Municipal Corporations.*
*Note: Figures in brackets denote the percentage of actual realisation to the projected revenue.*

The above trend indicates that during 2007-08 the realisation of tax revenue against the revenue projected in respect of three Municipal Corporations ranged one to 132 *per cent* whereas realisation of non-tax revenue ranged 34 to 102 *per cent*. This indicated that targets need to be fixed realistically. Further, it was also noticed that M Cors, Jaipur and Jodhpur had not fixed targets for realisation of Urban Development tax which reflects lack of monitoring on part of departmental authorities in realisation of tax revenue.

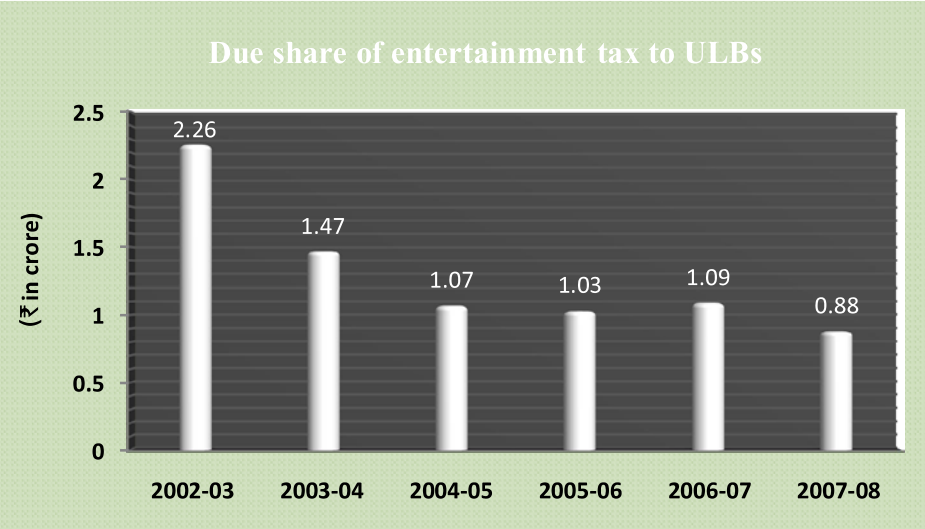
### *3.3.4 Assigned Revenue (Entertainment Tax)*

The Second State Finance Commission had recommended that the State Government should release 15 *per cent* of net proceeds of entertainment tax[9] to ULBs.

The share of entertainment tax due to be released by the State Government (Commercial Taxation and Finance Departments) to ULBs during the year 2002-03 was ₹ 2.26 crore which gradually declined (61.06 *per cent*) to ₹ 0.88 crore during the year 2007-08 due to relaxation in entertainment tax on newly constructed cinema halls, theatres etc. and reduction in rate of entertainment

9. Collected by Commercial Taxation Department of the State Government under Section 14 of the Rajasthan Entertainment Tax and Advertisement Tax Act, 1957.

tax from 70 *per cent* to 50 *per cent* since January 2004. The State Government had not released any amount of entertainment tax to ULBs during 2007-08. However, the due share of entertainment tax for the years 2005-06 to 2007-08 of ₹ 3 crore was released (January 2009) to ULBs by the State Government during the year 2008-09.




*Source: As per data provided by Financial Advisor, Commercial Taxation Department, Government of Rajasthan, Jaipur.*

### *3.3.5 Twelfth Finance Commissions grants*

Under recommendations of Twelfth Finance Commission, grant of ₹ 44.00 crore was due to be released to ULBs for the year 2007-08 but that grant was released during 2008-09 as per details given below:

**(₹ in crore)**

| Due amount of grant | Amount released by GOI | Amount released by State Government | Utilisation status |
|---|---|---|---|
| **22.00 (First instalment)** | 22.00 (23.05.2008) | 22.00 (04.06.2008) | Out of ₹ 44.00 crore, ₹ 41.36 crore was utilised up to March 2009. |
| **22.00 (Second instalment)** | 22.00 (24.10.2008) | 22.00 (06.11.2008) | |
| **Total** | **44.00** | **44.00** | |

### 3.3.6 Recurring and non-recurring expenditure

The position of recurring and non-recurring expenditure incurred in ULBs during 2003-08 is as under:

**(₹ in crore)**

| Category of ULBs | 2003-04 | | | 2004-05 | | | 2005-06 | | | 2006-07 | | | 2007-08 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | RE | NRE | Total | RE | NRE | Total | RE | NRE | Total | RE | NRE | Total | RE | NRE | Total |
| (A) Municipal Corporation (1) Jaipur | 90.84 (53) | 79.37 | 170.21 | 98.23 (65) | 51.78 | 150.01 | 116.78 (57) | 89.78 | 206.56 | 146.44 (60) | 97.75 | 244.19 | 157.12 (48) | 169.87 | 326.99 |
| (2) Jodhpur | 28.65 (77) | 8.40 | 37.05 | 31.64 (79) | 8.42 | 40.06 | 34.87 (82) | 7.69 | 42.56 | 38.30 (73) | 14.50 | 52.80 | 44.32 (68) | 21.10 | 65.42 |
| (3) Kota | 43.49 (73) | 15.98 | 59.47 | 38.73 (63) | 22.28 | 61.01 | 40.58 (65) | 22.25 | 62.83 | 43.07 (69) | 19.49 | 62.56 | 51.38 (67) | 25.57 | 76.95 |
| **Total (A)** | **162.98 (61)** | **103.75** | **266.73** | **168.60 (67)** | **82.48** | **251.08** | **192.23 (62)** | **119.72** | **311.95** | **227.81 (63)** | **131.74** | **359.55** | **252.82 (54)** | **216.54** | **469.36** |
| (B) Municipal Councils (11) | 95.94 (61) | 60.38 | 156.32 | 111.95 (61) | 71.06 | 183.01 | 113.10 (63) | 65.15 | 178.25 | 132.57 (62) | 82.74 | 215.31 | 152.06 (56) | 120.01 | 272.07 |
| (C) Municipal Boards (169) | 160.42 (50) | 158.90 | 319.32 | 203.83 (52) | 191.57 | 395.40 | 219.65 (46) | 258.73 | 478.38 | 234.14 (46) | 271.72 | 505.86 | 261.42 (43) | 341.22 | 602.64 |
| **Grand Total (A+B+C)** | **419.34 (56)** | **323.03** | **742.37** | **484.38 (58)** | **345.11** | **829.49** | **524.98 (54)** | **443.60** | **968.58** | **594.52 (55)** | **486.20** | **1,080.72** | **666.30 (50)** | **677.77** | **1,344.07** |

*Source: As per data provided by Directorate, Local Bodies, Rajasthan, Jaipur.*
*Note: RE :RE: Recurring expenditure andexpenditure and NRE :NRE: Non-recurring expenditure.*
*Figures in brackets denote the percentage of recurring expenditure to the total expenditure.*

The above financial trend indicates that:

- Recurring expenditure of M Cor, Kota grew by 19.29 *per cent* from ₹ 43.07 crore in 2006-07 to ₹ 51.38 crore in 2007-08 due to increase in expenditure on public health services, street light and pay and allowances of employees.

- Non-recurring expenditure of M Cor, Jaipur grew by 73.78 *per cent* from ₹ 97.75 crore in 2006-07 to ₹ 169.87 crore in 2007-08 mainly due to increase in expenditure on developmental works and on purchase of new assets.

## 3.4 Devolution of functions and funds

### 3.4.1 Devolution of functions

- Seventy fourth Constitutional Amendment envisaged devolution of powers and responsibilities upon municipalities in relation to matters those listed in the Twelfth Schedule of the Constitution. There was no formal devolution of functions to ULBs. However, out of 18 functions listed in the

Twelfth Schedule of the Constitution, 16 functions (***Appendix-VIII***) were being performed by ULBs and remaining two functions i.e., water supply and urban planning were not being performed by ULBs. Chief Accounts Officer, Directorate Local Bodies Department (DLBD) intimated (June 2009) that town planning function is partially being performed by ULBs and water supply functions would be transferred in phased manner to ULBs. However, no orders have since been issued in this regard (March 2011). The function regarding land development in municipal areas is not wholly being performed by ULBs and it is also being performed by the separate bodies/agencies such as Jaipur Development Authority, Jodhpur Development Authority, Urban Improvement Trusts and Housing Boards.

- Section 104 of Rajasthan Municipalities Act (RMA), 1959 empowers ULBs to levy (i.e. assess and collect) the obligatory taxes (House tax, Octroi and Professional tax) at such rate, from such date and in such manner as the State Government direct by notifications in the official gazette. House tax was abolished from 24 February 2007 but was re-imposed under the nomenclature of Urban Development tax from 29 August 2007. Even prior to abolition of the House tax it was not levied and recovered by as many as 60 ULBs of the State. Octroi was abolished by the State Government in August 1998.

- Section 105 of RMA, 1959 provides that subject to general or specific orders of the State Government, the ULBs may impose certain discretionary taxes (tax on vehicle, tax on dog/animals etc.). Though the percentage of own revenue of ULBs was ranged 13.44 to 31.37 during the years 2003-08 of the total receipts, even then discretionary taxes were not levied by most of the ULBs for augmentation of their own income.

### *3.4.2 Devolution of funds*

- **Short release of State Finance Commission grants**

Article 243 I and 243 Y of the Constitution had made it mandatory for the State Government to constitute State Finance Commissions (SFCs) to work out the proper allocation of devolution of State funds to the local bodies. The State Government constituted three SFCs viz First SFC (1995-2000), Second SFC (2000-2005) and Third SFC (2005-2010).

While accepting (March 2006) the interim report of the Third SFC recommendation (for the years 2005-07) for release of 2.5 *per cent* of total State revenue, the State Government assured to release the grant as per the final recommendations. But while accepting (March 2008) the final recommendations of Third SFC the State Government agreed and released 3.5 *per cent* of total State revenue from 2008-09 instead of 2005-06 as assured

earlier. This resulted in short release of grant to the extent of ₹ 120.07 crore as detailed below:

**(₹ in crore)**

| Year | Net State tax revenue | Share of net State tax revenue to be devolved to PRIs and ULBs (3.5 *per cent* of column 2) | Share of net State tax revenue to be devolved to ULBs only (24.30 *per cent* of column 3) | Actual release made by the State Government to ULBs | Short release |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 (4-5) |
| **2005-06** | 9,752.97 | 341.35 | 82.95 | 53.75 | 29.20 |
| **2006-07** | 11,459.33 | 401.08 | 97.46 | 60.30 | 37.16 |
| **2007-08** | 13,116.71 | 459.09 | 111.56 | 57.85 | 53.71 |
| **Total** | **34,329.01** | **1,201.52** | **291.97** | **171.90** | **120.07** |

*(Source: C&AG's Audit Report (Revenue Receipts) Government of Rajasthan for the year ending 31 March 2008) and Budget Estimates of Government of Rajasthan for the years 2007-10.*

From the above tables it would also be seen that against SFC's recommendations the actual devolution made by the State Government decreased from 64.80 *per cent* to 51.86 *per cent* during 2005-06 to 2007-08.

## 3.5 Database on finances and accounting arrangements

National Municipal Accounts Manual (NMAM) for ULBs in India developed by the Ministry of Urban Development, GOI under the guidance of C&AG of India was introduced in February 2005. Based on the NMAM, Rajasthan Municipal Accounts Manual has been prepared. The LSGD directed (December 2009) all ULBs to maintain the accounts on Accrual Based (Double Entry) Accounting System from 1 April 2010. As regards switching over to Accrual Based Accounting System in ULBs in first instance, the work was outsourced in respect of six ULBs[10] under Asian Development Bank project. In respect of remaining 177 ULBs, Rajasthan Urban Infrastructure Finance Development Corporation had been authorised as a Nodal Agency for facilitating the task of outsourcing this work (April 2010).

## 3.6 Budgetary control and maintenance of accounts

The LSGD has to exercise control over ULBs while according sanction on annual budget and to exercise effective monitoring of quarterly returns received from ULBs. The performance of the ULBs in relation to budgetary control and maintenance of accounts was not effective due to weak internal

10. Municipal Corporations, Jaipur, Jodhpur, Kota and MCs, Ajmer, Bikaner and Udaipur.

control mechanism resulting in deficient fund management, ineffective monitoring of activities etc. as detailed in the succeeding paragraphs.

### 3.6.1 Non-rectification of differences between cash books and Personal Deposit/Bank pass books

Rajasthan Municipalities Accounts Rules (RMARs), 1963 provide that at the end of each month the receipt and expenditure entered in the general cash book should be compared with those appearing in the pass books of Personal Deposit (PD)/ bank accounts and difference if any should be explained in the footnote of the cash book. The DLB also instructed (November 2001 and August 2002) the ULBs to conduct reconciliation of differences between the balance of cash books and the pass books every month.

It was observed that five MBs had not rectified the difference of ₹ 47.24 lakh ***(Appendix-IX)*** *as* on 31 March 2007 between cash books and PD/Bank pass books. There were exceptionally huge differences in MBs, Srikaranpur (₹ 13.51 lakh), Gangapur City (₹ 12.96 lakh) and Baran (₹ 12.50 lakh).

On this being pointed out, two MBs stated (July-November 2007) that rectification would now be done. Remaining three MBs did not furnish any reply. After similar type of objection having pointed out in Audit Reports for the years 2005-06 and 2006-07, LSGD DLBD directed (February 2010) all ULBs to conduct monthly reconciliation of cash book with bank accounts/ PD pass books and to send quarterly report to DLBD, Jaipur through Deputy Director (Regional). None of ULB has intimated any action taken in this regard (January 2011).

### 3.6.2 Irregular/excess expenditure over the sanctioned budget

No expenditure can be incurred out of municipal funds unless it is covered by a budget grant and the controlling officer should initiate action against the Drawing and Disbursing Officers (DDOs) who incur excess expenditure over the sanctioned budget grants[11].

It was observed that 26 ULBs had irregularly incurred excess expenditure of ₹ 4.94 crore ***(Appendix-X)*** over the sanctioned budget grants under 273 different items/schemes/heads of accounts during 2006-07, which indicated faulty budget estimation and financial indiscipline requiring regularisation or action against erring DDOs concerned. Excess expenditure was met out of unspent balances available under various other schemes and from own income of ULBs. This also points to weak budgetary control mechanism being followed in these ULBs.

11. Paragraphs 29 and 32 of Appendix-A to the Rajasthan Municipalities (Budget) Rules, 1966.

On this being pointed out, eight ULBs stated that the excess expenditure would be regularised by obtaining *ex-post facto* sanction. ULBs, Alwar, Dholpur and Srivijaynagar did not mention any action to be taken for regularisation of excess expenditure in its reply while replies from 14 ULBs were awaited. MB, Bhadra replied that excess expenditure had been confirmed in its board meeting. The reply of MB was not tenable as expenditure was to be regularised by the sanctioning authority i.e., Deputy Director (Regional) concerned. After similar type of objection having pointed out in Audit Reports for the years 2005-06 and 2006-07, LSGD DLBD directed (February 2010) all ULBs not to incur excess expenditure over budget allotment in any circumstances. If excess expenditure is incurred over budget allotment the Executive Officer and official dealing with accounts would be responsible. None of ULB has intimated any action taken in this regard (January 2011).

### *3.6.3 Non-adjustment/recovery of advances*

RMARs, 1963 stipulate that temporary advances made to individuals should be adjusted before the close of the year in which they are made and no fresh advance for a particular work should be made unless the previous one has been adjusted.

It was observed that in 22 ULBs advances of ₹ 4.70 crore sanctioned for developmental works, repair and maintenance of vehicles, election work, organising administrative camps, cleaning of ponds, travelling allowance, food grains etc. were outstanding against departments/contractors/employees etc. in 543 cases for two to 52 years as of March 2009 ***(Appendix-XI)***.

On this being pointed out, seven ULBs stated that action would be taken to recover/adjust the amount and replies from 14 ULBs were awaited. MC, Bhilwara did not mention any action to be taken for recovery/adjustment of advances lying outstanding in its reply.

However, the fact remains that inaction on the part of these ULBs in timely adjustment/recovery had resulted in accumulation of advances of ₹ 4.70 crore. This was also indicative of lack of effective internal control mechanism in these ULBs. Possibilities of recovery of outstanding advances since long are also remote. After similar type of objection having pointed out in Audit Reports for the years 2005-06 and 2006-07, LSGD DLBD directed (February 2010) all ULBs to adjust temporary advance, maximum within one month or completion the purpose for which it was sanctioned. All temporary advances should be adjusted before the close of the year and no fresh advance for a particular work should be made unless the previous one has been adjusted. None of ULB has intimated any action taken in this regard (January 2011).

## 3.7 Audit arrangements and position of entrustment of TGS to C&AG

The C&AG of India conducts audit of ULBs under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The State Government entrusted (February 2011) Technical Guidance and Supervision (TGS) by the C&AG over audit of local bodies.

## 3.8 Arrears of audit of Director, Local Fund Audit Department

Director, Local Fund Audit Department (DLFAD) is the Statutory Auditor for accounts of ULBs.

Audit of five M Cors, 13 MCs and 140 MBs due as on 31 March 2008 by the DLFAD was pending as of September 2010 due to vacant posts of staff and involvement of staff in election duties.

## 3.9 Lack of response to audit observations

For early settlement of audit observations, Departmental Administrative Officers were required to take prompt steps to remove defects and irregularities brought to their notice during the course of audit and/or pointed out through Inspection Reports (IRs)[12].

It was observed that:

***(i)*** At the end of March 2010, 33,976 IRs issued by DLFAD upto 2007-08 containing 7,57,636 paragraphs remained pending for settlement. These included 252 cases of embezzlement of money amounting to ₹ 1.54 crore of which merely ₹ 12.95 lakh was recovered. Further, first compliance to 100 IRs was still awaited.

***(ii)*** Seven hundred twenty two IRs containing 7,222 paragraphs issued during the years 2002-08 by office of the Principal Accountant General (Civil Audit) upto July 2004 and thereafter by office of the Senior Deputy Accountant General (Local Bodies Audit & Accounts) with effect from August 2004 to March 2008 were also pending for settlement as of September 2010 due to lack of satisfactory compliance of the paragraphs from ULBs/LSGD. The year- wise position of outstanding paragraphs is as under:

12. Section 307 (3) of Rajasthan Municipalities Act, 1959 and Rule 15 (1) of Rajasthan Municipalities Accounts Rules, 1963.

| Year | Pending | |
|---|---|---|
| | Inspection Reports | Paragraphs |
| 2002-03 | 3 | 47 |
| 2003-04 | 73 | 477 |
| 2004-05 | 129 | 1,373 |
| 2005-06 | 183 | 1,695 |
| 2006-07 | 192 | 1,983 |
| 2007-08 | 142 | 1,647 |
| **Total** | **722** | **7,222** |

This indicated lack of prompt response on the part of the municipal/ departmental authorities which had not only resulted in recurrence of the deficiencies and lapses pointed out earlier but also eroded the accountability of the ULBs/departmental officers.

## 3.10 Impact of audit

During 2007-08, recoveries amounting to ₹ 5.45 lakh were made at the instance of C&AG's audit in 15 cases.

## 3.11 Conclusion

- While both the receipts and expenditure of ULBs showed an increasing trend, they were largely dependent on Government funds because of low 'Own Revenue' base. The expenditure on purchase of new assets actually declined in comparison to the increase in recurring expenditure.
- Inadequate budgetary and internal control mechanism in ULBs resulted in expenditure in excess of the allotted funds, piling up of differences in balances as per cash books and PD/Bank pass books and non-adjustment/recovery of outstanding advances against departments/ contractors/employees etc. for a long time.
- Annual accounts of 177 out of 183 ULBs were still being maintained in the conventional formats on cash basis instead of accrual basis. The huge pendency of audit observations and delay in their settlement are fraught with the risk of continuance of irregularities/deficiencies observed during audit.
- The State Government had not released grants to ULBs as per recommendations of State Finance Commission.
-

## 3.12 Recommendations

Following recommendations are made:

- The ULBs should take effective steps to augment their own resources by levying new taxes and increasing the tax base so as to minimise dependency on Government assistance and to provide better civic facilities. Monitoring of recovery of urban development tax needs to be put in place.

- ULBs should ensure that effective budgetary controls are in place by introducing incentive scheme. Further, the internal control mechanism needs to be strengthened to ensure prompt adjustment/recovery of advances and regular reconciliation and rectification of the differences between balances as per cash books and PD/Bank pass books.

- The Government should ensure proper and timely compliance to the audit observations and the audit committee meetings are held regularly with audit, auditee organsiation and LSGD.

- The Government should take effective action to ensure maintenance of Annual Accounts by the remaining 177 ULBs on Accrual Based Accounting System.

# CHAPTER-IV

# AUDIT OF TRANSACTIONS

# URBAN LOCAL BODIES

This chapter contains eight paragraphs relating to transaction audit of Urban Local Bodies.

## 4.1 Loss of revenue

### *4.1.1 Loss of revenue due to change of land use*

**Realisation of regularisation amount and lease money at residential rates instead of commercial rates on conversion of land use from agriculture to commercial purpose resulted in loss of revenue of ₹ 22.99 lakh.**

The guidelines (December 1999 and May 2000) of the State Government (Urban Development and Local Self Government Department) for conversion of land use from agriculture to commercial purpose stipulate that (i) regularisation amount is to be realised at four times the rates applicable for residential purpose and (ii) lease money at five *per cent* per annum of regularisation amount in case the lease money is deposited in lump sum for a period of ten years is to be realised.

Test check (December 2007) of records of Municipal Board (MB), Kesrisinghpur (District Sriganganagar) for the period 2006-07 revealed that MB, Kesrisinghpur converted (April 2003) use of agriculture land measuring 12,100 square yard (sq yd) in favour of Rajasthan State Warehousing Corporation (RSWC), Kesrisinghpur and realised regularisation amount alongwith lease money of ₹ 6.05 lakh[1] at normal rate (₹ 40 per sq yd). Since RSWC, Kesrisinghpur purchased agriculture land for construction of *godowns* that was to be used for storage of goods on rental basis as such MB, Kesrisinghpur should have realised regularisation amount alongwith lease money of ₹ 29.04 lakh[2] at commercial rate (four time of normal rate). The

1. Regularisation amount recovered = 12,100 sq yds x ₹ 40 per sq yd = ₹ 4,84,000,
   Lease money recovered = ₹ 4,84,000 x 2.5/100 x 10 years = ₹ 1,21,000,
   Total amount recovered = ₹ 4,84,000 + ₹ 1,21,000 = ₹ 6,05,000.
2. Regularisation amount recoverable = 12,100 sq yds x ₹ 160 per sq yd = ₹ 19,36,000,
   Lease money recoverable = ₹ 19,36,000 x 5/100 x 10 years = ₹ 9,68,000,
   Total amount recoverable = ₹ 19,36,000 + ₹ 9,68,000 = ₹ 29,04,000.

State Government has not prescribed any check-list to prevent revenue loss that might occur in such type of cases.

The Secretary, Directorate Local Bodies Department, Rajasthan, Jaipur while accepting the facts stated (December 2009) that notices have been issued to RSWC, Kesrisinghpur to recover the amount. However, recovery effected, if any, in this regard had not been intimated (April 2011) to Audit.

Thus, short realisation of regularisation amount alongwith lease money resulted in loss of revenue of ₹ 22.99 lakh to MB, Kesrisinghpur.

### *4.1.2 Loss of revenue due to non/short collection of passenger tax*

**Failure of Municipal Council, Tonk to negotiate timely for collection of passenger tax at enhanced rate and non-collection of the tax from private vehicles resulted in loss of revenue of ₹ 30.53 lakh.**

The Municipal Council, Tonk Passenger Tax Bye-laws, 1982 as amended (April 1992) by State Government, authorised Municipal Council (MC), Tonk to collect passenger tax (tax) at ₹ 0.50 per passenger from passenger vehicles entering into or going out of its municipal area. On the proposals (August 2000/January 2001) of MC, Tonk the State Government enhanced (October 2001) rate of tax from ₹ 0.50 to ₹ one per passenger.

Test check (July 2008) of records of MC, Tonk for the period 2007-08 revealed that as mutually agreed between MC and Rajasthan State Road Transport Corporation (RSRTC), the tax was being collected by the latter along with tickets from passengers travelling in its buses since September 1989 and 75 *per cent* of the tax so collected was remitted to MC, Tonk after retaining 25 *per cent* amount as collection charges. On enhancement of tax (October 2001), RSRTC started collecting tax at enhanced rate of ₹ one from 17 January 2002, but barely two days later it reverted (19 January 2002) back to the pre-revised rate of ₹ 0.50 due to decrease in its revenue as travelling by its buses became costlier by ₹ one in comparison to private vehicles from which tax was not being collected by MC.

Thereafter, MC auctioned the collection of tax from passengers of private vehicles for the year 2002-03 and awarded (April 2002) the contract to the successful bidder for ₹ 1.05 lakh. However, owing to protest by owners of private vehicles and passing of a resolution (September 2002) in the general meeting of MC for exempting the collection of tax from private vehicles, MC finally withdrew the contract in December 2002. Director, Local Bodies (DLB) though directed (November 2002 and March 2003) MC to ensure collection of tax at its own level by exercising powers conferred[3] under bye-laws but did not extend any administrative or other help to MB for implementation and collection of tax and set aside (May 2003) the MC's

3. To stop, inspect and collect the tax from any vehicle carrying passengers at the places specified for this purpose and to impose penalty in case of evasion of tax.

aforesaid resolution. Later, MC identified (April 2004) three collection points, but made no further efforts for collecting the tax from private vehicles which resulted in non-collection of tax amounting to ₹ 8.40 lakh[4] for the period 2002-10 alone.

Further, MC did not negotiate timely with RSRTC for increasing collection charges and collecting the tax at enhanced rate. However, after a lapse of more than five years, MC and RSRTC mutually agreed to increase collection charges from 25 to 35 *per cent* and RSRTC started collecting tax at enhanced rate from 11 May 2007 onwards. Thus, belated negotiation by MC with RSRTC resulted in short collection of tax amounting to ₹ 22.13 lakh[5] for the period November 2001 to 11 May 2007.

State Government stated (July 2009) that tax at enhanced rate could not be collected timely due to delayed consent given by RSRTC and the tax from private vehicles could not be collected due to protest from their owners and pursuant to the MC's resolution exempting collection of tax from private vehicles. The reply was not acceptable as MC did not negotiate timely with RSRTC and did not enforce its powers to collect tax from private vehicles as directed by DLB.

Thus, failure of MC, Tonk to negotiate timely with RSRTC for collection of passenger tax at enhanced rate and non-collection of the tax from private vehicles resulted in loss of revenue of ₹ 30.53 lakh.

## 4.2 Diversion of funds

### *Irregular diversion of funds*

**Municipal Council, Alwar incurred expenditure on other works from funds meant for heritage conservation resulting in diversion of funds ₹ 28.27 lakh.**

The State Government (Local Self Government Department- LSGD) selected (October 2004) Alwar city alongwith 22 others cities of archaeological importance for conservation of their heritage. As per order, LSGD was to act as nodal agency and works of heritage conservation were to be executed by urban local bodies (ULBs). A District Level Committee (DLC) headed by

4. Calculated for eight years (2002-03 to 2009-10) on the basis of contract amount (₹ 1.05 lakh) for the year 2002-03.
5. Passenger tax collected at ₹ 0.50 per passenger and remitted (after retaining collection charges at 25 *per cent)* to MC, Tonk by RSRTC depots, Ajmer (₹ 0.33 lakh during April 2002 to March 2007); Baran (₹ 0.48 lakh during November 2001 to March 2007); Bundi (₹ 0.17 lakh during November 2001 to December 2002); Kota (₹ 0.15 lakh during January 2005 to 10 May 2007); Sikar (₹ 0.04 lakh during January 2005 to 10 May 2007); Tonk (₹ 28.82 lakh during November 2001 to 11 May 2007) and Deluxe depot Jaipur (₹ 0.19 lakh during November 2001 to March 2007) = ₹ **30.18 lakh** x 100/75 x 2 x 65/100 (-) ₹ 30.18 lakh=₹ **22.13 lakh** (*Details of passenger tax, if any remitted to MC, Tonk by these seven depots for the remaining periods and other depots of RSRTC during November 2001 to May 2007 were not on record*).

District Collector (DC) comprising members from various departments[6] was to prepare a master plan for conservation of heritage buildings, palaces etc.

Test check of records of Municipal Council (MC), Alwar (November 2007) revealed that LSGD allotted (July 2005) ₹ 38 lakh to MC, Alwar for development of civic facilities in the vicinity of the selected monuments (₹ 35 lakh) and for execution of heritage conservation works as per the demand of the Art & Culture Department (A&CD) (₹ 3 lakh). As per sanction these works were to be approved by State Level Committee (SLC) comprising Secretaries of LSGD and A&CD.

However, MC, Alwar while incurring an expenditure of ₹ 38.56 lakh from the allotted funds spent ₹ 28.27 lakh[7] on the works which were neither related to conservation of heritage nor development of civic facilities in the vicinity of monuments selected by DLC, Alwar in their meeting held in April and September 2005. The works were also not approved by the SLC.

MC, Alwar stated (November 2007) that the proposals of works approved by DLC, Alwar in their meeting held in September 2005 were disapproved (October 2005) by SLC but the works executed were approved (December 2005) by DC, Alwar. The Directorate Local Bodies Department, Rajasthan also justified (October 2010) the reply of MC. The replies were not tenable as the works were executed on *suo-moto* approval of DC, Alwar without any approvals of SLC and DLC. Further, LSGD neither gave its approval on the revised proposal of MC nor ensured proper uilisation of funds as per its sanction (July 2005) which indicated lack of internal control and monitoring system at the LSGD level. Moreover, Director, Local Fund Audit being the sole auditor of ULBs had also not pointed out such irregularity in its inspection reports.

Thus, expenditure incurred on other works from funds meant for heritage conservation not only resulted in diversion of funds of ₹ 28.27 lakh but also the envisaged purpose for heritage conservation of monuments of archeological importance was not achieved.

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6. Commissioner/ Executive Officer of ULBs, members of Town Planning Department, Archaeology Department and Art, Culture & Tourism Department.
7. Construction of CC road at old Information Centre and Gandhi Bhawan, Alwar: ₹ 4.98 lakh; repair of *Nalla* and parking site outside old Information Centre, Alwar: ₹ 6.17 lakh; construction of boundary wall and renovation work of main gate of old Information Centre, Alwar: ₹ 3 lakh; Fountain work at old Information Centre, Alwar: ₹ 6.79 lakh and construction of *Nala* at city area (Bapu Bazar), Alwar: ₹ 7.33 lakh.

## 4.3 Avoidable expenditure

**Supply of two more fire brigade vans by Local Self Government Department in violation of the Government of India norms and without ascertaining the requirement and availability of requisite trained staff with Municipal Board, Dungarpur led to avoidable expenditure of ₹ 27.90 lakh.**

The Standing Fire Advisory Council, Government of India (GOI), Director General of Civil Defence laid down norms for fire fighting services. For urban areas having population of 0.50 lakh, there should be one fire fighting vehicle with one leading fireman, one driver-cum-pump operator and four firemen. During test checked (August 2007) of Municipal Board (MB), Dungarpur it was noticed that Local Self Government Department (LSGD) purchased 49 fire brigade vans during September 2001 to April 2004 under recommendations of Tenth Finance Commission and Eleventh Finance Commission (EFC) for urban local bodies (ULBs). LSGD allotted one[8] fire brigade van valuing ₹ 4.39 lakh under Tenth Finance Commission in September 2001 and two[9] vans valuing ₹ 27.90 lakh under EFC in March 2003 and April 2004 to MB, Dungarpur. It was further noticed that MB, Dungarpur already had two[10] fire brigade vans in its possession. As per GOI norms, MB, Dungarpur having population of 0.43 lakh (as per census-2001), was required to have only one fire fighting van against five vans available with the MB. Further, against the norms of one leading fireman, one driver-cum-pump operator and four firemen for each van, there were five drivers on contract basis and one untrained fireman posted (as of September 2009), who were not qualified to manage the fire fighting system.

Secretary, Directorate Local Bodies Department, Rajasthan stated (December 2009) that Dungarpur is covered with dense forest area and fire brigade vans are presently being utilised in incidents of fire in urban as well as nearby rural forest areas, border areas of district and State and for VIPs visits as per directions of district administration. Scrutiny of log books revealed that all the three vans were mostly utilised for watering of plants and parks (129 times: 4,851 kilometers), recharging of batteries (27 times: 561 kilometers) and for purposes such as VIP visits and ceremonies of National festivals (17 times: 1,361 kilometers). Moreover, MB, Dungarpur intimated (August 2007, May and September 2009) that in view of the population of Dungarpur two vans were sufficient and these vans were allotted by LSGD without demand of MB and that one van out of the two old vans was off road and the same was not got repaired. It was also stated that MB had no objection if two out of four vans

8 . RJ 12E 0831.
9 . RJ 12E 0982 allotted in March 2003 (cost of chassis: ₹ 9.90 lakh and cost of fabrication: ₹ 4.42 lakh) and RJ 12E 1084 allotted in April 2004 (cost of chassis: ₹ 7.52 lakh and cost of fabrication: ₹ 6.06 lakh).
10. RJ 12E 002 and RJ 12E 0501.

were transferred to other ULBs. The reply of MB confirmed that only two vans were sufficient in Dungarpur and LSGD supplied additional vans not only against GOI norms but also without ascertaining the demand as well as availability of fire fighting personnel with MB. Moreover, LSGD has no system for assessing, availability and requirement of fire fighting vehicle with ULBs, is evident from the fact that no fire fighting vehicles were available in MBs, Neem Ka Thana and Khandela (District Sikar). Additional vehicles available in MB, Dungarpur could have been utilised in these MBs.

Thus, supply of two more fire brigade vans by LSGD in violation of the GOI norms and without ascertaining the requirement and availability of requisite trained staff with MB, Dungarpur led to avoidable expenditure of ₹ 27.90 lakh.

## 4.4 Other points

### *4.4.1 Irregular retention of lease money*

**Irregular retention of lease money by Municipal Council, Sriganganagar in disregard to rules resulted in non-crediting of Government revenue of ₹ 88.29 lakh to the Consolidated Fund of the State.**

Rajasthan Municipalities (Disposal of Urban land) Rules, (RMR) 1974 provide that urban assessment or rent of land (lease money) collected by municipalities shall be credited to the Consolidated Fund of the State up to 31 March each year after retaining 10 *per cent* of the collected amount as service charges.

Test check (December 2007) of the records of Municipal Council (MC), Sriganganagar for the year 2006-07 revealed that MC, Sriganganagar collected lease money of ₹ 98.10 lakh[11] during 2002-07. Of this an amount of ₹ 88.29 lakh was to be credited to the Consolidated Fund of the State after retaining ₹ 9.81 lakh (10 *per cent* of ₹ 98.10 lakh). However, MC instead of crediting the amount to the Consolidated Fund of the State, retained it in its accounts. The irregular retention of lease money of ₹ 88.29 lakh by MC, Sriganganagar in disregard to RMRs not only resulted in creation of un-necessary liabilities on the MC but the amount also remained out of the purview of the Consolidated Fund of the State.

The Deputy Secretary (DS), Directorate Local Bodies Department (DLBD), Rajasthan, Jaipur while accepting the facts stated (December 2009) that efforts were being made to credit the lease money into the Consolidated Fund by the MC but due to poor financial condition of MC, the lease money could not be credited. It was, further, stated that the amount would be adjusted from the

11. Year 2002-03: ₹ 29,19,341; 2003-04: ₹ 13,98,526; 2004-05: ₹ 12,94,705; 2005-06: ₹ 17,36,897 and 2006-07: ₹ 24,60,718.

grants payable to the MC as and when its economic condition improves. The contention of the State Government was indicative of failure of Local Self Government Department in enforcing corrective action by the MC, as it was mandatorily required to credit the lease money in the Consolidated Fund of the State up to 31 March of each year as per provisions of RMRs (Disposal of Urban Land), 1974.

DS, DLBD further intimated (September 2010) that MC spent the lease money on developmental works and pay and allowances of employees. MC however could not furnish (January 2011) any document in support of actual amount of lease money spent on developmental works and pay and allowances during 2002-07, as it did not maintain separate details.

Thus, irregular retention of lease money by MC, Sriganganagar in disregard to rules resulted in non-crediting of Government revenue of ₹ 88.29 lakh to the Consolidated Fund of the State and also reflected under-statement of the State receipts to that extent.

### *4.4.2 Deprival of revenue to municipal board*

**Irregular extension of lease periods of rented properties by Municipal Board and slackness on part of Director, Local Bodies in according approval for sale of land on lease of 99 years deprived the municipality of ₹ 32.31 lakh.**

The State Government (Local Self Government Department) (LSGD) instructed (November 2000, December 2001 and April 2005) that municipal land leased out on monthly rent basis for running of petrol pumps, cinemas, shops etc. should be disposed of by sale on lease of 99 years. The instructions (*ibid*) stipulate that (i) an amount at 30 *per cent* of prevailing reserve price is to be recovered for land let out between 26 January 1950 to 31 December 1983, (ii) in case original lessee transfers his tenant rights without permission of municipality or otherwise an additional amount at five *per cent* of recoverable amount is also to be recovered and (iii) cases involving recoverable amount up to ₹ 15 lakh are to be decided by municipal board concerned and cases of above amount are to be sent to Director, Local Bodies (DLB), Jaipur for approval of the State Government.

Test check (August 2007) of records of Municipal Board (MB), Dungarpur for the year 2006-07 revealed that land measuring 5,352 square feet (sq ft) at T*ehsil Chauraha*, Dungarpur was let out on monthly rental basis to a company[12] in July 1962 for running of a petrol pump which is now being run by firm 'A'. The lease period of rented property was extended from time to time and MB extended it for the last time from February 2007 to February 2010 in favour of firm 'A'. Information collected (July 2010) revealed that MB did not extend the lease period thereafter and decided (June 2010) to send the matter to DLB for

12. M/s Burmah Shell Oil Storage and Distributing Company of India now Bharat Petroleum Corporation Limited.

approval of the State Government for sale of land on lease of 99 years. MB should have sold the land on lease of 99 years instead of extending the lease period of the land from February 2007 and sending the case to the State Government for their approval. Since the recoverable amount was less than ₹ 15 lakh (₹ 14.58 lakh[13]), MB was itself competent to dispose off the land by sale on lease of 99 years in term of LSGD's instruction *ibid*. Besides, ₹ 0.73 lakh[14] was also to be recovered as ownership of land had been transferred without permission of MB.

Similarly, a land measuring 7,200 sq ft at *Gopasagar*, Dungarpur was let out to firm 'B' in June 1953 for running of a petrol pump which is now being run by a firm 'C' with permission of MB. On application (December 2005) by firm 'C' for purchase of that land on lease of 99 years, MB sent (March 2006) the case to DLB for approval of the State Government. Meanwhile, MB extended (August 2006) the lease period of rented property from August 2006 to maximum three years or till receipt of approval from DLB. MB further intimated (July 2010) that the lease period thereafter was not extended. The approval from DLB was awaited (April 2011) even after elapse of more than four years. Delay in according of approval by DLB deprived MB of ₹ 17 lakh[15].

The State Government agreed (August 2009) with Audit that land should have been disposed off by sale on lease for 99 years instead of extending lease period of rent. However, reasons for delay in according the approval by DLB even after expiry of more than four years were not intimated.

Thus, due to irregular extension of lease period of rented properties by MB, Dungarpur and slackness on part of DLB in according approval for sale of land on lease for 99 years deprived the MB an amount of ₹ 32.31 lakh[16].

### *4.4.3 Deprival of revenue due to non-regularisation of agriculture land*

**Failure of Municipal Council, Pali and Municipal Board, Sangaria to regularise agriculture land for residential/commercial purposes resulted in depriving the municipalities of revenue of ₹ 6.54 crore and urban assessment of ₹ 2.74 lakh.**

The guidelines (December 1999, May 2000 and July 2001) of the State Government for regularisation of agriculture land for residential/commercial purposes stipulate that (i) Officers authorised by Revenue Department will transfer the title of agriculture land from private holder to municipalities concerned under Section 90(B) of Rajasthan Land Revenue (RLR) Act, 1956, (ii) after transferring the title of land municipality will regularise the agriculture land for residential purpose on deposit of the regularisation charges

13. 5,352 sq ft x ₹ 908 (Reserve price) x 30/100 = ₹ 14,57,885.
14. ₹ 14,57,885 x 5/100 = ₹ 72,894.
15. 7,200 sq ft x ₹ 787 (Reserve price) x 30/100= ₹ 16,99,920.
16. ₹ 32.31 lakh = ₹ 14.58 lakh + ₹ 0.73 lakh + ₹ 17 lakh.

by the land holders at the rate fixed by the State Government and (iii) for commercial purpose, regularisation amount at four times the rates applicable for residential purpose and urban assessment at five *per cent* per annum of regularisation amount in case the urban assessment is deposited in lump sum for a period of 10 years are to be realised.

***(a)*** Test check (July 2007) of records of Municipal Council (MC), Pali for the year 2006-07 revealed that Authorised Officer (Sub District Magistrate, Pali) transferred title of agriculture land of 16.68 lakh square yards (sq yd) in 93 cases in favour of MC, Pali during 2001-02 under Section 90 (B) of RLR Act, 1956 but MC did not regularise the land from agriculture to residential purpose in spite of clear instructions (July 2001) of the State Government to regularise the cases by organising camps and issuing notices to the land holders.

The State Government while accepting the facts stated (December 2009) that in nine cases agriculture land of 3.14 lakh sq yds had been regularised and for remaining cases action was being taken by organising camps. Thus, the failure of MC, Pali to regularise 13.54 lakh sq yds agriculture land for residential purpose resulted in depriving the municipality of revenue of ₹ 6.49 crore[17].

***(b)*** Further test check (December 2007) of records of Municipal Board (MB), Sangaria (District Hanumangarh) for the year 2006-07 revealed that MB, Sangaria regularised 1,484 sq yds agriculture land for residential purpose in November 2001 and subsequently (February 2002) for commercial purpose realising regularisation charges at the rate of ₹ 30 per sq yd and ₹ 120 per sq yd respectively and urban assessment for 10 years in lump sum. The owner submitted a self-assessment of house tax for the year 2003-04 for 6,050 sq yds of land (1,484 sq yds of constructed area and 4,566 sq yds of open area). A physical verification conducted (August 2009) by Audit with MB, Sangaria also confirmed that the marriage palace was being run on 6,050 sq yds of land. Since open land of 4,566 sq yds was also being used unauthorisedly as a part of marriage palace hence MB, Sangaria should have regularised that portion of land for commercial purpose after it came to notice (2003-04) by realising regularisation charges of ₹ 5.48 lakh at the rate of ₹ 120 per sq yd. Besides this urban assessment of ₹ 2.74 lakh at five *per cent* per annum of regularisation amount for 10 years in lump sum also should have been realised.

Executive Officer, MB, Sangaria stated (August 2009) that notice had been issued for recovery of regularisation charges for 4,566 sq yds of land.

Thus, failure of MB, Sangaria to regularise 4,566 sq yds agriculture land for commercial purpose led to non-realisation of regularisation charges of ₹ 5.48 lakh and urban assessment of ₹ 2.74 lakh.

The matter was referred (September 2009) to the State Government; reply was awaited (April 2011).

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17. 10.77 lakh sq yds at the rate of ₹ 50 per sq yd and 2.77 lakh sq yds at the rate of ₹ 40 per sq yd.

### 4.4.4 Deprival of revenue due to non-conversion of land use

**Slackness of urban local bodies to raise demand and recover the conversion charges from the occupants using their residential land unauthorisedly for other purposes, deprived the urban local bodies of revenue of ₹ 13.05 crore.**

Rajasthan Municipalities Act, 1959 restricts change of use of any land of municipality for the purpose other than that for which it was originally allotted or sold. However, in public interest, Rajasthan Municipalities (Change of Land Use) Rules, 2000 permit a municipality to change the use of land from residential to commercial and non-commercial purposes by recovering conversion charges at the rates of 40 and 20 *per cent* respectively of residential reserve price (RRP). In the absence of RRP, these charges are to be recovered at the rate of 20 and 10 *per cent* respectively of residential market price (RMP) fixed by Sub-Registrar/District Collector concerned. Further, Urban Development Department classified (September 2000) complexes, shops etc as commercial and hotels, schools etc as non-commercial activities.

Test check (June 2006-April 2008) of records of 23 urban local bodies (ULBs) for the year 2005-07 revealed that residential land of 1,83,558 square yards (sq yd) in 1,934 cases[18] and 1,97,541 sq yds in 233 cases[19] was unauthorisedly being used for commercial (complexes, shops etc) and non-commercial (hotels, schools etc) purposes respectively without getting the land use changed. The ULBs had not initiated any action to get the land use changed in these cases which led to non-recovery of conversion charges of ₹ 13.05 crore worked out at the applicable rates of prevailing RRP and RMP as the case may be. The State Government has not prescribed any monitoring and control system for expeditious disposal of such cases.

After Audit pointed out (June 2006-April 2008), 10 ULBs[20] informed (June-November 2009) that notices had been issued to recover the conversion

18. MCs, Alwar: eight cases (conversion charges ₹ 0.06 crore); Bharatpur: three cases (₹ 0.18 crore); and Jhunjhunu: six cases (₹ 0.91 crore); MBs, Amet: 22 cases (₹ 0.04 crore); Anoopgarh: 71 cases (₹ 0.10 crore); Bhawanimandi: 224 cases (₹ 0.29 crore); Bhinder: 21 cases (₹ 0.06 crore); Nagaur: 1,276 cases (₹ 0.56 crore); Nathdwara: six cases (₹ 4.00 crore); Neem Ka Thana: five cases (₹ 1.42 crore); Nokha: 213 cases (₹ 0.69 crore); Shahpura: 51 cases (₹ 0.57 crore); Sirohi: 12 cases (₹ 0.17 crore) and Srimadhopur: 16 cases (₹ 0.64 crore).
19. MC, Alwar: 16 cases (conversion charges ₹ 0.11 crore); MBs, Anoopgarh: 24 cases (₹ 0.07 crore); Bari Sadri: 11 cases (₹ 0.04 crore); Begu: 17 cases (₹ 0.22 crore); Bhawanimandi: 13 cases (₹ 0.35 crore); Bundi: 12 cases (₹ 0.53 crore); Jhalawar: 22 cases (₹ 0.32 crore); Kaithun: 11 cases (₹ 0.05 crore); Lakheri: seven cases (₹ 0.05 crore); Losal: seven cases (₹ 0.06 crore); Nagaur: 22 cases (₹ 0.05 crore); Nathdwara: 11 cases (₹ 0.40 crore); Neem Ka Thana: six cases (₹ 0.19 crore); Rawatbhata: 21 cases (₹ 0.49 crore); Sambharlake: 15 cases (₹ 0.13 crore); Shahpura: 12 cases (₹ 0.10 crore) and Srimadhopur: six cases (₹ 0.20 crore).
20. MCs, Alwar and Jhunjhunu; MBs, Amet, Anoopgarh, Bundi, Losal, Neem Ka Thana, Nathdwara, Nokha and Srimadhopur.

charges and 10 ULBs[21] stated (June 2007 to July 2009) that action would be taken to recover the conversion charges while Bharatpur did not initiate any action.

In respect of two ULBs, the State Government while accepting the facts stated (December 2009) that notices had been issued to schools concerned to recover the conversion charges in Bari Sadri and recovery would be effected in respect of Rawatbhata after completion of regularisation process of land concerned. However, recovery in the matter had not been effected by any ULB as of April 2011.

Thus, due to slackness of ULBs to raise demand and recover the conversion charges from the occupants using their residential land unauthorisedly for other purposes deprived the ULBs of revenue of ₹ 13.05 crore.

**JAIPUR,** **(SUMAN SAXENA)**
**The** **Principal Accountant General (Civil Audit), Rajasthan**

**Countersigned**

**NEW DELHI,** **(VINOD RAI)**
**The** **Comptroller and Auditor General of India**

21. MBs, Begu, Bhawanimandi, Bhinder, Jhalawar, Khaithun, Lakheri, Nagaur, Sambher-lake, Shahpura and Sirohi.

## APPENDICES


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# APPENDIX - I

**(Refer paragraph 1.3.2.2; page 5)**

## Statement showing differences between cash books and Personal Deposit/ Bank pass books as on 31 March 2007

**(₹ in lakh)**

| Sl. No | Name of *Zila Parishad/ Panchayat Samiti* | Balance Amount | | | Reply/ remarks |
|---|---|---|---|---|---|
| | | As per cash book | As per PD/Bank pass books | Differences | |
| *(A)* | ***Zila Parishad*** | | | | |
| 1. | Jhalawar | 1,466.07 | 1,459.54 | 6.53 | Reply was awaited. |
| *(B)* | ***Panchayat Samiti*** | | | | |
| 1. | Chittorgarh | 55.63 | 44.61 | 11.02 | Action was being taken. |
| 2. | Deoli | 58.31 | 68.76 | 10.45 | Reply was awaited. |
| 3. | Dudu | 276.14 | 285.64 | 9.50 | Action was being taken. |
| | **Total** | | | **37.50** | |

# APPENDIX - II

**(Refer paragraph 1.7.1; page 910)**

## Statement showing excess expenditure over the funds authorised/ received during 2006-07

**(₹ in lakh)**

| Sl. No | Name of *Zila Parishad/ Panchayat Samiti* | Number of Schemes/ Heads of Accounts | Excess expenditure over allotted funds | Reply/remarks |
|---|---|---|---|---|
| ***(A)*** | ***Zila Parishad*** | | | |
| **1.** | Barmer | 14 | 151.75 | Action was being taken. |
| **2.** | Dausa | 3 | 12.79 | Reply was awaited. |
| | **Total (A)** | **17** | **164.54** | |
| ***(B)*** | ***Panchayat Samiti*** | | | |
| **1.** | Amer | 25 | 79.05 | Reply was awaited. |
| **2.** | Bassi | 31 | 61.19 | Reply was awaited. |
| **3.** | Chaksu | 1 | 0.56 | Reply was awaited. |
| **4.** | DatanRamgarh | 16 | 41.12 | Action was being taken. |
| **5.** | Desuri | 7 | 34.16 | Reply was awaited. |
| **6.** | Dudu | 25 | 24.63 | Reply was awaited. |
| **7.** | Girwa | 7 | 38.86 | Action was being taken. |
| **8.** | Jhotwara | 16 | 7.76 | Reply was awaited. |
| **9.** | Kishangarh | 24 | 27.95 | Reply was awaited. |
| **10.** | Kotputali | 16 | 86.33 | Action was being taken. |
| **11.** | Masuda | 34 | 43.21 | Reply was awaited. |
| **12.** | Merta City | 24 | 67.72 | Action was being taken. |
| **13.** | Nagaur | 19 | 18.68 | Reply was awaited. |
| **14.** | Raipur (Bhilwara) | 29 | 55.11 | Reply was awaited. |
| **15.** | Raipur (Pali) | 18 | 120.89 | Reply was awaited. |
| **16.** | Rani | 39 | 83.81 | Action was being taken. |
| **17.** | Roopwas | 2 | 21.26 | Reply was awaited. |
| **18.** | Sahada | 42 | 63.33 | Reply was awaited. |
| **19.** | Sambharlake | 11 | 31.68 | Reply was awaited. |
| **20.** | Saportara | 8 | 116.75 | Reply was awaited. |
| | **Total (B)** | **394** | **1,024.05** | |
| | **Grand Total (A+B)** | **411** | **1,188.59** | |

# APPENDIX - III

**(Refer paragraph 1.7.2; page 10)**

## Statement showing non-refund of unspent balances of closed schemes as on 31 March 2007

**(₹ in lakh)**

| Sl. No | Name of *Zila Parishad/ Panchayat Samiti* | Number of Schemes/ Heads of Accounts | Period | Years of blockage | Amount | Reply/ remarks |
|---|---|---|---|---|---|---|
| ***(A)*** | ***Zila Parishad*** | | | | | |
| **1.** | Barmer | 8 | 2004-05 | Since 2 years | 44.81 | Reply was awaited. |
| **2.** | Bundi | 5 | 2002-03 | Since 4 years | 57.55 | Action was being taken. |
| **3.** | Churu | 12 | 04/2000 to 03/2007 | Up to 7 years | 53.50 | Action was being taken. |
| **4.** | Dungarpur | 16 | Upto 03/2007 | Up to 4 years | 91.42 | Reply was awaited. |
| **5.** | Jalore | 8 | Upto 03/2007 | Up to 5 years | 56.14 | Reply was awaited. |
| **6.** | Sawaimadhopur | 4 | From 1997 | Over 10 years | 21.62 | Reply was awaited. |
| **7.** | Sikar | 8 | 04/2003 to 03/2007 | Up to 4 years | 90.01 | Reply was awaited. |
| **8.** | Udaipur | 18 | Over 10-15 years | 10-15 years | 70.90 | Action was being taken. |
| | **TOTAL (A)** | **79** | | | **485.95** | |
| ***(B)*** | ***Panchayat Samiti*** | | | | | |
| **1.** | Bengu | 47 | 04/1999 to 03/2005 | 2 to 8 years | 16.27 | Reply was awaited. |
| **2.** | Gangapur City | 29 | 04/2002 to 03/2006 | 1 to 5 years | 17.31 | Reply was awaited. |
| **3.** | Jhotwara | 31 | 04/2001 to 03/2005 | 2 to 6 years | 64.50 | Reply was awaited. |
| **4.** | Kekri | 6 | 04/1999 to 03/2002 | 5 to 8 years | 40.61 | Action was being taken. |
| **5.** | Kishangarh | 12 | 04/2000 to 03/2006 | 1 to 7 years | 33.62 | Reply was awaited. |
| **6.** | Kotputali | 48 | 04/1998 to 03/2006 | 1 to 9 years | 70.35 | Action was being taken. |
| **7.** | Mandalgarh | 43 | 04/1999 to 03/2006 | 1 to 8 years | 46.29 | Reply was awaited. |
| **8.** | Marwar Junction | 7 | 04/1994 to 03/2001 | 6 to13 years | 21.45 | Action was being taken. |
| **9.** | Masuda | 22 | 04/1997 to 03/2007 | Up to 10 years | 16.96 | Reply was awaited. |
| **10.** | Nadoti | 5 | 04/1999 to 03/2006 | 1 to 8 years | 18.50 | Reply was awaited. |
| **11.** | Phagi | 14 | 04/1999 to 03/2005 | 2 to 8 years | 7.12 | Reply was awaited. |
| **12.** | Rani | 28 | 04/1993 to 03/2006 | 1 to14 years | 54.41 | Action was being taken. |
| | **Total (B)** | **292** | | | **407.39** | |
| | **Grand Total (A+B)** | **371** | | | **893.34** | |

# APPENDIX - IV

**(Refer paragraph 1.7.3; page 101)**

## Details of advances lying outstanding against officials/ individuals as on 31 March 2009

**(₹ in lakh)**

| Sl. No | Name of *Zila Parishad / Panchayat Samiti* | Number of cases | Amount lying unadjusted/ un recovered | Period | Years from which outstanding | Reply/ remarks |
|---|---|---|---|---|---|---|
| ***(A)*** | ***Zila Parishad*** | | | | | |
| **1.** | Ajmer | 25 | 0.60 | 12/1981 to 03/2006 | 3 to 28 years | Action was being taken. |
| **2.** | Baran | 8 | 0.27 | 03/2006 to 03/2007 | 1 to 3 years | Reply was awaited. |
| **3.** | Kota | 4 | 0.06 | 10/1995 to 11/1999 | 8 to 14 years | Reply was awaited. |
| | **TOTAL (A)** | **37** | **0.93** | | | |
| ***(B)*** | ***Panchayat Samiti*** | | | | | |
| **1.** | Arai | 17 | 3.70 | 07/1960 to 03/2007 | 2 to 49 years | Reply was awaited. |
| **2.** | Bamanwas | 5 | 0.33 | 11/2005 to 12/2006 | 3 to 4 years | Action was being taken. |
| **3.** | Bhindar | 56 | 1.97 | 06/1967 to 11/2006 | 3 to 42 years | Action was being taken. |
| **4.** | Degana | 64 | 0.29 | 03/1961 to 06/1986 | 22 to 48 years | Reply was awaited. |
| **5.** | Kathumar | 25 | 8.13 | 08/1963 to 03/2007 | 2 to 46 years | Reply was awaited. |
| **6.** | Mandalgarh | 6 | 0.45 | 07/1967 to 06/2005 | 4 to 42 years | Reply was awaited. |
| **7.** | Merta City | 16 | 3.11 | 03/1989 to 06/2005 | 4 to 20 years | Action was being taken. |
| **8.** | Raipur (Bhilwara) | 8 | 0.65 | 09/2005 to 10/2006 | 2 to 3 years | Reply was awaited. |
| **9.** | Rani | 36 | 4.47 | 06/1965 to 02/2007 | 5 to 44 years | Action was being taken. |
| **10.** | Shahabad | 34 | 35.61 | 03/1967 to 02/2007 | 2 to 42 years | Reply was awaited. |
| | **Total (B)** | **267** | **58.71** | | | |
| | **Grand Total (A+B)** | **304** | **59.64** | | | |

# APPENDIX - V

**(Refer paragraph 2.1.7.4; page 201)**

## Social and farm forestry expenditure by Forest Department

**(₹ in crore)**

| Year | Revenue Expenditure | Capital Expenditure | Total | Assistance to PRIs under Head 2406-01-196-01 for establishment work[1] |
|---|---|---|---|---|
| 2003-04 | 11.84 | 21.03 | 32.87 | - |
| 2004-05 | 21.90 | 44.85 | 66.75 | 7.50 |
| 2005-06 | 32.72 | 57.13 | 89.85 | 8.20 |
| 2006-07 | 33.79 | 37.45 | 71.24 | 8.20 |
| 2007-08 | 29.94 | 15.52 | 45.46 | 8.00 |
| Total | **130.19** | **175.98** | **306.17** | **31.90** |

***Source: Finance Accounts of the State Government for the years 2003-04 to 2007-08***

1. 2406 - Forestry and Wild life, 01 - Forestry 196 - Assistance to ZPs/ District level Panchayats and 01 - Establishment Expenditure

# APPENDIX - VI

**(Refer paragraph 2.1.8.1; page 21)**

## Partial acceptance of recommendations of Third SFC led to denial of share to PRIs

**(₹ in crore)**

| Year | Net State tax revenue | Share of net State tax revenue due to be devolved to PRIs and ULBs as per recommendation of Third SFC (3.5 *per cent* of column 2) | Share of net State tax revenue due to be devolved to PRIs only as per recommendation of Third SFC (75.70 *per cent* of column 3) | Actual release made by the State Government to PRI | Short release |
|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6 (4-5)** |
| **2005-06** | 9,752.97 | 341.35 | 258.40 | 157.57 | 100.83 |
| **2006-07** | 11,459.33 | 401.087 | 303.61 | 180.00 | 123.61 |
| **2007-08** | 13,116.71 | 459.098 | 347.53 | 180.10 | 167.43 |
| **Total** | **34,329.01** | **1,201.520** | **909.54** | **517.67** | **391.87** |

***Source: C&AG's Audit Report (Revenue Receipt) for the year ended 31 March 2008 and Third SFC***

# APPENDIX - VII

**(Refer paragraph 2.2.3; page 30)**

## Details of ₹ 23.80 lakh sanctioned contrary to the guidelines issued under "Area Intensive Programme for Educationally Backward Minorities"

**(₹ in lakh)**

| Sl. No. | Name of the work | *Gram Panchayat*/ Executing agency | *Panchayat Samiti* | Sanction No. and Date | Sanctioned amount | Amount of expenditure/ adjustment |
|---|---|---|---|---|---|---|
| 1. | Construction of gravel road from muslim basti to Govt. Ssecondary Sschool, Nayagaon | Nayagaon | Roopwas | 1245-48/ 31.10.05 | 1.99 | 1.61 |
| 2. | Construction of gravel road from BarahakKhamba to Fatehpur Tiraha | Khanua | Roopwas | -do- | 1.99 | 1.97 |
| 3. | CC Road from main road to Khanua | Khanua | Roopwas | -do- | 1.99 | 1.98 |
| 4. | CC Road passing through the front of Kasim's house to the house of Mansingh | Khanua | Roopwas | -do- | 1.99 | 1.98 |
| 5. | Gravel road from PMGSY Road to Maykunda Rewarpura | Chakdharsoni | Wair | 1264-70/ 21.11.05 | 1.96 | 1.96 |
| 6. | Gravel road from Wair to Nagla Dharsoni | Dharsoni | Wair | -do- | 1.98 | 1.98 |
| 7. | Gravel road from Bandh ki Mori to Jatpura | Jeevad | Wair | -do- | 1.96 | 1.96 |
| 8. | CC Road from Sonya Mali to Shamshan Ghat, Chaitoli | Chaitoli | Wair | -do- | 1.95 | 1.95 |
| 9. | Gravel road from Ashram to Bhairaria ke Nagla, Maidpur | Randhirgarh | Wair | -do- | 1.98 | 1.98 |
| 10. | CC Kharanja from the house of Jhangir to school | Odelgaddi | Roopwas | 1248-51/ 6.12.05 | 0.82 | 0.81 |
| 11. | CC Kharanja from the school to shop of Shafi | Odelgaddi | Roopwas | -do- | 1.63 | 1.63 |
| 12. | Repair work of road leading to village Mangoli in muslim basti near school in village Devri | Nayagaon | Roopwas | -do- | 1.66 | 1.23 |
| 13. | CC road from Govt. Secondary School Nayagaon to the house of Khilu Khan and Navi Khan in Village Nayagaon. | Nayagaon | Roopwas | -do- | 1.90 | 1.81 |
| | | | | **Total** | **23.80** | **22.85** |

**CC : Cement Concrete**

# APPENDIX - VIII

**(Refer paragraph 3.4.1; page 456)**

## Statement showing devolution of functions to Urban Local Bodies

| | |
|---|---|
| ***A.*** | ***Functions fully devolved to Urban Local Bodies*** |
| **(i)** | Regulation of land use and construction of buildings. |
| **(ii)** | Slum improvement and upgradation. |
| **(iii)** | Urban poverty alleviation. |
| **(iv)** | Burials and burial grounds etc. |
| **(v)** | Vital statistics including registration of births and deaths. |
| **(vi)** | Public amenities including street lighting, parking lots etc. |
| **(vii)** | Regulation of slaughter houses. |
| **(viii)** | Planning for economic and social development. |
| **(ix)** | Roads and bridges. |
| **(x)** | Public health and solid waste management. |
| **(xi)** | Fire services. |
| **(xii)** | Urban forestry, protection of the environment and promotion of ecological aspect. |
| **(xiii)** | Provision of urban amenities and facilities such as parks, gardens, play grounds etc. |
| **(xiv)** | Safeguarding the interests of weaker sections of society including the handicapped and mentally retarded persons. |
| **(xv)** | Promotion of cultural, educational and aesthetic aspects. |
| **(xvi)** | Prevention of cruelty to animals. |
| ***B.*** | ***Functions yet to be devolved to Urban Local Bodies*** |
| **(i)** | Urban planning including town planning. |
| **(ii)** | Water supply for domestic, industrial and commercial purpose. |

# APPENDIX - IX

**(Refer paragraph 3.6.1; page 48)**

## Statement showing the differences between balances as per cash books and Personal Deposit/ Bank pass books as on 31 March 2007

**(₹ in lakh)**

| Sl. No | Name of Municipal Board | Balances as on 31 March 2007 as per | | | Remarks/reply |
|---|---|---|---|---|---|
| | | Cash books | PD/Bank pass books | Difference | |
| 1. | Baran | 420.46 | 432.96 | 12.50 | Reply was awaited. |
| 2. | Gangapur City | 87.75 | 100.71 | 12.96 | Reply was awaited. |
| 3. | Jhunjhunu | 184.72 | 192.28 | 7.56 | Reply was awaited. |
| 4. | Rajakhera | 36.58 | 37.29 | 0.71 | Action was being taken. |
| 5. | Srikaranpur | 11.61 | 25.12 | 13.51 | Action was being taken. |
| | **TOTAL** | **741.12** | **788.36** | **47.24** | |

# APPENDIX - X

**(Refer paragraph 3.6.2; page 48)**

## Statement showing details of excess expenditure over sanctioned budget during 2006-07

**(₹ in lakh)**

| Sl. No | Name of Urban Local Bodies | No of Head/ Items | Amount involved | | | Remarks/reply |
|---|---|---|---|---|---|---|
| | | | Allotment | Expend-iture | Excess Expend-iture | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. | Alwar | 14 | 130.75 | 145.83 | 15.08 | Excess expenditure was incurred on payment of water and electricity bills and pay & allowances. |
| 2. | Baran | 16 | 106.73 | 162.64 | 55.91 | Reply was awaited. |
| 3. | Bari | 17 | 8.91 | 26.01 | 17.10 | Reply was awaited. |
| 4. | Bhadra | 11 | 26.46 | 34.93 | 8.47 | Excess expenditure had been confirmed in Board meeting. |
| 5. | Bharatpur | 17 | 181.20 | 247.19 | 65.99 | Reply was awaited. |
| 6. | Bhusawar | 5 | 4.75 | 5.98 | 1.23 | Reply was awaited. |
| 7. | Bundi | 10 | 52.18 | 93.70 | 41.52 | Reply was awaited. |
| 8. | Chhabra | 13 | 72.00 | 84.39 | 12.39 | Approval would be obtained. |
| 9. | Chirawa | 7 | 89.15 | 97.24 | 8.09 | Sanction from competent authority would be obtained. |
| 10. | Dholpur | 14 | 48.52 | 61.15 | 12.63 | Excess expenditure on pay & allowances was made due to pay fixation and increase in transfer allowances of Executive Officer and Assistant Engineer. |
| 11. | Gajsinghpur | 8 | 17.73 | 19.44 | 1.71 | Reply was awaited. |
| 12. | Kaithun | 5 | 6.50 | 9.61 | 3.11 | Reply was awaited. |
| 13. | Keshorai-patan | 22 | 113.65 | 145.81 | 32.16 | *Ex post facto* sanction would be obtained. |
| 14. | Kesri-singhpur | 2 | 185.86 | 198.74 | 12.88 | Reply was awaited. |
| 15. | Kuchaman City | 11 | 18.77 | 34.05 | 15.28 | Sanction from competent authority would be obtained. |
| 16. | Malpura | 12 | 24.40 | 42.45 | 18.05 | Reply was awaited. |
| 17. | Mangrol | 12 | 39.80 | 45.24 | 5.44 | Sanction from competent authority would be obtained. |
| 18. | Nadwai | 5 | 31.25 | 36.04 | 4.79 | Action would be taken to obtain sanction from competent authority. |
| 19. | Nagar | 9 | 6.41 | 11.14 | 4.73 | Reply was awaited. |
| 20. | Nawalgarh | 7 | 28.50 | 48.16 | 19.66 | Reply was awaited. |
| 21. | Rajakhera | 16 | 17.75 | 35.45 | 17.70 | Reply was awaited. |
| 22. | Srivijay-nagar | 7 | 72.20 | 79.37 | 7.17 | Excess expenditure was made due to increase in dearness allowances and death/transfer of employees. |
| 23. | Sojat City | 6 | 11.25 | 20.34 | 9.09 | Sanction from competent authority would be obtained. |
| 24. | Srikaranpur | 13 | 31.93 | 39.34 | 7.41 | Sanction from competent authority would be obtained. |
| 25. | Sawai-madhopur | 10 | 72.55 | 169.11 | 96.56 | Reply was awaited. |
| 26. | Vair | 4 | 0.35 | 0.67 | 0.32 | Reply was awaited. |
| | **TOTAL** | **273** | **1,399.55** | **1,894.02** | **494.47** | |

# APPENDIX - XI

**(Refer paragraph 3.6.3; page 49)**

## Statement showing details of outstanding advances as on 31 March 2009

**(₹ in lakh)**

| Sl. No | Name of Urban Local Bodies | No. of cases | Amount | Period | Years | Remarks/Reply |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. | Bari Sadri | 1 | 1.50 | Since 06/1997 | 11 | Action was being taken. |
| 2. | Bayana | 29 | 1.89 | Since 1993-94 | 15 | Reply was awaited. |
| 3. | Bharatpur | 105 | 276.56 | Since 005/1956 | 52 | Reply was awaited. |
| 4. | Bhilwara | 5 | 1.27 | Since 04/2003 | 5 | Outstanding advance could not be adjusted due to lack of budget and famine works. |
| 5. | Bundi | 22 | 13.44 | Since 002/2005 | 4 | Reply was awaited. |
| 6 | Chhabra | 50 | 30.71 | NA | NA | Advance would be adjusted and intimated to audit. |
| 7. | Deeg | 5 | 11.00 | Since 2005-06 | 3 | Reply was awaited. |
| 8. | Deshnok | 10 | 1.29 | Since 03/2005 | 4 | Action was being taken to recover/adjust of advance. |
| 9. | Jahajpur | 4 | 0.44 | Since 04/2003 | 5 | Reply was awaited. |
| 10. | Jhalawar | 4 | 0.46 | Since 01/1986 | 23 | Action was being taken to adjustment of outstanding advance. |
| 11. | Kaithun | NA | 1.62 | NA | NA | Reply was awaited. |
| 12. | Keshri-singhpur | 43 | 2.28 | Since 10/1980 | 28 | Reply was awaited. |
| 13. | Kherli | 2 | 0.26 | Since 02/2005 | 4 | Reply was awaited. |
| 14. | Losal | 4 | 0.15 | Since 1989-90 | 19 | Reply was awaited. |
| 15. | Malpura | 11 | 1.75 | Since 01/2005 | 4 | Action was being taken to adjust of outstanding advance. |
| 16. | Merta City | 5 | 12.68 | Since 12/2005 | 3 | Action was being taken. |
| 17. | Pushkar | 87 | 9.78 | Since 05/1971 | 37 | Action was being taken to recovered/adjustment of advance. |
| 18. | Sagwara | 4 | 1.79 | Since 08/1990 | 18 | Reply was awaited. |
| 19. | Sambharlake | 24 | 0.52 | Since 04/2005 | 3 | Reply was awaited. |
| 20. | Sikar | 122 | 100.22 | Since 04/1968 | 40 | Reply was awaited. |
| 21. | Sumerpur | 2 | 0.15 | Since 06/2006 | 2 | Reply was awaited. |
| 22. | Vair | 4 | 0.34 | Since 09/2005 | 3 | Reply was awaited. |
| | **TOTAL** | **543** | **470.10** | | | |

*NA-Not available*

# APPENDIX - XII

## Glossary of Abbreviations

| | | |
|---|---|---|
| **A&CD** | : | Art & Culture Department |
| **AEN** | : | Assistant Engineer |
| **AIPEBM** | : | Area Intensive Programme for Educationally Backward Minorities |
| **BEEO** | : | Block Elementary Education Officer |
| **BPL** | : | Below Poverty Line |
| **C&AG** | : | Comptroller and Auditor General of India |
| **CAA** | : | Constitutional Amendment Act |
| **CARISMA** | : | Computerisation Automation Refinement of Integrated System of Management and Accounts |
| **CSS** | : | Centrally Sponsored Scheme |
| **DC** | : | District Collector |
| **DDO** | : | Drawing and Disbursing Officer |
| **DEEO** | : | District Elementary Education Officer |
| **DI** | : | Devolution Index |
| **DLB** | : | Director, Local Bodies |
| **DLBD** | : | Directorate Local Bodies Department |
| **DLC** | : | District Level Committee |
| **DLFAD** | : | Director, Local Fund Audit Department |
| **DPC** | : | District Planning Committee |
| **DRDA** | : | District Rural Development Agency |
| **EA** | : | Executing Agency |
| **EE** | : | Executive Engineer |
| **EFC** | : | Eleventh Finance Commission |
| **GKN** | : | Gramin Karya Nirdeshika |
| **GOI** | : | Government of India |
| **GOR** | : | Government of Rajasthan |
| **GP** | : | Gram Panchayat |
| **IR** | : | Inspection Report |
| **JEN** | : | Junior Engineer |
| **LDC** | : | Lower Division Clerk |
| **LSGD** | : | Local Self Government Department |
| **M Cor** | : | Municipal Corporation |
| **MB** | : | Municipal Board |
| **MC** | : | Municipal Council |
| **MNREGS** | : | Mahatma Gandhi National Rural Employment Guarantee Scheme |
| **MoRD** | : | Ministry of Rural Development |
| **MP** | : | Member of Parliament |
| **MPLADS** | : | Member of Parliament Local Area Development Scheme |
| **NCAER** | : | National Council & Applied Economic Research |

| | | |
|---|---|---|
| **NMAM** | : | National Municipal Accounts Manual |
| **NRE** | : | Non-Recurring Expenditure |
| **PC** | : | Panchayat Cell |
| **PD** | : | Personal Deposit |
| **PHED** | : | Public Health Engineering Department |
| **PRD** | : | Panchayati Raj Department |
| **PRI** | : | Panchayati Raj Institution |
| **PS** | : | Panchayat Samiti |
| **PWD** | : | Public Works Department |
| **RD&PRD** | : | Rural Development and Panchayati Raj Department |
| **RDC** | : | Rural Development Cell |
| **RDD** | : | Rural Development Department |
| **RE** | : | Recurring Expenditure |
| **RLR** | : | Rajasthan Land Revenue |
| **RMA** | : | Rajasthan Municipalities Act |
| **RMP** | : | Residential Market Price |
| **RMRs** | : | Rajasthan Municipalities Rules |
| **RPRA** | : | Rajasthan Panchayati Raj Act |
| **RPRRs** | : | Rajasthan Panchayati Raj Rules |
| **RRP** | : | Residential Reserve Price |
| **RSRTC** | : | Rajasthan State Road Transport Corporation |
| **RSWC** | : | Rajasthan State Warehousing Corporation |
| **SFC** | : | State Finance Commission |
| **SGSY** | : | Swarnajayanti Gram SwarojgarYojana |
| **SHG** | : | Self Help Group |
| **SLC** | : | State Level Committee |
| **Sq yd** | : | Square Yard |
| **SSS** | : | State Sponsored Scheme |
| **TFC** | : | Twelfth Finance Commission |
| **TGS** | : | Technical Guidance and Supervision |
| **UC** | : | Utilisation Certificate |
| **UDC** | : | Upper Division Clerk |
| **ULB** | : | Urban Local Body |
| **WRD** | : | Water Resources Department |
| **ZP** | : | Zila Parishad |