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 73rd 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.

---

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.

---

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 8th in 2006-07 to 16th 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 8th (2006-07) to 16th (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.