CHAPTER – II

PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

PANCHAYATI RAJ INSTITUTIONS

SECTION A: DISTRICT RURAL SECTOR AUDIT

2.1 Introduction

District Rural Sector Audit involved a review of the significant socio-economic developmental schemes/programmes implemented in the District of Cachar during the period 2006-11. The audit encompassed an appraisal of Social Sector programmes relating to Rural Sector. In the economic sector, infrastructure development was reviewed through an assessment of the projects and schemes implemented for improvement of road connectivity in villages (MGNREGS, DDP and BRGF schemes), provision of employment and houses to the poor and vulnerable sections of society.

2.1.1. District profile

Cachar is a far flung district of the country and also an international border district. It is situated in the southern part of the state of Assam. The district is one of the backward districts in the country due to its low per capita income and poor communication. It is mainly based on local agriculture and agricultural allied activities. The demographic and developmental picture of the district is given in **Table 2.1**.

Table 2.1: Important statistics of Cachar District

Indicator	Unit	Value
Area	Sq. km	3786
Population (Total)	In lakh	14.45
Population (Male)	-do-	7.43
Population (Female)	-do-	7.02
Population Density	In Sq. km	381
Gender ratio	Per '000' -do-males	945
Literacy (Total)	*per cent*	68.42
Literacy (Male)	-do-	76.51
Literacy (Female)	-do-	59.85
Number of PRIs		
Zilla Parishad (ZP)	Number	1
Anchalik Panchayat (AP)	-do-	15
Gaon Panchayat	-do-	163

Source: Zilla Parishad, Cachar, Silchar

2.1.2 Audit Objectives

Audit undertook a special exercise to review, in an aggregated way, the outcome of government investments in the rural social sector in Cachar. Broadly, the audit objectives consisted of the examination of the following issues:

(a) The extent of involvement and empowerment of Panchayati Raj Institutions (PRIs) relative to the legislative intent and the orders of State Government from time to time, especially as regards devolution of fund, functions, functionaries, and framework (3Fs);

(b) Implementation of rural social development programmes, especially of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), IAY, BRGF, DDP, TFC etc;

(c) Implementation of district planning;

(d) Adequacy of internal control procedures and internal audit system in PRIs, and

(e) Sufficiency and effectiveness of primary external auditor in PRIs.

2.1.3 Audit criteria

a. Relevant Acts, Rules and regulations governing the functions of PRIs,

b. Guidelines of various Central and State Plans and Central and State Finance Commissions, and

c. Government orders and instructions issued from time to time.

2.1.4 Scope of Audit

Cachar being one of the backward districts in the State has been selected for district rural sector audit. Audit scrutinized the records of the CEO, Cachar Zilla Parishad, 4 Anchalik Panchayats and 8 Gaon Panchayats, 2 each under each selected Anchalik Panchayat, during the period from 9 May to 30 June 2011 to assess the effectiveness of devolution, planning, implementation of social sector programmes for a period of 5 years from 2006-07 to 2010-11. Two APs were selected on the basis of relatively higher population and proximity to the district headquarters while another two APs were selected on the basis of distance from district headquarters and having state and international border. Gaon Panchayats were selected on the basis of accessibility owing to poor connectivity during rainy season. Names of selected PRI units other than the Cachar Zilla Parishad are given below:

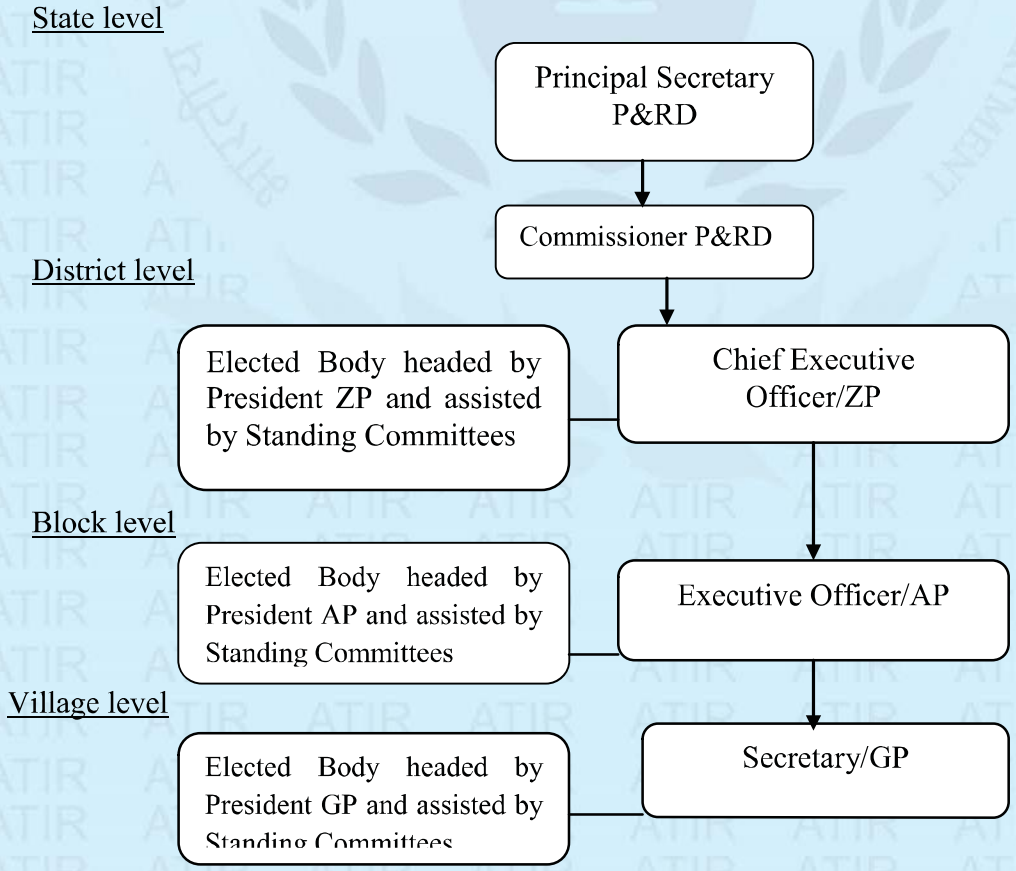
Name of Anchalik Panchayat		Name of Gaon Panchayat	
(1)		(2)	
1.	Sonai	1.	Hatikhal
		2.	Dakhin Krishnapur
2.	Lakhipur	1.	Sribar
		2.	Lakhipur Nayagram
3.	Udarband	1.	Khaspur
		2.	Dayapur
4.	Katigora	1.	Rajatila
		2.	Tarinipur

Besides, audit collected information relating to fund release and expenditure from the Project Director, DRDA, Cachar. Information was also obtained from the Assistant Director of Audit, Local Fund, Silchar to assess the sufficiency of primary external audit in PRIs.

2.2. Organizational arrangements

2.2.1 Chart 1 below depicts, to some extent, the complex organizational arrangements for PRIs in Cachar, including supra supervisory structure at the state level.

Organization chart of Panchayati Raj Institutions in Cachar District



2.2.2 Study by audit of the organizational arrangements of PRIs and of delivery system of rural social sector schemes revealed the following:

a. The functionaries are not yet transferred to PRIs. Key PRI functionaries report only functionally to the elected heads of PRIs. They remain State Government employees. They report functionally and administratively to next higher officers in the government hierarchy. There is thus little transfer of delegation of 'functionaries' to PRIs for key executive and finance functions.

b. In so far as personnel management is concerned, the local self governance at PRI level is incomplete and nebulous, as the governance space is crowded with cross cutting reporting responsibilities as discussed below:

(i) There are parallel bodies at the district level for implementation of rural sector schemes, viz. Zilla Parishad, a Panchayati Raj Institution and the DRDA, a government agency. While the CEO of the Zilla Parishad functions as controlling officer in respect of CFC, SFC, BRGF grants etc, the Project Director of the DRDA acts as controlling officer in respect of Centrally Sponsored Schemes (CSS) like SGRY, MGNREGS, IAY, SGSY, IWMP etc. Both the authorities function independently of each other.

(ii) At the intermediate level, the Block Development Officer (BDO), who is the ex-officio Executive Officer of the Anchalik Panchayat, has to report functionally to both the CEO of the Zilla Parishad and the Project Director of the DRDA according to the schemes under their control. However, the BDO is the State Government Officer under the administrative control of the P&RD Department and does not report administratively either to the Project Director of the DRDA or to the CEO of the Zilla Parishad.

(iii) On the other hand the Secretaries of the Gaon Panchayats belong to the cadre of Panchayat employees. The BDO of the Anchalik Panchayat has no administrative control over the Secretaries of the Gaon Panchayats.

Conclusion

A direct chain of command is missing in the organizational arrangements of PRIs. In the absence of an integrated mechanism to exercise administrative and functional as well as financial control (oversee flow of fund, deployment of fund and expenditure of the social development schemes and monitor their eventual outcome), implementation of schemes was sporadic, overlapping in nature and lacked coordination.

Recommendation

An integrated mechanism needs to be developed to exercise administrative and financial control for better coordination in each tier of PRIs.

2.3. Financial Management and Reporting

2.3.1 Fund Flow Arrangement

As indicated in para 1.10.1, funds for CSS are released by GOI directly to DRDAs for distribution to the implementing agencies without routing the same through the State budget. CFC and BRGF grants are transferred to the State and released through budget allocation to the PRIs. However, audit could not obtain information as regards totality of government investments in rural social development schemes in Cachar district. An attempt was made towards compilation of the Funds Available (FA) and Expenditure (Ex) in important rural social development schemes in Cachar during the five year period 2006-11 from the information collected from the Project Director, DRDA, Cachar and from the records made available by the CEO, Cachar ZP. **Table 2.2** below indicates fund flow for important Rural Social Development Schemes in Cachar during 2006-11.

Table 2.2

(₹in crore)

Scheme	2006-07		2007-08		2008-09		2009-10		2010-11		Progressive unspent balance
	FA	Ex	FA	Ex	FA	Ex	FA	Ex	FA	Ex	
SGRY/MG NREGS	32.90	31.81	78.65	55.90	28.97	28.51	26.95	25.93	17.43	14.82	2.61
IAY	16.36	15.51	22.77	22.08	33.82	31.89	52.72	52.44	40.80	30.91	9.89
SGSY	3.17	2.97	8.02	7.21	17.62	13.32	14.76	9.30	17.16	6.42	10.74
BRGF			10.00	2.80	7.30	7.05	3.28	2.37	10.86	9.30	1.56
DDP			6.03	3.01	3.07	1.68	1.38	0.94	22.26	15.68	6.58
BADP			0.06	0.05	0.35	0.33	0.43	0.24	0.52	0.35	0.17
TFC	2.47	2.05	2.73	2.01	3.20	0.90	12.97	3.63	9.53	8.85	0.68
Total	**54.90**	**52.34**	**128.26**	**93.06**	**94.33**	**83.68**	**112.49**	**94.85**	**118.56**	**86.33**	**32.23**

FA = Fund Available; Ex=Expenditure

There is a standard procedure of withdrawal of funds for incurring any government expenditure which is governed by the General Financial & Treasury Rules, Delegation of Financial Powers Rules, and specific conditions attached with a given sanction for withdrawal of funds by the competent authority for a given purpose. This procedure enables the sanctioning authorities to administer fiscal resource transfer from the government treasury down to the grassroots level of expenditure. It also enables the implementing as well as the supervisory officers at all levels to monitor that fund flow from the government accounts with due regard to efficiency, effectiveness, and economy. Most importantly, this procedure is designed to keep the public expenditure in a well-defined accountability loop and within the overall ambit of legislative financial control.

In most of the flagship schemes relating to the rural social development implemented by the PRIs, the standard procedure had not been followed mainly due to complexity in mechanisms for flow of fund and differing processes of utilisation governed by guidelines of different schemes, especially, in schemes like MGNREGS, IAY, SGSY etc, funds are released by GOI directly to DRDAs without routing the same through the State budget. As a result, flow of fund and its utilization by the implementing agencies are not readily reflected in the accounts of the State, which are left with no mechanism to monitor the flow of fund and exercise legislative financial control on implementation of schemes. Thus, the rural social development schemes were being implemented without ensuring that alternative structures were in place for ensuring integrated financial monitoring and accountability either at the district or at the state levels. This fact is further compounded by the complexity of the administrative set up explained at paragraph no. 2.2.

There is no mechanism, however, at the district and the state levels to monitor fund flow, deployment of fund, and expenditure of the social development schemes, much less their eventual outcome in an aggregated manner at any given point of time. The state accounts do not reflect the totality of government investments in social development schemes, as fund for centrally sponsored schemes flow to the implementing agencies outside of government accounts.

2.3.2 Financial Reporting issues

Financial reporting in any organization is a key element of accountability. The best practices require preparation of General Purpose Financial Statements (GPFS) for each accounting entity and government as a whole.

GPFS are accounting statements to communicate information about financial position and performance and include notes and schedules that are needed to clarify items in the statements, disclosures on assets and liabilities, and physical performance etc.

Rural social sector investment in Cachar has more than doubled in the last five years (2006-2011). PRIs engaged in implementation of rural social sector schemes, however, did not prepare GPFS. They are reporting the financial and physical progress of the schemes dealt with by them to their Directorate either directly or through their next higher authority. These reports do not contain critical information about assets, loss due to theft or negligence, pending liabilities, etc. Even in preparation and submission of these

statements, there is no centrality of financial and physical reporting regarding total investments made in the rural social sector in the district or in each Panchayat.

As recommended by EFC, PRIs ought to prepare annual accounts. However, the Assam Panchayat (Financial) Rules 2002 did not include any provision for preparation of Annual Accounts and its submission to any authority. P&RD Department, which was responsible for monitoring of the activities of PRIs, had not taken any step to ensure that PRIs maintained their records properly and annual accounts are prepared by them disclosing their financial position alongwith the status of their assets and liabilities.

Assets such as roads, community halls, Panchayat Ghar, water bodies, assets relating to water supply and sanitation, etc., have been created under different rural social sector schemes by PRIs. However, the test checked GPs had not maintained Asset Register at all. Consequently, assets created in GPs under the schemes implemented through PRIs or other implementing agencies were not ascertainable from available records.

Conclusion

In the absence of well defined accountability, reporting mechanism, adequacy and quality of financial reporting of PRIs were liable to be compromised besides leading to shortcomings in monitoring by the State Government.

Recommendation

Reporting mechanism in respect of both the financial and physical status in each tier of PRIs upto State Government level, needs to be strengthened by specifying the control and reporting requirement through a time bound action plan.

2.4. District Planning

2.4.1 The 74th Constitutional amendment inserted article 243 ZD in the Constitution, which says that there shall be constituted in every State at the district level a District Planning Committee (DPC) to consolidate the plans prepared by the Panchayats and the Municipalities in the district and to prepare a draft development plan for the district as a whole. It exhorts the State Legislatures to 'make provision with respect to- (a) the composition of the District Planning Committees; and, (b) the manner in which the seats in such Committees shall be filled'. DPC is thus the bulwark of decentralized local self-governance.

Para 11 and 12 of the BRGF guidelines provided that the district plan would emerge out of the district components of the departmental plans and also the centrally sponsored

schemes and externally aided projects assigned to LBs containing the following sources of funds:-

a. Own resources available for development.
b. Transfers by the State Finance Commission for development purposes.
c. Finance Commission Grants passed on by State Government.
d. Untied grants for local planning.
e. Grants in respect of Centrally Sponsored Schemes for implementation through local governments.
f. Grants for externally supported schemes for implementation through local Government.
g. Grants for state plan schemes.
h. Estimated contribution by the committee themselves.

The DPC was expected to consolidate the two streams - the Panchayat Plans and the urban area plans and integrate them with the departmental plans for the district and prepare draft five year plan and annual plan.

State planning department was to issue guidelines and suggest the broad structure of the district plan and the forms to be annexed to the document.

2.4.2 Government of Assam (GOA), have, within two years of passing of the 74th amendment, brought the required legislation in the form of Assam Panchayat Act, 1994 which *inter-alia* provided for setting up of DPCs in every district of the State. The State Legislature passed Assam Panchayat Act, in May 1994. However, the GOA have only in January 2004 i.e after more than 9 years of passing of the Act, issued instructions to the districts for constitution of DPC.

DPC in Cachar came into existence in December 2005, a good 12 years after the 74th amendment had come into effect in 1993. Besides, the Honourable Member of the Lok Sabha constituency, Honourable MLAs of LACs of Cachar district and Chairperson, Silchar MB, the Cachar DPC consists of 44 other members; 22 each selected from amongst the elected members of Cachar ZP and Silchar Municipal Board (MB). The President of Cachar Zilla Parishad is the ex-officio Chairman and the Deputy Commissioner is the ex-officio member of the DPC. The Chief Executive Officer Cachar ZP provides secretarial assistance to DPC in ex-officio capacity.

2.4.3 As per Assam Panchayat Act, 1994 DPC, is to consolidate the plans prepared by the Panchayats and Municipalities in the District and prepare a draft development plan for the district as a whole having regard to (i) the matter of common interest of Panchayats and Municipalities in the District including sectoral planning, sharing of water and other physical and natural resources, the integrated development of infrastructure and environmental conservation; (ii) the extent and type of available resources whether financial or otherwise, and (iii) consult such institutions and organizations as the Governor may, by order, specify.

2.4.4 GOA, Panchayat and Rural Development Department framed guidelines (June 2010) for preparation of a draft District Development Plan for PRIs detailing the method of preparation of draft plan at different stages and consolidation of a draft development plan of the district. Though the guidelines provided a scope for a review of implementation and monitoring of the plan by DPC, it did not prescribe a mechanism for reporting progress of implementation of district plan to the State Government.

Besides, the guidelines prepared by the Panchayat and Rural Development Department referred only to Panchayat Plans. Guidelines for urban area plans and integration of these plans with the departmental plans for the district for consolidation of a draft development plan incorporating all plans of the district, had not been prepared (February 2012).

2.4.5 Rule 35 of Assam Panchayat (Financial) Rules, 2002 provides for (i) creation of DPC fund through contribution from departments required to transfer their functions to Panchayats,(ii) allocation of manpower of one UDA, two LDAs and three Gr. IV staff by Panchayat and Rural Development Department and (iii) preparation of DPC's own budget.

However, neither the fund was created due to non transfer of functions by the respective departments nor the staff provided by the Panchayat and Rural Development Department. No budget allocation was made by the State Government for functioning of the DPC.

2.4.6 Audit findings on the functioning of DPC are as follows:

a. The DPC did not call for submission of their annual plan from the PRIs and other stake holders with a view to preparing the annual district plan as a whole. Thus, the DPC did not perform its primary function of preparation of holistic district plan as envisaged in the AP Act, 1994.

b. PRIs did not prepare any five-year plan. Except preparation of draft perspective plan under MGNREGS and BRGF for the period 2007-08 to 2011-12, perspective plan for resources available under other CSS and State Plan schemes were not prepared. Thus, the perspective plan under MGNREGS and BRGF did not cover all resources available under different CSS, SPS and externally aided projects etc.

c. Though the perspective plan was prepared under BRGF in March 2009, it was not placed before DPC for approval. No record for approval of perspective plan by the High Power Committee of the State Government was also available on record.

d. There was delay of more than a year in holding the first meeting of the DPC since its constitution in December 2005. As per records made available to audit, the DPC held the following meetings since its constitution till March, 2011.

Sl. No.	Date of meeting	Matter of discussion.
1.	24.2.2007	Approval for sub allocation of fund under BRGF 2006-07.
2.	04.12.2008	Allocation of DDP fund for the year 2008-09 modification of lone scheme under DDP 2006-07, 2007-08 and BRGF 2005-06.
3.	27.2.2009	Approval of action plan of BRGF 2007-08.
4.	27.1.2010	Approval of DDP fund for the year 2009-10 and modification some scheme under BRGF 2006-07.
5.	24.7.2010	Approval of DDP fund for the year 2010-11.

Thus, the DPC met only 5 times during the last five years essentially to complete the formalities of approval and modification of some schemes under BRGF 2006-07, 2007-08 and DDP 2006-07, 2007-08, 2009-10 and 2010-11. Thus, DPC did not hold any meeting to review the progress of implementation of the Schemes approved by it.

e. There was no record to indicate that the plans considered by DPC had been consolidated from the plans prepared from the grass root level of the Gaon Sabhas, AP. DPC did not appear to have insisted on confirmation of involvement of GPs.

Conclusion

DPC in Cachar district suffered from delayed constitution, lack of resources and infrastructure, absence of effective rules and regulations and insufficient guidelines for its functioning. DPC met very infrequently and its functioning remained incomplete without much participation GPs/APs.

Recommendation

Clear and comprehensive guidelines should be framed for ensuring effective functioning of DPC and supporting records/minutes should be maintained so as to help improve monitoring and evaluation of the schemes under implementation.

2.5. Internal Controls

2.5.1 Effective Internal Control system helps in providing reasonable assurance of adherence to laws, rules, regulations and orders, safeguards against fraud, abuse and mismanagement and ensures reliable financial and management information to higher authorities. The control activities include proper maintenance of accounts, reconciliation of figures, documentation, and system of authorization and approval of payments, segregation of duties, inspection and audit.

2.5.2 Accounts and reconciliation

GOA under the AP Act, 1994 framed the Assam Panchayat (Financial) Rules, 2002 which was amended in August 2004 for adoption of formats for maintenance of accounts and record keeping by PRIs as prescribed by C&AG of India in 2002.

C&AG of India in consultation with MoPR, GOI simplified the accounting formats in 2009 with coding pattern for each tier of PRIs in order to strengthen their accounting system and enable the authorities to monitor the progress of receipts and expenditure under different schemes and to take further necessary action as required.

GOA intimated (August 2010) that the accounting formats would be adopted at all levels of PRIs with effect from October 2010, but the Assam Panchayat (Financial) Rules, 2002 was yet to be amended (February 2012) to adopt the simplified formats.

2.5.3 Examination of records revealed that maintenance of accounts by ZP, APs and GPs was deficient as follows:

a. None of the PRIs maintained their accounts in the formats prescribed in 2002 or 2009. In absence of maintenance of head-wise accounts, it was not possible for the authorities to monitor the activities of PRIs for ensuring effective implementation.

b. None of the test checked PRIs prepared monthly and annual accounts. However, Assam Panchayat (Financial) Rules, 2002, as amended in August 2004, did not prescribe any format for preparation of monthly and annual accounts. Due to inadequacy in relevant Acts and Rules, annual accounts were not prepared by the PRIs in the district and thereby true and fair view of financial affairs of these institutions and their assets and liabilities were not disclosed.

c. Multiple bank accounts against each scheme or activity were maintained by all the test checked PRIs. However, none of them could furnish a list of bank accounts operated by them and none of them prepared reconciliation statements with banks.

Audit could not, therefore, ascertain the correctness of the bank transactions recorded in the cashbook.

d. In absence of Internal audit no inspection was carried out by the departmental officers to ensure that the records of PRIs were maintained. Reconciliation of balances were also not carried out with the banks.

2.5.4 Upkeep of records

GPs, APs and the ZPs were required to prepare and maintain various records and registers in accordance with Assam Panchayat (Financial) Rules, 2002, as amended in August 2004. However, the following irregularities were noticed

a. Each test checked PRI maintained more than one Cash Book which were not closed daily or monthly and were used as and when a transaction had occurred without analyzing the closing balance and conducting any physical verification of cash e.g. EO, Sonai AP maintained cash balance ranging from ₹3042 to ₹71888 during 2006-11 and during the same period, EO, Udarband AP maintained cash balance ranging from ₹2136 to ₹33397 under 'Own Fund'. No physical verification of cash was conducted.

b. In addition to the operation of multiple Cash Books, fund received under different schemes/activities were parked in a number of bank accounts for each scheme. Cash Book balances were not reconciled with bank balances in any PRI. Instances of non reconciliation of differences of balances of Banks and Cash Book are given in **Appendix 2.1.**

In the absence of periodical reconciliation, fraudulent drawals could not be ruled out.

c. None of the PRIs maintained activity wise Expenditure Control Register or Expenditure Ledger. Works ledgers were not updated, authenticated and reconciled with payments made through Cash Books and Cheque Issue registers. In the absence of reconciliation of payments with Expenditure Ledger or Works ledgers, possibility of excess or overpayments could not be ruled out.

d. None of the PRIs maintained Moveable Property Register and Asset Register. In absence of Asset Register, the assets were not ascertainable. Annual physical verification of movable and immovable properties was not done in any PRI.

e. Works in the GP areas were also undertaken by the concerned APs and the ZP. None of these institutions, however, either maintained or handed over any inventory of

assets created by them to the GP authorities. As such, creation of assets went unnoticed. Besides, in the absence of Asset Register or inventory of assets, periodical maintenance/ repair/up keep of assets was also not possible to have been done in an organized and systematic manner. Deterioration of assets due to non maintenance could not also be ruled out.

f. None of the GPs prepared estimates for the works executed by them.

g. None of the test checked PRIs maintained Register of Stores and Stock. Physical verification of stores was also not conducted by any PRI.

h. None of the PRIs maintained Advance Registers though advances were routinely paid to JEs for execution of works under MGNREGS, TFC, BRGF, DDP *etc*. Audit scrutiny of the records of CEO, Cachar ZP revealed that ₹1.76 crore was paid as advance between April 2008 and November 2010 to JEs for execution of works under BRGF, DDP and TFC and JEs submitted adjustment vouchers/MBs/MRs for ₹39.71 lakh only. Balance ₹1.36 crore remained unadjusted. Details of advances remaining unadjusted are indicated in **Appendix 2.2.** Adjustment bills submitted by JEs were not scrutinized and passed by CEO. As a result, all advances paid to JEs remained unadjusted till date.

CEO, Cachar ZP did not take any effective steps except issue of routine reminders. Physical status of works also could not be ascertained in audit due to non submission of vouchers by JEs.

Non submission of adjustment vouchers for long periods would raise suspicions of the bonafideness of expenditure or advance released.

2.5.5 Non maintenance of records.

Test check of records of Cachar ZP relating to implementation of schemes under DDP/BRGF, disclosed that CEO had drawn ₹17.47 crore during 2009-11 (₹7.16 crore for BRGF and ₹10.31 crore for DDP) in cash by presenting self cheques for incurring expenditure for execution of works through JEs. No disbursement register relating to scheme/work/ activity wise fund disbursed to JEs was maintained. Similar irregularities were noticed in respect of other programmes also. In the absence of systematic documentation such as work wise schematic ledger, progress register of works, evaluation reports etc., the outcome of the works executed by ZP could not be assessed either by the PRIs or State Government or by Audit.

2.5.6 Segregation of duties

To reduce risk of error, waste, or wrongful acts, no single individual or team should control all key stages of a transaction or event. Rather, duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist. However, the GPs are poorly staffed with only two Gr. III employees and Secretary, GP is controlling almost all the stages of transaction or event. This system does not provide assurance that instances of mishandling of money or store are ruled out.

Conclusion

(i) PRIs did not prepare monthly and annual accounts to exhibit true and fair view of their financial affairs and their assets and liabilities were also not disclosed.

(ii) Maintenance of multiple bank accounts and non-reconciliation of figures in Cash Book with bank would raise doubts as to the correctness of the amounts of funds received and actually spent.

(iii) Non-maintenance of advance registers and other supporting records led to accumulation of unadjusted advances indicating slackness in monitoring and ensuring proper and timely utilization of money for the intended purposes.

Recommendation

(i) PRIs should mandatorily maintain monthly and annual accounts and prescribed formats should be incorporated in the AP (F) Rules in this regard.

(ii) Timely reconciliation of closing balances and proper maintenance of records should be ensured through regular inspection and strengthening the internal control mechanism.

2. 6 Audit arrangements in PRIs

Primary external audit

2.6.1 Responsibility for conducting audit of PRIs and other bodies and authorities in Cachar district rests with the Assistant Director of Audit, Local Fund, Silchar, Cachar.

Information obtained from the Director of Audit, Local Fund (DALF), Assam, Guwahati and the Assistant Director of Audit, Local Fund (ADALF), Silchar revealed the following deficiencies in audit planning and execution.

2.6.2 Audit plan and its execution

a. There was no record available with the Assistant Director of Audit, Local Fund (ADALF), Silchar regarding the number of units planned and audited during a year. Audit of units was conducted as per programme issued from the DALF Guwahati and no follow up record was maintained at the district level.

b. As intimated by DALF in February 2012, against 120 local PRI units planned for audit during 2010-11 in Cachar district, only 77 units were audited which was 64 *per cent* of units planned. DALF attributed the shortfall to the shortages in the cadre of Audit Officers and Assistant Audit Officers, which was more than 50 *per cent* of the sanctioned strength which adversely affected the discharge of mandated functions.

c. No system existed in the office of ADALF, Silchar for obtaining of orders/instructions relating to budget, sanctions, implementation of schemes, etc., issued by PRIs, GOA and GOI, either for use in finalization of its annual audit plan or for preparatory work before conducting audit of individual unit.

d. There was no system of risk analysis inherent or likely to be present in the audited entity for inclusion in audit plan on priority or otherwise. DALF prepares what is a mixed audit plan for all units including Panchayats and the same official is deployed for audit of all such units. This system does not allow development of expertise in a particular branch of audit or functions of PRIs.

2.6.3 Reporting and pursuance of audit observations

a. Audit/Inspection Reports of the units audited were not available with the Assistant Director of Audit, Local Fund, Silchar. Draft Audit/Inspection Reports are forwarded to the Directorate for approval and are issued from their end. No follow up record was available at the district and the Assistant Director of Audit, Local Fund, Silchar. ADALF, Silchar was not aware of the status of issue of Audit/Inspection Reports in respect of units audited by his office. So far no consolidated Annual Audit Report was prepared by DALF for submission to the Finance Department.

b. There was no system of categorization of audit observations into important, serious, procedural or otherwise. Scrutiny of audit notes of ADALF revealed that audit observations related mostly to non production of records and consequently no audit checks were possible to be exercised.

c. The Deputy Director of Audit, Local Fund, Silchar did not maintain any Objection Book and hence replies were not pursued from audited entity.

2.6.4 Supplementary audit

As per terms and conditions of Technical, Guidance and Support (TGS), entrusted to C&AG by GOA, the office of the Sr. Deputy Accountant General (LB Audit & Accounts), Assam, Guwahati, {now Office of the Principal Accountant General (Audit)}

after conducting audit of PRIs, forwarded the inspection reports to the DALF for pursuance. DALF, however, expressed (January 2010) inability to pursue the IRs citing shortage of staff.

Conclusion

DALF, the primary audit institution in the State, is working with more than 50 *per cent* shortage of manpower in the cadre of Audit Officer and Assistant Audit Officer and the district level office is not well equipped with analytical techniques which adversely affected planning for effective audit.

Recommendation

Creation of databank to assess risk management for proper audit planning in each district level office and filling up the vacant posts should be taken up on priority, for ensuring effectiveness of DALF, being the primary auditor in the State.

2.7 Preparation of budget estimates

2.7.1 Budget is the most important tool for financial planning, accountability and control. As per Section 96 of Assam Panchayat Act 1994, budget proposals containing detailed estimates of income and expenditure expected during the ensuing year, beginning 1st of July to 30th June of the next calendar year, are to be prepared by the respective standing committees after considering the estimates and proposals submitted by the Secretary of the GP/Executive Officer (EO) of the AP/Chief Executive Officer (CEO) of the ZP, as the case may be. However, dates for preparation, submission and approval of budget estimates for each tier of PRI have not been prescribed either in the AP Act, 1994 of the AP (F) Rules, 2002 made thereunder.

2.7.2 Examination of records revealed the status of preparation of budget estimates by PRIs in Cachar district as under:

a. None of the 8 test checked GPs prepared budget estimates.

b. Of the 4 test checked APs, the EO Udarband AP prepared budgets for 'Own Fund' only. Other 3 APs did neither produce budget documents nor did they state whether budget estimates were prepared by them.

c. Scrutiny of budget statements of Cachar ZP for the period 2006-07 to 2010-11 revealed that the budgets prepared showed incorrect opening balances every year as detailed in **Table 2.3**.

Table 2.3

(₹in lakh)

Years	Opening balance as shown in budget statements	Actual Opening balance as per previous years Closing balance	Actual receipt as per budget statement	Total fund available	Actual expenditure as per budget statements	Actual closing balance
(1)	(2)	(3)	(4)	5 (3+4)	(6)	7 (5-6)
2006-07	4.69	4.69	880.91	885.60	880.75	4.85
2007-08	29.30	4.85	1846.64	1851.49	1496.70	354.79
2008-09	829.80	354.79	246.02	600.81	514.71	86.10
2009-10	(-) 85.14	86.10	3766.31	3852.41	1684.38	2168.03

Concerned files and ledgers based on which budgets were prepared were not made available to audit for verification. Thus, the actual position of receipt, expenditure and balances lying with the Cachar ZP could not be ascertained.

2.7.3 Besides, deficiencies in budget preparation, it was noticed that estimates were largely inflated and not based on previous trends of receipts, availability of fund under central and state plan allocations resulting in shortfall in receipts as well as in expenditure as compared to what were estimated in the budget as indicated in **Tables 2.4** and **2.5**.

Table 2.4: Estimated receipts and actual receipts of Cachar ZP during 2006-10.

Receipts **(₹ in lakh)**

Year	Estimated receipts	Actual receipt	Variation (+) Excess/(-) Less	Percentage Variation (+) Excess/(-) Less
2006-07	822.82	880.91	(+) 58.09	(+) 7.06
2007-08	4662.40	1846.64	(-) 2815.76	(-) 60.39
2008-09	4649.00	246.02	(-) 4402.98	(-) 94.71
2009-10	3704.00	3766.31	(+) 62.27	(+) 1.68

(Due to non-preparation of budget of 2011-12 by the ZP actual figures for 2010-11 was not available)

Actual receipts varied from1.68 *per cent* in 2009-10 to 94.71 *per cent* in 2008-09. During 2007-08 and 2008-09 receipts were over estimated by 60.39 *per cent* and 94.71 *per cent* respectively.

As stated in preceding para 2.7.2, the basis of preparation of budgets could not be ascertained due to non production of records. Decline in receipts in 2008-09 may, however, be attributed to non receipt of funds under BRGF and DDP for that year from the State Government, which did not release the fund for reasons not found on record.

Similarly, expenditure also varied from 18.67 *per cent* to 89.40 *per cent* during 2006-07 to 2009-10 as shown in **Table 2.5**.

Table 2.5: Budget allocations and expenditure of Cachar ZP during 2006-10

Expenditure (**₹ in lakh**)

Year	Budget allocation	Actual expenditure	Variation (+) Excess/(-) Less	Percentage Variation (+) Excess/(-) Less
2006-07	742.16	880.75	(+) 138.59	(+) 18.67
2007-08	4637.95	1496.70	(-) 3141.25	(-) 67.73
2008-09	4858.25	514.71	(-) 4343.54	(-) 89.40
2009-10	3690.60	1684.38	(-) 2006.22	(-) 54.36

Actual expenditure was less than the budget allocation by 67.73, 89.40 and 54.36 *per cent* during 2007-08, 2008-09 and 2009-10 respectively. This indicated that the ZP did not assess its ability to incur expenditure properly in these years.

Conclusion

PRIs did neither prepare any budget or prepared unrealistic budgets which rendered financial planning ineffective.

Recommendation

PRIs should prepare their annual budgets realistically based on proper assessment of anticipated inflow and outflow of funds.

2.8 Implementation of Schemes

2.8.1 Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

2.8.1.1 Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) guarantees 100 days employment in a financial year to any rural registered household on demand. The scheme is being implemented in the district since 2007-08. The Deputy Commissioner (DC) of the district worked as District Programme Coordinator of MGNREGS at the district level, while at the block level, Programme Officer (PO), and GPs at grass root level are responsible for its implementation.

The entire cost of wages for unskilled manual workers is borne by the GOI and the cost of material and wages for skilled and semi-skilled workers is shared in the ratio of 75: 25 between GOI and the State Government. In case, wage employment cannot be provided within 15 days of application, unemployment allowance is payable by the State Government.

2.8.1.2 Year wise position of funds received by DRDA, Cachar and utilization thereof during 2007-2011 is given in **Table 2.6**.

Table 2.6

(₹in crore)

Year	OB	Fund Receipt				Expenditure	CB (Percentage)
		Centre	State	Other Receipts	Total Available Fund		
2007-08	Nil	57.57	0.44	0.91	58.92	36.60	22.32 (38)
2008-09	22.32	-	5.89	0.32	28.53	25.81	2.72 (10)
2009-10	2.72	22.36	1.33	0.11	26.52	25.93	0.59 (2)
2010-11	0.59	13.21	2.86	0.34	17.00	14.82	2.18 (13)

Though the utilization of fund ranged between 87 and 98 *per cent* during 2008-09 to 2010-11, provision of employment was not consistent to the reported utilization of funds as could be seen from **Table 2.7**.

Table 2.7

Year	Total mandays generated (Figure in lakh)	Job card holders who demanded employment (In number)	Job card holders provided employment (In number)	Job card holders provided with 100 days employment (In *per cent*)	Average employment provided to each household (days)
2007-08	14.71	71887	59057	70 (0.12)	25
2008-09	28.97	105349	90118	3991(4.43)	32
2009-10	22.89	84996	83395	751 (0.90)	28
2010-11	10.07	53879	47613	172 (0.36)	21
Total	76.64	316111	280183	4984 (1.78)	27

Out of 3,16,111 households which demanded jobs during 2007-11, employment was provided to 2,80,183 households. Thus, 35,928 willing rural people demanding employment were deprived of the benefit of enhancement of livelihood security.

Further, only 0.12 to 4.43 *per cent* households were provided 100 days employment during 2007-11. Average employment provided to each household ranged between 32 and 21 days which showed decreasing trend since 2008-09. Thus, the district failed to optimally utilize funds provided under the scheme and the objective of providing 100 days employment to every household demanding work remained largely unfulfilled.

2.8.1.3 The Scheme provided that at least 33 *per cent* of jobs are to be provided to women. It was, however, noticed that out of the 76.64 lakh mandays generated during the last 4 years, women were provided employment for 4.81 lakh mandays which worked out to about 5 *per cent* against the required 33 *per cent*. as shown below in **Table 2.8**.

Table 2.8: Details of employment generated for beneficiaries belonging to SC/ST & Others under MGNREGS 2007-11

(Figure in lakh)

Year	Total mandays generated	Mandays for SC/ST	Mandays for others	Mandays for women
2007-08	14.71	5.04	9.67	-
2008-09	28.97	10.61	18.36	2.91
2009-10	22.89	6.95	15.94	1.06
2010-11	10.07	3.15	6.92	0.84
Total	**76.64**	**25.75**	**50.89**	**4.81**

2.8.1.4 Incomplete works

As regards physical performance of works taken up under the scheme, no information was furnished by the Project Director, DRDA Cachar despite repeated persuasion. As per information obtained from 4 selected APs, 21 to 79 *per cent* works taken up under the scheme for the years 2007-08 to 2009-10 remained incomplete as of March 2011 as shown in **Table 2.9**.

Table 2.9: Status of works

Year	No. of APs which furnished information	Total no. of approved works	No. of works taken up	No. of works completed	No. of works that remained incomplete	Percentage of works that remained incomplete
2007-08	4	206	202	121	59	29
2008-09	4	99	98	77	21	21
2009-10	4	120	120	26	94	78
2010-11	3	83	79	52	27	34
Total		**508**	**499**	**276**	**201**	**40**

Following were the related observations:-

i) In Sonai AP, none of the 66 works, taken up in 2007-08 with estimated cost of ₹2.95 crore was completed by March 2011. Forty-four works were stated to be under progress on which expenditure of ₹1.12 crore was incurred. Status of remaining 22 works was not stated by EO, Sonai AP.

ii) In Udarband AP, 5 works for the years 2007-08 and 2008-09 were not executed due to land dispute, overlapping of work etc. Of these, ₹35.06 lakh in respect of 4 works were refunded to the PD/DRDA, Cachar between September 2009 and January 2011 and ₹8.36 lakh in respect of one work was lying in the bank account of PO, Udarband AP. No alternate works were taken up from the incomplete works under the perspective plan.

iii) EO, Udarband, AP released ₹35 lakh to Superintending Engineer, Water Resource Division, Silchar on 7 February 2008 towards execution of 3 works relating to flood control/protection. The estimated cost of the works was ₹48.31 lakh. However, work beyond 90 *per cent* was not carried out as of June 2011 due to non release of balance fund. Work was thus taken up without ensuring availability of funds which resulted in unproductive expenditure of ₹35 lakh having been incurred on incomplete works.

iv) Out of 65 works approved for ₹4.62 crore to be taken up in Katigora AP for the year 2007-08, fifty nine works were shown as having been completed as of March 2011 at a cost of ₹3.94 crore. There was, however, no evidence in support of completion of these 59 works as completion reports, UCs or photographs were not produced to audit.

v) While five works remained incomplete on which expenditure of ₹42.06 lakh was incurred, one work of construction of road from TRK road to Singjuripur Via Madanganj at Govindapur – III was not executed and the fund amounting to ₹15.03 lakh was lying unspent with Gobindapur GP for a period of more than one year.

2.8.1.5 Payment of wages to job card holders in cash

As per Government of India guidelines, wages under MGNREGS are required to be paid through Individual Bank Accounts/Post Office Saving Accounts of job card holders.

However, scrutiny of Cash Book, Muster Roll (MR) vouchers maintained by Dayapur GP revealed that the Secretary, GP made payments in cash to job card holders thereby violating the GOI instructions. Instances of payments made in cash are indicated in **Appendix 2.3.**

2. 8.1.6 Implementation of the Scheme and upkeep of records at GP level.

During test check of records of GP, the following irregularities were noticed in implementation of MGNREG scheme:

1. Guidelines of MGNREGS laid down that works were to be allocated in the following order of priority:

(i) water connection, (ii) drought proofing, (iii) provision of irrigation facility, (iv) renovation of traditional water bodies, (v) land development and (vi) road connectivity.

Test check of records of GP revealed that works were mainly executed involving construction of road which was to be given least priority according to MGNREGS guidelines.

2. Duration of works and date of completion were not mentioned in the measurement book and as such, audit could not ascertain the date when the work was stated to have been completed.

3. Completion certificates were not available on record to show that schemes had been successfully completed.

None of the 8 selected GPs produced the following records to audit for verification:
i) Application Registration Register, ii) Job card Register, iii) Employment Register, iv) Complaint Register, v) Muster Roll Receipt Register and vi) Asset Register.

Government of India approved appointment of one Gram Panchayat Technical Assistant (GPTA) for every six GPs. No such appointment was, however, made and reasons for non-appointment though called for (February 2012), had not been intimated. Engagement of GPTA would have enabled GP to avoid irregularities in maintenance of records that had persisted.

2.8.1.7 General Comments

i) Though there was shortfall in providing employment against jobs demanded by the job seekers, no employment allowance was paid. Commissioner P&RD stated (February 2012) that no demand was placed by the districts for payment of unemployment allowance. Thus, the District Programme Coordinators failed to provide legitimate benefit to the rural poor as envisaged in the Act.

ii) Annual plans prepared under MGNREGA did not include separate plans for ongoing and new works and order of priority for selection/allotment of works was not maintained. Preparation of mixed plan for both ongoing and new works prevented an assessment being done of the status of progress/ completion of individual work.

iii) Though the Commissioner, P&RD, intimated that annual plans were approved by Gaon Sabhas and were widely publicised, minutes of Gaon Sabha meetings were not made available during test check of records of Gaon Panchayats. As a result, level of participation of rural people in decision making could not be ascertained.

iv) As intimated by the Commissioner, P&RD, Assam (February 2012), social audit was conducted by Gaon Sabhas through a team of job card holders and remedial measures were taken as and when irregularities were detected. However, minutes of social audit were not made available to audit during test check. Deficiencies detected during social

audit and remedial measures, if any, taken by the authorities could not, therefore, be ascertained.

v) Further, no provision for social audit by an independent organization/third party of reputation was made in Assam Rural Employment Guarantee Scheme, 2006, framed under MGNREGA, 2005. As a result, independent evaluation of implementation of the scheme and its impact on upliftment of rural poor were not available.

2.8.2 Indira Awaas Yojana

2.8.2.1 Indira Awaas Yojana (IAY) is a housing scheme intended to provide houses to the poor people in rural areas. IAY provides grant for construction of houses to members of Scheduled Castes/Scheduled Tribes, freed bonded labourers and also to non SC/ST rural poor who are below the poverty line subject to the condition that benefits to non-SC/ST should not exceed 40 *per cent* of total IAY allocation during a financial year.

2.8.2.2 Identification of beneficiaries

DRDAs are to decide Panchayat-wise number of houses to be constructed under IAY, during a particular financial year and intimate the same to the Gaon Panchayat. Thereafter, the Gaon Sabha is to select beneficiaries restricting its number to the target allotted from the list of eligible households, according to IAY guidelines and as per priorities fixed. Selection by the Gaon Sabha is final and no approval of any higher authority is required.

2.8.2.3 Financial and physical achievements

IAY is a centrally sponsored scheme funded by the Centre and the State in the ratio of 75:25. Details of fund received and expenditure incurred during 2006-11 as intimated by the PD, DRDA Cachar are indicated in **Table 2.10**.

Table 2.10: Funding and Expenditure under IAY

(₹ in crore)

Year	Opening balance	Fund received		Other receipts	Total fund available	Expenditure incurred (Percentage)	Closing balance
		GOI	GOA				
2006-07	0.86	10.98	4.33	0.19	16.36	15.51(95)	0.85
2007-08	0.85	17.52	4.32	0.08	22.77	22.08(97)	0.69
2008-09	0.69	25.12	7.91	0.10	33.82	31.89(94)	1.93
2009-10	1.93	46.55	4.05	0.19	52.72	52.44(99)	0.28
2010-11	0.28	33.65	6.73	0.15	40.81	30.91(75)	9.90

Utilization of funds ranged between 94 and 99 *per cent* during 2006-10 and was 75 percent during 2010-11. This reflected the position of funds released by DRDA to APs and did not depict actual expenditure incurred under the scheme on the beneficiaries.

Financial achievements in four selected APs depicted in **Table 2.11**, would indicate that 24 to 50 *per cent* funds released by DRDA were lying unutilized during the last three years. Reasons for the same ranged from incomplete and slow progress of works leading to non/delayed release of funds to beneficiaries.

Table 2.11: Utilisation of Funds under IAY

(₹In lakh)

Year	No. of AP	OB	Fund received	Other receipts	Total fund available	Expenditure	CB (*Per cent*)
2006-07	4	50.57	505.89	1.42	557.88	510.31	47.57(9)
2007-08	4	47.57	555.29	3.34	606.20	509.27	96.93(16)
2008-09	4	96.93	814.67	6.39	917.99	457.16	460.83(50)
2009-10	4	460.83	1328.44	15.41	1804.68	1362.89	441.79(24)
2010-11	3*	347.26	581.80	4.64	933.70	475.83	457.87(49)
*EO, Udarband AP did not furnish fund position for the year 2010-11							

Details of physical targets and achievements during 2006-11, as intimated by PD/DRDA, Cachar are shown in **Table 2.12**. It is noticed that as against physical target of 43325 units to be set during 2006-11, only 28024 units were completed which was 65 *per cent* of the target.

Table 2.12: Physical achievement under IAY

(figures in number)

Year	Target					Number of houses completed				
	SC	ST	Others	Minority	Total	SC	ST	Others	Minority	Total
2006-07	2849	319	3978	-	7146	3154	485	4447	-	8086[1]
2007-08	4003	354	1988	1771	8116	1590	735	1444	432	4201
2008-09	4296	387	2323	888	7894	823	76	411	516	1826
2009-10	8733	734	3945	2367	15779	3702	430	1335	1319	6786
2010-11	2537	217	947	689	4390	2939	268	2121	1797	7125
Total	**22418**	**2011**	**13181**	**5715**	**43325**	**12208**	**1994**	**9758**	**4064**	**28024**

Construction of 4807 houses was under progress as of March 2011 and there were 15301 (43325 -28024) units that remained to be completed.

[1] Includes targeted units of previous years completed during the year.

2. 8.2.4 Incomplete housing units on account of doubtful selection of beneficiaries

Para 2.2 of IAY guidelines envisaged selection of beneficiaries from the BPL list prepared on the basis of criteria fixed by the GOI, such as freed bonded labourers, SC/ST households who are victims of atrocity, SC/ST households headed by widows and unmarried women, SC/ST households affected by flood, natural calamity like earthquake, cyclone and riot, physically and mentally challenged persons etc.

As per Para 3.2 of the IAY guidelines, sanitary latrine and smokeless chulha should be provided in every house assisted under the scheme. Latrine should be constructed away from the IAY house on the site of the beneficiary, wherever possible. Efforts should be made to dovetail funds from 'Total Sanitation Campaign' (TSC) for providing sanitary latrine so that more money would be available for construction of IAY houses. Accordingly, ₹300 is deducted from the unit cost and released to the Member Secretary, DWSC [2]cum Executive Engineer(EE) PHE, Silchar as beneficiary contribution towards construction of sanitary latrine to IAY household under TSC.

Test check of records of selected APs revealed that funds released for construction of sanitary latrines were returned by the Member Secretary, DWSC cum Executive Engineer PHE, Silchar stating that ID nos. of selected beneficiaries were not available in the BPL list approved by the DRDA, Cachar.

Details of fund returned by PHE in respect of 2057 units in 3 APs and amount spent/released for construction of houses relating to these units are indicated in **Table 2.13**.

Table 2.13: Status of construction of units

Name of AP	Year of release	Unit cost	No of units	Amount released to PHE @ ₹300/- per unit, but returned	Amount spent/released for construction of houses relating to these units (₹in lakh)
Udarband	2007-08	27,500	525	1,57,500	142.80
Sonai	2007-08	27,500	444	1,33,200	120.77
	2008-09	38,500	564	1,69,200	215.48
Lakhipur	2009-10	38,500	524	1,57,200	200.17
Total			**2057**	**6,17,100**	**679.22**

[2] District Water and Sanitation Committee

While units remained incomplete without construction of sanitary latrine, the amount of ₹6.79 crore was spent/released for construction of houses relating to these units covering persons belonging to non BPL category in violation of the guidelines.

Test check of records relating to selection of beneficiaries under IAY revealed that 224 persons belonging to non BPL category were selected as beneficiaries by the Gaon Sabhas in four Gaon Panchayats under Sonai AP and one Gaon Panchayat under Katigorah AP in 2009-10 as detailed in **Table 2.14**.

Table 2.14: Selection of uncertified or ineligible beneficiaries

Name of AP	Name of GP	No. of non BPL beneficiary selected	Unit Cost	Total amount of assistance released (₹in lakh)
Sonai	Saidpur	30	38,200	11.46
	D.Krishnapur	40	-do-	15.28
	SatkarKhand	46	-do-	17.57
	Kachudaram	45	-do-	17.19
Katigorah	Gobindapur	63	-do-	24.07
Total		**224**	**-do-**	**85.57**

EOs stated that funds were spent/released according to the beneficiary list approved by the Gaon Sabhas. They, however, failed to exercise necessary checks so as to ensure that the beneficiaries identified by the Gaon Sabhas were selected only after ensuring that they figured in the BPL list.

2.8.2.5 Projection of General category beneficiaries as Scheduled Caste

PD, DRDA, Cachar released ₹9.47 crore to Barkhola AP during 2006-07, 2008-09 and 2009-10 for coverage of 2621 beneficiaries including 1498 SC,129 ST and 994 General category beneficiaries under IAY.

EO, however, released the funds to 2621 beneficiaries including 1331 SC, 129 ST and 1161 General category beneficiaries, resulting in less coverage of 167 SC beneficiaries (1498 – 1331) and excess coverage of 167 General category beneficiaries (1161 – 994) in terms of targeted numbers.

Test check (February 2011) revealed that while releasing the funds by EO, 167 beneficiaries belonging to General category were projected as belonging to SC category in violation of sanction order which resulted in less coverage of SC beneficiaries and avoidable excess coverage of General category beneficiaries. Details of beneficiaries

belonging to General category in the place of SC beneficiaries and amount released to them are indicated in **Table 2.15**.

Table 2.15: Incorrect projection of category of beneficiaries

Y/ear	No. of General category beneficiaries projected as SC	Unit cost (₹)	Total amount (₹in lakh)
2006-07	67	25,000.00	16.75
2008-09	10	38,500.00	3.85
2009-10	90	38,500.00	34.65
Total			**55.25**

It was noticed in audit that 4021 SC villagers were lying in the wait list for being covered under the scheme during the years 2006-07 to 2010-11. As such, projection of 167 General category beneficiaries as belonging to SC had reduced the projected number of SC beneficiaries and thus deprived the beneficiaries belonging to SC of entitled and legitimate benefits under the scheme.

2.8.2.6 Non allocation of IAY houses to women

Para 2.4 of IAY guidelines specifically mentioned that "allotment of dwelling units should be in the name of female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife. However, if there is no eligible female member in the family available/alive, house can also be allotted to the male member of a deserving BPL family ".

Test check of records relating to selected APs revealed that in many cases dwelling units were allotted only to male members without verifying their marital status as well as availability of eligible female member in the family as shown in **Table 2.16**.

Table 2.16: Non allotment of houses to female members.

Name of AP	Year	Total no. of beneficiaries	Units allotted only to Men	Units allotted only to Women	Units allotted to Both H/W
Udarband	2006-07	482	189	293	Nil
	2007-08	320	90	230	Nil
	2008-09	176	119	57	Nil
Sonai (In 4 GPs)	2009-10	186	134	22	30
Total		**1164**	**532**	**602**	**30**

Thus, in allotment of houses to 532 male members, neither their martial status was verified nor availability of eligible female members in the family was ascertained which diluted the significant objective of empowerment of women in society.

2.8.2.7 Short release of IAY Fund to beneficiaries

EOs, Katigora AP and Udarband AP during 2008-09 received fund for 703 units and 578 units (total 1281) of IAY from PD, DRDA, Cachar @ ₹38,500 per unit involving a total amount of ₹4.93 crore. After deduction of ₹300 per unit as beneficiary contribution towards construction of sanitary latrine, the amount payable to the beneficiaries was ₹38,200 per unit amounting in all to ₹4.89 crore. However, EOs released ₹4.75 crore which included payment of ₹38,200 per unit to only 1154 (662 and 492 respectively) beneficiaries and part payment to 127 beneficiaries. Thus, the EOs short released ₹0.14 crore (₹4.89 crore - ₹4.75 crore) to 127 beneficiaries in spite of having the required funds. Reasons for short release were not intimated to audit, though called for.

Due to non release of fund, 127 houses remained incomplete and thus objective of the scheme to provide dwelling houses to shelterless BPL households was not achieved to that extent.

Details of fund released by EOs of Katigora and Udarband AP are indicated in **Appendix 2.4.**

2.8.2.8 Lump sum payment of funds to beneficiaries.

Para 4.10 of the scheme guidelines specifically mentioned that payment should be made to the beneficiaries on a staggered basis depending on the progress of the work.

Test check of records of Lakhipur AP revealed that funds were released in one full installment for 222 units as per allocation to the beneficiary committee of the GP violating the guidelines of the scheme during 2007-08.

Release of entire money in one lump without verifying the progress of the work was fraught with the risk or possibility of utilization of the money on the purposes other than construction of IAY houses by beneficiaries.

2.8.2.9 Inadmissible expenditure from IAY fund

There is no provision for meeting contingent expenditure from IAY fund. Test check of records of Lakhipur and Sonai AP related to IAY revealed that expenditure amounting to ₹1.93 lakh was incurred on contingent charges beyond the purview of the scheme as shown in **Appendix 2.5** depriving the beneficiaries of financial assistance of that amount for construction/upgradation of houses/dwelling units.

2.8.2.10 Implementation of IAY at GP level

Details of progress, completion of construction and handing over reports of houses under IAY that were not made available to audit by GPs test checked, are shown in **Table 2.17**.

Table 2.17 Records of construction not available

Name of GP	Period	No. of units	Amount (₹in lakh)
Khaspur	2006-10	163	54.18
Hatikhal	2006-09	75	27.17
Dakhin Krishnapur	2006-09	NA	47.67
Doyapur	2006-10	240	59.20

2.8.2.11 General comments

As per IAY guidelines, state share of financial assistance should be released by the State Government within one month of release of Central assistance. However, actual release of State share took about four to six months from the date of release of Central share. Commissioner, P&RD, Assam admitted (February 2012) that there were delays in release of state share to DRDA but did not specify the period and reason for such delay. Delay in releasing the funds resulted in delayed construction of IAY houses of benefacieries.

ii) DRDAs did not contact various organization/institutions for seeking expert advice on innovative technologies, materials, designs and methods to help beneficiaries in the construction of IAY houses. This was also confirmed by the Commissioner P&RD, Assam (February 2012). In the absence of such expertise, support and technology, adequacy of durability of IAY houses constructed could not be ascertained.

iii) PRIs did not take up any programme to ensure supply of drinking water to the IAY units as provided in the guidelines. Commissioner P&RD, Assam stated (February 2012) that fund provided for construction of IAY houses did not cover the supply of drinking water facilities. The reply was not tenable as essential arrangement for supply of drinking water could have been provided under other ongoing programme like TFC grants.

iv) As stated by Commissioner, P&RD, Assam (February2012) districts were visited by the state level officers from time to time to monitor the implementation of IAY. However, no record of such inspection was made available to audit during test check of PRIs in Cachar district, though called for. Thus, effectiveness of monitoring by State Government of implementation of IAY in the district needed to be strengthened.

2.8.3 Twelfth Finance Commission (TFC) Grants

2.8.3.1 Keeping in view the spirit of 73rd and 74th Constitutional Amendments and to provide an impetus to the decentralization process, Twelfth Finance Commission (TFC) recommended grants to the Local Bodies in the ratio 80:20 to the PRIs and ULBs respectively, during the period 2005-10.

2.8.3.2 Guidelines for utilization of such grants recommended by TFC stipulate that grants should be utilized for Water supply and Sanitation, creation of database of PRIs, maintenance of accounts, O&M and creation of other income generating assets.

Details of funds received, distributed and expenditure incurred by CEO, Cachar Zilla Parishad during the period 2006-07 to 2010-11 under TFC grants are indicated in **Table 2.18.**

Table 2.18: Funding from TFC, 2006-07 to 2010-11

(₹ in lakh)

Year	OB	Total fund release by GOA	Bank interest	Total fund available to ZP	Fund released to		Expenditure by ZP	Total expenditure	CB
					GPs (`)	APs)			
2006-07	nil	244.61	2.70	247.31	117.69	67.88	20.00	205.57	41.74
2007-08	41.74	230.33	1.30	273.37	117.89	67.22	16.23	201.34	72.03
2008-09	72.03	244.61	2.90	319.54	11.68	67.23	11.49	90.40	229.14
2009-10	229.14	1061.87	5.59	1296.60	223.75	47.71	91.37	362.83	933.77
2010-11	933.77	5.31	13.63	952.71	396.42	172.49	316.31	885.22	67.49
		1786.73	26.12	1812.85	867.43	422.53	455.40	1745.36	67.49

As against availability of funds of ₹18.13 crore, the ZP utilized/released ₹17.45 crore during 2006-11, leaving a balance of ₹0.68 crore as of March 2011. Under utilization of funds by the ZP led to non/partial implementation of the schemes to that effect.

2.8.3.3 Physical progress of works

CEO, Cachar ZP stated that 6208 schemes/works were taken up with the funds released so far, under the schematic years 2005-06 to 2008-09 and all works were completed with cent *per cent* financial and physical achievements. Year wise position of number of schemes taken up and completed is shown in **Table 2.19**.

Table 2.19: Details of schemes taken up

(Figure in number)

Year of grant	Installment	APs		GPs		ZP		Total	
		No. of schemes taken up	No. of schemes completed	No. of schemes taken up	No. of schemes completed	No. of schemes taken up	No. of schemes completed	No. of schemes taken up	No. of schemes completed
2005-06	1st	237	237	337	337	68	68	642	642
	2nd	122	122	280	280	2	2	404	404
2006-07	1st	148	148	2133	2133	27	27	2308	2308
	2nd	41	41	1140	1140	72	72	1253	1253
2007-08	1st & 2nd	183	183	678	678	189	189	1050	1050
2008-09	1st	68	68	414	414	69	69	551	551
Total		**799**	**799**	**4982**	**4982**	**427**	**427**	**6208**	**6208**

As per guidelines for utilization TFC grant, the PRIs should be encouraged to take over the assets relating to water supply and sanitation and utilize the grants for repairs/ rejuvenation as also the O&M costs. The PRIs should recover at least 50 *per cent* of the recurring costs in the form of user charges and from the grants allocated for Panchayats, and priority should be given to expenditure on the O&M costs of water supply and sanitation. This will facilitate Panchayats to take over the schemes and operate them.

Test check revealed that the PRIs neither maintained any inventory of assets created out of TFC grants nor formed any user committee to which the assets were to be handed over for operation and maintenance and for recovery of user charges from the end users. In the absence of recovery of user charges, PRIs had to bear extra financial liability towards maintenance and operation out of the funds meant for development purposes.

It was also found in test check that:

(i) Though CEO, Cachar ZP reported cent *per cent* achievement in financial and physical progress of schemes/ works taken up during 2006-11 under the schematic years 2005-06 to 2008-09 (1st installment), scrutiny of progress report in respect of schemes/ works taken up by the ZP against the fund released for the schematic years 2007-08 to 2008-09 (1st installment) revealed that a total of 252 schemes/works were taken up with the sanctioned amount of ₹1.33 crore. However, only 194 schemes/ works were completed as of June 2011 after spending the entire sanctioned amount of ₹1.33 crore. Though the entire sanctioned amount of ₹1.33 crore was spent, 58 works remained incomplete with no funds left to complete them. CEO did not cite any reasons for the

schemes/ works remaining incomplete even after utilization of entire funds and as to how it was reported that there was cent *per cent* achievement of works in physical and financial terms.

(ii) CEO of Cachar Zilla Parishad on 23 September 2010 released ₹ 4.33 lakh to Katigora AP being 1st installment of TFC grants of 2008-09 (50 percent share of its grants). The entire funds of ₹ 4.33 lakh was spent on execution of 27 works and as per progress report, submitted by EO, Katigora AP, the physical status of work was shown as 50 *per cent*. EO Katigora AP stated that due to non release of balance funds of ₹ 4.33 lakh, entire aforesaid works remained incomplete till June 2011.

It was also observed that while 25 of the aforesaid executed 27 works were for drinking water supply and sanitation purposes, two works viz,(i) Construction of community hall of Shiva Kali Mandir at Gobindapur Part- II with estimated cost of ₹ 40,000/- and expenditure of ₹ 14,000/- and (ii) Construction of approach road of Sripur ferryghat with estimated cost of ₹ 60,000/- and expenditure of ₹ 30,000/- were not permissible under TFC grant.

Thus, the statement of concerned CEO that all the schemes were completed was found to be incorrect as it revealed from test check PRIs that 85 schemes remained incomplete for want of fund.

2.8.3.4 Short release of fund to GPs and APs under TFC grants.

As per release orders issued by the State Government in respect of TFC grants, fund released to ZP under different categories are to be allocated as under:

1) Database grants: To be retained with ZP until further orders.
2) Grants for maintenance of accounts: To be allocated @₹ 15,000/- each to GPs and APs and ₹ 50,000/- to the ZP.
3) Schematic grants: To be allocated at the rate of 10:30:60 for ZP, AP and GP respectively.

Scrutiny of cashbook relating to TFC Grants of the Cachar Zilla Parishad and bank statements revealed that the above criteria were not followed and all 163 GPs and 15 APs were released less than their due share of allocation as detailed in **Table 2.20**.

Table 2.20: Release of TFC grants to PRIs

(₹in lakh)

Year	Fund released for schematic grants & M/A [3]	Amount Due for release		Amount actually released to		Excess (+)/Short (-) released	
		GPs	APs	GPs	APs	GPs	APs
2005-06 (1st & 2nd)	415.91	257.68	118.86	235.58	135.10	(-) 22.10	(+) 16.24
2006-07 (1st & 2nd)	450.87	278.65	129.35	235.43	114.94	(-) 43.22	(-) 14.41
2007-08 (1st & 2nd)	488.56	301.27	140.66	254.04	130.26	(-) 47.23	(-) 10.41
2008-09 (1st)	268.58	165.22	77.62	142.38	42.23	(-) 22.84	(-) 35.39
Total	**1623.92**	**1002.82**	**466.49**	**867.43**	**422.53**	**(-) 135.39**	**(-) 43.97**

There was a short release of ₹1.35 crore to GP, while APs were also released ₹0.44 crore short of their entitlement. Reasons for short release were neither on record nor provided, though called for.

2.8.3.5 Non release of fund to GPs

Test check further revealed that Cachar ZP in March 2010 received ₹2.66 crore being the 1st Installment of TFC grant for 2008-09 with allocation of ₹1.48 crore, ₹0.72 crore and ₹ 0.46 crore to GPs, APs and the ZP respectively. Scrutiny of Cash Book of Cachar ZP revealed that CEO issued cheques for ₹0.23 crore to 71 GPs in January 2011, but these were held back and subsequently written back in the Cash Book in April 2011. Thus, ₹0.23 crore being the share of TFC grants for 71 GPs was retained by the ZP and was utilized at ZP level. As per the condition stipulated in the sanction order, TFC grants were required to be distributed amongst ZPs, APs, GPs in the ratio 20:30:50. Due to non release of funds earmarked for APs/GPs, the rural people were deprived of benefits from the stipulated sectors as mentioned in the guidelines.

2.8.3.6 Diversion of funds earmarked for creation of database

CEO, Cachar ZP during 2006-11 received ₹18.13 crore under TFC Grants. This included ₹1.63 crore earmarked for creation of database. Total expenditure including expenditure

[3] Maintenance of Accounts

on creation of database and fund released to GPs and APs upto April 2011 was ₹17.52 crore leaving a balance of ₹0.61 crore at the end of March 2011.

However, CEO, Cachar ZP incurred expenditure out of the funds earmarked for creation of database towards procurement of computers and accessories and computer tables and chairs for ₹0.83 crore only. No other expenditure was incurred for creation of database.

Accordingly, a balance of ₹0.80 crore (₹1.63 crore - ₹0.83 crore) was to have been available under the earmarked fund, where as the actual balance under total available funds of TFC was ₹0.61 crore only.

Thus, an amount of ₹0.19 crore (₹0.80 crore - ₹0.61 crore) was diverted from fund earmarked for creation of database towards other purposes by CEO, Cachar ZP, thus adversely impacting the objective of the grants to create database of PRIs.

2.8.3.7 Inadmissible expenditure of ₹20.37 lakh from T.F.C Grants

Test check of records related to TFC grant in Cachar ZP, Sonai AP , Udarband AP and Tarinipur GP revealed that while CEO, Cachar ZP and EO, Sonai AP incurred contingent expenditure on office stationery, tours, training, legal charges, purchase of AC, vehicles, office building, maintenance of office chamber of President etc. amounting to ₹11 lakh and ₹5.49 lakh respectively; EO Udarband AP incurred expenditure of ₹2.57 lakh for purchasing sewing machine, Hand Cart, Rickshaw etc., on account of Individual Beneficiary Scheme (IBS) and Secretary, Tarinipur GP incurred ₹1.31 lakh on construction of office building, which were not provided for in TFC guidelines.

Details of inadmissible expenditure incurred by Cachar ZP, Sonai AP ,Udarband AP and Tarinipur GP are given in **Appendix 2.6.** Incurring expenditure on other purposes not covered under the guidelines meant that the beneficiaries or the rural people were deprived of the otherwise intended benefits from the stipulated sectors that would have flown from diverted fund of ₹20.37 lakh.

2.8.3.8 Unfruitful expenditure on incomplete work.

The work relating to construction of 3 storied market complex at Cachar Zilla Parishad office was taken up departmentally by the Zilla Parishad in March 2008 under the provision of 'income generating assets' of TFC grants for the year 2007-08 so as to enhance its revenue base.

Administrative approval was accorded by the CEO, of Zilla Parishad in March 2008. Estimate for the work was prepared on 12 July 2008 for ₹31.68 lakh i,e four months after commencement of the work, and technical sanction was obtained from SE, PWD (Building) Silchar on 18 July 2008. Therefore, the work was taken up irregularly prior to technical sanction. Advance payments of ₹23.00 lakh were made to JE between March 2008 and October 2009 in a phased manner. Work was executed upto roof level of the ground floor with a value of ₹14.00 lakh till July 2008 and thereafter no further work was executed (June 2011). Reason for non execution of remaining work, though called for, was not stated.

Test check of records revealed that, as per allocation made by the State Government, ₹10 lakh per year is earmarked for creation of income generating assets by ZP. Accordingly, required funds was not available with the ZP to take up the work of such magnitude out of TFC grant year 2007-08 and no further provision was made from the subsequent year's funds earmarked for creation of income generating assets. Funds were provided to JE in excess of ₹10 lakh by diverting due share of APs and GPs. Unadjusted advance of ₹9 lakh (₹23 lakh - ₹14 lakh) was still lying with the JE without any recovery (June 2011).

Thus, taking up the work without ensuring availability of funds, rendered the expenditure incurred so far unfruitful besides leading to non achievement of intended objectives.

2.8.3.9 Non installation of Water Purifiers

In a review meeting held with the CEOs of Zilla Parishads under the Chairmanship of the then Minister, Panchayat and Rural Development and Transport, Assam on 30 October 2007, it was decided to procure filtration system for safe drinking water in rural areas and all CEOs were directed to demonstrate and examine people's acceptance and viability of the project and forward the proposal to the Directorate of P&RD, Assam with their comments. No time frame was set by the State Government for the project.

Consequent upon decision of the review meeting of 30 October 2007, CEO, Cachar ZP decided to procure 15 water purification systems (purifiers) for installation in 15 AP areas, out of TFC grants @₹1,95,525/- per unit (excluding cost of installation) from a Guwahati based supplier. CEO did not make any assessment of the viability of the water purifiers in AP areas before purchase. No tender was also called for to ascertain the

lowest and reasonable rates of water purifiers. The supplier supplied (September 2009) 20 water purifiers which were accepted by CEO, while an amount of ₹29.32 lakh was paid for 15 water purifiers as of March 2011. CEO had incurred a liability of ₹9.78 lakh towards the cost of remaining 5 water purifiers.

Out of the 20 water purifiers, 15 were issued to 15 APs and the balance 5 water purifiers were lying in ZP office without utilization since the date of procurement. Of the purifiers issued to the APs, 3 remained to be installed as of June 2011 due to lack of funds required for installation, non availability of site and lack of interest among the people as reported by 3 APs.

Thus, eight water purifiers could not be put to use since procurement resulting in an idle investment of ₹5.86 lakh (cost of three purifiers) besides, which ZP incurred a liability of ₹9.78 lakh for non payment of five purifiers already supplied. People's acceptance and viability of the project where the purifiers were installed were also not ascertained. Working of 12 purifiers installed by APs could not be checked in audit due to non availability of status report of the purifiers, though called for, from the concerned APs.

2.8.3.10 Execution of works under TFC Grants at GP level

Test check of records such as Cashbook, schematic ledger, estimates of works, Measurement Book etc, in respect of TFC Grants as shown in **Table 2.21** revealed that the following GPs executed/installed RCC Ring wells, tube wells, Drinking Water Tanks (DWT) and low cost sanitary latrines (LCSL) etc.

Table 2.21: Execution of works under TFC Grants at GP level

Name of GP	No. of works undertaken	Nature of works undertaken	Expenditure (₹in lakh)
Khaspur	9	Ring wells, water reservoir and LCSL	3.17
Tarinipur	4	Ring wells and LCSL	2.33
Hatikhal	7	Ring wells, DWT, community urinal	1.41
Dakhin Krishnapur	20	Ring wells, Tube wells, DWT, LCSL	4.97
Lakhipur Nayagram	17	Ring wells, Tube wells, DWT, LCSL	4.70
Doyapur	6	Ring wells and LCSL	1.40

The following irregularities were noticed in audit:

(a) No completion certificate/report regarding successful boring etc., in respect of above mentioned scheme was produced to audit for verification.

(b) No taking over report from the head of villages where the schemes was executed as produced to audit, as an evidence of successful completion of the scheme.

(c) No vouchers relating to purchase of the materials were produced to audit for verification.

In the absence of the aforesaid information/records it could not be ascertained whether the schemes were successfully completed and whether the local people were benefited there from. During discussion, CEO stated that reply would follow, which is awaited (February 2012)

2.8.4 Backward Region Grant Fund (BRGF)

BRGF is designed to redress regional imbalances in development. The fund would provide financial resources for supplementing and converging existing developmental inflows into identified districts of backward regions so as to:

(a) Bridge critical gaps in local infrastructure and other development requirements that are not being adequately met through existing inflows,

(b) Strengthen, to this end Panchayat and Municipality level governance with more appropriate capacity building, facilitate participatory planning, decision making, implementation and monitoring, to reflect local felt needs,

(c) Provide professional support to local bodies for planning, implementation and monitoring their plans, and

(d) Improve the performance and delivery of critical functions assigned to Panchayats, and counter possible efficiency and equity losses on account of inadequate local capacity.

2.8.4.1 Release and utilization of funds

The year-wise position of fund released by the State Government and expenditure incurred by Cachar ZP during 2007-08 to 2010-11 are shown in **Table 2.22**.

Table 2.22: Status of expenditure 2007-08 to 2010-11 under BRGF

(₹ in lakh)

Year	Opening balance	Fund receipt	Intt. Accrued	Total Available fund	Fund released/utilised						Closing Balance
					ZP	APs	GPs	ULBs	Others	Total	
2007-08	-	1000.00	-	1000.00	5.70	126.07	36.55	111.54	-	279.86	720.14
2008-09	720.14	-	9.98	730.12	112.03	564.38	-	29.00	-	705.41	24.71
2009-10	24.71	301.00	2.59	328.30	95.02	37.04	74.20	30.65	-	236.91	91.39
2010-11	91.39	975.00	19.82	1086.21	502.87	137.67	166.65	107.22	15.42	929.83	156.38
Total		**2276.00**	**32.39**	**2308.39**	**715.62**	**865.16**	**277.40**	**278.41**	**15.42**	**2152.01**	**156.38**

Out of an amount of ₹23.08 crore (including interest) received during 2007-11, ₹21.52 crore (93 *per cent*) was utilized while unutilized funds amounting to ₹1.56 crore was retained in the bank account of ZP, as of March 2011.

2.8.4.2 Short release of BRGF by State Government

According to information furnished by the ZP, GOI released ₹36.99 crore to the State Government for 4762 projects to be implemented in the district during 2007-11. Of this, the State Government in turn, released ₹22.76 crore (61.50 *per cent*) to the ZP for 2775 projects.

Thus, balance amount of ₹14.23 crore, released by the GOI, was not released to the district as of March 2011, reasons for which were not available with CEO, ZP.

2.8.4.3 Incomplete works

As per statement furnished by CEO, Cachar ZP, 1854 projects were taken up during the year 2007-08 to 2010-11 with the fund received from the State Government while 921 projects (2775 – 1854) were not taken up, reasons for which were not on record.

Of these 1854 works, 1152 were completed at a reported expenditure of ₹13.75 crore and ₹7.77 crore was incurred (March 2011) on rest 702 works with a physical progress ranging from 48 to 52 *per cent.* The Zilla Parishad could not produce the sanction orders of GOI and targeted schedule of completion of schemes specified by GOI, though called for.

However, documentary evidence viz. completion reports, UCs, or photographs etc., in support of completion of 1152 works executed by APs/GPs/MBs for ₹13.75 crore were not produced to audit.

Perusal of minutes of DPC meetings revealed that modified and alternate works, superseding the approved works were taken up on the grounds that funds were inadequate, works were not feasible at the proposed sites and the schemes were modified on 'public demand.' Thus, schemes were undertaken without proper planning after scrutiny of feasibility and without ensuring required fund flow. Incomplete works were unable to create permanent assets which would have delivered the intended benefits to the beneficiaries.

2.8.4.4 Delayed release/non release of fund

According to para 4.6 of BRGF guidelines, the fund released by the GOI should reach the Panchayats, the municipalities and other implementing authorities within 15 days from the release of the funds to the Consolidated Fund of the State. In case of delay in transfer of funds by the State Government beyond this stipulated period, a penal interest at the RBI rate is required to be transferred by the State Government to the concerned Panchayat/Municipality and other implementing authorities alongwith the principal amount of the funds, on the lines of the arrangements relating to TFC Grants.

Government of India released a total amount of ₹36.99 crore as BRGF grants as of March 2011 for Cachar district for the period 2006-07 to 2010-11. However, the State Government delayed the release of funds beyond the stipulated period by 83 to 320 days while funds for year 2010-11 provided by the GOI in two installments in November 2010 and March 2011 had not been released, as of March 2011, as detailed in **Table 2.23**.

Table 2.23: Delay in release of funds by State Government

(₹in lakh)

Year of the grants	Instalment	Amount of Grant by GOI	Date of receipt by the state govt.	Amount of grants released to CZP	Date of receipt by CZP	Days delayed in receipt of grants
2006-07	1st	1000	28.7.07	1000	16.2.08	189
	2nd	301	21.11.08	301	7.9.09	257
2007-08	1st & 2nd	Nil				
2008-09	-do-	Nil				
2009-10	1st & 2nd	975	28.12.09	975	30.3.10	83
2010-11	1st	764	25.11.10	764	25.10.11	320
	2nd	659	31.3.11	659	25.10.11	193
Total		**3699**		**3699**		

The State Government did not release any interest for delayed release of BRGF grants to the PRIs as of January 2012. Non release of funds and delayed release of funds would have an adverse impact on implementation of projects.

2.8.4.5 Unauthorized expenditure beyond the purview of Annual Plan

BRGF guidelines stipulate that the grant including interest earned from savings bank account, if any, should not be used beyond the purview of Annual Plan approved by the State Level High Power Committee (HPC). Further, according to guidelines, no contingency component such as advertisement bills, renovation of office building, purchase of stationery, repayment of car loans etc., should be met out of BRGF funds.

Scrutiny revealed that CEO, Cachar ZP incurred expenditure of ₹23.66 lakh beyond the purview of Annual Plan approved by HPC, on items of works including contingent expenditure on advertisement bill in local dailies, renovation of office building, purchase of stationery and repayment of car loans which was in violation of the guidelines. Details of unauthorized expenditure are given in **Appendix 2.7**.

2.8.4.6 Planning

According to guidelines, each Panchayat and Municipal Board in the backward district concerned would be the unit for planning under BRGF. Plans prepared by each Panchayat or Municipality would be consolidated into District Plan by the DPC, constituted in accordance with Article 243ZD of the constitution. DPC is to prepare a Perspective Plan for projects after a thorough analysis of gaps in infrastructure in the district, for funding under BRGF. Projects should be taken up for implementation strictly from the Perspective Plan according to priority assigned in the Plan.

As envisaged in the guidelines, a state level High Power Committee (HPC) is required to scrutinize and approve the proposed District Plan to be taken up under the 'District Window' of the BRGF with the ultimate approval of the MoPR, GOI. Records showing approval of the projects by the HPC, however, were not made available to audit. No consolidated District Plan was prepared by ZP. Gap analyses in preparation of BRGF perspective plan were not carried out. Projects were approved and funds were released on the basis of proposals sent by PRIs.

Thus, in the absence of Perspective Plan, DPC as well as HPC were unable to assess the needs at grass root level on priority basis as well as impose checks to avoid duplication of any work under any other programme.

2.8.5 District Development Programme (DDP)

DDP is a State sponsored scheme and was launched in 2007-08..The main objective of the scheme is to provide infrastructural facilities under different sectors.

Funds under DDP are allocated to the districts through the state budget. The Zilla Parishad releases funds to APs/GPs and other executing agencies through cheques, based on the approved allocation for the individual scheme.

2.8.5.1 Receipt and utilization of fund under DDP

The position of funds released by the State Government against approved projects and funds released/utilized by Cachar ZP is as shown in **Table 2.24**.

Table 2.24: Utilisation of funds

(₹ in lakh)

Year	O.B.	Receipt	Intt. Accrued	Total	Released to line Deptt.	ZP	AP	GP	MB	Total	C.B.
2007-08	-	603.00	-	603.00	301.20	0.01	-	-	-	301.21	301.79
2008-09	301.79	-	5.12	306.91	162.63	5.83	-	-	-	168.46	138.45
2009-10	138.45	-	-	138.45	86.99	7.11	-	-	-	94.10	44.35
2010-11	44.35	2167.84	13.43	2225.62	62.26	1017.96	148.50	171.03	168.44	1568.19	657.43
Total		**2770.84**	**18.55**	**2789.39**	**613.08**	**1030.91**	**148.50**	**171.03**	**168.44**	**2131.96**	**657.43**

The unutilized funds of ₹6.58 crore was retained in bank account of ZP as of 31 March 2011. The State Government, while releasing the funds, had stipulated that the fund should be spent in the same financial year. CEO, however, while releasing the fund to line departments, APs/GPs etc., did not specify any time limit for utilization. Besides, specifying the schedule time frame, enforcing accountability for slippage in deadline could ensure expenditure within the financial year. Procedure for periodical inspection/monitoring also needed to be strengthened.

2.8.5.2 Excess reporting of expenditure

The monthly progress report along with utilization certificate and statement of expenditure as of January 2011 furnished by the CEO, Cachar ZP to Commissioner, P&RD, Assam disclosed that the ZP incurred an expenditure of ₹6.08 crore towards execution of schemes during 2007-10. The Cash Book as well bank account of DDP fund however, disclosed that on 1 April 2010, ₹5.64 crore was spent during 2007-10. There was excess reporting of expenditure of ₹0.44 crore, reasons for which were not ascertainable from the records produced. It was not clear whether unspent balances of grants for previous years were adjusted properly and completely before seeking subsequent release.

2.8.5.3 Project implementation.

The number of projects approved by District Planning Committee (DPC) during 2007-11, number of projects due for completion as of March 2011 and those completed as of March 2011 are as shown in **Table 2.25.**

Table 2.25: Projects approved and taken up

Year	No of projects approved	Taken up during the year	Completed during the 2009-11	Incomplete as on 31.3.11
2007-08	59	59	59	
2008-09	177	177	81	96
2009-10	625	625	125	500
2010-11	436	436		436
Total	**1297**	**1297**	**265**	**1032**

Source: year wise detailed progress report furnished by ZP.

Observations on implementation of the projects are as under:

2.8.5.4 Incomplete works

(i) CEO, Cachar ZP had reported that all 59 projects approved during 2007-08 were completed and entire funds of ₹6.03 crore was spent for this purpose. Audit scrutiny, however, revealed that Lamdalong PWSS (phase II) and Romganjang PWSS (Phase I) entrusted to EE, (PHE), Silchar Division No II, Silchar for execution of the scheme under DDP at an estimated cost of ₹15 lakh and ₹18 lakh, respectively, remained incomplete due to non release of funds of ₹6.66 lakh to the executing agency.

During 2008-11, DPC approved 1238 projects which were taken up during 2010-11 out of which, only 206 projects were completed leaving 1032 projects incomplete. Reasons for 1032 projects remaining incomplete were not stated by CEO, Cachar ZP, though called for.

Completion reports or photographs in respect of completed projects were not made available to audit though called for. In none of the 1032 incomplete projects, interim report of progress of the projects was made available to audit. It appeared from the above that not only was there absence of documentation, but the Zilla Parishad neither fixed any time schedule for completion of each project nor took any steps for their timely completion through regular monitoring.

Thus, the objective of the DDP of providing infrastructural facilities under different sectors was only partially achieved after spending ₹21.32 crore as 20 *per cent* of the projects were only completed as of March 2011.

(ii) Construction of RCC bridge over Nikama Nallah at Krishnapur near Bhuban Pahar was approved by the District Planning Committee (DPC) in March 2008 for which allocation of ₹15 lakh was made under DDP in 2006-07. CEO, Cachar ZP accorded the

administrative approval and released ₹15 lakh (March 2008) to the Executive Engineer (EE) PWD, Rural Road Division (RRD), Silchar for execution of work. An estimate, within the allocated amount of ₹15 lakh, was prepared by the EE, PWD (RRD), Silchar for construction of substructure of the bridge which was technically sanctioned by the Superintending Engineer, PWD (R), Cachar Circle in August 2008.

The work of substructure of the bridge was executed through a contractor in October 2009 at a total cost of ₹14.95 lakh and the Executive Engineer, PWD, Rural Road Division, Silchar certified the completion of work as per specification and drawing. Further work on the bridge was not taken up since construction of the substructure in October 2009.

EE, PWD, Rural Road Division, Silchar stated (May 2010) that the work was restricted within the sanctioned amount and requested for further allotment of funds for completion of balance portion of the bridge, but no fund was released for completion of balance portion of the bridge as of June 2011.

Thus, the inaction on the part of the ZP to keep the work upto substructure level of the bridge for more than two years and not seeking additional fund for construction of superstructure of the bridge resulted unfruitful expenditure of ₹ 15 lakh.

2.8.5.5 Unproductive expenditure

The CEO, Cachar Zilla Parishad, Silchar provided ₹50 lakh to the Executive Engineer, PWD, Silchar Rural Road Division between March 2008 and June 2009 for construction of RCC pile Bridge No.–1/1 over Autukhal stream with RCC slab over RSJ Beam at Markholin towards improvement of road from NH 53 at 33rd km to Markholin. The work was estimated at ₹50 lakh and approved by the District Planning Committee under District Development Programme (DDP) 2007-08.

The work was executed through a contractor in January 2009 at a total cost of ₹50.00 lakh and the Executive Engineer, PWD, Silchar Rural Road Division, Silchar certified the completion of work in August 2009.

Audit scrutiny, however, revealed that no provisions were made in the estimate for approach road to the bridge and the work on approaches to the bridge was not executed as of June 2011.

During field visit by audit, the President of Fulertal GP and Secretary Village Council Hmarkhawlien stated that due to non-execution of work of approach road to the bridge, the public in the area were put to inconvenience and also to risk of life. Thus, though the bridge was completed in August 2009 it could not be utilized for want of approach road, Consequently, the investment of ₹50.00 lakh on its construction remained unproductive.

2.8.5.6 Execution of work not recommended by Panchayat body

As per guidelines of DDP fund, GPs were required to forward their proposed Annual Action Plan (AAP) to APs for consolidation and onward transmission to ZPs concerned which, in turn, would forward it to DPC for consolidation and approval. DPC in ZPs was to prepare the District Development Plan based on the fiscal ceiling communicated by P&RD Department. No work was to be taken up unless it formed part of AAP.

However, in Cachar ZP, DPC approved 29 works for ₹1.53 crore during 2008-09 and 70 works for ₹99.50 lakh during 2009-10 on the recommendation of elected representatives without discussing the same in the Gaon Sabha concerned. As such, participation of people in selection of works was not ensured in violation of the spirit of decentralization.

2.8.5.7 Unauthorized retention of fund by JE against already executed work

A Junior Engineer of Cachar ZP, Shri Jasimuddin Laskar was paid ₹12 lakh on 21 May 2010 as advance for construction of low cost RCC bridge over Sahapur Nala near Sahapur Chowrangee under Rosekandi Gaon Panchayat. The work was to be taken up from the DDP fund for the schematic year 2008-09. However, physical verification carried out by Inspecting Executive Magistrate (23 August 2010) of the General Administration Department, revealed that the work had already been executed and completed with funding from MLA Local Area Development Fund.

As there was overlapping of work, CEO Cachar ZP directed (September 2010) the JE to refund ₹12.00 lakh within three days, but the same was not refunded (June 2011). CEO neither issued any reminder to the JE nor took any further action to recover the amount.

2.8.6 Swarnajayanti Gram Swarozgar Yojana (SGSY)

2.8.6.1 The objective of the scheme is to bring the assisted poor families above the poverty line through DRDA by ensuring sustainable level of income over a period of time by organizing the rural poor into Self Help Groups (SHG) through a process of social mobilization, training, capacity building and provision of income generating assets through a mix of bank credit and subsidy.

Each DRDA may incur expenditure on the following items from the fund made available under the scheme.

a) Infrastructure Development,

b) Training

c) Providing revolving fund to SHGs and

d) Providing subsidy through bank loan

The progress/performance of SHGs and individuals in management of assets for generation incremental income has to be continuously followed up, monitored and evaluated by DRDA and bankers to assess the capability of the assets so created to generate the projected income.

2.8.6.2 Details of funds received and expenditure incurred under SGSY in Cachar district during 2006-11 as intimated by the Project Director, DRDA, Cathar are indicated in **Table 2.26**.

Table 2.26: Expenditure during 2006-11

(₹in lakh)

Year	Allocation	Opening balance	Fund received	Other receipts	Total fund	Expenditure incurred *(per cent)*	Closing balance
2006-07	-	49.65	266.33	0.82	316.80	296.77(94)	20.03
2007-08	1526.17	20.03	771.87	10.03	801.93	721.02(90)	80.91
2008-09	1099.64	80.91	1666.18	15.28	1762.37	1332.47(76)	429.90
2009-10	939.27	429.90	1023.89	21.96	1475.75	930.18(63)	545.57
2010-11	1145.91	545.57	1138.76	31.63	1715.96	642.46(37)	1073.50
Total		**49.65**	**4867.03**	**79.72**	**4996..41**	**3922.91(79)**	**1073.50**

Percentage of expenditure over the last five years continuously decreased and in the year 2010-11, it came down to 37 *per cent* of the available fund. It would indicate that the implementing agencies had not generated awareness among the rural poor to avail the benefit of the scheme. Details of steps taken to motivate the bankers to come forward with bank loans for creation of income generating assets of Swarozgaries and for augmentation of their income were not ascertainable from the records produced.

2.8.6.3 Details of physical target and achievement during 2006-2011 are given in **Table 2.27**.

Table 2.27: Physical achievement

(₹ in lakh)

Year	Target (in number)		Achievement (In number)		Subsidy	Revolving fund
	SHG	Individual	SHG	Individual		
2006-07	343	-	291	-	122.33	75.56
2007-08	374	107	250	-	392.16	129.35
2008-09	570	1572	1691	850	771.20	200.00
2009-10	542	942	-	-	-	-
2010-11	682	1185	1901	-	715.21	189.38
Total	**2511**	**3806**	**4133**	**850**		

Though targets in respect of SHGs over the period of last five years were achieved, those in respect of individual Swarozgaries were not adhered. As against the target of 3806 Swarozgaries during 2006-11, only 850 were assisted in 2008-09. There was no achievement both in respect of SHGs and individual Swarozgaries in 2009-10, which was due to inadequacy of initiative on the part of the implementing agencies, to mobilize the beneficiaries as envisaged in the guidelines.

Further, the Project Director, DRDA, Cachar did not furnish any information on the follow up of the projects undertaken by the SHGs and the individual swarozgaries to ensure improvement of their financial status. Thus performance /activities of the SHGs and the individual Swarozgaries were not verified, monitored and evaluated.

2.8.7 Border Area Development Programme (BADP)

The main objective of the BADP is to meet the special developmental needs of people living in remote and inaccessible areas situated near the international border and to saturate the border areas with the entire essential infrastructure through convergence of Central/State/ BADP/Local schemes and participatory approach. It is a cent *per cent* centrally funded programme. In Cachar district, the programme is implemented in Katigora AP having international border with Bangladesh.

2.8.7.1 The position of funds released by D.C. Cachar for implementation of scheme under Border Area Development Programme (BADP) and expenditure incurred by the Katigora AP during 2007- 11 are as shown in **Table 2.28**.

Table 2.28: Status of expenditure

(₹ in lakh)

Year	OB	Fund received	Interest accrued	Total fund	Fund utilized	CB
2007-08	1.57	4.20	0.06	5.83	4.67	1.16
2008-09	1.16	34.00	0.07	35.23	32.89	2.34
2009-10	2.34	40.48	0.07	42.89	23.91	18.98
2010-11	18.98	33.26	-	52.24	34.92	17.32
Total	**1.57**	**111.94**	**0.20**	**113.71**	**96.39**	**17.32**

2.8.7.2 Incomplete works and blockade of funds

As per the progress report submitted by EO Katigora AP, 6 works at an estimated cost of ₹34.17 lakh remained incomplete till June 2011 as further installments that were due under BADP were not released by the DC, Cachar because of non-submission of UC by the EO.

It was noticed that construction of village road from Lamagram to K. H. Road upto Lamagram LP School estimated at ₹7.00 lakh was not taken up due to overlapping of work by other development scheme. EO, Katigora AP neither refunded the money to the fund releasing authority nor took up the matter with DC, Cachar for getting alternate work. Thus, the scheme funds was not only blocked, there was also no scope for its utilization.

Expenditure of ₹96.39 lakh incurred between May 2009 and March 2011 on execution of 21 works could not be verified in audit due to non submission of related payment vouchers.

2.8.8 Assam Bikash Yojana

2.8.8.1 Idle Outlay on TV Sets

Government of Assam, Panchayat and Rural Development Department (P&RDD) introduced Assam Bikash Yojana in 2007-08 to provide economic assistance/assets for income generation of poor individuals and SHGs of rural areas and approved ₹15.50 crore with the following allocation:

i) Supply of two sewing machines each to SHGs of BPL families : ₹2.50 crore

ii) Distribution of Pull cart/ rickshaws to BPL beneficiaries : ₹8.00 crore.

iii) Grants in aid @ ₹1000/- to SHGs : ₹2.00 crore

iv) Supply of Television sets to Gaon Panchayat Offices : ₹3.00 crore

Total : ₹15.50 crore

Television sets were purchased as community assets to bring awareness amongst rural people and were procured centrally by the Director, P&RD at the lowest rate of ₹11,030 for each set along with accessories and cost of transportation offered by M/s Samsung India Electronics (P) Ltd. through the process of tender.

Test check (May-June 2011) of records of CEO, Cachar ZP disclosed that 163 sets of TVs with accessories of Cachar district were received in May–June 2008. Out of 163 sets, 125 were issued to Gaon Panchayats between December 2008 and December 2010. Reason for non issue of balance 38 sets was not stated, though called for.

However, test check revealed that only 15 out of 163 GPs in Cachar district have electrical connection to utilise the TV sets procured for them by the State Government. While 125 TV sets were lying unutilized in GP offices for want of electricity, balance 38 TV sets were lying unutilized at the disposal of the CEO, Cachar ZP.

Thus, 148 (163-15) Gaon Panchayats did not have electrical facility to utilize the TV sets and therefore, the TV sets procured did not have any utility and resulted in idle outlay of ₹16.32 lakh(@ ₹11,030 each).

2.9 Evaluation of programme implementation.

No information was furnished by the Zilla Parishad on monitoring and evaluation of the implementation of programmes/schemes undertaken in the district. Non evaluation and non conduct of analysis of effectiveness of the programmes and their impact on development of the district would deprive the implementing agencies of taking required remedial measures and improve delivery mechanisms.

2.10 Conclusion

MGNREGS

- Effectiveness of the scheme left much to be desired due to failure to provide jobs to all willing rural people demanding the same, inadequate generation of man-days for women and non-payment of un-employment allowance when jobs could not be provided on demand.
- Large number of works remained incomplete due to taking up of works without ensuring availability of fund and speedy progress.
- Lack of participation of rural people in preparation of Annual Plan and non-provision of Social Audit by an independent organization/third party diluted the effectiveness of the scheme.

IAY

- Funds remained unutilized due to slow progress of works.
- Absence of strong internal control mechanism, inadequate monitoring and supervision led to disbursement of funds to persons not belonging to BPL and SC categories and non-allotment of houses to women.
- Expenditure was incurred on inadmissible items in violation of scheme guidelines.

TFC

- Inventory of assets created was not maintained.
- Funds meant for development purposes were diverted for maintenance and operation of assets created because of non-recovery of user charges against use of assets.
- Lack of propriety in fund management led to short/non-release of fund affecting development activities, diversion of funds for other purposes and incurrence of expenditure on inadmissible items of works.
- Taking up of works without ascertaining flow of funds and viability of projects resulted in works remaining incomplete and non-installation of assets.

BRGF, DDP, SGSY, BADP and ABY

- Preparation of faulty estimates of works, taking up execution of large number of works at a time without arrangement of funds, short/delay in release of funds and purchase of assets without assessing provisions of installation led to works

remaining incomplete, expenditure becoming un-productive besides resulting in blockade of funds and idle outlays on purchase.

- The intended benefits of the schemes were not fully achieved due to lack of monitoring, performance evaluation and close supervision by higher authorities.

2.11 Recommendations

- A specific mechanism of monitoring may be devised to ensure that jobs are provided to all willing rural people on demand and steps should be taken to pay unemployment allowance to those who could not be provided job on demand. Similarly, DPC needs to monitor whether adequate mandays are being generated for women and take necessary steps to ensure that this is done.
- Annual Plans may be prepared with due and effective participation of rural people by working out a time bound action plan. Estimates for works need to be prepared based on ground realities and works should be taken up according to the availability of funds. Closer monitoring of progress at DPC level would help to ensure continuous flow of funds and to achieve smooth progress of works.
- Reasons for slow progress of works, incomplete works, diversion of funds and idle outlays would need to be analyzed in depth to avoid their recurrence. Suitable steps may also be taken immediately to get the works completed by making use of idle outlays.
- Losses in the form of unauthorized, unproductive and idle expenditure as pointed out by audit have to be identified and responsibilities may be fixed for the same or steps may be initiated to recover the losses.
- Appropriate action may be taken against officials responsible for negligence in discharging their duties which led to disbursement of scheme funds to non-entitled beneficiaries. Wider publicity and circulation of important aspects of schemes should be made. Periodical training and regular awareness programmes should be held and good practices followed by other states/same state may be widely published for bringing in improvement and effectiveness of implementation.
- Internal control mechanism should be augmented by strengthening the system of inspection and supervision by providing required manpower and training to them.
- Social Audit by independent/third party may be introduced through an action plan to have a clear picture of effectiveness of the schemes and in identifying the bottlenecks in implementation of the schemes.

CHAPTER – II

PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

PANCHAYATI RAJ INSTITUTIONS

SECTION B: AUDIT OF TRANSACTIONS

2.12 Revenue Receipts

Tax and Non-tax sources allocated to PRIs under Assam Panchayat Act, 1994 constitute their own resources. Though the PRIs are empowered to levy and collect various taxes and duties, tolls and fees, they have not yet exercised these powers to augment their resources for reasons not on record.

As of now PRIs derive most of their revenues from non-tax sources like hats, ghats, ferries and fisheries located within their jurisdiction which are leased out annually by inviting sealed tenders and as per provisions of Rule 47 of Assam Panchayat (Financial) Rules, 2002 tender of highest bidders should be accepted. Settled bid values are collected in quarterly instalments.

However, very often PRIs were found to be leasing out these sources of revenue at less than the highest bid thereby losing substantial amount of revenue. Their collection drive was also found not as enthusiastic as was required and there was accumulation of outstanding revenues. Loss of revenue detected during audit is regularly reported through inspection reports and Annual Technical Inspection Reports (ATIRs). Losses pointed out by audit during the last three years are summarized in the **Table 2.29**.

Table 2.29: Loss of revenue pointed out in ATIRs

(₹in crore)

Sl. No	Particulars	As reported in ATIR 2009		As reported in ATIR 2010		Loss of revenue detected in since ATIR 2010, for this report		
		No. of PRIs involved	Loss of revenue	No. of PRIs involved	Loss of revenue	No. of PRIs	Loss of revenue	Reference
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Settlement of market with bidders with less value	8	1.07	8	2.73	2	2.08	**Appendix 2.8**
2	Short realisation of settlement of hat/ghat etc.	13	1.33	7	2.06	11	0.77	**Appendix 2.9**
3	Award of lease without stamp duty and registration	10	0.52	9	0.63	7	0.30	**Appendix 2.10**

Despite having been reported repeatedly in ATIRs, the PRIs did not take any corrective measures to augment their revenue resources or ensure their allocation as stipulated amongst their constituents (APs/GPs and ZP).

Apart from above, as per sub section 6 of section 10 of Assam Panchayat Act, 1994, revenue realized on settlement of Market/Ghat etc., is to be apportioned among ZP, APs and GPs in the ratio of 20:30:50. It was observed that collecting PRIs had not apportioned the revenues according to the prescribed ratio and retained revenues in excess of their due share. Position of retention of excess share of revenue as noticed by audit is shown in **Table 2.30**.

Table 2.30: Excess Revenue retained by ZP

(₹ in crore)

Sl. No.	ATIR Reference	No. of PRIs	Retained in excess of due share
1	ATIR 2009	14	2.39
2	ATIR 2010	9	1.16
3	ATIR 2011(Details in **Appendix 2.11**)	6	1.68

2.13 Twelfth Finance Commission Grant (TFC)

2.13.1 Blocking up of fund : ₹25.00 lakh

Test check(May-June 2011) of records of Lakhimpur ZP revealed that a provision for construction of market shed at Lakhimpur Zilla Parishad Head Quarter was included in the action plan under TFC Grants for 2006-07. CEO accorded Administrative Approval and the Executive Engineer, DRDA, Lakhimpur prepared the plan and estimate for construction of commercial complex at North Lakhimpur at an estimated cost of ₹25 lakh in October 2009 and an amount of ₹25.00 lakh was earmarked for the purpose. There was nothing on record regarding technical sanction to the project. However, the work was not started (June 2011) on account of dispute relating to encroachment of land. No alternate work site was proposed and the amount was lying unspent, as part of closing balance for 20 months. This was indicative of poor planning and blockade of fund of ₹25.00 lakh.

2.13.2 Execution of ineligible works out of TFC Grants

Scrutiny of records of 5 PRIs test-checked (January-June 2011) in audit, revealed that the PRIs in contravention of the guidelines, spent ₹18.55 lakh out of TFC grants on salaries of staff, IBS[1], construction of guest house, furniture and contingencies etc., as indicated in **Appendix 2.12.**

Thus, the expenditure of ₹18.55 lakh incurred on ineligible items, in violation of the guidelines, defeated the purpose for which funds were provided. The State High Level Committee (HLC) constituted to monitor proper utilisation of the grants also failed to control the expenditure incurred on ineligible works.

2.13.3 Doubtful expenditure of ₹14.58 lakh on maintenance of accounts

CEO Dibrugarh ZP, made payment of ₹14.58 lakh out of TFC grant during the period October 2007 to November 2009 for the purpose of review and maintenance of accounts of the ZP, seven APs and 93 Gaon Panchayats (GPs) under the jurisdiction of Dibrugarh ZP. Details of expenditure are indicated in **Table 2.31**.

Table 2.31: Payment for accounts of ZP

Date of payment	Cheque No	Particulars of payment	Amount paid (₹in lakh)
7-10-07	738467	Paid to Asif Ahmed, APO(T) for maintenance of Account	0.35
8-2-08	738473	Paid to Asif Ahmed, APO(T) for maintenance of Account	1.00
15-3-08	738488	-do-	0.20
8-9-08	359872	Paid to Amit Srivastava for review for maintenance of Account for ZP, 7 APs and 93 GPs	0.60
4-08-09	016271	Self cheque drawn for review & maintenance of accounts and paid to M/s. JD Service Centre, M/s. Mangalam, Dibrugarh for computer accessories	5.42
4-11-09	003864	Drawn and paid in cash to Amit Srivastava for maintenance of Accounts	7.01
		Total	**14.58**

Records relating to the selection of the General Accountant, the basis of selection and qualification criteria considered for selection were not made available to audit.

[1], Sewing machines under Individual Beneficiary Schemes

Test check (February 2011) revealed that neither any record in support of any review conducted on the accounts of PRIs nor any record relating to preparation of accounts in accordance to the formats as prescribed under Assam Panchayat (Financial) Rules 2002 were available with the CEO. Vouchers and APRs[2] in support of the expenditure also were not made available to audit. Further, one AP and three GPs[3] stated that no such work had so far been conducted in their AP/GPs. Thus it was not possible to conclude in audit that the work relating to review and maintenance of accounts was actually carried out and the entire expenditure was incurred for bonafide purposes.

2.13.4 Haphazard maintenance of records and non production of bills, vouchers against expenditure of ₹18.63 lakh

EO, Narayanpur AP, during 2008-11, received a total amount of ₹46.50 lakh under TFC grant and reported expenditure of ₹36.98 lakh on implementation of various works. However, against the expenditure of ₹36.98 lakh, bills/vouchers for ₹18.35 lakh only were produced to audit in very haphazard manner without any cross references to the expenditure recorded in the cash book. Further, list of works undertaken, sanction orders, schematic ledger, physical progress report and completion certificate, etc., were not made available to audit. As such, schemes undertaken, expenditure incurred thereon and physical status thereof were not assessable from the bills/vouchers for ₹18.35 lakh produced to audit. Further, bills/vouchers against expenditure of remaining amount of ₹18.63 lakh were not produced to audit. EO Narayanpur AP stated (June 2011) that the records would be maintained and wanting vouchers would be traced out.

It is thus clear that the internal control mechanism needed to be strengthened in APs through regular submission of supporting vouchers and proper maintenance of records by the concerned officials so as to rule out possibility of misappropriation of PRI funds.

[2] Actual Payees Receipt
[3] Lahowal AP, Timona GP, Bokul GP, Ekoratoli GP

2.14 Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

2.14.1 Unfruitful expenditure: ₹15.25 lakh

EO,Narayanpur AP took up construction of the earthen bundh viz. "Agril. Bundh at Padigram to Temera via Nunibari Sakiyal" under MGNREGS in 2008-09 at the estimated cost of ₹20.27 lakh with a view to protecting the cultivators from flows of the Subansiri River which inundates paddy fields in rainy season. The proposed length of the bundh was 4500 mtr.



(Photograph of Agril. Bundh at Padigram to Temera via Nunibari Sakiyal taken in June 2011)



The work commenced in December 2009 and continued upto April 2010 incurring an expenditure of ₹15.25 lakh and the physical progress was 70 *per cent*. E.O. stated that the work remained incomplete due to want of funds.

Test check of records (May-June 2011) revealed that against the proposed length of 4500 mtr. earthwork of 4166 mtr. was executed as recorded in the Measurement Book (MB). However, turfing (laying of live sods of perennial turf forming grass) was not done to protect the soil from erosion though provision of the turfing at a cost ₹4.04 lakh was made in the estimate. Reasons for non

execution of turfing were not found on record. At the time of joint physical verification of the work conducted by audit alongwith the departmental officials, it was noticed that there were several breakages on the bundh without any continuity of chainages covering the total length of 4166 mtr. Actual length could not be measured because of bad site condition.

It was evident that the bundh had broken into several pieces during the rainy season (April to July) because of non execution of turfing work. Thus, the incomplete bundh with several breakages was unable to protect inundation cause by the river and the expenditure of ₹15.25 lakh remained unproductive.

2.14.2 Doubtful execution of work

The EO, Telahi AP received ₹22.12 lakh against the estimated cost of ₹22.57 lakh for the work "Brick soling of road from Gohain Tekela PWD to Majaguri Path" under MGNREGS during 2009-10. Technical sanction for ₹22.57 lakh was accorded by the Superintending Engineer, North Lakhimpur Road Circle. The length of the road as shown in the estimate was 1560 mtr., with 6 mtr. breadth and 2 RCC culverts. The work commenced on 6 December 2008 and continued upto 8 July 2009. An expenditure of ₹22.12 lakh was incurred against which 98 *per cent* physical progress was reported.

Scrutiny of records revealed that another estimate for ₹10.65 lakh was prepared for extension of the same road with one RCC culvert from 00 to 500 mtr. chainage. Technical sanction was accorded by the Superintending Engineer, North Lakhimpur Road Circle. The work commenced on 15 October 2009 and continued upto 20 August 2010 and a sum of ₹9.57 lakh was shown to have been incurred against which physical progress of 90 *per cent* was shown.

Inclusion of the extension would make the total length of the road 2060 mtr. (1560+500) with three RCC culverts, however, on physical verification of the road (June 2011) conducted by audit alongwith departmental officials, the total length of the road was found to be 1500 mtr. with two RCC culverts.

There was no physical existence of the road beyond 1500 mtr. and therefore, the work executed on the second occasion mentioned above for extension of the road, was doubtful and needed to be investigated.

2.14.3 Incomplete works

Test check (May-June 2011) of records of five PRIs under Lakhimpur district disclosed that altogether 165 schemes involving construction of road, agricultural bundh, earth filling, brick soiling of road etc. were taken up under MGNREGS during the year 2008-09 and 2009-10 at a cost of ₹19.66 crore approved by the District Planning Coordinator. Against the approved amount, the APs received only ₹13.10 crore from the Project Director, DRDA Lakhimpur. However, the PRIs took up all 165 schemes for execution, of which 146 schemes remained incomplete as of June 2011 with physical progress from 8 to 98 *per cent* as shown in **Table 2.32**.

Table 2.32: Status of works (2008-09 and 2009-10)

(₹in lakh)

Name of PRI	No. of schemes taken up	Estimated amount	Fund received	Fund utilised	No. of incomplete schemes	Physical progress in r/o incomplete schemes (PC)
Narayanpur AP	37	362.68	215.93	206.63	35	15-90
Karunabari AP	44	566.48	312.40	302.18	41	10-90
Telahi AP	22	296.44	199.60	185.32	22	8-98
Bihpuria AP	26	243.50	169.21	166.12	23	40-90
Lakhimpur ZP	36	497.22	412.86	386.86	25	50-92
Total	**165**	**1966.32**	**1310.00**	**1247.11**	**146**	

Reasons for large number of schemes remaining incomplete, were stated to be due to non-receipt of adequate funds by the implementing agencies and difficulties owing to land disputes.

MGNREGS aimed to provide rural wage employment and thereby create socio-economic durable assets. Sanctioning a large number of schemes without assessing the availability of fund and failure to release the sanctioned/estimated amount by the DRDA indicated not only poor planning but non appreciation of the need for awaiting outcomes against expenditure actually incurred.

2.14.4 Improper utilisation of funds

Test check of records revealed that North Lakhimpur ZP and Barkhola AP utilized MGNREGS funds amounting to ₹15.67 lakh during 2008-09 to 2009-2010 for other

purposes viz. maintenance of office building, purchase of computer/laptop and construction of temple etc. which were not covered under the schemes. Details of inadmissible expenditure incurred are shown in **Appendix-2.13.** Utilization of funds for purposes other than those permissible under the scheme defeated the prime objective of MGNREGS which aimed to provide livelihood security in rural areas by generating wage employment.

2.14.5 Excess expenditure on material component beyond the prescribed norms resulted in less generation of mandays under MGNREGS

The Act provides that the wage material ratio should be 60:40 and this should primarily be maintained at the district, AP and GP level. However, the said norms had not been maintained in respect of following three APs under North Lakhimpur ZP and excess expenditure were incurred towards material component beyond the prescribed limit as shown in **Table 2.33.**

Table 2.33: Non maintenance of 60:40 Wage: Material ratio

(₹ in lakh)

Name of AP	year	Total expenditure	Expenditure on wages	Expenditure on materials	40% of total expenditure	Excess expendi-ture on materials
Bihpuria	2008-09 to 2010-11	210.46	87.91	122.55	84.18	38.37
Telahi	2008-09 to 2009-10	229.58	101.97	127.61	91.83	35.78
Karunabari	2008-09 to 2009-10	248.04	106.37	141.67	99.22	42.45
Total		**688.08**	**296.25**	**391.83**	**275.23**	**116.60**

Against the prescribed norm of 60 *per cent* on wage component, the test checked APs utilised 42 to 44 percent of funds on wage component and thus failed to maintain the prescribed ratio resulting in less generation of 93,280 mandays (@₹125/- per manday) which diluted the spirit of objective of the scheme of generation of employment.

2.14.6 Doubtful engagement of job card holders

Wages of workers under MGNREGS were required to be paid through account payee cheques in Bank or Post Office. Test check of records of four GPs[4] revealed that signature/thumb impression of the workers engaged in Muster Roll did not match with

[4] Badati Jamaguri GP under Bihpuria AP, Niz Laluk GP, Bongalmora GP and Dikrong GP under Karunabari AP in North Lakhimpur district

their original signature that appeared in Job Card Registers, and in some cases the signature column in the Muster Roll remained blank. Instances of such discrepancies noticed are indicated in **Appendix 2.14**. It was thus, not possible to accept the levels of actual engagement of job card holders in audit and possibilities of interference by proxies could not be ruled out. This might keep away the intended benefits of MGNREGS from reaching the rural households.

2.14.7 Non-utilisation of materials worth ₹22.58 lakh

Two APs and one ZP spent a sum of ₹22.58 lakh during the period of December 2009 to November 2010 towards procurement of materials under MGNREGS as shown in **Table 2.34.**

Table 2.34: Status of utilisation of materials rocpred

Sl. no.	Name of test checked Unit	Name of work	Particulars of material	Amount incurred (₹)	Date of procurement
1	Karunabari AP	Agril bundh from Islampur Salmora PWD Rd. to Mujibur Chuburi	Boulder, GI net etc.	2,18,455	28/10/2010
2		Road from Sonari Water Supply to Rajbari with RCC culvert	MS rod, cement, sand, gravel etc.	2,40,060	18/8/2010, 23/3/2010
3		Protection work at Singra river	Boulder, GI net etc.	5,68,350	1/2/2010 & 22/9/2010
4		Boundary wall at Pilkhowa Nabajyoti High School	MS rod, sand, gravel, cement etc.	64,035	12/10/2010, 26/9/2010
5		Land development and plantation at GP office field.	-do-	19,990	25/10/2010
6		Land development and plantation at 2 No. Pub Borchala LP school	-do-	35,450	10/9/2010, 01/11/2010
7		Land development and plantation at Jakai Pelowa High School	-do-	25,665	6/10/2010
8	Bihpuria AP	Erosion Protection Bundh with RCC Porcupine	RCC Porcupine, Boulder	64,8702	3/10 to 9/10
9	North Lakhimpur ZP	Agril bundh and channel cutting at Bandordewa Baligaon near PTC	Main size boulder, river sand, pea-gravel, cement	4,37,700	31/12/2009
				Total ₹22,58,407	

Scrutiny of records revealed that the above materials had not been utilized till June 2011. EO stated that the materials could not be utilised because of paucity of fund for which no subsequent work could be carried out and the works remained incomplete.

Materials were procured without ensuring the fund inflow resulting in blockage of funds which could have been utilized for generation of mandays had the amount been utilised towards other labour oriented item of works viz. earth work. There is also every possibility of pilferage or damage of the materials due to prolong storage at the site of work.

2.15 District Development Programme (DDP)

2.15.1 Wasteful expenditure

2.15.1.1 Dibrugarh Zilla Parishad took up (February 2009) the work of "Improvement and beautification of Polo ground" under District Development Programme (DDP) fund at an estimated cost of ₹1 crore. The scheme was approved by DPC and technical sanction was accorded by Addl. C.E., UA Zone, Water Resource Department, Dibrugarh. After an expenditure of ₹9.23 lakh was incurred towards the construction of boundary wall as of February 2009, the defence authority Panitola cantonment raised objection over the construction of permanent structure and demolished the boundary wall constructed under the scheme as it was constructed on defence land. Injudicious decision of the ZP to construct a boundary wall in defence land without obtaining prior permission of the Defence authority led to Zilla Parishad incurring a wasteful expenditure of ₹9.23 lakh.

2.15.1.2 Dibrugarh ZP took up a scheme (2009-10) namely, Emergent Management Measures from Motholla to Oakland at an estimated cost of ₹1 crore under DDP in 2007-08 to arrest the severe ongoing erosion in the area. The work was technically sanctioned (June 2009) by the Additional Chief Engineer, Upper Assam Zone, Water Resource Department, Dibrugarh. The work executed by a construction committee constituted by ZP was commenced in April 2009 and completed in February 2010 incurring an expenditure of ₹90.76 lakh.

The work was executed in two locations viz, chainage 7400M to 8400M (1000M) in phase-I at a cost of ₹33.74 lakh and chainage 800M to 1400M (600 M) in phase –II at a cost of ₹57.02 lakh.

Scrutiny (January-February 2011) of records revealed that the construction committee allotted the work to three firms which was executed in a fragmented manner without following the approved plan and estimates. Against the requirement of 10,248 nos RCC porcupines in the work in phase-I, only 9170 porcupines were actually used. The Executive Engineer, Water Resources Division intimated (August 2010) that the work suffered significantly due to stoppage of work for several weeks by the construction committee leading to intensification of erosion. Actual period of such stoppage were not indicated. Assessment of technical expertise of firms engaged by the construction committee was also not available. It would appear that required seriousness was not bestowed by the construction committee towards the execution of the work and monitoring of work by ZP was not adequate. Finally, the work done in phase-I was completely washed away (dates not available on record). The Assistant Executive Engineer (AEE), during a joint physical verification conducted by audit (31st January 2011) to assess the state of work, stated that the work in phase-I was completely washed away due to high stream of river. Thus, injudicious selection of construction committee without assessing their technical capability and weak monitoring of work led to wasteful expenditure ₹33.74 lakh.

2.15.2 Irregularities in distribution of pick-up van

District Planning Committee (DPC), Lakhimpur approved an expenditure of ₹30 lakh for providing 3 wheeler Diesel cargo pick-up vans to 34 SC/ST beneficiaries towards meeting 50 *per cent* subsidy under poverty alleviation sector under DDP 2008-09.

Test check of records of Lakhimpur ZP (May-June 2011) revealed that the CEO purchased (December 2009) 34 pick-up vans at a total cost of ₹47.49 lakh (@ ₹1,39,667/- each) after realizing ₹23.74 lakh from the beneficiaries (@ ₹69,833.50 per beneficiary) and balance ₹23.74 lakh paid from the earmarked DDP fund of ₹30.00 lakh approved by the DPC. However, instead of selecting of 34 SC/ST beneficiaries as approved by the DPC, the members of ZP selected 15 SC/ST beneficiaries and 19 non SC/ST beneficiaries without any revised approval of DPC and distributed 34 pick-up vans to the beneficiaries so selected.

Distribution of 19 pick-up vans to non SC/ST beneficiaries, involving subsidy of ₹13.30 lakh (19 x ₹0.70 lakh), without the approval of DPC were irregular. Thus, the purpose of providing pick-up vans with the intention to help alleviate the poverty of SC/ST beneficiaries was frustrated.

2.15.3 Diversion of fund for other purpose

The State Government constituted District Development Plan (DDP) fund (2007-08) to accelerate infrastructural and socio-economic development in rural and urban areas of Assam.

Scrutiny of records of Dibrugarh ZP revealed that Chief Executive Officer (CEO) spent ₹1.90 crore (April 2009 to February 2010) towards payment of staff salary out of DDP fund though there was no provision for utilization of fund for payment. of salaries.

Thus, Dibrugarh ZP diverted the amount meant for approved schemes depriving the beneficiaries of the commensurate intended benefits of the schemes.

2.16 Indira Awas Yojana(IAY)

2.16.1 IAY houses provided to ineligible beneficiaries.

Indira Awas Yojana (IAY) scheme aims at providing dwelling units free of cost to poor families belonging to Scheduled Caste/Scheduled Tribe, freed bonded labourers and other members of below poverty line in rural areas. The scheme helps the construction/up-gradation of dwelling units of such beneficiaries.

Scrutiny in audit of the beneficiary lists of six APs under three Zilla Parishads revealed that 473 non-BPL beneficiaries were provided IAY houses involving an amount of ₹1.80 crore, as detailed in **Table 2.35.**

Table 2.35: IAY houses provided to non-BPL beneficiaries

(₹ in lakh)

Name of unit	Name of ZP	Period	Amount	No. of houses involved
Bordoloni AP	Dhemaji	2009-10	58.06	152
Borkhola AP	Cachar	2009-10	2.29	6
Karunabari AP	North Lakhimpur	2008-09	19.23	51
Narayanpur AP	Do	2008-10	46.97	124
Telahi AP	Do	2008-09	29.26	76
Bihpuria AP	Do	2008-09	24.32	64
		Total	**180.13**	**473**

Thus, the benefit of ₹1.80 crore was extended to ineligible beneficiaries depriving the bonafide beneficiaries to that extent in violation of scheme guidelines. This would show that the EOs failed to exercise necessary checks and ensure that beneficiaries were selected in accordance with the guidelines.

2.17 Idle outlay of ₹59.86 lakh under RSVY

Three APs in Lakhimpur district incurred an expenditure of ₹59.86 lakh during the period 2008-09 to 2010-11 for construction of six market sheds in rural areas under Rastriya Sam Vikas Yojana (RSVY) funded through the Deputy Commissioner, North Lakhimpur as shown in **Table 2.36**.

Table 2.36: Expenditure on Market Sheds under RSVY

(₹ in lakh)

Sl No.	Name of AP	No. of market sheds constructed	Expenditure incurred
1.	Narayanpur	3	30.01
2.	Telahi	2	19.90
3.	Bihpuria	1	9.95
	Total	**6**	**59.86**

Scrutiny revealed that all the market sheds remained unutilized till June 2011 awaiting allotment. All the APs stated (June 2011) that allotment would be done very soon but any progress in this regard had not yet been intimated (February 2012). Details of any survey to assess the demand and facilities like electricity, water supplies etc., in the market sheds were not available on records produced for audit. Construction of market sheds without assessing the demand and ensuring the basic facilities like water, electricity etc., led to wasteful expenditure of ₹59.86 lakh.

2.18 Conclusion

- Leasing out of facilities to other than the highest bidders coupled with lack of proper pursuance in collection of dues resulted in loss of revenue and accumulation of dues. State Government also did not monitor in the revenue management of PRIs to augment their revenue resources despite the fact that the matter was brought to the notice of State Government earlier, by audit.

- Lack of proper planning, absence of effective internal control mechanism and weakness in monitoring by higher authorities in utilization of TFC fund led to idle investment, blockade of fund, doubtful expenditure and diversion of fund.

- Taking up of works in un-planned manner and without ascertaining available of constant flow of fund for the works undertaken under MGNREGS had resulted in un-fruitful, doubtful and un-productive expenditure together with non-utilization of costly materials. Implementation of the scheme also suffered as there was doubtful engagement of job card holders; less generation of man-days due to violation of expenditure norms on labour and material, and so on.

- Wasteful expenditure on works due to selection of disputed site, lack of technical capability of contractors, non assessment of demand for the asset; distribution of assets and fund to ineligible beneficiaries in violation of scheme guidelines were the other major irregularities observed in utilization of fund of District Development Programme, IAY and RSVY.

2.19 Recommendations

- Periodical review of existing revenue generation activities, exploring new or additional revenue earning resources by the PRIs and State Government, strict compliance to rules and regulation in award of lease would definitely strengthen revenue base of PRIs.

- Fund should be released only after obtaining proper plan on realistic estimates. Works should be taken up after proper site survey, assessing demand of local people and ensuing availability of fund. This would avoid un-productive and wasteful expenditure, blockade of fund, idle outlay on creation of assets.

- Necessary provisions are to be made in respective scheme guidelines to penalize the official responsible for diversion, mis-utilisation of fund and utilization of fund for the purpose and in the manner not permitted in the scheme.

- Strengthening the internal control mechanism, constant watch on utilization of fund by higher authorities, introduction of periodical physical verification and introduction of Management Information System would ensure proper and timely utilization of fund and implementation of the schemes as well.