

## Preface

*This report has been prepared for submission to the Government of Gujarat in accordance with the terms and conditions of the Technical Guidance and Supervision (TGS) over the maintenance of accounts and audit of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) by the Comptroller & Auditor General (C&AG) of India. This is the Fifth Report prepared on the performance of the PRIs and ULBs in Gujarat.*

*Based on the recommendations of the Eleventh Finance Commission, the Government of Gujarat entrusted the Audit of PRIs /ULBs to the C&AG of India under Section 20(1) of the C&AG's (DPC) Act 1971 for providing technical guidance and supervision to the Director of Audit (Local Fund) Gujarat.*

*The Report consists of two parts. Part A contains observations on PRIs and Part B contains a Review on Collection of property tax in 12 Municipalities' and observations on transactions of ULBs.*

*The findings detailed in this Report are among those which came to notice during the course of test audit of accounts during the year 2009-10 and 2010-11.*



## OVERVIEW

This Audit Report includes six chapters containing observations of Audit on accounting procedure and financial management, revenue receipts, establishment, material management, implementation of schemes, as well as observations on the structure and finances of Panchayati Raj Institutions and Urban Local Bodies and Performance Review on 'Collection of Property Tax in 12 Nagarpalikas'.

### Panchayati Raj Institutions

#### 1. Structure and Finance

The State Government has not devolved all the functions envisaged in the 11<sup>th</sup> Schedule of the Constitution of India. The formats for database on the finances of PRIs have not been implemented though adopted by the State Government. Neither the prescribed periodicity for constitution of SFCs, as per Constitutional provisions was maintained nor any action was taken by the State Government on recommendations of the belatedly constituted SFCs. Audit of 35452 PRI units by Director Local Fund Audit was in arrears from 2005-06.

*(Chapter 1)*

#### 2. Accounting Procedure and Financial Management

Grants received and expenditure incurred of ` 88.85 lakh and ` 91.74 lakh respectively under various Central Sponsored schemes were not included in the Annual Accounts by Four Taluka Panchayats.

*(Paragraph 2.1)*

Cash books suffered from some serious limitations and vital basic records were not maintained or maintained improperly.

*(Paragraph 2.2 and 2.3)*

Twenty Taluka Panchayats incurred excess expenditure of ` .15.47 crore against allotted grants during 2006-07 in violation of the departmental instructions.

*(Paragraph 2.5)*

In 87 Village Panchayats of eleven districts, the budget preparation was unrealistic. As against estimated receipts of ` 9.11 crore for the year 2006-07, actual receipts were only ` 3.49 crore. Similarly against Estimated expenditure of ` 10.06 crore in 100 VPs of 11 District Panchayats, the actual expenditure was only ` 3.50 crore.

*(Paragraph 2.6)*

Twenty Taluka Panchayats did not surrender unspent grants of ` 41.01 crore to the Government during the period 2005-07.

*(Paragraph 2.8)*

Materials of ` 2.59 crore were purchased by 351 Village Panchayats without inviting quotations.

*(Paragraph 2.11)*

## Urban Local Bodies

### 4. Finance and Accounts

State Government adopted the formats for database on the finances of ULBs. However, the same are yet to be operationalised. Neither the prescribed periodicity for constitution of SFCs, as per Constitutional provisions was maintained nor any action was taken by the State Government on recommendations of the belatedly constituted SFCs. Audit of all the Nagarpalikas by Director of Local Fund Audit (DLFA) was in arrears since 2005-06 indicating weak internal control.

*(Chapter – 4)*

### 5. Transaction audit findings

Unspent grant of the 10<sup>th</sup> and 11<sup>th</sup> Finance Commission to the extent of ` 105.14 lakh, of 10<sup>th</sup> Finance Commission: ` 14.07 lakh (Expired on 31<sup>st</sup> March 2001) and 11<sup>th</sup> Finance Commission: ` 91.07 lakh (expired on 31<sup>st</sup> March 2005) were not surrendered by Nagarpalikas Dholka and Jetpur even after lapse of five to ten years.

*(Paragraph 5.4)*

Purchase of Material / execution of works of ` 17.48 lakh was done without inviting quotations by Dholka and Palanpur Nagarpalikas.

*(Paragraph 5.8)*

Four Nagarpalikas had not credited lapsed deposit of ` 1.02 crore in government accounts.

*(Paragraph 5.10)*

Performance review on collection of property tax by 12 Nagarpalikas revealed delay in executing survey works for area based levy of property tax by all the NPs. Weak data generation, reporting and monitoring were noticed. Due to incorrect implementation of disincentive scheme, two Nagarpalikas sustained revenue loss of ` 19.08 lakh. In three Nagarpalikas due to absence of control mechanism, escapement of tax was ` 62.66 lakh. Tax collection of NPs was poor and ranged from 45 per cent to 59 per cent only against total demand raised.

*(Paragraph 6.1)*

Award of contract for construction of shops on encroached land by VNP resulted in unfruitful expenditure of ` 31.24 lakh besides cost overrun of ` 3.68 lakh and loss of income ` 56.12 lakh.

*(Paragraph 6.2.1)*

Failure to observe conditions of agreement under a scheme by Palanpur Nagarpalika resulted in excess payment of ` 10.71 lakh and cost overrun by ` 6.02 lakh

*(Paragraph 6.3)*



## **CHAPTER-I**

### **THE STRUCTURE AND FINANCE OF PANCHAYATI RAJ INSTITUTIONS**

#### **1.1 Panchayati Raj Institutions -Introduction**

Article 243B of the Constitution envisages a three tier system of Panchayat: Village Panchayat (VP) at the village level, District Panchayat (DP) at the district level and Taluka Panchayat (TP) at intermediate level between the village and the district levels (at the Taluka level).

#### **1.2 Status of PRIs in Gujarat**

A three-tier system Panchayat was envisaged in the Gujarat Panchayat Act, 1961 (GP Act), which came into force in April 1963. This Act was amended in April 1993 to incorporate the provisions of the 73<sup>rd</sup> Constitutional Amendment Act, 1992. The first general election for the DPs, TPs and VPs were held in 1963. Since then the general election for the Panchayats have been held every five years and the last election of 25 DPs and 208 TPs was held in the month of October 2010.

#### **1.3 Area and population covered**

The GP Act extends to the whole of Gujarat in areas other than Municipalities/ Municipal Corporation/ Notified Areas. Gujarat has geographical area of 1,96,024 Sqkms and accounts for 6.19 percent of the total land area of the country. According to the population census 2001, the population of the State stood at 5.07 crore with density of 258 persons per Sqkm. The rural population of 3.17 crore (62.64 *per cent* of the total population) belonging to 58.86 lakh households thus, was under the perview of the GP Act.

#### **1.4 Organizational structure of the PRIs**

There are 26 DPs, 224 TPs and 13788 VPs in the State. Panchayat, Rural Housing and Rural Development Department headed by Additional Chief Secretary exercises administrative control over the PRIs. The department is responsible for framing of policies pertaining to formulation and implementation of developmental schemes and administration. The Department also ensures implementation of above through issue of orders, guidelines and control and monitoring mechanism by the office of the Development Commissioner, Gandhinagar. The GP Act envisages the functioning of the DPs, TPs and VPs through functional Standing Committees having elected representatives as members and chairman. The numbers of

Committees prescribed under the GP Act are seven<sup>1</sup>, two<sup>2</sup>, and two<sup>3</sup> for DP, TPs and VPs respectively. In addition, the Panchayats may, with the prior approval of the State Government, constitute Committee (s) for specific purpose.

The organisational set up of the Panchayati Raj system in Gujarat is as shown at next page.

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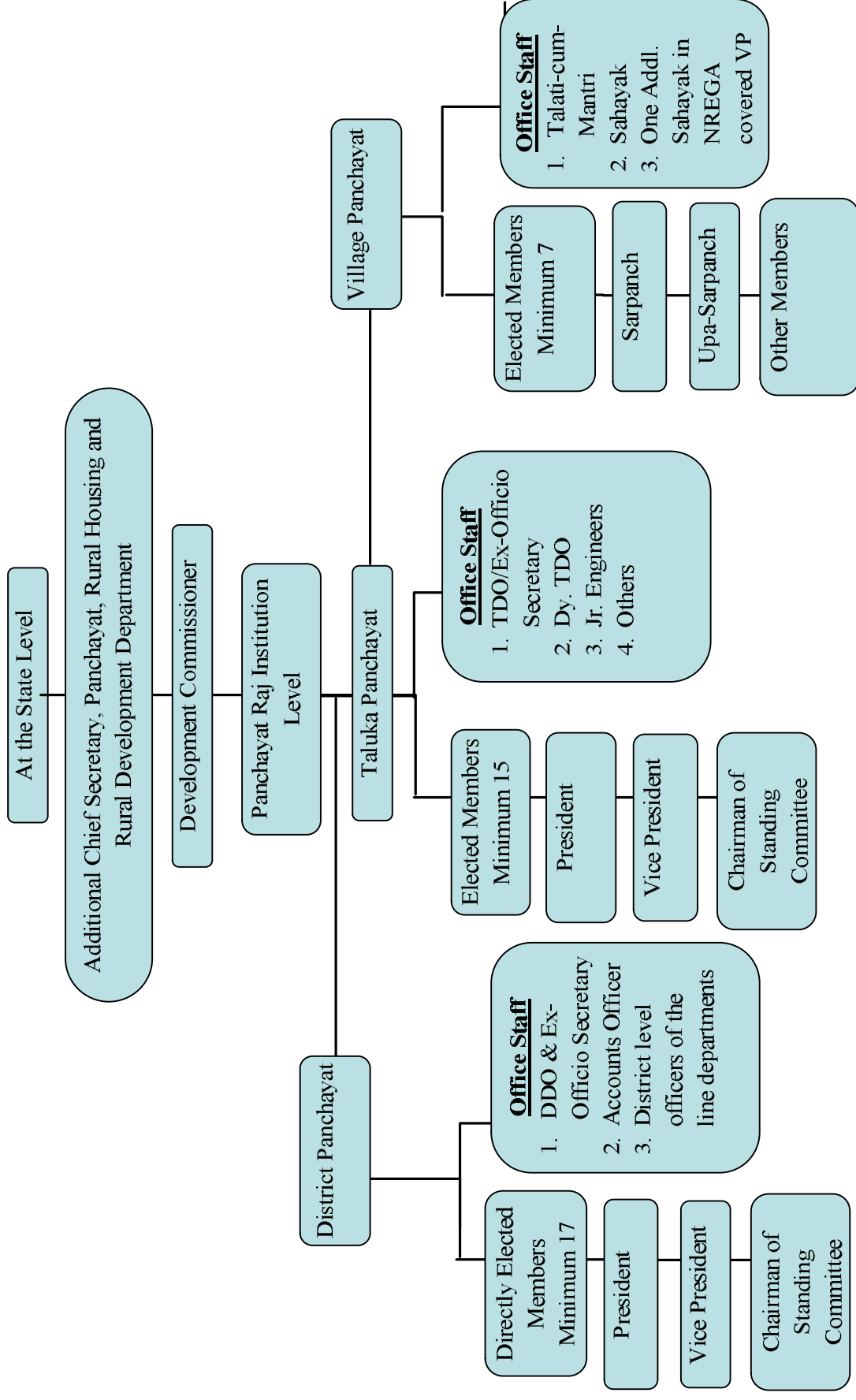
<sup>1</sup> (i) Executive Committee (Finance, Home guards, Village defence and for functions not assigned to any committee) (ii) Social Justice Committee (social justice for weaker Sections / SCs / STs) (iii) Education Committee (Education, Literacy and Cultural activities) (iv) Public Health Committee (Public Health, Hospitals, Health Centres, Sanitation, Water supply, Vaccination and family planning). (v) Public Works Committee (Public Works, Communications, Buildings, Rural Housing, Relief against Natural Calamities). (vi) Appeal Committee. (viii) Twenty Point Programme Implementation and Review Committee.

<sup>2</sup> (i) Executive Committee. (ii) Social Justice Committee.

<sup>3</sup> i) Executive Committee. (ii) Social Justice Committee.

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# The Organizational set up of the Panchayat Raj System in Gujarat



## **1.5 Powers and functions**

The 11<sup>th</sup> Schedule of the Constitution lists 29 functions to be devolved to the Panchayats. Article 243-G of the Constitution had empowered the State Legislature to decide and confer powers and responsibilities to the PRIs. As per section 180 (2) of the GP Act, the State Government may entrust to Panchayats 29 functions as mentioned in the 11<sup>th</sup> Schedule of the Constitution. Out of these 14 functions<sup>4</sup> are fully devolved, 5 functions<sup>5</sup> are partially devolved and 10 functions<sup>6</sup> are yet to be devolved to the Panchayats in the State. Fourteen functions were devolved to the PRIs through amendment in the GP Act, which was done in April 1993, since then no revision in the list has been made with the purpose to devolve the rest functions to these Institutions. The GP Act also vests a PRI with the following powers and duties: (i) to prepare development plan / annual action plan, (ii) to implement schemes for economic development and social justice as may be drawn up by or entrusted to it in pursuance of 11<sup>th</sup> Schedule of the Constitution, (iii) to manage or maintain any work of public utility and (iv) to collect revenue for utilisation of such funds for developmental work.

## **1.6 Flow of funds**

The funds for DP and TP as shown in fund flow chart given on next page are deposited in the District Treasury in Deposit Account which is operated as non- interest bearing banking account. Centrally Sponsored Scheme (CSS) funds are kept in the banks/Post offices in Saving Accounts according to guidelines of the respective schemes. The funds for VPs are required to be kept in Saving Bank Accounts at the nearest Post Office or a Scheduled Bank.

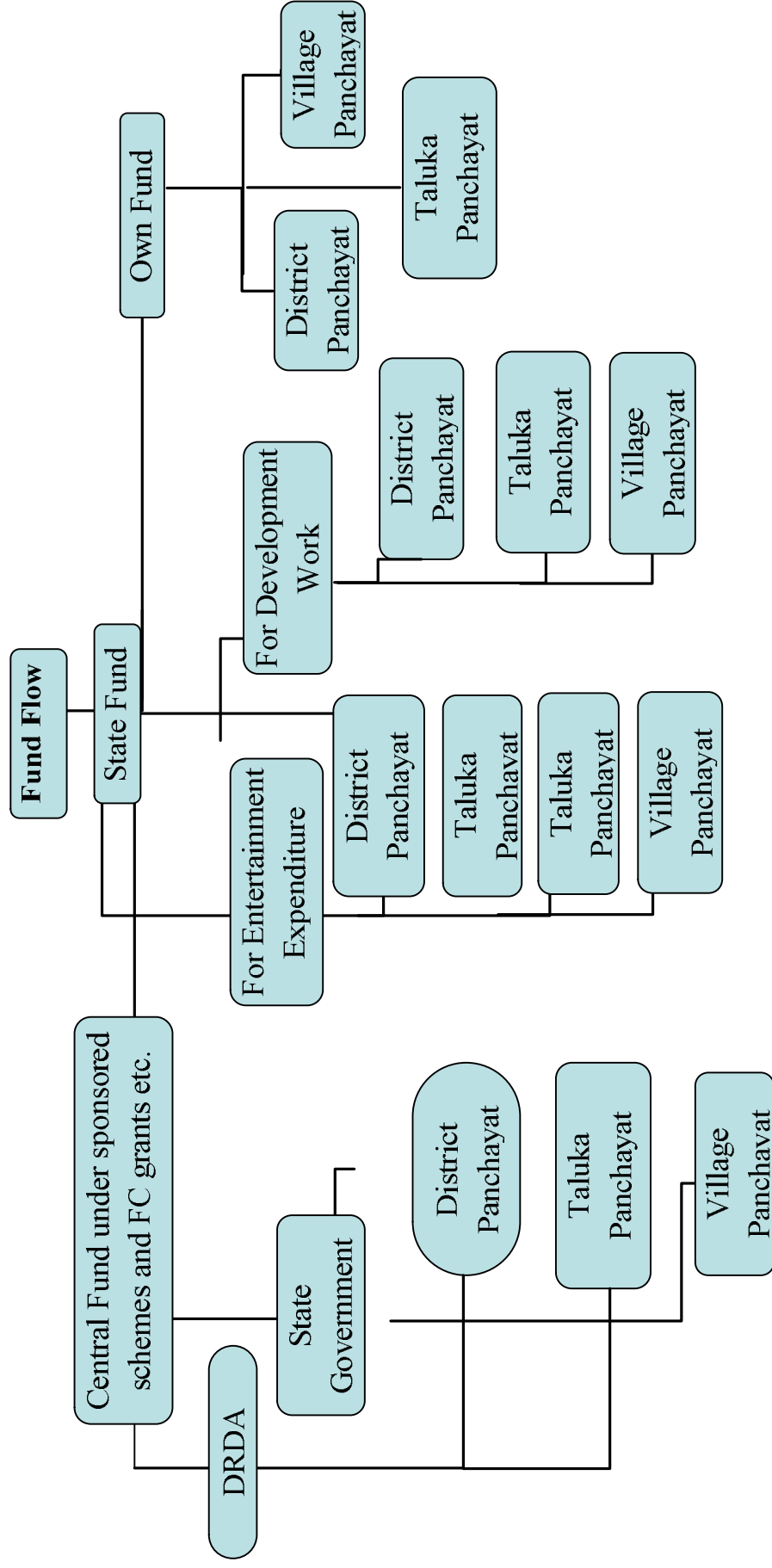
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<sup>4</sup> (I) Agriculture, including Agricultural Extension (II) Minor Irrigation; (III) Animal husbandry; (IV) Rural Housing; (V) Drinking water – water distribution; (VI) Roads, culverts, bridges, ferries, waterways; (VII) Fuel (Energy) and fodder; (VIII) Minor forest projects; (IX) Poverty alleviation programmes; (X) Fair and markets; (XI) Health and sanitation, including PHCs dispensaries; (XII) Family welfare; (XIII) Women and Child development; (XIV) Welfare of weaker sections particularly of the SCs and STs.

<sup>5</sup> (I) Primary and Secondary Education (II) Adult and Non – formal Education; (III) Cultural activities; (IV) Social welfare, including welfare of handicapped and mentally retarded; (V) Maintenance of community assets.

<sup>6</sup> (I) Land improvement, implementation of land reforms; (II) Fisheries; (III) Social forestry and farm forestry; (IV) Small scale industry; (V) Khadi, village and cottage industries; (VI) Rural electrification including distribution of electricity; (VII) Non – conventional source of energy; (VIII) Technical training and vocational education; (IX) Libraries (X) Public distribution system

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## **1.7 Creation of Database and Maintenance of Accounts**

Receipt & payment accounts of PRIs are consolidated by Development Commissioner, Government of Gujarat. Pursuant to the recommendations of the Eleventh Finance Commission (EFC), Government of India, Ministry of Finance had issued guidelines for utilisation of funds related to local bodies which envisage that the Comptroller and Auditor General (C&AG) of India should prescribe the formats for preparation of budget and for keeping the accounts. The format prescribed by the C&AG of India for maintenance of accounts and database on finances of PRIs has been accepted by the Government of Gujarat in September 2004 and August 2007. However, the formats have not been operationalised so far (February, 2011).

Regarding implementation of the formats, the Development Commissioner stated that as conveyed by Ministry of Panchayati Raj (MoPR) the eight database formats prescribed by C&AG were experienced to be complex and comprehensive by many States and hence GoI has sought feedback from the State Government and further stated that in this context a meeting by the Joint Secretary, Ministry of Panchayati Raj, GoI were held on 11 January 2011 and revised eight data-base statement have been circulated to all states. These revised statements were under examination by the State Government (March, 2011)

For creation of database on finances, PRIs were allotted ` 42.80 crore during 2005-10, which were spent by PRIs on maintenance and management of database for finances including implementation of Double Entry accounting system in PRIs and in survey and valuation of assets of PRIs.

## **1.8 Revenue and Application of fund**

The sources of revenue of PRIs, mainly, are grants<sup>7</sup> from State/Central Governments, Finance Commission Grants, Own Revenue and Loans and Advances.

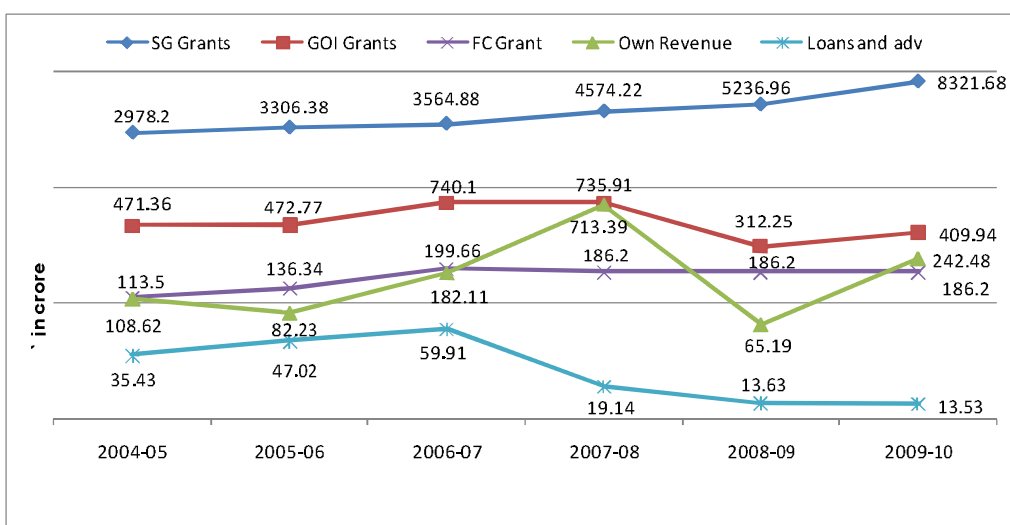
### **1.8.1 Sources of Revenue**

The receipt of PRIs from all sources during the last six years ending 2009-10 is given in **Table No.1** and chart below:-

**Table No:1 Source of Revenue** ( ` in Crore)

Description	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
State Government Grant	2978.20	3306.38	3564.88	4574.22	5236.96	8321.68
Govt. of India Grant	471.36	472.77	740.10	735.91	312.25	409.94
Own Revenue	108.62	82.23	182.11	713.39	65.19	242.48
Loans and advances	35.43	47.02	59.91	19.14	13.63	13.53
EFC/TFC Grant	113.50	136.34	199.66	186.20	186.20	186.20
<b>Total</b>	<b>3707.11</b>	<b>4044.74</b>	<b>4746.66</b>	<b>6228.86</b>	<b>5814.23</b>	<b>9173.83</b>

<sup>7</sup> Grants are given on the basis of population



(Source: Budget publications and figures received from the Department)

## 1.8.2 Sectoral Receipts and expenditure

The sectoral allocation of receipts and expenditure incurred there against during 2004-05 to 2009-10 is as given in **Table No. 2** below:

**Table No.2: Sectoral receipt and expenditure ( ` in Crore)**

Description		General Services	Social Services	Economic Services	Loans	Total
2004-05	Receipt	98.78	2295.28	1277.62	35.43	3707.11
	Expenditure	47.29	2239.59	1197.22	35.65	3519.75
2005-06	Receipt	77.43	2802.86	1118.21	46.24	4044.74
	Expenditure	62.59	2608.02	824.22	40.21	3535.04
2006-07	Receipt	191.82	3043.26	1451.77	59.81	4746.66
	Expenditure	112.07	2606.63	1027.12	35.05	3780.87
2007-08	Receipt	554.29	3499.27	2156.16	19.14	6228.86
	Expenditure	896.95	3594.08	1499.89	21.24	6012.16
2008-09	Receipt	610.83	3180.07	2009.70	13.63	5814.23
	Expenditure	911.07	3543.22	2115.59	10.00	6599.88
2009-10	Receipt	925.40	5351.97	2882.93	13.53	9173.83
	Expenditure	1330.26	5089.18	2797.26	4.67	9221.37

(Source: Budget publications).

It would be seen from the table above that:

- The total receipts increased from ` 3707.11 crore in 2004-05 to ` 6228.86 crore in 2007-08. However, it decreased to ` 5814.23 crore (7.5 per cent) during 2008-09 mainly on account of less receipts of grants from the Government of India (GoI) and decrease in own revenue due to poor recovery of various taxes by PRIs.
- The total receipts increased from 5814.23 crore in 2008-09 to 9173.83 crore (57.78 percent) in 2009-10 was due to increase in State Government and GoI grants and own revenue in comparison to 2008-09.
- There was excess of receipt over expenditure by ` 965.79 crore (20.4 per cent) and ` 216.70 crore (3.5 per cent) during 2006-07 and 2007-08

respectively. However, there was excess of expenditure over receipts by ` 785.65 crore (13.5 *per cent*) during 2008-09 & ` 47.54 crore (0.52%) during 2009-10 which was incurred out of the unspent balances available with the PRIs. As regarding the receipts under Social services, the same was increased from ` 3180.07 Crore in 2008-09 to ` 5351.97 Crore (68.3 *per cent*) in 2009-10 as against decrease of 9.1 *per cent* during 2008-09.

Similarly the receipts under economic services have increased from ` 2009.70 Crore in 2008-09 to ` 2882.93 Crore (43.45 *per cent*) in 2009-10 as against decrease of 6.8 *per cent* during 2008-09.

### **1.9 District Planning Board / Committee**

The State Government under the provision of Article 243 Z D of the Constitution had constituted (July 2006 and January 2009) District Planning Committees (DPC) in all the districts by a Government Resolution. Minister in-charge of the district is Chairperson of the DPC in each district consisting of such number of elected, nominated and permanent invitee members (not less than 15 and not more than 30) as may be determined by the Collector of the district.

The DPC consolidates the annual plans prepared by the LBs in the district and prepares an annual Draft Development Plan (DDP) for the district as a whole on the matters of common interest of the LBs keeping in view the available resources, whether financial or otherwise and forwards the DDP with recommendations to General Administration Department in Government of Gujarat (GoG).

Due to election of ULBs and PRIs in all the 26 districts of Gujarat State during October 2010 and February 2011, all the DPCs have been dissolved. The reconstitution of DPCs has not been done till date (March 2011).

### **1.10 State Finance Commission**

Article 243 I of the Constitution had made it mandatory for the State Government to constitute a State Finance Commission (SFC) within one year from the enactment of the Constitutional Amendment Act and thereafter on expiry by every five year to review the financial condition of the PRIs and to make recommendations to the Governor for devolution of funds on the following aspects.

- i. The distribution of net proceeds of taxes, duties, and fees between the State and the PRIs.
- ii. Taxes, duties fees and tolls to be assigned and appropriated by PRIs.
- iii. Release of grants-in-aid to the PRIs from Consolidated Fund of the State.
- iv. Measures needed to improve the financial conditions of the PRIs.



### 1.10.1 Non Constitution of State Finance Commission

As the Constitutional Amendment Act, 1992 came into effect on 20 April, 1993 the constitution of the first SFC was due by 19 April, 1994. The State Government has so far constituted only three SFCs as against the four already due as given in **Table No-3** below:

**Table No-3 : State Finance Commission**

Finance Commission	Due Date of Constitution by State Govt	Actual Date of Constitution	Month of submission of reports by SFC	Date of placement in Assembly
1 <sup>st</sup> FC	19 April 1994	15 Sept1994	October 1997	28 August 2001
2 <sup>nd</sup> FC	19 April 1999	19 Nov 2003	14 Nov 2006	Not Placed*
3 <sup>rd</sup> FC	19 April 2004	02 Feb2011	Not Submitted	Not Placed
4 <sup>th</sup> FC	19 April 2009	Not constituted	NA	NA

It would be seen from the above table that the State Government constituted first and second SFCs with delay of five months and 55 months respectively and the 3<sup>rd</sup> SFC has been constituted only on 2<sup>nd</sup> February, 2011 with delay of 81 months. The 4<sup>th</sup> SFC which was due to be constituted by 19<sup>th</sup> April 2009, has not yet been constituted. The 1<sup>st</sup> SFC submitted its report to the Government in October 1997 which was placed on the table of the Assembly in August 2001, with delay of 45 months.

The 2<sup>nd</sup> SFC has submitted its report on 14<sup>th</sup> November 2006. The High Level Empowered Committee discussed the recommendation of the 2<sup>nd</sup> SFC on 22<sup>nd</sup> February, 2011. The minutes of the meeting are still awaited from the Government. It can be seen that the mandatory provisions in respect of timely constitution of the SFCs have not been adhered to by the State Government and there also have been delays in placement of the reports on the table of Legislature of the State.

### 1.10.2 Implementation of SFC recommendation

Some of the major recommendations made by the 1<sup>st</sup> SFC were related to merger of District Rural Development Agency (DRDA) with DP, resource mobilization of LBs, transfer of revenue earning source to LBs, increase of the share of LBs in various taxes, levies, fees etc. Out of total 63 recommendations of the Report on PRIs 42 have been fully accepted by the State Government eight have been partially accepted and 13 including that of merger of DRDA with DPs have not been accepted. However, a numbers of accepted recommendations were still to be implemented. Assignment of entertainment tax, surcharge on stamp duty, land acquisition charges, fee collected from minor minerals, local cess, entertainment tax on cable TV, building maintenance grant etc. were not made to PRIs due to non-amendment

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\* The high level empowered committee meeting for discussion of SFC recommendation held on 22<sup>nd</sup> February, 2011.

of relevant Acts or non action by various departments, although recommendations for assignment and implementation of all these functions to Local bodies have been accepted by the State Government.

#### **1.11 Twelfth Finance Commission Grants**

During the period 2005-10, on the recommendation of Twelfth Finance Commission (TFC), ` 931.00 crore was released to the State Government by Government of India, which was in turn released by the State Government to the PRIs. A matching grant of ` 44.16 crore was also released by the State Government to the PRIs during 2005-06. The amount of ` 924.55 crore was spent by PRIs on water supply and sanitation: ` 264.52 crore; solid waste management: ` 264.52 crore; data base on finances: ` 42.80 crore and other works: ` 352.71 crore leaving unspent balance of ` 50.61 crore as on 31 March 2010.

#### **1.12 Thirteenth Finance Commission**

As per recommendations of Thirteenth Finance Commission (TH.FC) Gujarat State is eligible to get central grant of ` 2333.09 crore for PRIs during the period 2010-15. Out of which ` 1525.44 crore is earmarked for General Basic Grant (GBG) and ` 807.65 crore is earmarked for General Performance Grant (GPG) during the THFC period. Accordingly Gujarat State was entitled to get GBG of ` 217.20 crore for the year 2010-11. GoG received (July 2010 & Janaury 2011) both the installments. Apart from this GoG received two installments of special area grant of ` 7.20 crore each during July 2010 and January 2011.

The THFC prescribed nine conditions to be fulfilled to become eligible for general performance grants.

#### **1.13 Audit arrangement for PRIs.**

Under provisions of the Gujarat Local Fund Audit (GLFA) Act, 1963, and as per section 121, 143 and 166 of the G.P. Act, Audit of VPs, TPs and DPs respectively were required to be conducted every year by the Director Local Fund Audit (DLFA). The Audit by DLFA was in arrears as detailed in **Table No.4** below:

**Table No.4 : Arrears of Audit - DLFA**

PRI	No. of Auditee	Audit completed upto	Audit in arrears	Total No. of Auditable units in arrears	Total
DPs	26	2004-05	2005-06 onwards	01 (2005-06), 03 (2006-07), 24 (2007-08), 26 (2008-09) 26 (2009-10)	<b>80</b>
TPs	224	2005-06		17 (2006-07) 139 (2007-08), 224 (2008-09) 224 (2009-10)	<b>604</b>
VPs	13788	2005-06	Partially 2006-07 onwards	21294 up to 2008-09 and 13474 for 2009-10	<b>34768</b>
<b>Total</b>	<b>14038</b>				<b>35452</b>

It would be seen from the above table that audit of 35452 auditee units was in arrears as detailed above. The report on audit of PRIs by DLFA for the period 2004-05 was laid on the table of Legislature in October 2010.

DLFA attributed (February 2011) reasons of arrears in audit to shortage of staff. Audit being in arrears for a long period not only defeats the very purpose but also dilutes the compliance process. Arrears in audit are also fraught with the risk of non detection of irregularities having serious consequences such as fraud and misappropriation.

#### **1.14 Audit observations of Inspection Reports.**

##### **1.14.1 Inspection Reports of DLFA**

As per section 7 of the Gujarat Local Fund Audit (GLFA) Act, DLFA should conduct audit of PRIs and prepare and send the Inspection Reports (IRs) to the local authorities immediately after completing the audit work and this process should not take more than three months. The IRs should be replied by the local authority within one month from the date of its receipt. It was, however, noticed that as on 31<sup>st</sup> December, 2010, 15,37,804 paragraphs issued by DLFA were pending. Age wise pendency of IR paragraphs is given in **Table No.5** below:

**Table No. 5 : Pendency of IR paragraphs of DLFA**

PRI	Pending for the period up to 2000-01	Pending for the period 2001-05	Pending from 2006 onwards	Total
DP	25053	10020	2533	37606 <sup>8</sup>
TP	59374	29069	17074	105517 <sup>9</sup>
VP	834472	239532	320677	1394681 <sup>10</sup>
Total	918899	278621	340284	1537804

It is evident from the above table that out of 1537804 outstanding paragraphs 918899 (60 per cent) and 278621 (18 per cent) were outstanding for more than ten and five years respectively. Huge number of outstanding paragraphs for an abnormal long period indicated that the auditees were not serious in complying with the audit observations. DLFA stated (March 2011) that to get the compliance of the paras the matter is reviewed by Development Commissioner and Additional Chief Secretary, PRHRDD and special drive would be made for compliance of these outstanding paragraphs.

##### **1.14.2 Outstanding paragraphs of IRs of Accountant General**

As on 31<sup>st</sup> December, 2010, 13,501 paragraphs of 4263 IRs up to the year 2007-08, issued by AG (Civil Audit), Gujarat, Rajkot and by Sr.DAG (LBAA), Ahmedabad, remained outstanding for want of proper compliance by auditee units. The year-wise break up of paragraphs is as given in **Table No.6** below:

<sup>8</sup> 2000-01: 25053, 2001-02: 2064, 2002-03: 2228, 2003-04:2728, 2004-05: 3000, 2005-06:2168, 2006-07: 70, 2007-08:106, 2008-09: 189

<sup>9</sup> 2000-01: 59374, 2001-02: 6549, 2002-03: 7103, 2003-04:7711, 2004-05: 7706, 2005-06:8096, 2006-07: 5974, 2007-08:1990, 2008-09: 1014

<sup>10</sup> 2000-01: 834472, 2001-02: 50551, 2002-03: 49448, 2003-04: 60583, 2004-05: 78950, 2005-06:102546, 2006-07: 66221, 2007-08:120160, 2008-09: 31750

**Table No. 6: Pendency position of Paragraphs of AG/SrDAG office**

	Up to FY 01	Additions during the years										Total
		FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11 Up to Dec. 2010	
<b>IR</b>	547	95	134	152	65	120	270	230	445	1319	886	4263
<b>Para</b>	1780	398	410	515	301	325	840	490	780	4767	2895	13501

Increasing trend of outstanding paras each year indicated lack of efforts by concerned authorities in furnishing compliance to these paragraphs.

### **1.15 Audit Coverage**

Accounts of 52 TPs and 624 VPs for the year up to 2006-07 and 2007-08 were audited during the year 2010-11 under section 20 (1) of CAG's DPC Act, 1971. Results of the audit are given in succeeding chapters.

### **1.16 Conclusion**

The State Government has not devolved all the functions envisaged in the 11<sup>th</sup> Schedule of the Constitution. Neither the prescribed periodicity for constitution of SFCs, as per Constitutional provisions, was maintained nor action was taken by the State Government on recommendations of the belatedly constituted SFCs. Long pendency of audit and non settlement of audit observations by DLFA and that of AG (Civil Audit), Rajkot and Sr. DAG (LBAA), Ahmedabad, indicated weak internal control system in PRIs. The eight database formats prescribed by the C & AG of India for PRIs were yet to be adopted by the GoG. Though election process of PRIs and ULBs has been completed, reconstitution of DPCs in all the 26 districts is yet to be done. The Audit Reports of the Director, DLFA from the year 2005-06 have not yet been placed in the State Assembly.

The majority of the conditions stipulated by THFC are yet to be complied by the GOG for availing GPG under THFC and it is quite unlikely that these would be fulfilled by 31<sup>st</sup> March 2011 as required by the THFC.

### **1.17 Recommendations**

Following measures are recommended for ensuring better accountability system in PRIs.

- Functions envisaged in the 11<sup>th</sup> Schedule of the constitution may be devolved to the PRIs with transfer of adequate funds and functionaries by State Government.
- SFCs should be constituted as per Constitutional provision and recommendation made by the SFC be implemented.
- DLFA should devise a plan for clearance of arrears of audit in consultation with the State Government.
- A high level committee consisting of senior officers of PRHRDD, UH&UDD and DLFA should be constituted to review the paras and their pursuance by the field offices for reducing the huge outstanding audit objections
- Immediate action should be taken by the GoG to fulfill the conditions prescribed for availment of General Performance Grant under THFC from 2011-12 on onwards.

## CHAPTER-II

### Accounting Procedure and Financial Management in Panchayati Raj Institutions

#### 2.1 Non inclusion of grant and expenditure in Annual Account

As per Rule 211(1) of the Gujarat Taluka and District Panchayat Finance Accounts and Budget Rules, the Annual Accounts of TP/DP shall be maintained and published in prescribed manner indicating total receipts and payments during the year under different heads with opening and closing balances.

Scrutiny of records of four TPs (Bhavnagar, Vadhwan, Jambusar and Bardoli) for the year 2006-07 revealed that these TPs received grant of ` 88.85 lakh ( ` 68.39 lakh: Members of Parliament Local Area Development Schemes (MPLADS) grant, and ` 20.46 lakh: Sampoorana Grameen Rozgar Yojana (SGRY) grant and spent ` 91.74 lakh (MPLADS: ` 71.83 lakh and SGRY: ` 19.91 lakh) during 2006-07. However, receipts of grants and expenditure were not included in the Annual Accounts of respective TP, which was in violation of the codal provisions. This resulted in understatement of receipt and expenditure by ` 88.85 lakh and ` 91.74 lakh respectively for that year.

TDOs stated (August to December 2010) that hence forth, such grants and expenditure against the grants would be incorporated in the Annual Accounts.

#### 2.2 Deficiency in maintenance of Cash Book

As per the Gujarat Taluka Panchayat and District Panchayat Finance, Accounts & Budget Rule, 1963, Cash Book is a preliminary and important record. It should be maintained properly under the supervision and control of head of the office/Branch Officer.

Test check of records 22 TPs and 61 VPs (**Appendix -I**) for the period 2006-07 revealed that maintenance of Cash Book suffered from some serious limitations as detailed below:-

- Before taking into use, the number of pages in a Cash Book should be counted and certificate of head of the office/Branch Officer to that effect should be obtained on the first page of the Cash Book. However, this has not been complied with in case of 8<sup>11</sup> TPs and in all 61 VPs. The omission may lead to destroy of entries by taking away pages and consequent embezzlement.
- In the Cash Book, no page should be left blank. However, in TP Mahemadabad 8 pages, in TP Halvad 109 pages and in TP Jasdan 16

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<sup>11</sup> Halvad, Sayla, Jasdan, Rajkot, Jamjodhpur, Vallabhipur, Bhavnagar, Ghogha

pages were left blank. Chances of posting of transaction after closing of monthly balances and thereby misappropriation cannot be ruled out.

- Accountant should write the cash book daily and at the end of the day cash balance should be worked out with his dated initial and it should be attested by the head of the Office/Branch Officer. However, it was not done in 7<sup>12</sup> TPs. Particularly in ICDS branch of TP Savli Cash Book was written upto 2<sup>nd</sup> June 2006 only and transactions of ` 41.96 lakh for the period from June 2006 to March 2007 were entered in Cash Book only in October 2010 after the same was pointed out in audit. Further, it was also noticed that TDO had not signed the transactions of Cash Book in the months of April and May 2006.
- Correction/overwriting in Cash Book during the period 2006-07 were not attested by head of the office/Branch Officer in 13 TPs<sup>13</sup> and in all 61 VPs.
- Pencil was used for recording transactions of receipts and expenditure and sum of the total amount between the period 29<sup>th</sup> January 2007 to 31<sup>st</sup> March 2007 in TP Kathlal (Kheda) and on page no. 86 and 97 of TP Ghogha (Bhavnagar).
- Physical verification /surprise check of cash balance was not done by the 12 TDOs<sup>14</sup> during the period 2006-07.
- Opening balance of the current year (2006-07) was not attested by TDOs in nine TPs<sup>15</sup> and in all 61 VPs. Particularly in TP Ahwa, opening balance was not shown in the Cash Book.
- Break up of account i.e. Own fund, Government fund, Debt fund etc. was not shown in the Cash Books of nine TPs<sup>16</sup>.
- In TP Mahemadabad, certificate of Closing Balance of ` 2.87 crore as on 31<sup>st</sup> March 2007 was not attested by TDO.
- Closing Balance of Cash Book should also be written in words however it was not done in two TPs (Sayla and Ghogha) and in all 61 VPs during the period 2006-07.
- In TP Pardi, Cash Book was maintained in loose papers instead in bonded register during the period 2006-07. It may lead to misplacement of pages and consequent fraud/embezzlement.

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<sup>12</sup> Rajkot, Ghogha, Sayla, Jasdan, Jamjodhpur,

<sup>13</sup> Naswadi, Kathlal, Balasinor, Mehmedabad, Dantiwada, Botad, Jamjodhpur, Umralla, Vallabhipur, Halvad, Sayla, Jasdan and Bhavnagar

<sup>14</sup> Dabhoi, Savli, Kathlal, Balasinor, Sinor, Mehmedabad, Halwad, Sayla, Ghogha, Botad, Vallabhipur and Bhavnagar

<sup>15</sup> Naswadi, Savli, Ahwa, Balasinor, Sinor, Sayla, Rajkot, Vallabhipur and Ghogha

<sup>16</sup> Naswadi, Dabhoi, Ahwa, Rajkot, Jamjodhpur, Vallabhipur, Ghogha and Botad

- Review of records of Eleven TPs for the period 2006-07 revealed that 982 time barred cheques of ` 3.02 crore pertaining to the period from April 1983 to December 2006 remained unencashed as on 31 March 2010 and not written back in the books of accounts as detailed in **Appendix-II**. Non writing back of time barred cheques in the books of account, thus resulted in overstatement of expenditure to that extent in the years of issue of cheques.

TDOs replied (August to December 2010) that audit instructions were noted and in future cash books would be maintained properly.

- In TP Bhavnagar, on issue of sanction order by TDO for distribution of Scholarship grant/Uniform assistance of `3.16 lakh to various Pay Centres, the amount was debited in cash book vide voucher number 2582 to 2586 in March 2007. However, the cheques were not issued against these vouchers. On actual payment in March 2007, these five numbers of vouchers of ` 2.17 lakh were again debited in the cash book. The payments of balance amounting ` 0.99 lakh was made in subsequent years.

Further it was seen that as against the GPF deposit of ` 8.20 lakh of Education Branch of TP, while totaling the amount in expenditure side of cash book, it was considered as ` 0.82 lakh as on 27 October 2006. Thus, there was discrepancy of ` 7.38 lakh in the cash book. On verification of cash book, total mistake of ` 2808 (` 1000 on 13 December 2006 and ` 1808 on 31 March 2007) was noticed. Similarly, in payment side of cash book, there was a total mistake of ` 3.09 lakh as on 31 March 2007 which remained unreconciled till date of audit (December 2010).

A review of annual accounts of TP Bhavnagar for the year 2006-07 revealed that the opening and closing cash balances of ` 178.32 lakh and ` 147.85 lakh respectively were shown in annual accounts as against actual balance of ` 170.65 lakh and ` 131.50 lakh respectively. ,

On being pointed out TDO Bhavnagar stated that cash book would be maintained properly and action to reconcile the differences would be taken (December 2010).

Such improper maintenance of cash book is fraught with the risk of double payment/misappropriation.

### **2.3 Non / improper maintenance of records/ registers.**

As per codal provision, PRIs are required to keep and maintain register/records, books/accounts in the prescribed formats giving all the required details. However, review of records of 40 TPs and 253 VPs for the period 2006-07 revealed that registers were not maintained properly, required

details were not entered in respective registers due to which audit scope was restricted. The details are given in **Table No.7** below:

**Table No.7: Non/improper maintenance of registers**

<b>Records, Registers</b>	<b>Not maintained (NM) improperly maintained (IM)</b>	<b>Implications</b>
Grant / Loan Appropriation Register	NM:- 18 TPs and 119 VPs IM:- 4 TPs	Grants /loans received, purpose & date of receipt, appropriation made from time to time and amount lying unutilized in respect of a particular grant / loan as on 31 March could not be ascertained.
Classified Register	NM:- 25 VPs.	Income classified and expenditure classified during a year could not be ascertained.
Lokfala Register	NM:- 85 VPs.	Public contribution received by the VPs during the year could not be ascertained.
Stock Register	NM:- 86 VPs	Details of Stock available with the office and their value could not be ascertained.
Asset Register	NM:- 12 TPs and 111 VPs IM:- One TP	Identification and valuation of assets, proper record of all land, sites of buildings, tanks, ponds, etc. could not be ascertained.
Work Register	NM:- Two TPs and 91 VPs IM:- One TP	Schemes taken up, estimated cost, the progress of work and its details viz. value of work done, payments made, materials issued, date of completion, works not completed / suspended, and outstanding amount to be paid, could not be ascertained.
Tax Demand Register	NM:- 69 VPs	Demand, collection and balance for a particular year could not be ascertained. In absence of posting of the collected money in the register, the detection of fraud / embezzlement etc would be difficult.
Dead Stock Register	NM:- One TP and 35 VPs.	Detail of stock available with Panchayat and value thereof could not be ascertained.
Advance Register	NM:- 11 TPs and 61 VPs IM:- Seven TPs,	The purpose, age and amount of advance to be realized / adjusted as of 31 March each year could not be ascertained. The possibility of loss to the PRIs cannot be ruled out.
Deposit Register	NM:- 12 TP and 69 VPs IM:- 13 TPs.	Amount of the deposits and their adjustment could not be ascertained and therefore possibility of misappropriation/ embezzlement of money cannot be ruled out.

TDOs of test checked TPs stated (August to December 2010) that in future required Registers would be maintained properly with recording of necessary details.



## 2.4 Outstanding advances

According to Gujarat Financial Rule (GFR), advance paid to any individual, contractor, suppliers etc. are required to be recouped within a financial year.

Scrutiny of records of Nine TPs<sup>17</sup> for the period 2006-07 revealed that advance of ` 1.03 crore paid to individuals, contractors, suppliers etc. was outstanding as on March 2010. On detailed scrutiny of the relevant records following observation were noticed:-

- In TP Bardoli (Surat) for works under MLA grant, instead of collection of contribution (Public matching contribution) from the public for required works, ` 8.34 lakh were obtained from PLA of TDO and were shown as advance for the works during 2004-05. The irregular diverted funds were lying unadjusted as of 31 March 2010.
- In TP Limkheda, advance of ` 12.55 lakh pertaining to the period from 1992-93 to 1999-2000 was paid to school teachers, ` 3.75 lakh pertaining to the period from 1994-95 to 1999-2000 was paid to Kotwal, TCMs and Primary Health Centres, ` 1.37 lakh paid to VPs for construction works was pertaining to the period from 1989-90 to 1991-92, ` 4.48 lakh paid to retired teacher was pertaining to the period ranging from October 2001 to March 2003 and ` 10.18 lakh paid to others was pertaining to the period from July 1999 to 2001-02. These advances remained outstanding (November 2010) and no action was taken by the TP to recover/ adjust them. For want of adequate details on records audit could not ascertain whether the advances were utilized for the purpose for which it was given long back. Non recovery/ adjustment of advances especially from retired employees indicates poor internal control and monitoring system in the TP.
- In TP Jasdan, advance of ` 14.43 lakh was paid to contractors/ suppliers pertained to the period ranging from prior to 1980 to 2005, ` 9.05 lakh was paid to other Government departments/ individuals pertained to the period prior to 1980 to 2009-10. No action was taken by TP to recover/ adjust the advances.
- In TP Sinor, out of outstanding advances amounting to ` 10.38 Lakh for the period from 1981 to 2010, ` 7.63 Lakh were paid to employees and ` 2.75 lakh were paid to Contractors/Suppliers. Similarly in TP Ghogha, advances of ` 3.98 lakh were outstanding since 2001, of which ` 1.98 lakh, ` 1.15 lakh were paid to Contractors/Suppliers and ` 0.84 were paid to employees, contractors/ suppliers and other Government Departments/individuals respectively. However, no action was taken by the TDOs to adjust/ recover the long pending advances.

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<sup>17</sup> Pardi, Dharampur, Jasdan, Limkheda, Kadi, Jambusar, Balasinor, Ghogha, Bardoli and Sinor

On this being pointed out it was stated (August to December 2010) by the TDOs concerned that efforts would be made to recover the outstanding advances. The reply is not tenable as no effective actions have been taken by the TDOs to recover/ adjust the long pending advances which indicates weak internal control mechanism in the TPs. Beside by passage of time the chances of recovery/ adjustment of advances would be bleak.

## **2.5 Excess of expenditure over allotted grant**

As per Resolution of April 1993 issued by the Panchayat, Rural Housing and Rural Development Department, Government of Gujarat (PRHRDD), the excess expenditure over the allotted grants is not permissible. However, if the expenditure is necessary, prior approval of the grant controlling authority must be obtained and arrangement for additional grants must be made during next year. In absence of this, the excess would be debitable to the own fund of the PRIs.

Test check of records for the year 2006-08 revealed that in 25 TPs there was excess expenditure over the allotted grants by an amount of ` 15.47 crore (**Appendix- III**) which was made without approval of the competent authority. Further, in violation of codal provisions, the excess expenditure was debited to the various heads of account instead of debiting to the own funds of PRIs.

On being pointed out it was replied by TDOs (August to December 2010) that excess expenditure was incurred mainly for the pay & allowances of the staff and it would be adjusted from next year's grant. The reply was not tenable as the action of the TDOs was against the codal provisions.

## **2.6 Unrealistic budget**

According to Section 116 (1) of the Gujarat Panchayat Act, 1993 every VP is required to prepare annual budget and get it approved by General body of the Panchayat. It is essential to take utmost care in preparing budget with realistic estimates giving due attention to the prioritized needs of the people.

Review of records of 127 VPs under 11 DPs for the period 2006-07 revealed that actual receipt of 87 VPs was ` 3.49 crore against the estimated receipt of ` 9.11 crore with the variation ranging from 10 *per cent* to 98 *per cent* and actual receipt of other 38 VPs was ` 2.15 crore against the estimated receipt of ` 91.16 lakh with the variation ranging from 6 *per cent* to 1301 *per cent*. Similarly actual expenditure of 100 VPs was ` 3.50 crore against the estimated expenditure of ` 10.06 crore with the variation ranging from 13 *per cent* to 98 *per cent* and actual expenditure of other 27 VPs was ` 1.04 crore against the estimated expenditure of ` 38.71 lakh with the variation ranging from 9 *per cent* to 962 *per cent*.

Similarly, scrutiny of records of 28 TPs for the period 2006-07 revealed that actual receipt of 15 TPs was ` 207.20 crore against the estimated receipt of ` 256.57 crore with the variation ranging from 8 *per cent* to 71 *per cent* and actual receipt of other 10 TPs was ` 147.93 crore against the estimated receipt of ` 125.14 crore with the variation ranging from 6 *per cent* to 253 *per cent*. Similarly actual expenditure of 21 TPs was ` 253.45 crore against the estimated expenditure of ` 319.58 crore with the variation ranging from 6 *per cent* to 76 *per cent* and actual expenditure of other seven TPs was ` 188.60 crore against the estimated expenditure of ` 87.38 crore with the variation ranging from 5 *per cent* to 756 *per cent*.

It was observed that the variations in estimates and actuals of receipts and expenditure in respective years were due to non raising of periodical demand, non pursuance of demands and insufficient receipts of grants. Thus, the budget was not prepared realistically and the internal control (monitoring) system was weak.

TDOs concerned replied (August to December 2010) that in future budget would be prepared in realistic manner as observed by audit.

## **2.7 Blocking of grant in respect of withdrawn functions**

The functions relating to Primary Health have been withdrawn from the ambit of Taluka Panchayat since April, 2005 and have been enbloc transferred to Block Health office established as on 20 May 2005 vide G R dated 19 April 2005 of Commissioner of Health and Medical Education, GoG. The unspent balances were required to be transferred and minus balances, if any, to be adjusted from the grant received from Government.

Review of records of six TPs for the period ending March 2010 revealed that huge unspent fund amounting ` 2.11 crore<sup>18</sup> in five TPs and minus balance of ` 2.53 crore<sup>19</sup> in five TPs of various activities related to Primary Health were lying in PLA of TDOs and remained unadjusted since April 2005 in the accounts. Since the functions and functionaries of Primary Health were not with TPs, keeping of unspent fund in PLA and unadjusted minus balances were irregular and unauthorized.

TDOs concerned replied (October 2010 to January 2011) that the unspent balances would be transferred to Block Health Office in due course and minus balances would be adjusted on receipt of grant. The reply is not tenable as no action has been taken by the TDOs even after elapsing of period of more than five years since transfer of the functions from TDO.

<sup>18</sup> Mahemedabad ` 24.34 lakh, Limkheda ` 55.22 lakh Chikhli ` 59.31 lakh and Jambusar ` 25.38 lakh and Bhavnagar ` 46.50

<sup>19</sup> Limkheda ` 0.62 lakh, Chikhli ` 93.95 lakh, Bhavnagar ` 34.80lakh, Jambusar ` 48.34 lakh and Mahuva ` 75 lakh

## **2.8 Non-surrender of unspent Government Grants.**

As per clause 8 and 9 of resolution dated 19 April 1993 of PRHRDD, GoG, the unspent grant other than grant for the purpose of Pay and Allowances should be adjusted by the grant controlling authority during release of the last installment of the financial year. Retention of funds up to 20 *per cent* of the grant of Pay and Allowances only is allowed for the payments for the month of March/April.

Test check of records of 20 TPs for the year 2006-07 revealed that neither action had been taken by TDOs to adjust unspent balances from the last installment of the grants which resulted into accumulation of ` 41.01 crore in PLAs (**Appendix-IV**) nor the District Development officer and Departmental authorities called any explanation from TDOs for non refunding the unspent grants as on 31<sup>st</sup> March 2007.

Detailed scrutiny of 12<sup>20</sup> test checked TPs revealed that though, unspent grants of ` 23.53 crore was available with the TPs as on 1<sup>st</sup> April 2006, additional grant of ` 60.36 crore was allocated to them during the period 2006-07 of which expenditure of only ` 53.78 crore was incurred. Out of the total balance ` 30.11 crore, only ` 53.52 lakh was surrendered to GoG by one TP (Viramgam). Thus, the unspent balance was ` 30.10 crore as of 31<sup>st</sup> March 2007.

It was stated by the TDOs (August to December 2010) that necessary action would be taken to utilise the grants or surrender of unspent grants to the Government.

## **2.9 Annual Accounts prepared without supporting statements**

Codal provisions provide that Accounts of Income and Expenditure should be maintained by the TPs in the prescribed manner and should be laid before Panchayat.

During test check of 3 TPs<sup>21</sup> for the year 2006-07, it was observed that the Accounts of Income and Expenditure were prepared in the relevant forms, however, the supporting statements as detailed below were not prepared and attached with the annual accounts.

- (i) Statement of closing balance of investment in bank, post office and others.
- (ii) Statement of receipts and expenditure incurred on Plan / Non Plan schemes with Head wise details
- (iii) Statement showing Head wise grant received from the Government.

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<sup>20</sup> Vallbhipur, Palitana, Gogha, Sayla, Jamjodhpur, Maliyamiyana, Palanpur, Mahuva, Mahuva, Mandvi, Dahod and Viramgam

<sup>21</sup> Ahwa, Satlasna and Limkheda

- (iv) Statement of Head wise refund of loans and grant received from the Government.
- (v) Statement showing details of opening balance, receipt and expenditure under Centrally Sponsored Schemes.
- (vi) Statement showing details of opening balance, receipt and expenditure.
- (vii) Statement showing the details of Zila Vikas Nidhi, Utejak Nidhi, Samkari Nidhi and Gram Vikas Nidhi.
- (viii) Statement of loans received from DP and repayment thereof.

In absence of important and vital statements, Major Head wise position of accounts with closing balance of grants, deposits, advances, liabilities of the entity etc could not be ascertained.

TDOs stated (August to December 2010) that from the ensuing year all the required statements would be incorporated in the Annual Accounts.

#### **2.10 Non realization of revenue**

As per Section 168 and 170 of GP Act, 1993, the PRIs have been entrusted with functions and duties relating to the collection of land revenue including cess. The panchayats are further required to recover any tax or fees on due dates as provided under Section 215(1) of the GP Act. In order to increase the source of own revenue, VPs should also review the rates of taxes periodically. Further, VPs in the event of non payment of tax could take action of levy penal interest, invoke writ and write off the dues under section 215 of the Act *ibid*.

During the Test Check of 263 VPs (August to December 2010) it was observed that as against total demand of ` 5.30 crore during 2006-07 an amount of ` 1.74 crore (33 per cent) could only be recovered resulting in outstanding demand of ` 3.56 crore (67 per cent) as on 31 March 2010 (**Appendix – V**). Records did not reveal that actions as per codal provisions were initiated by the concerned VPs to recover the taxes. Poor recoveries of the taxes indicated that proper control and monitoring system was not effective for effecting recovery in time.

TDOs/ VPs stated (August to December 2010) that efforts would be made to increase the revenue by issuing demand notices.

#### **2.11 Purchase of materials without inviting quotations**

As per rule 14 B of Gujarat Gram and Nagarpalika Financial Account and Budget rules and Rule 171 of Gujarat Contingency Expenditure Rules read with Finance Department Resolution of May 1994, any purchase exceeding ` five thousand should be made by inviting quotations at least from three suppliers and purchase exceeding ` one lakh should be made by inviting tender through advertisement in leading news papers.

Review of records of 351 VPs of 16 districts for the period 2006-07 revealed that ` 2.59 crore were paid to private parties without obtaining quotations or obtaining competitive price from the open market for purchases exceeding ` 5000. Detailed scrutiny of records revealed that 26 VPs of 10 Districts made payment of ` 48 lakh (ranging from ` one lakh to ` two lakh) for different purposes like construction of C.C. Road, halls, purchase of welding material, pipes, cement, building material for Sardar Avas Yojna Work and labour payment etc. without inviting tenders.

In Nana Waghchhipa Village of Taluka Pardi payment of ` two lakh was made to a party for construction of C.C. Road even without quotation. TCM stated that the purchase was done without inviting quotations due to shortage of shops / Dealers in Village. The reply is not acceptable as procurement was made in violation of codal provision. Further, it was observed that in Odhva Village of Dantiwada Taluka payment of ` 2.64 lakh was made for construction of C.C. Road in three localities through two vouchers of ` 1.24 lakh and ` 1.40 lakh by splitting of the work besides not obtaining quotation. Apart from violation of Government instructions the VPs have been deprived of the benefit of availing of comparative and competitive rates.

Panchayat authorities stated (August to December 2010), it was stated that henceforth proper procedure would be followed while procuring the material.

#### **2.12 Cash payment in excess of prescribed limit**

As per rule 95 of Gujarat Treasury Rules, 2000 (GTR), all payments exceeding ` 1000 to third party shall be made through Account Payee cheques only.

Review of records of 284 VPs of 15 districts for the period 2006-07 revealed that in violation of rule provision VPs have made payment of ` 1.75 crore in cash exceeding the prescribed limit instead of account payee cheques for procurement of various types of materials etc.

Further detailed scrutiny of 94 VPs in 26 Taluka Panchayat out of 284 VPs showed that even payments ranging from ` 0.30 lakh to ` 2.21 lakh were made in cash in violation of rule provisions.

Talati-cum-Mantries (TCMs) of concerned VPs while accepting the audit objection replied (July to December 2010) that henceforth payment in excess of ` 1000 would be made through account payee cheques only.

#### **2.13 Excess cash in hand**

As per Rule 5 of the Gujarat Gram Panchayat (Custody & Investment of Gram Fund) Rules, 2000, cash balance in excess of ` 500 except Permanent Advance should be deposited in scheduled bank/ post office on the same or next working day.

Review of records of 273 VPs of 42 TPs for the period 2006-07 revealed that in violation of rule provisions these VPs have kept cash ranging between ` 528 to ` 211580 on hand for more than prescribed time limit ranging from three days to 31 days.

Analysis of the records revealed that in eight VPs the excess retention of cash ranged from ` 0.10 lakh to ` 2.12 lakh.

Further it was noticed that in Shirvaniya Village (Sayala Taluka) the balance of ` 97,276 was kept in the personal custody of Sarpanch from 24 July 2006 to 30 July 2006. In VP Bedoda (Vadhwani Taluka) and VP Vankal (Valsad Taluka) cash balance of ` 95,441 and ` 2,11,580 were kept by the Talati cum Mantri (TCM) for three days and 16 days respectively.

TCMs concerned replied (July to December 2010) that henceforth cash balance in excess of ` 500 would be credited in bank/ post office as per audit instruction.

#### **2.14 Non obtaining of Security bond from principals of pay centres**

As per Rule 272 and 68 of Taluka and District Panchayat Finance Account and Budget Rules, TPs should maintain Security bond register in prescribed form No. 6 and on first day of each financial year, certificate to the effect that security bond holder is alive, should be recorded in the register. Further, as provided in circular of January 1992 of Director of Primary Education Gandhinagar, to safe guard against irregularities / fraud misappropriation, a security bond for ` 5000/- from the Principal of Pay Centres of primary schools were to be obtained along with certificate of their solvency.

Scrutiny of the records of 10 TPs<sup>22</sup> for the period 2006-07 revealed that security bonds from the Principals of the Pay Centres distributing scholarship to eligible students were not obtained and security bond registers were also not maintained in any of the TPs.

On this being pointed out, it was replied by the TDOs, (July to December 2010) that now onwards, audit instructions would be observed and necessary security would be obtained.

#### **2.15 Government money kept in non-scheduled bank**

In accordance with the clarification below Rule 3 of the Gujarat Gram Panchayat (Custody & Investment of Gram Fund) Rules, 2000, all taxes and Government grant of VPs shall be kept in post office, Government Treasury/Sub Treasury or in Scheduled Bank under RBI Act 1934.

Review of records for the period 2006-07 revealed that 64 VPs of 8 TPs in violation of rule provision kept the Public money/Government grant

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<sup>22</sup> Sinor, Viramgam, Dahod, Prantij, Botad, Vallabhipur, Ghogha, Sayla, Jamjodhpur and Maliyamiyana

amounting ` 40.05 lakh in Non-Scheduled banks (i.e District Co-operative Banks) (**Appendix- VI**).

TCMs concerned replied (July to December 2010) that henceforth Government money would be kept in Scheduled Banks as observed by audit.

#### **2.16 Payment made without using Form 15 for preparation of Bill**

As per rule 5 of the Gujarat Gram & Nagarpanchayat Financial Accounts and Budget Rules 1963, bill should be passed for payment by VPs by using Form 15 prescribed for the purpose providing details regarding name of the articles, quantity or weight, rate per unit, total unit purchased, amount of budget allotment, previous expenditure, expenditure shown in the bill and the balance available.

Review of records of 62 VPs of 10 TPs for the period 2006-07 revealed that in violation of the rule provision VPs have made payment of ` 28.68 lakh for various purchases (Viz. cements, steel, sand, pipes, stationery etc.) without using Form 15 (**Appendix- VII**). Payment without using Form-15 indicated poor control over allotted funds.

TCMs concerned replied (July to December 2010) that henceforth Form 15 would be used as per audit instruction.

#### **2.17 Conclusion**

- Preparation of budget proposals and financial accounting were found to be defective. There was lack of budgetary control and absence of reliable budget formulation.
- Irregular maintenance of cash books and Non – writing back of time barred cheques, non - inclusion of grants and expenditure in annual accounts, non/ improper maintenance of records / register, non-adjustment of huge advances, etc. indicated that internal control mechanism was not adequate to ensure proper accounting of substantial Public funds dealt with by the PRIs.
- Instances of non – surrender of unspent Government grant / grants in respect of withdrawn activities and purchase of material without following codal provisions were noticed which indicated poor financial control.

#### **2.18 Recommendations**

- Budget should be prepared taking inputs from constituent divisions /Wards, Governmental Departments/organisations and targets there against.
- Steps be taken to ensure cash book is maintained properly.
- Basic primary records should be maintained properly.
- Accountability of expenditure and internal check system should be strengthened.



## CHAPTER-III

### AUDIT OF TRANSACTIONS

#### Implementation of Various Schemes

Recommendations of successive Finance Commissions and 73<sup>rd</sup> constitutional Amendment Act envisaged decentralisation of powers to three tier PRIs. Accordingly GOI as well as GoG provide funds to three tier PRIs in the form of grant /loans under various schemes with a view to providing basic civic amenities to the people at grass root level.

During the course of test check of records of PRIs for the period 2006-07 (August to December 2010), irregularities noticed in implementation of Central/State Sponsored Schemes are discussed in succeeding paragraphs.

#### 3.1 Balika Samruddhi Yojana

Balika Samruddhi Yojana (BSY) is a 100 *per cent* Centrally Sponsored Scheme (CSS) to provide benefits to two girl children born on or after 15<sup>th</sup> August 1997 of families below the poverty line (BPL). The scheme was launched with the objectives (i) to change the negative attitude of family & society towards girl child and her mother at the time of birth, (ii) girls attend schools regularly, (iii) girls marry at adult age, and (iv) to assist girls for earning activities. The scheme provides post-birth assistance of ` 500 (to be deposited in joint bank account of Child Development Project Officer and the beneficiary and payable on attaining age of 18 years) and annual scholarship at the prescribed rate on successful completing of schooling each year.

The scheme is implemented through TPs under the overall supervision of the Commissioner of Women and Child Development at state level.

Test check of records of 15<sup>23</sup> TPs revealed following irregularities in implementation of the scheme:

##### 3.1.1 Utilisation of grant

- In TP Sayla (District: Surendranagar), though the funds of ` 3.66 lakh was available during the year 2005-06 to 2009-10, no expenditure on account of payment of scholarship was incurred during the years 2005-06 to 2009-10. Further, an expenditure of only ` 0.95 lakh was incurred on account of post birth assistance though the grant of ` 2.71 lakh was available at the end of March 2010. In TP Halvad (Surendranagar) though the grant of ` 5.09 lakh was available during the year 2006-07, expenditure of ` 0.43 lakh on account of post birth assistance and

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<sup>23</sup> (1) Sinor (2) Balasinor (3) Palitana (4) Mandvi (5) Halvad (6) Jodiya (7) Jasdan (8) Naswadi (9) Kadi (10) Vadhwani (11) Sayla (12) Modasa (13) Savli (14) Viramgam (15) Bardoli

payment of scholarship to 44 girls was made during the year. Non/poor utilization of grant deprived beneficiaries of the intended benefits.

On this being pointed out concerned CDPOs replied that less utilization of grant was due to less receipt of applications. Reply was not acceptable as CDPO neither took any action to conduct proper survey through the Aanganwadi workers for identifying the beneficiaries nor refunded the unspent grant to Government.

### **3.1.2 Beneficiaries Bank Accounts**

- In violation of guideline, CDPO, TP Balasinor (District: Kheda) did not open the post birth assistance account in joint name of beneficiaries and CDPO but invested the entire post birth assistance of 868 beneficiaries till the date of audit amounting ` 4.34 lakh in Samruddhi Deposit Receipt of Dena Bank.
- In TP Naswadi (District: Vadodara), post birth assistance of ` 5.41 lakh was given to 1082 beneficiaries till the date of audit but in violation of guidelines the accounts were opened in the joint name of beneficiaries and their mothers.
- In TP Kadi, post birth assistance of ` 1.02 lakh was given to 204 girls during the year 2006-07, however, the accounts were not opened as per guidelines and the amount was deposited in Dena Bank for issue of 10 year bond in name of the beneficiary girls and handed over to them. Similarly, in TP Bardoli (Surat), post birth assistance of ` 2.41 lakh to 482 girls was deposited in Bank of India for issue of 10 year bond and in violation of guidelines scholarship of `0.53 lakh to 145 girls was deposited in another account.

CDPOs replied (August to December 2010) that in future accounts would be opened as per guidelines and post birth assistance and scholarship would be deposited in the single account.

### **3.1.3 Maintenance of beneficiary Register**

- In TP Palitana (District: Bhavnagar), 100 account of post birth assistance amounting ` 0.50 lakh were opened during the year 2006-07 but the bank account numbers were not entered in the beneficiaries register.
- In TP Naswadi (District: Vadodara) name of bank, account number, rate of interest, name of beneficiaries and their date of birth, name of parent, BPL card number etc. were not found recorded in the register. During the year 2006-07, post birth assistance was given to 1082 girls whereas entry of only 918 girls was made in the register.

In absence of proper maintenance and supervision of beneficiaries register, correct status of beneficiaries account could not be ascertained. CDPOs replied (August to December 2010) that register would be maintained and updated regularly as per audit instruction.

### **3.1.4 Non payment of scholarship**

- In TP Sinor (Vadodara), though the grant ranging from ` 2.33 lakh to `2.96 lakh was available during the period 2005-06 to 2008-09, no scholarship to the eligible girls was paid during the period. Similarly, no action was taken to conduct survey and pay the scholarship to girls during the year 2006-07 in TP Palitana (Bhavnagar) and during the period 2005-06 to 2008-09 in TP Mandvi (Surat) though the grant of ` 0.80 lakh and ` 4.26 lakh respectively was available.
- TP Balasinor (Kheda) did not take any action to receive the grant from the Government during the period 2006-07 to 2007-08. During the year 2008-09 and 2009-10, though grant of ` 3.86 lakh was received, no action was taken to pay the scholarship to eligible girls.
- In TP Jodiya (Jamnagar), scholarship was not paid to the eligible 140 girls during the period 2006-07. CDPO replied that as a part of TP Jodiya was separated from TP Dhrol in July 2006, scholarship could not be paid to the eligible girls. Reply was not acceptable as there should be a mechanism to handle such situation so that beneficiaries could get the benefit in time. Similarly in TP Savli (Vadodara), 572 girls could not get the scholarship due to non receipt of grant from the Government / District Panchayat during the period 2006-07.
- In TP Jasdan (Rajkot), scholarship was not paid to the eligible girls during the period 2006-07. CDPO replied that scholarship to 87 girls was paid during the year and remaining would be paid on receipt of grant. Reply was not acceptable as available fund of ` 3.75 lakh was transferred to TP Amreli (District: Amreli) during the year 2006-07 resulting in deprival the beneficiaries of the intended benefits.
- In TP Dabhoi (District: Vadodara), there were total 4710 eligible girls child of BPL families (October 2010) since implementation of the scheme but only 3982 girls were given the benefit of post birth assistance and the remaining 728 girls child were not given the benefit. CDPO replied that due to non availability of grant they were not given the benefit. Reply was not acceptable as CDPO did not take any action and pursue with the higher authorities to get required grant to give intended benefit to the girls.

### **3.1.5 Other irregularities**

- In violation of guideline, eight girls (five in TP Modasa and three in TP Naswadi) born before 15 August 1997 (1992 to July 1997) were given the benefit of the scheme.
- In TP Naswadi (District Vadodara), four girls of two BPL card holder family (two girls from each) whose birth difference is 10 days and three months respectively were given the benefit of the scheme. Though the

date of birth of these girls was doubtful, the benefit of the scheme was given to these girls without verification of the dates of birth.

- In TP Viramgam (Ahmedabad), in violation of guideline, in four cases benefit of the scheme was given to the third girl child also vide voucher no.199 dated 9<sup>th</sup> May 2006. CDPO agreed to rectify the mistake.

### **3.2 Implementation of Sardar Aawas Yojana**

Under the Ninth Five Year Plan and on the model of Indira Aawas Yojana, the GoG revamped and relaunched the earlier scheme of providing free plot of 100 sq yard for landless agricultural labourers and village artisans living below the poverty line in rural areas. The scheme was renamed as ‘Sardar Aawas Yojana’ and launched on 1<sup>st</sup> April 1997. Under the scheme, GoG’s financial assistance of ` 36 thousand was to be released in three installments and beneficiary’s labour contribution was purported to be ` seven thousand which was to be ensured by TDO/Additional Assistant Engineer. TPs had implemented the scheme under the supervision of DPs, Development Commissioner and the Department of Panchayat and Rural Housing.

Test check of records of 17 TPs<sup>24</sup> during local audit conducted between August and December 2010, revealed irregularities as detailed below.

#### **3.2.1 Incorrect reporting to higher authorities**

During the period 2006-07, 100 houses were reported to DP Mehsana as completed against the work order/target of 131 houses by the TP Satlasna (District: Mehsana). However, scrutiny of records revealed that out of 131 houses, 65 houses were incomplete as on March 2010. Thus, there was incorrect reporting of progress of work to higher authorities indicating that reporting system was weak.

On this being pointed out TDO did not give any reply (December 2010).

#### **3.2.2 Poor utilization of grant/non achievement of target**

- In TP Mahemedabad (District: Kheda), there was opening balance of ` 6.84 lakh as on 1st April 2006 for SC/ST beneficiaries under SAY. Further, grants of ` 4.30 lakh, ` 7.20 lakh, ` 9.44 lakh and ` 7.73 lakh were received from the Government during the years 2006-07 to 2009-10 respectively. However, TP could utilize only ` 0.37 lakh, ` 0.54 lakh, ` 1.16 lakh and ` 1.38 lakh respectively during these years (March 2010). This has resulted not only in idling of funds of ` 32.06 lakh but also deprival of the SC/ ST beneficiaries of the intended benefits of scheme.

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<sup>24</sup> (1) Jodiya (2) Jambusar (3) Kathlal (4) Hansot (5) Idar (6) Bhavnagar (7) Vadhwani (8) Halvad (9) Rajkot (10) Jasdan (11) Dantiwada (12) Bardoli (13) Dabhoi (14) Satlasna (15) Balasinor (16) Mahemadabad (17) Sami

- In three TPs (Vadhwan, Halvad and Jasdan), there was balance of ₹ 96.00 lakh as on 31 March 2007 under the scheme which increased to ₹ 180.20 lakh (88 percent) as on 31 March 2010 whereas short fall in achievement of target varied from 20 percent to 98 percent during that period. This indicated poor control mechanism and ineffective implementation of the scheme.
- In TP Balasinor against the target of 75 houses during the period 2006-07, only 49 houses were completed during the year though funds of ₹ 20.35 lakh were available as on 31 March 2007. Further, it was also noticed that out of remaining 26 beneficiaries, 8 did not start the work till the date of audit (October 2010), however, no action was taken by the TP for cancellation of their applications.
- In TP Dantiwada (Palanpur), 35 houses were completed against the target of 142 houses during the year 2006-07 leaving unspent balance of ₹ 29.60 lakh as on 31 March 2007.

From the above it can be concluded that the funds were placed at the disposal of TPs without assessing the capacity for utilization of fund. Demand and release of fund was not based on actual demand survey resulting into parking of fund in PLAs of TDOs.

TDOs replied (August to December 2010) that necessary action would be taken to utilize the unspent grant in next year.

### **3.2.3 Non/improper maintenance of records of free plots and beneficiaries registers**

As per provision no. 2(7) of GR dated 1<sup>st</sup> July 2004 allotment of free plots should be reviewed by the land committee so as to ascertain whether constructions have been made on it and, if not, subsequently it should be allotted to other beneficiaries.

- Review of records of Seven TPs (Jambusar, Kathlal, Idar, Vadhwan, Bhavnagar, Bardoli and Dabhoi) for the period 2006-07 revealed that neither any control register was maintained nor any control mechanism was evolved for the purpose. In absence of this, details of open free plots allotted and their current status could not be ascertained by audit. Further, it was also noticed in TP Bardoli that land committee had allotted (November 2006) free plots to 18 beneficiaries, however, resolution of land committee to that effect was not signed by the president of land committee and application of 15 beneficiaries were not found on record. In TP Dabhoi, work order to construct houses on free plots were given during 2006-07 but detail of beneficiaries to whom free plot allotted were not shown in resolution book of land committee.

TDOs replied (August to December 2010) that control register would be maintained.

- In four TPs (Jambusar, Kathlal, Idar & Bardoli), beneficiary registers were not maintained till 2010. In absence of beneficiaries register audit could not ascertain correctness and detail of beneficiaries, houses constructed on free plots or own plots, payment made, houses completed and spill over work etc.

TDOs replied (August to December 2010) that beneficiaries register would be maintained and updated.

#### **3.2.4 Non/improper maintenance of work file**

- In TP Jambusar, work of 22 houses under the scheme was given to the Sarpanch of VP Rampur (5 September 2006), however, detail of beneficiaries, plot survey number, copies of payment made, completion certificate issued were not found in individual work file.
- In TP Bardoli (Surat), sanction of TDO was not obtained on beneficiaries applications during the year 2006-07 and application of six beneficiaries were not found in work file, however, they got the benefit under the scheme. Further, copy of 'Sanad' in case of free plots allotted to 18 beneficiaries was also not found in respective work files. Similarly, in TPs Jodiya (Jamnagar) and Dabhoi (Vadodara) photographs of beneficiaries along with Sardar Awas were not kept in work file in all the cases, which was in contravention of the codal provisions.

TDOs replied (August to December 2010) that documents were misplaced and necessary action would be taken to keep the records properly in work file.

#### **3.2.5 Payment without Completion Certificate**

In TP Sami (Patan), in violation of scheme guidelines, final payment of ` 12.96 lakh was made to 36 beneficiaries during 2006-07 without obtaining completion certificate from the competent authority.

#### **3.2.6 Other irregularities**

- As per guidelines of SAY, payment shall be made to beneficiary in three installment of 30 per cent, 40 per cent and 30 per cent on completion of plinth level, roof level and on receipt of completion certificate respectively. However, review of records of TPs Jambusar (Bharuch), Bhavnagar and Kathlal (Kheda) for the period 2006-07 revealed that in violation of guideline, TPs Jambusar and Bhavnagar had made payment in lump sum whereas TP Kathlal had paid four installments of ` nine thousand each.
- In TP Rajkot, 17 beneficiaries selected in 2006-07 had not started the work till the date of audit; however, no action was taken by the TDO to cancel the work order. TDO replied that due to poor financial position of beneficiaries, they could not start the work.

For better implementation of the SAY, realistic evaluation of targets fixed, proper identification of beneficiaries, capacity building of TPs for implementation of the scheme, strengthening of monitoring at state level in respect of physical and financial planning and rational allocation of fund is recommended.

### **3.3 Irregularities on utilisation of grants received under TFC**

The Twelfth Finance Commission (TFC) 2005-10 had stressed the importance of public private partnership to enhance service delivery and felt it to be imperative that high priority needs to be assigned for creation of database and maintenance of accounts at the grass root levels.

On a review of utilisation of Grants received under TFC by eight<sup>25</sup> TDOs, the following observations are made.

#### **3.3.1 Diversion of funds**

Guidelines for use of Grants under TFC stipulate that local bodies may utilise maximum 30 percent of TFC Grant for works related to providing facilities for pure drinking water, another 30 percent for Sanitary work and the remaining 40 percent for group development work. There should not be any deviation in expenditure from one segment to another beyond the above limit and the expenditure should be limited to the prescribed percentages.

During the course of audit, it was noticed that in six T.D.Os the limits were not adhered to, thereby resulting in violation of guidelines issued by Government. As a result an amount of ` 37.87 lakh had been incurred in excess of the limits prescribed diverting from other components as detailed below.

` in lakh

Name of the T.D.O.	Grant received	Services on which expenditure incurred in excess	Admissible expenditure	Actual expenditure incurred	Excess expenditure diverted from other components
Hansot	190.21	Sanitary	57.06	59.33	2.27
Wankaner	337.20	Sanitary	101.16	107.24	6.08
Dhaboi	139.00	Sanitary	41.70	53.35	11.65
Mahemadabad	77.35	Other works	30.94	47.86	16.92
Vadhvan	80.16	Sanitary	24.05	25.00	0.95
<b>Total</b>			<b>254.91</b>	<b>292.78</b>	<b>37.87</b>

Keeping in view that the local bodies should use the grants for overall development of the VPs, limits were prescribed for each service area so that uniform development could be achieved in all areas. However, violation by the local bodies in this aspect had resulted in expenditure of ` 37.87 lakh in excess of the prescribed guidelines.

<sup>25</sup> Dantiwada, Vadhwan, Hansot, Wankaner, Dabhoi, Mehmedabad, Kathlal and Bardoli

On being brought to the notice of TDOs, it was replied (July 2010 to December 2010) that the funds could not be used as per TFC guidelines since the requirement of works at grass root level were different from the guidelines and further stated that all the works were carried out with the approval of District Planning Board and the expenditure from TFC grant was incurred as per actual needs of the villages.

The reply is not tenable as guidelines for utilisation of grant from TFC had been framed taking all aspects into consideration and hence expenditure in excess of prescribed limits was in violation of guidelines. Further the District Planning Board should have approved the expenditure adhering to the TFC guidelines.

### **3.3.2 Irregular expenditure**

Panchayat, Rural Housing and Rural Development Department, Government of Gujarat had prescribed the list of works to be executed from Grants received under TFC. Scrutiny of record revealed that three TDOs executed inadmissible works such as laying of asphalt road, approach road, procurement of playing instrument, etc amounting to ` 11.27 lakh<sup>26</sup> from the grant received under TFC.

TDO Kathlall stated (September 2010) that the expenditure was incurred after getting administrative approval from the district administration. TDO Hansot stated (August 2010) that reply would be furnished after verification. TDO Dabhoi replied (October 2010) that such instances would be avoided in future.

The replies are not tenable as expenditure of ` 11.27 lakh had been incurred on inadmissible work in violation of TFC guidelines.

### **3.3.3 Failure to maintain Asset Register**

As per the resolution dated 16<sup>th</sup> January 2006 of GoG, Panchayat, Rural Housing and Rural Development Department the works executed under TFC grant should be recorded in Asset Register of the Panchayat. A review of records revealed that TDO Bardoli failed to maintain asset register in respect of works carried out during the year 2006-07 to the tune of ` 134.47 lakh. Further, T.D.O Kathlall had carried out works amounting to ` 63.78 lakh during the year 2006-07 under TFC Grant but the same had not been recorded in the Asset Register.

Thus, non-adherence of guidelines had resulted non accountal/ recording of assets worth ` 198.25 lakh in the Asset Register which may result in non recovery of user charges. It was replied (August to December 2010) by the TDOs that the omissions would be complied with.

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<sup>26</sup> TDO Hansot for laying of road ` 9,00,000

TDO Kathlall for procurement of playing instrument ` 1,79,100

TDO Dabhoi for work charged establishment ` 48,000



### **3.3.4 Procurement in Violation of codal provisions**

As per codal provisions and instructions of Finance Department, to ensure competitive price, quotations from atleast three suppliers should be obtained for purchases more than ` 500/- and in case of ` 20000/- or more quotations should be invited by giving advertisement in local news papers having wide publicity. However, it was noticed that ignoring all codal provisions and instructions issued from time to time on procurement two GPs procured cement of ` 0.92 lakh (Doliya GP (` 0.54 lakh) and Khintala GP (` 0.38 lakh)) during February 2008 without inviting quotations.

On being pointed out, Talati Cum Mantri replied (September, 2010) that Sarpanch was not aware of the procedure and hence quotations were not invited. The reply was not tenable as the office work was to be performed by Talati and not by Sarpanch and for procurement the financial procedures prescribed should be followed.

## **3.4 Doubtful Payments**

### **3.4.1 Suspected embezzlement of public money**

As per the Gujarat Panchayat Act 1993, Talati-cum-Mantri (TCM) and Sarpanch of VPs are responsible for every transaction held. As per the Act, they are empowered to withdraw and expend the public money and TCM shall keep the record updated.

Review of records of Vansva VP (TP Viramgam, District Ahmedabad) for the year 2006-07 revealed that Cash book for the year 2006-07 was not maintained properly and it was maintained up to 16 December 2006 only. Against payments made, no entries showing detail of voucher no. date, name of payee, description of transaction etc. were recorded in cash book. Further, detailed scrutiny of vouchers revealed that details as required was not recorded on 10 vouchers<sup>27</sup> amounting ` 2.24 lakh and only amount was written on these vouchers. Further, it was also noticed that an amount of ` 10150 was debited twice on 7 December 2006 at page no. 49 of the Cash Book for which no reasonable explanation was given by TCM. As there were no details on vouchers as well as Cash Book, the chances of misappropriation or embezzlement cannot be ruled out.

On this being pointed out no reply was given by TCM/ Sarpanch (June 2010).

### **3.4.2 Payment without bill/ receipts**

As per rule 17 to 28 of the Gujarat Gram and Nagar Panchayat Financial Account & Budget Rules, 1963, every payment should be made on endorsement of payment (Receipt/Bill of purchase).

Review of records of 65 VPs of 19 TPs for the period 2006-07 revealed that in violation of the rules provisions these VPs have made payment of ` 35.62 lakh for purchases of various items like cements, steel, sand, pipes, stationery etc. (Appendix-VIII) without obtaining any receipt/bill of purchase. Further, it

<sup>27</sup> Vr. No.2-A: ` 1.00 lakh, Vr. No.3: ` 0.10 lakh, Vr.no. 4: ` 0.14 lakh, Vr. No. 9: ` 0.42 lakh, Vr. No. 14: ` 0.32 lakh, Vr. no. 17: ` 0.10 lakh, Vr. no. 18: ` 0.04 lakh, Vr. no. 19: ` 0.07 lakh, Vr. no. 21: ` 935 and Vr. no. 22: ` 0.04 lakh.

was also noticed that out of 65 VPs, 10 VPs<sup>28</sup> had made payment of more than ` one lakh without receipt / bill during the year. Payment made without obtaining bill/ receipt of purchase for such huge amount is in violation of codal provisions and fraught with the risk of misappropriation/ embezzlement. TCMs concerned replied (July to December 2010) that henceforth payment would not be made without obtaining receipt/ bill of purchase.

### **3.5 Non/delay in payment of Scholarship**

As per resolution dated 14 July 2000 of Social Welfare Department, Government of Gujarat, payment of scholarship to SC/ST/OBC students having good character and regular in attendance shall be made within seven to ten days of receipt of grant for scholarship.

Review of records of four TPs Kadi (Mehsana), Balasinor (Kheda), Halvad (Surendranagar) and Jasdan (Rajkot) for the period 2006-07 revealed that scholarship amounting ` 12.05 lakh remained unpaid (December 2010) in three TPs (Kadi, Balasinor and Halvad) and in TP Jasdan, scholarship amounting ` 92.20 lakh was paid to the beneficiaries with delay of two months to 10 months.

Non payment/delay in payment of scholarship to the poor communities deprived them of assistance given by the Government for their upliftment.

### **3.6 Irregular allotment of works to village panchayats**

According to PRHD circular, works costing up to ` Two lakh only can be allotted to VP. Further, if a VP was not able to execute the work, such works were required to be executed by TPs itself by inviting tenders.

Test check of records of TP, Sayla (DP Surendranagar) and Ghogha (DP Bhavnagar), revealed that six works of construction of Panchayat Ghar amounting ` 19.92 lakh (each costing ` 3.32 lakh i.e. more than ` Two lakh) were entrusted to the Sarpanch of the respective VPs in 2006-07 in violation of the above circular and without proper agreement.

Further scrutiny revealed that one work of Panchayat Ghar at VP Gundiyavada (Sayla), of ` 3.32 lakh, taken up in July 2006 was still (September 2010) incomplete though ` 1.38 lakh was spent on the work. Similarly the work of Panchayat Ghar at VP Chhaya (Ghogha) awarded in January 2008 was incomplete. Further, the works of Panchayat Ghar at VPs Doliya, Sokhada and Vakhatpar of TP Sayla were completed with delay of 157 days, 183 days and 1112 days respectively. The works of Panchayat Ghar at VP Adala (Sayla) awarded in July 2006 was not started till the date of audit (September 2010).

Thus, entrusting of the civil works costing more than ` two lakh to VPs was irregular. This also resulted in non completion /delays in completion of the works because of limited capacity and expertise of the VPs.

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<sup>28</sup> Panchdwaraka (Vankaner): ` 1.33 lakh, Kuvadava (Rajkot): ` 1.88 lakh, Baldhoi (Jasdan): ` 4.38 lakh, Chhalvata (Naswadi): ` 1.14 lakh, Shamgahan (Dang): ` 1.76 lakh, Medhesan (Modasa): ` 1.53 lakh, Vasana (Palanpur): ` 1.35 lakh, Vaheva (Mahuva): ` 1.27 lakh, Varjakhan (Mandvi): ` 2.42 lakh and Ghantoli (Mandvi): ` 1.42 lakh.

## CHAPTER-IV

### 4 FINANCE AND ACCOUNTS OF URBAN LOCAL BODIES

#### 4.1 Introduction

Article 243 (W) of the Constitution of India envisages that the State Government may, by law, endow the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of Self Government and such law may contain provisions for devolution of powers and responsibilities upon municipalities subject to such conditions as may be specified there in with respect to (i) the preparation of plans for economic development and social justice and (ii) the performance of function and the implementation of the schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule.

#### 4.2 Status of ULBs in Gujarat

After the 74<sup>th</sup> Constitutional Amendment, the Urban Local Bodies (ULBs) were made full fledged and vibrant institutions of Local Self Government with clearly defined functions and responsibilities. Accordingly, the State Government reorganized (1993) these institutions into three level viz. Municipal Corporations (MCs), Nagarpalikas (NPs) and Notified Areas (NAs).

At present, there are Eight MCs, 159 NPs and 23 NAs. The MCs were constituted under the Bombay Provincial Municipal Corporations Act, 1888 as revised in 1949 and amended from time to time by the State Government. The NPs were constituted under the provisions of Gujarat Municipalities Act, 1963. The NPs are classified into four categories on the basis of population as ascertained in the preceding census. Each NP is divided into a number of wards, which is determined by the State Government with regard to population, geographical condition and economic consideration of the respective area. An elected member / councilor represents each ward.

#### 4.3 Households and Populations covered

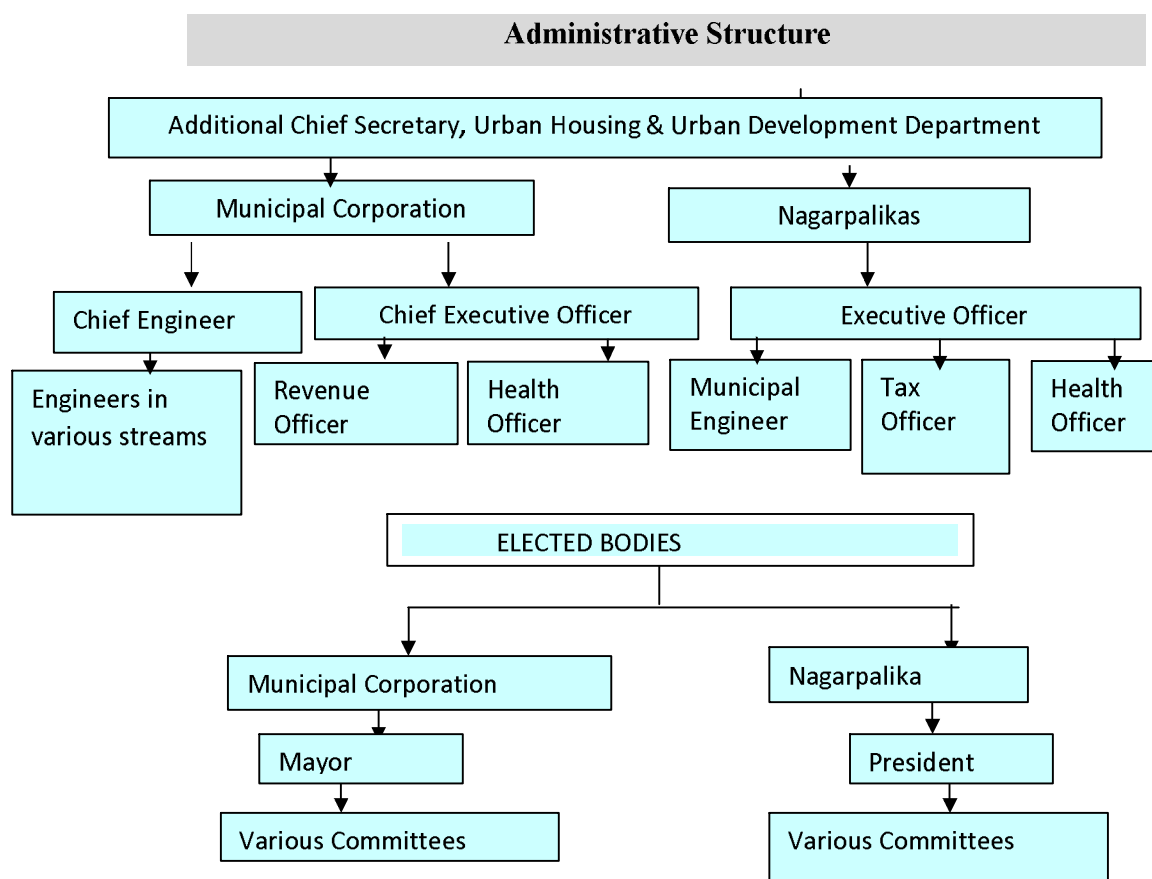
The Population of Gujarat is 5.07 crore (2001 census) of which 1.90 crore (37.36 *per cent*) reside in urban area. Total numbers of households in the State as per 2001 census are 96.44 lakh of which 37.58 lakh (38.97 *per cent*) reside in urban area.

The urban population of Gujarat has increased rapidly from 1.06 crore in 1981 to 1.42 crore in 1991 and again to 1.90 crore in 2001 representing 31.10 *per cent*, 34.47 *per cent* and 37.36 *per cent* of the total population respectively as against the national average of 23.70 *per cent* in 1981, 25.71 *per cent* in 1991

and 27.78 *per cent* in 2001. The last elections of six MCs and 53 NPs were held in October 2010 and the election of 27 NPs were held in February 2011. The first election of Gandhinagar MC (Formed in May 2010) is scheduled to be held in April 2011.

#### 4.4 Organizational setup

The NP / MC is a body corporate having a Board of Councillors. All the ULBs consist of elected members (Councillors) form each ward. The minimum numbers of wards are 21 and the maximum number is kept between 21 and 192 depending on the size of the ULB with reservation for SC, ST, OBC and women as per provisions. The following organogram depicts the structure of ULBs in the State of Gujarat.



The President / Mayor, elected by the majority of the Board of Councillors, is the executive head of the ULB. The executive powers of ULBs are exercised by the Council. The President / Mayor enjoys powers delegated by the Board. Various committees are formed to assist the NPs/ MCs.

The Chief Executive Officer (CEO)/Executive Officer (EO) appointed by the State Government is a whole time Principal Executive Officer of the MC/NP for administrative control of the ULB. Other officers are also appointed to discharge specific function. Functions of CEO/EO include general

supervision, control over the officials of the ULBs, organizing board meetings, monitoring and implementation of schemes and get the budget estimates prepared.

#### **4.5 Powers and functions**

The State Government vide Section 87 of the Gujarat Municipality Act, 1963 devolved various functions to be exercised in the sphere of Public works<sup>29</sup>, Education<sup>30</sup>, Public Health & Sanitation<sup>31</sup>, Development<sup>32</sup>, Town Planning<sup>33</sup> and Administration<sup>34</sup>. Similarly, vide section 63 to 72 of the Bombay Provincial Municipal Corporations Act, 1949 the State Government had devolved various functions and powers to Municipal Corporations.

#### **4.6 Financial Profile**

The ULB fund comprises receipts from its own source, grants and assistance from Governments, SFC / Central FC grants and loans obtained from any public financial institutions or nationalized banks or such other institutions as the State Government may approve. A flow chart of finances of a ULB is as given on succeeding page.

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<sup>29</sup> Naming streets and numbers of premises, giving immediate relief in the event of natural calamities.

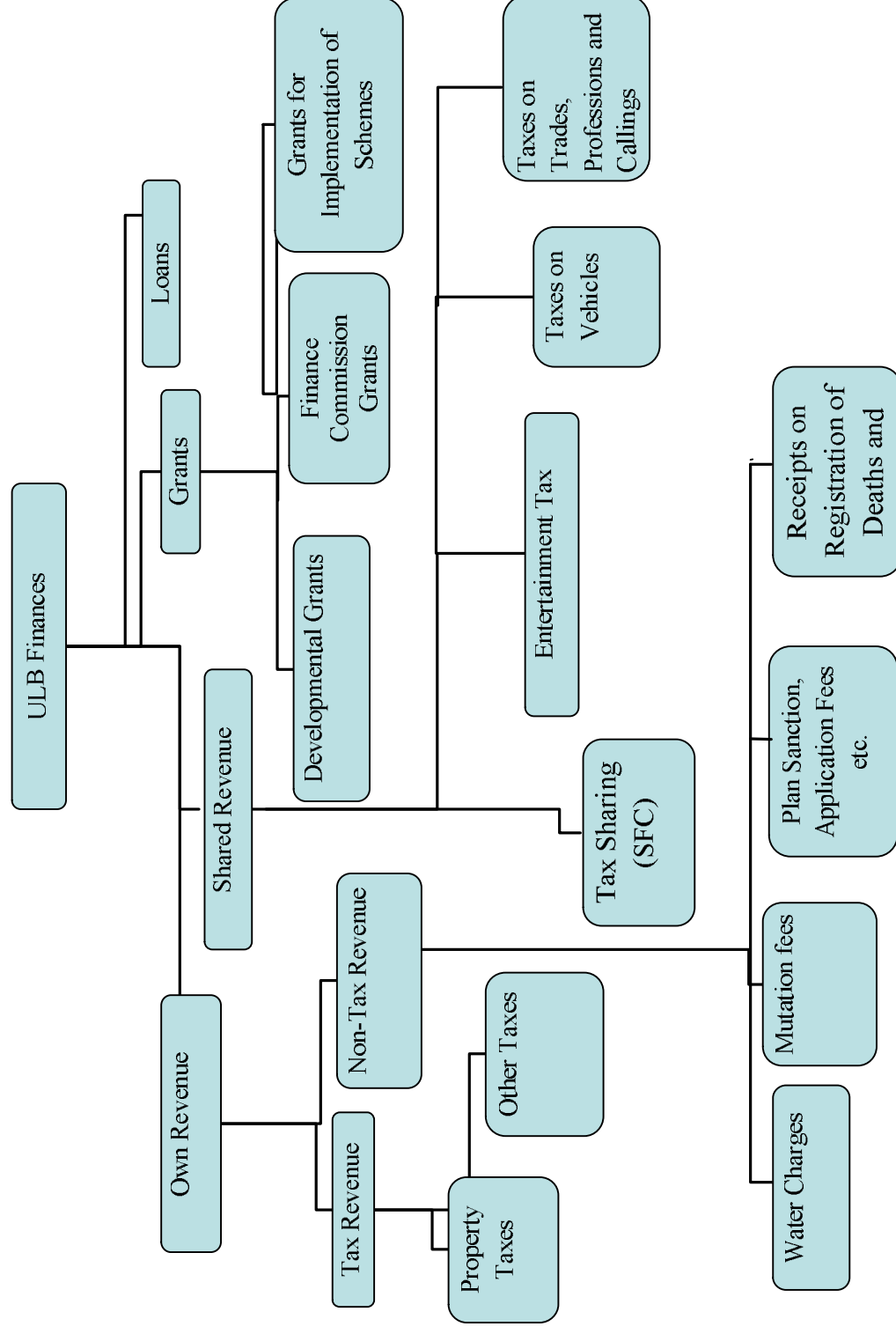
<sup>30</sup> Establishing & monitoring primary school.

<sup>31</sup> Regulating and abating offensive or dangerous trades or practice, securing and removing dangerous buildings or places and reclaiming unhealthy localities, obtaining a supply or additional supply of water, proper and sufficient for preventing danger to the health of inhabitants from the insufficiency or unwholesomeness of the existing supply, when such supply or additional supply can be obtained at a reasonable cost, Public vaccination, watering public streets and places, cleaning public streets, introducing and maintaining the system of water closet, depositing night soil and rubbish, providing special medical aid accommodation for the sick the time of dangerous disease, establishing & maintaining public hospitals, dispensaries and family planning centers and providing public medical relief.

<sup>32</sup> Constructing, altering and maintaining public streets, suitable accommodation for cows and buffalos, printing such annual report of the municipal administration, paying the alary and contingent expenditure on account of such police or guards as may be required by the Nagarpalika and improving agriculture by suitable majors.

<sup>33</sup> Devising town planning within the limits of borough according to the relating to town planning.

<sup>34</sup> Lighting public streets, places and building, extinguishing fires and protecting lives and property when fires occur. Removing obstruction and projections in public places, erecting substantial boundary marks and registering births, marriages and deaths.



#### 4.6.1 Sources of finances of ULBs

The property tax on land and building is the principal source of tax revenue of an ULB. The main sources of non-tax revenue of an ULB are plan sanction fees, mutation fees and water charges. All collections as permissible under the statute in force are meant for maintenance of administration and providing of services to the general public.

The State Government releases administrative grants to the ULBs to compensate their revenue expenditure. Grants and assistance released by the State Government and the Central Government are utilised for developmental activities as specified in the respective schemes or programmes.

The loans raised from different sources with prior approval of the State Government are utilised for execution of various projects / schemes.

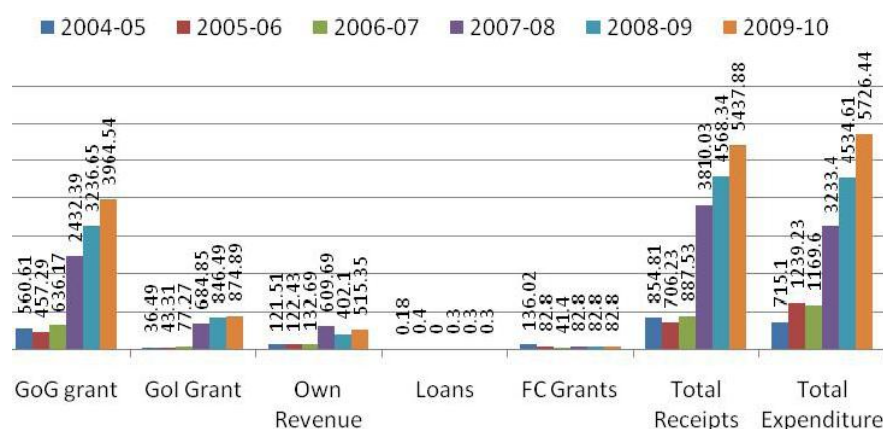
#### 4.6.2 Sector wise receipts and expenditure

The receipts and expenditure incurred during the last Six years ending March 2010 are given in **Table No.8** below.

**Table No.8: Receipts & Expenditure** ( ` in Crore)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
GoG grant <sup>35</sup>	560.61	457.29	636.17	2432.39	3236.65	3964.54
Gol Grant	36.49	43.31	77.27	684.85	846.49	874.89
Own Revenue	121.51	122.43	132.69	609.69	402.10	515.35
Loans	0.18	0.40	0	0.30	0.30	0.30
FC Grants	136.02	82.80	41.40	82.80	82.80	82.80
<b>Total Receipts</b>	<b>854.81</b>	<b>706.23</b>	<b>887.53</b>	<b>3810.03</b>	<b>4568.34</b>	<b>5437.88</b>
<b>Total Expenditure</b>	<b>715.10</b>	<b>1239.23</b>	<b>1169.60</b>	<b>3233.40</b>	<b>4534.61</b>	<b>5726.44</b>

(Source: Budget publications and figures received from the Department)



<sup>35</sup> Inclusive of JNURM and MCorps. funds

It could be observed from the above that allotment of grants by GoG and GoI reflected increasing trend during the years 2007-08, 2008-09 and 2009-10 due to increased allocation under TFC and CSS. The expenditure had also increased during 2007-10 it was less than the total receipts of the respective years during 2007-08 and 2008-09. During the year 2009-10 the expenditure was in excess by ` 288.56 crore which was funded from earlier year's surplus.

#### **4.7 State Finance Commission**

Article 243 W of the Constitution had made it mandatory for the State Government to constitute a State Finance commission (SFC) within a year from the commencement of the Constitutional Amendment Act and thereafter on expiry of every five year to review the financial condition of the ULBs and to make recommendations to the Governor for devolution of funds. GoI guidelines (June 2005) stipulated that state government was to act within six months of SFC's recommendations.

It was, however, noticed (as commented in paragraph-1.10 of chapter – I of part-A of this Report) that the State Government had neither maintained periodicity for constitution of SFCs nor placed reports (submitted by the belatedly constituted SFC) in Assembly within six months time, defeating the very purpose of the constitution of SFC.

#### **4.8 Thirteenth Finance Commission**

As per recommendations of Thirteenth Finance Commission (TH.FC) Gujarat State is eligible to get Central Grant of ` 1301.81 crore for ULBs during period 2010-15. Out of this ` 851.16 crore has been earmarked for GBG and ` 450.65 crore for GPG. Accordingly Government of Gujarat was entitled to get GBG of ` 121.20 crore during 2010-11. However, Government of India has released (July 2010) only 1<sup>st</sup> installment of ` 60.61 crore towards GBG for ULBs. Remaining amount of ` 60.59 crore entitled during 2010-11 was yet to be received (March, 2011).

As per the TH.FC nine conditions were to be fulfilled by 31<sup>st</sup> March, 2011 for becoming eligible to draw general performance grant.

#### **4.9 Annual Accounts**

The Accrual Based Accounting System is being followed with parallel running of cash based system on trial basis in all ULBs. The formats for database on finances of ULBs as prescribed by the CAG have been accepted by the Government (September 2004 & August 2007). However, these are yet to be operationalised (March, 2011). As per respective Acts/ Rules, the ULBs prepare the accounts pertaining to the period from 1<sup>st</sup> April to 31<sup>st</sup> March of particular year and after getting it approved by the respective Standing Committees/General Body, the accounts are submitted to respective controlling/administrative department by 31<sup>st</sup> of July each year and submitted to DLFA for audit. The audit observations on Annual Accounts of the ULBs are included in Chapter-V of Part-B of this Report.



#### **4.10 Audit arrangements**

##### **4.10.1 Pending audit by Director, Local Fund Audit**

The DLFA is the primary Auditor of the NPs and NAs whereas in case of MCs, audit work has been assigned to the Chief Auditor of the respective MC. Audit of all the 23 NAs by DLFA is in arrear since inception. Details of arrears in audit of NPs by the DLFA as of 31<sup>st</sup> December, 2010 are given in the **Table No. 9** below:

**Table No.9 : Arrears of audit by DLFA**

Year	Total Number of NPs	Arrears in audit by DLFA
2005-06	140	12
2006-07	140	39
2007-08	161	95
2008-09	159	138
2009-10	159	159
2010-11	159	159

DLFA stated (December, 2010) that the arrears in audit was due to shortage of staff. The reply is not tenable as audit in abeyance for considerable period would lead to weak internal monitoring and fraught with the risk of frauds and irregularities which cannot be timely detected.

##### **4.10.2 Audit by C&AG**

State Government has entrusted (May 2005) the audit of NPs and NAs to CAG under section 20(1) of the CAG's (DPCs) Act, 1971. Accounts for the period 2004-08 of 22 NPs were test-checked during 2009-10 and 2010-11. Results of audit are given in the succeeding chapters.

#### **4.11 Outstanding Inspection Report Paragraphs**

##### **4.11.1 Outstanding paras of DLFA Inspection Reports**

Total 141308 numbers of paragraphs of Inspection Reports (IRs) as issued by DLFA were outstanding as on 31 December, 2010, as detailed in **Table No.10**:

**Table No.10 : Outstanding paras of DLFA**

	Up to 2000-01	Addition during 2001-09	As on 31 <sup>st</sup> December, 2010
NPs	84946	25377 <sup>36</sup>	110323

The reasons for huge outstanding paras though called for (March 2011), were not provided by the DLFA.

##### **4.11.2 Pending paragraphs of Accountant General (Civil Audit), Gujarat**

Status of outstanding IRs and paragraphs issued by Sr. DAG (LBAA), Ahmedabad, Gujarat, is given in **Table No.11** at next Page

<sup>36</sup> 2001-02 ;3529; 2002-03:3953; 2003-04:3878; 2004-05:4924; 2005-06:4144; 2006-07:2843; 2007-08:1297; 2008-09: 809;

**Table No.11 : Pending paras of Accountant General (CA), Gujarat**

Year of audit	Inspection Reports	Outstanding Paras
2007-08	19	320
2008-09	30	381
2009-10	20	247
<b>Total</b>	<b>69</b>	<b>948</b>

**4.12 District Planning Committees**

The State Government constituted (1973) District Planning Board (DPB) for each district headed by the Minister in-charge of the concerned district. The State Government under provision of Article 243 Z D of the Constitution of India constituted (July 2006 and January 2009) District Planning Committees (DPC) in all the District by a Government Resolution. Minister in-charge of the district is chairperson of the DPC in each district. The DPC consolidates the plans prepared by the ULBs in the district and prepares a Draft Development Plan (DDP) for the district as a whole on the matters of common interest of the LBs keeping in view the available resources, whether financial or otherwise, and forwards the DDP to State Government with recommendations.

Due to election of ULBs and PRIs in all the 26 districts of Gujarat State during October 2010 and February 2011, all the DPCs have been dissolved. The reconstitution of DPCs has not been done till date (March 2011).

**4.13 Conclusion**

State Government adopted the formats for database on the finances of ULBs. However, the same are yet to be operationalised. Neither the prescribed periodicity for constitution of SFCs, as per Constitutional provisions, was maintained nor action was taken by the State Government on recommendations of the belatedly constituted SFCs. Pendency of audit by DLFA and arrears in settlement of outstanding IRs and paragraphs of DLFA and that of Sr. DAG (LBAA) indicate weak internal control system in ULBs. Though election process of PRIs and ULBs has been completed, reconstitution of dissolved DPCs in all the 26 districts is yet to be done.

**4.14 Recommendations**

The following measures are recommended for ensuing better accountability system in ULBs.

- Functions enlisted in the 12<sup>th</sup> Schedule may be devolved to the ULBs with adequate funds and functionaries.
- SFCs should be constituted as per Constitutional provision and immediate actions be taken on the SFCs recommendations.
- Immediate action should be taken by the GoG to fulfill the conditions prescribed for availment of General performance grant under THFC from 2011-12 on onwards.
- Government should prioritise finalisation of the accounts of ULBs and its audit by the primary auditors.
- Director Municipalities and concerned COs are required to form an apex level committee for clearance of outstanding paragraphs.

## CHAPTER-V

### 5 Accounting Procedures and Financial Management

According to the Gujarat Municipalities (GM) Act, 1963, Bombay Provincial Municipal Corporations (BPMC) Act, 1949 and Rules made their under ULBs are required to prepare the budget estimates and maintain accounts in the prescribed forms within stipulated time. The succeeding paragraphs bring out the deficiencies noticed during test -check of records of ULBs audit of which was conducted during 2010-11.

#### 5.1 Annual Accounts

According to section 76 of GM Act read with Rule 49 of the Bombay Municipal Account Code and Budget Rules 141 and 142, every ULB shall prepare complete annual accounts of its receipt and expenditure along with all supporting Annexure and be laid it before the General Board Meeting for approval. Each and every transaction of the ULB should be routed through the annual accounts so as to depict true and fair financial position of the ULBs.

Review of records of eight NP<sup>37</sup> revealed as below.

##### 5.1.1 Non preparation of Annual Accounts

NP Vadnagar (District: Mehsana) had not prepared annual accounts during the period from 2005-06 to 2008-09. The receipt and expenditure of the NP during the years were ` 11.34 crore and ` 10.12 crore respectively. Non preparation of annual accounts is not only in violation of codal provisions but also prevents the stake holder to know about the financial health of the NP. It also indicates lack of internal control and monitoring system by NP as well as Director of Municipalities and Government. On being pointed out CO replied (February 2011) that now onwards annual accounts would be prepared.

##### 5.1.2 Non approval of Annual Accounts

In NPs Palanpur (District: Palanpur) and Jafrabad (District:- Amreli), annual accounts for the period 2006-07 and 2007-08 respectively were not approved by the General Board,. On being pointed COs replied (February 2011) that annual accounts would be got approved by the General Board.

##### 5.1.3 Preparation of Annual Accounts without supporting annexure

In violation of rule provision, NPs Songadh (Tapi), Vyara (Surat) and Khedbramha (Sabarkantha) did not prepare supporting Annexure<sup>38</sup> along with

<sup>37</sup> Palanpur, Jafrabad, Songadh, Vadnagar, Vyara, Khedbramha, Kadi and Dholka

<sup>38</sup> (i) Statement of investment in bank, post office etc (ii) statement of expenditure incurred on five year plan (iii) statement of refund of loan and advances ; (iv) statement of own fund and (v) statement of receipt and expenditure of central Government grant.

annual accounts during the period from 2005-06 to 2007-08. In absence of such important and vital statements, Major Head wise clear, correct and authentic position of accounts with closing balance of grants, deposits, advances, liabilities of the entity etc could not be ascertained and verified. On being pointed COs replied (January 2011) that in future Annexure would be prepared as per audit instruction.

#### 5.1.4 Non inclusion of Government grant in Annual Accounts

In NP Kadi, receipt of ` 1.87 crore (TFC grant: ` 1.20 crore, and IDSMT grant ` 67.36 lakh) for the period 2005-06 and expenditure of ` 1.96 crore (IDSMT: ` 1.23 crore and Entertainment tax remitted to GMFB ` 72.50 lakh) for the period 2006-07 were not included in the annual accounts of the respective years. This resulted in understatement of receipt of ` 1.87 crore and expenditure of ` 1.96 during the respective years. CO replied (February 2011) that in future annual accounts would be prepared taking in to account all the items of receipt and expenditure.

#### 5.2 Unrealistic Budget

Section 76 of GM Act, 1963, read with para 24 of Municipal Code and Para 126 of Gujarat Budget Manual Vol-1 provide that the budget should be prepared in a realistic manner taking into consideration all the vital factors. Variation between the budgeted and actual receipts & expenditure entails financial indiscipline. It is, therefore, essential to take utmost care in preparing budget giving due attention to the prioritized needs of the people.

Review of the records of six NPs for the period 2005-08 revealed that there was huge difference between estimated and actual receipt & expenditure as shown in **Table No.12**.

**Table No.12**

( ` in crore )

Year	NPs	Receipt			Expenditure		
		Estimated	Actual	Variation Percentage	Estimated	Actual	Variation Percentage
2006-07	5 NPs <sup>39</sup>	24.97	12.62	49.46	25.11	14.19	43.49
2007-08	6 NPs <sup>40</sup>	101.39	79.16	21.93	99.19	77.08	22.29

As could be seen from the Table the variation between estimated and actual receipts ranged from 21.93 *per cent* (2007-08) to 49.46 *per cent* (2006-07). Further, the variation between estimated and actual expenditure ranged from 22.29 *per cent* (2007-08) to 43.49 *per cent* (2006-07). The variation was due to less receipt of fund and to that extent less execution of works/schemes.

On being pointed out COs replied (January, February 2011) that due care would be taken to prepare realistic budget in future.

<sup>39</sup> Vadnagar, Mandvi, Songadh, Jafraabad, Prantij

<sup>40</sup> Vadnagar, Mandvi, Songadh, Jafraabad, Palanpur, Prantij

### **5.3 Non-maintenance of separate bank account of MPLADs grant**

According to guidelines of the MPLAD scheme, all the implementing agencies are required to keep a separate account of grant for keeping a watch on implementation of the scheme. However, review of records of NP Dholka (Ahmedabad) for the period from 2006-07 to 2008-09 revealed that though the receipt and expenditure under the scheme were ` 58.07<sup>41</sup> lakh and ` 43.68<sup>42</sup> lakh respectively, NP did not open separate account for the scheme and deposited the whole fund alongwith the fund of MLA grant. In absence of separate account the possibility of diversion of funds cannot be ruled out. CO replied (February 2011) that henceforth separate account would be maintained.

### **5.4 Non-surrender of unutilized Finance Commission Grant**

Government grant should be utilized within a specified time period. On expiry of time period the unspent grant should be surrendered to the Government. Review of records of NPs Dholka (Ahmedabad) and Jetpur (Rajkot) for the period 2006-07 and 2007-08 revealed that the NPs did not surrender (February 2011) the unspent balances of ` 14.07 lakh and ` 91.07 lakh of 10<sup>th</sup> and 11<sup>th</sup> FC respectively, though the period of 10<sup>th</sup> and 11<sup>th</sup> FC was over expired on 31 March 2000 and 31 March 2005 respectively. Non surrender of FC Grant has not only violated the codal provisions but also resulted in idling of ` 14.07 lakh and ` 91.07 lakh for more than five years and ten years respectively.

### **5.5 Non/Poor utilization of grant**

#### **5.5.1 Amrut Dhara Yojana**

Review of records of two NPs (Mandvi: Surat district and Sanand: Ahmedabad district) for the years 2006-07 and 2007-08 revealed that these two NPs had received (February-March 2007) ` 1.50 crore<sup>43</sup> from GMFB under Amrutdhara Yojana for providing drinking water to the public. However, they could utilize only ` 12.90 lakh<sup>44</sup> (February 2011) resulting into poor utilization of grant and thus, the public were also deprived of the intended benefit of the scheme to that extent. Further scrutiny revealed that NP Mandvi had given ` four lakh to Gujarat Urban Development Mission (GUDM) (February 2007) on account of consultancy fee for preparation of Base Map and Project Report, however, no works were carried out by the NP till date (February 2011).

#### **5.5.2 Tribal Area Sub Plan grant (TASP)**

NP Mandvi received (February 2008) grant of ` 6.00 lakh under TASP for various schemes of tribal area development. Scrutiny of records revealed that

<sup>41</sup> 2006-07: ` 27.62 lakh, 2007-08: ` 12.40 lakh and 2008-09: ` 18.05 lakh

<sup>42</sup> 2006-07: ` 5.03 lakh, 2007-08: ` 25.10 lakh and 2008-09: ` 13.55 lakh

<sup>43</sup> Mandvi: ` 50.00 lakh and Sanand: ` 1.00 crore

<sup>44</sup> Mandvi: ` 4.00 lakh and Sanand: ` 8.90 lakh

the NP did not utilize the grant till the date of audit (February 2011). On being pointed out CO replied that guidance would be obtained from grant distributing authority to utilize the grant. The reply is not tenable as NP did not take any action to seek guidance during last three years. Further, non utilization of grant in absence of guidance deprived the Schedule Tribes of the intended benefit of the scheme apart from blocking of funds of ` 6 lakh for more than three years.

### **5.6 Non reconciliation of balances**

As per rule 44 of the Bombay Municipal Account Code balance of bank pass book shall be reconciled with reference to the balance of cash book at the close of every month and difference, if any, be reconciled.

Review of records of three NPs (Jafrabad: Amreli, Palanpur: Banaskantha, and Vadnagar: Mehsana) revealed that difference of cash balance of ` 1.05 crore<sup>45</sup> as on 31 March 2008 between Cash Book and Bank was not reconciled. Further in NP Jafrabad, unreconciled difference increased from ` 8.02 lakh (31 March 2007) to ` 28.51 lakh (31 March 2008). Similarly, in NP Vadnagar, it increased from ` 3.20 lakh (31 March 2006) to ` 32.63 lakh (31 March 2008).

Due to non reconciliation, annual accounts did not reflect the true and correct positions of balances. Moreover long pending reconciliation may lead to defalcation and misappropriation of funds. COs concerned replied (January-February 2011) that reconciliation would be done as per audit instruction.

### **5.7 Irregularities in maintenance of Cash Book**

As per the Bombay Municipal Account Code, Cash Book is a preliminary and important record. It should be maintained properly under the supervision and control of head of the office/Branch Officer.

Review of records of two NPs for the period 2005-06 to 2007-08 revealed that maintenance of Cash Book suffered from following deficiencies:

- In Nagarpalika, Songadh Income Tax of ` 1.75 lakh and ` 2.74 lakh deducted from the bills of contractor during 2006-07 and 2007-08 respectively was shown as receipt in the Cash Book instead of remitting directly to Income Tax department. Further scrutiny revealed that the NP deposited the Income Tax of ` 1.67 lakh and ` 2.97 lakh in March, 2007 and March 2008 respectively. Thus apart from delay there was short remittances of Income Tax of ` 0.08 lakh during 2006-07 and excess remittance during the year 2007-08.
- Scrutiny of General Cash Book for 2007-08 of NP Palanpur revealed that an amount of ` 25.01 lakh was shown on receipt side of Cash Book on 27

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<sup>45</sup> Jafrabad : ` 28.51 lakh, Palanpur: ` 43.92 lakh and Vadnagar: ` 32.63 lakh

August 2007 by merging the Cash Book of Pay and Use Toilets. The Pay and Use Cash Book was not made available to audit and hence the correctness of amount credited could not be verified. Physical verification /surprise check of cash balance was not done by the COs in two NPs (Jafrabad and Vadnagar).

- The number of pages in a Cash Book was not counted and certificate of head of the office/Branch Officer to that effect was not obtained on the first page of the Cash Book in case of NPs Jafrabad and Vadnagar.
- Large number of corrections/overwriting were made in the Cash Book of NP Vadnagar during 2005-06 and 2007-08.

#### **5.8 Purchase of materials/ execution of work without inviting quotation/tender**

As per section 67 of GM Act, 1963, and Rule 171 of Gujarat Contingency Expenditure Rules, the Chief Officer shall, before entering in to any contract for the execution of any work or the supply of any materials or goods which will involve an expenditure exceeding five thousand rupees, invite quotations from atleast three suppliers. Provided that where the supply or works involves an expenditure exceeding one lakh, the advertisement shall be published in such one or more daily news papers as may be approved by the Nagarpalika.

- Review of the records of Dholka Nagarpalika revealed that purchases of Sodium Hypochlorite costing ` 13. 05 lakh<sup>46</sup> were made during 2006-07 to 2008-09 from a private firm on the basis of rate contract approved during 2005-06. Though the yearly purchases ranged from ` 2.62 lakh (2006-07) to ` 6.30 (2008-09) lakh no quotation or tenders were invited to obtain competitive rates as required under rules. Thus the NP could not get the benefit of availment of comparative and competitive rates.
- Collector Palanpur issued order, (21 August 2006) not to incur any expenditure of more than ` 5000/- without the approval of Dy. Collector, Palanpur, so as to enforce economy. Review of records of NP Palanpur revealed that the work of repairing of pipeline of water works of ` 2.03 lakh was allotted to an agency by splitting to work in to 41 Parts of ` 4950 each during April and May 2007. Similarly the work of ` 1.24 lakh for plastering and fitting of tiles in toilet was allotted to an agency by splitting the work in to 25 parts of ` 4950/- each. Further, the work of ` 1.17 lakh of disposal of waste was split up in 30 parts and was allotted to two agencies (first 17 parts of ` 4875 each to one agency and second 13 parts of ` 4950/- each to another agency).

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<sup>46</sup> 2006-07 ` 4,12,510 (54.000 (liters)  
 2007-08 ` 2,62,185 (37.000 (liters)  
 2008-09 ` 6,30,000 (90.000 (liters)

Accepting the audit observation NP stated (December 2010) that annual rate contracts would be entered in future as per codal provisions.

### **5.9 Outstanding Advances**

According to Gujarat Financial Rules (GFR), advance paid to any individual, contractor, suppliers etc, are required to be recouped within a financial year. While sanctioning the advance and temporary advances recovery/ adjustment should be ensured by the end of respective financial year.

Review of records of three NPs for the period 2005-06 to 2007-08 revealed as below.

- In NP Jafrabad (Amreli), advances of ` 79.68 lakh were outstanding as on 31 March 2010. Out of ` 79.68 lakh, ` 3.94 lakh were paid to employees for purchase of personal articles, festival advances, house building advances etc. during the period 1990-91 to 2007-08, ` 1.74 lakh were paid to contractors for works and supplies between the periods 1970-71 to 2004-05 and ` 74.00 lakh were paid to other departments as works advances.
- Similarly in NP Kadi (Mehsana), advances of ` 56.98 lakh were outstanding as on 31 March 2010. Out of ` 56.98 lakh, ` 2.51 lakh were paid to employees during the period prior to 1980 to 2005-10, ` 2.79 lakh were paid to contractor between the period prior to 1980 to 2001-05 and ` 51.68 lakh were paid to other department as work advances during the period prior to 1980 to 2005-10.
- In NP Vyara (District: Tapi), advances of ` 72.50 lakh paid to contractors, suppliers, employees and other agencies during 1978 to 2005-06 for execution of works remained outstanding as on 31 March 2010 and remained to be adjusted/ recovered from them.

Non adjustment of work advances of ` 2.03 crore as detailed above resulted into understatement of asset and over statement of work advances in Annual accounts of the NPs. For want of proper Advance Register/ other records and appropriate follow up action for recovery/ adjustment of the advances by the NPs, audit could not ascertain whether the intended purpose of advances was served or not. It also indicated weak internal control and monitoring system on part of the NPs.

On being pointed out COs concerned replied (January to February 2011) that action to recover/adjust the advances would be taken and intimated to audit.

### **5.10 Lapsed deposit**

As per rule 153 of Municipal Account code, all balances unclaimed for more than three completed years shall, at the close of March in each year, be credited to the lapsed deposit by means of transfer entries. The deposit, thus, credited shall not be repaid without the sanction of the working committee of concerned Municipalities. The sanction shall be given only after ascertaining that the amount was really received and was credited as lapsed deposit and rightful claimant claimed it. The amount of lapsed deposit refunded shall be charged on the account of NP as a miscellaneous expenditure and not debited to deposit.



During the course of audit of four NPs<sup>47</sup> for the year 2005-06 to 2007-08, it was noticed that the works deposit of `1.02 crore were lying with Nagar Palika as on 31 March 2007. No action was taken to transfer the work deposits remained un-claimed for more than three years for the period from 1977-78 to 2007-08 as lapse deposit to proper head. It was also noticed that the works deposit registers were not maintained properly by these NPs.

Non-transferring of lapsed deposits to revenue head resulted in overstatement of works deposit and understatement of revenue apart from risk of refunding such deposits without following the codal provisions and leading to chances of misappropriation / fraud.

On this being pointed out it was replied (January and February 2011) by NPs that action would be taken as instructed by audit.

#### **5.11 Outstanding recovery of rent of shops**

Nagarpalikas construct shopping complexes and rent out to the public after executing necessary agreement for particular period. According to Article 113 of Municipal Account Code, NP should maintain Rent Register in prescribed form No. 69 and record required transactions.

On review of records of four NPs (Sanand, Vyara, Khedbrahma and Mandvi) for the period from 2005-06 to 2007-08, it was observed that an amount of ` 15.88<sup>48</sup> lakh was outstanding to be recovered towards rent of shops from 134 tenants. Further, it was also noticed that outstanding rent pertained to old period ranging from 32 months to 106 months. However, no action was taken by the NPs to recover the rent or to get the buildings vacated as per the agreement. The COs replied (January to March 2011) that efforts would be made for recovery of outstanding rent as observed by audit.

#### **5.12 Maintenance of Basic Records**

As per provisions contained in Municipal Account code, each NP shall maintain basic records like Work Register, Stock Register, Loan Register, Grant Register, Bill Register, Cheque Register, Deposit Register, Assets Register etc. in prescribed format. For exercising control & Supervision over proper maintenance of accounts, work transactions and to prove its authenticity, the maintenance of basic records properly is essential.

Scrutiny of Records of the 8 NPs<sup>49</sup> for the year 2003-06 revealed that, important basic records such as Assets Register, Grant register, Work register, Green Tree Register, Land Register, Deposit Register, Advance Register, Stock Register, Loan Register and Measurement Books were not maintained or improperly maintained. In absence of such records audit could not ascertain correctness and accuracy of the transactions. Non maintenance of basic records also indicated weakness in the internal control mechanism and monitoring.

<sup>47</sup> Vyara – ` 55.41 Lakh, Jafrabad – ` 1.21 Lakh, Kadi ` 42.85lakhs and Khedbrama ` 2.46 lakh

<sup>48</sup> Sanand: ` 7.77 lakh, Mandvi: ` 4.30 lakh, Khedbramha: ` 2.24 lakh and Vyara: ` 1.57 lakh

<sup>49</sup> Jafrabad, Jetpur, Kadi, Vadnagar, Dholka, Mandvi, Palanpur and Sanand

The detailed scrutiny of records of Vyara Nagarpalika (VNP) revealed that due to improper maintenance of Loan register and relevant records VNP was not in a position to monitor and watch the Loan availed from and repaid to GMFB which resulted in avoidable payment of penal interest of ` 6.83 lakh<sup>50</sup> apart from adjustment / recovery of ` 46.84 lakh from other grants payable to VNP during 2007-09.

On being pointed out COs replied (January-February 2011) that required registers would be maintained as per audit instructions.

#### **5.13 Non remittance of Birth/death Certificate fee in to Govt. Account**

According to provisions of Birth / Death Registration Act, 1969 and subsequent rules framed by GoG, Birth / death Certificate registration fee is collected by PRIs/ ULBs. The income / fees accrued to the NP by virtue of registration of Birth/Death was required to be remitted in Government Accounts as per Government instructions of July 1995.

During the course of test check of record (2006-09) of Two NPs it was observed that fees of ` 0.21 lakh (Jafrabad ` 0.06 lakh 2006-08 and Sanad ` 0.15 lakh 2007-09) collected on account of registration of Birth / Death was not remitted to Government Account during 2006-09.

On this being pointed out it was replied (January-February 2011) by the COs that the amount would be credited to Government Account.

#### **5.14 Conclusion**

- Preparation of budget proposals and financial accounting were found to be defective. There was lack of budgetary control and absence of reliable budget formulation.
- Irregular maintenance of cash books and non reconciliation of bank book balances with that of cash book balances, payment without approval of competent authority, non adjustment of huge advances, etc. indicated that internal control mechanism was not adequate to ensure proper accounting of substantial Public funds dealt with by the ULBs.
- Instances of non surrender of unspent grant of 10<sup>th</sup> and 11<sup>th</sup> FCs were noticed which indicated poor financial control.

#### **5.15 Recommendations**

- Budget should be prepared taking inputs from constituent divisions / Wards, Government Departments / organizations and targets there against;
- Basic primary records are required to be maintained properly.
- Accountability of expenditure and internal check system should be strengthened.

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<sup>50</sup> (a) Penal interest of ` 2,71,786 on Gujarat Infrastructure Development Project Loan of ` 33.30 lakh availed during 1997-2003.

(b) ` 4,11,253 on Vajpayee Nagar Vikas Yojana Loan of ` 40 lakh availed in march 2000

## CHAPTER-VI

### PERFORMANCE REVIEW AND TRANSACTION AUDITS OF URBAN LOCAL BODIES

#### 6.1 COLLECTION OF PROPERTY TAX IN 12 NAGARPALIKAS

##### 6.1.1 Highlights

*The Government of Gujarat vide Gujarat Act No.13 of 2007 made an amendment to the Gujarat Municipalities Act, 1963 in order to adopt an 'area based' system of property tax in Nagarpalika areas to enable Nagarpalikas to increase their tax revenue and bring in transparency in assessment of tax. Government of Gujarat appointed Gujarat Municipal Finance Board (GMFB) as nodal agency for conducting survey of properties in all Nagarpalika areas, and All India Institute of Local Self Government as implementing agency. Survey and Data Entry work was targeted to be completed in such manner to enable Government to implement new area based property tax from the year 2007-08. However, Government could implement new tax structure from the year 2008-09, due to delay in survey & data entry work. Further, due to inadequate measures by NPs to enforce recovery of tax, Nagarpalikas could not become financially self-reliant.*

Delay of one Year in implementing area based property tax system in Nagarpalikas resulted in loss of potential revenue of ` 4.01 crore.

(Paragraph 6.1.6.1)

In five Nagarpalikas tax collection figures did not tally with figures shown in annual accounts for the period 2007-08, 2008-09 & 2009-10. Further, in eight Nagarpalikas, Opening Balance of tax Demand & Collection did not agree with Closing Balance revealing inadequacies in accounting.

(Paragraph 6.1 6.2 (a & b))

There was difference of ` 62.09 lakh between Demand, collection & Balance of twelve Nagarpalikas and balances maintained by Director of Municipalities.

(Paragraph 6.1 6.2 (c))

Lack of control in system of issuance of Permission letters for construction & subsequent follow up left the possibility of escapement of property tax.

(Paragraph 6.1.6.3)

None of the test checked Nagarpalikas took action of attachment or auction of properties of tax defaulters under sections 133& 142 of Gujarat Municipalities Act.

(Paragraph 6.1.6.5)

In three Nagarpalikas due to absence of control mechanism, escapement of tax was ` 62.66 lakh.

(Paragraph 6.1.6.6)

Independent Internal Audit System was not established in any of the Nagarpalikas. .

(Paragraph 6.1.6.8)

### **6.1.2 Introduction**

Under the provisions of the Gujarat Municipalities Act, 1963, property tax was levied on buildings and lands based on annual letting value or the capital value or a percentage of capital value of the building or land or both as the Nagarpalika may impose. This had resulted in Municipalities adopting various methods of assessment of tax under section 99 leading to increase in litigations, non- transparency in assessment of tax and low rate of recovery of tax thereby affecting revenue of the Nagarpalika. It therefore, became necessary for the Government to introduce single method of assessment of tax on the basis of carpet area of the building and the area of the land in place of the existing system of assessment for ensuring transparency and satisfaction of citizens.

Government in Urban Development & Urban Housing Department (UD&UHD) therefore, amended the said Act (April 2007) to empower the Municipalities to levy the property tax on the basis of carpet area instead of annual letting value or a percentage of capital value of the building and land at such rate as decided by the Nagarpalika having regard to the factors specified by the State Government. The amendment also provides for fixing different rates of tax for residential buildings and non- residential buildings based on location of the properties.

### **6.1.3 Organizational set up**

Additional Chief Secretary (ACS) is the Head of Urban Development and Urban Housing Department (UD&UHD). He is assisted by Director of Municipalities (DOM) to monitor functions of 159 Nagarpalikas in the state. Gujarat Municipal Finance Board (GMFB) under UD & UH Department is responsible for allotment of grant and monitor expenditure in respect of all the Municipalities in the state.

The Nagarpalikas are divided into a number of wards represented by elected member or councilor for each ward. The member or councilor so elected form

board of councilors. The President elected by the majority of the Board of councilors is the executive head of the ULB. The executive powers of the ULBs are exercised by the Council. The president enjoys powers as delegated by the Board.

The chief officer (CO) appointed by the state Government is a whole time principal executive officer of the Nagarpalika for Administrative control of the ULB. Other officers are also appointed to discharge specific function. The function of the chief officer includes general supervision, control over the officials of the ULBs, organizing board meetings, monitoring and implementation of various schemes and get the budget estimates prepared.

#### **6.1.4 Audit objectives**

The objectives of the review were to:

- Evaluate the efficiency of procedures followed by the Municipalities in surveying, assessment, demand, collection and accounting of property tax
- Check whether a suitable mechanism was in place to ensure that no building / property assessable to tax escaped assessment
- Evaluate the measures taken to guard against the loss of revenue, and
- Evaluate the action taken against the unauthorized constructions

#### **6.1.5 Scope of audit**

The review was conducted during January and February 2011 covering assessment and collection of property tax made during the period from 2007 - 08 to 2009- 10 in 12 Municipalities of the state.

##### **6.1.5.1 Audit criteria**

For the purpose of review, Gujarat Municipalities Act, 1963, orders issued by Government and records maintained by Nagarpalikas were considered for review.

#### **6.1.6 Audit findings**

##### **6.1.6.1 Survey and data entry**

The delay of two years in completion of Survey, Data Entry & installation of software prolonged imposition of area based tax structure for one year.

The act to impose property tax on area basis on all buildings and lands situated in the municipal limit was made operation w.e.f. 1<sup>st</sup> April 2008. The area based property tax system was introduced as a part of improvement under the Urban Reform Incentive Fund (URIF) and mobilizing financial resources for rapid urbanization. Accordingly, under the urban development year-2005, GMFB as nodal agency and All India Institute of Local Self Government (AIILSG) being a unit for Planning and Research on Urban Development Affairs (PRUDA) were nominated by the Government (January 2006) to carry out the work of survey, measurement, assessment, data entry operation and providing software for preparation of bills for the newly introduced system of property tax on area basis.

Accordingly, all municipalities were divided into seven zones for uniform work and 21 surveying agencies were finalized (January 2006) by the government to assess property tax. The works were entrusted to them by tri-partite agreement between AILSG as coordinating agency, Local Nagarpalika and the agency that was to carry out the work. The Programme was undertaken from January 2006 to March 2008 and included development of new software for area based property tax assessment of all properties, installation of the software along with data entry work in each Nagarpalika. The Chief Officer was, also authorized and entrusted to supervise and assist the survey work carried out by the agency from time to time. Pending the completion of survey work for levy of Tax, all the Nagarpalikas started to collect property tax on area basis according to GOG notification issued in April 2008.

During test audit of Twelve<sup>51</sup> Nagarpalikas, the following irregularities regarding survey and data entry were noticed.

#### **Survey**<sup>52</sup>.

- In NP Songadh the work which was entrusted (January 2006) to the agency<sup>53</sup> was objected by the residents on account of defective work and inconsistency in survey, the NP continued to demand and collect property tax based on defective survey and assessment till December 2009. The Chief Officer ordered (January 2010) for re-survey by its own staff to rectify the defective survey carried out by former agency.
- In NP Jafrabad the work carried out by the agency<sup>54</sup> was defective up to 90 *per cent* in its measurement and 50 *per cent* of which was reported to have been done without actual site visit. However, satisfactory completion report was issued (March 2008) by the Chief Officer without verifying the facts. There after re-survey was carried out (July 2008) by own staff of the NP.
- In NP Mandvi the survey work commenced by agency<sup>55</sup> did not record complete details of the property like name of the owner, measurement of buildings, own land etc. and the agency did not rectify the omissions even after several notices issued by the NP during the period from August 2007 to July 2010. Hence to rectify the omissions, re-survey work was completed (June 2008) by own staff of the NP.

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<sup>51</sup> Palanpur (Palanpur), Sanand (Ahmedabad), Vyara (Tapi), Kadi (Mehsana), Songadh (Tapi), Vadnagar (Mehsana), Mandvi (Surat), Jetpur (Rajkot), Dholka (Ahmedabad), Prantij (Sabarkantha), Jafrabad (Amreli) and Khedbrahma (Sabarkantha)

<sup>52</sup> Bhoomi Consultant, Gandhinagar

<sup>53</sup> Impression System, Ahmedabad

<sup>54</sup> Perfection Network Marketing Co. Rajkot

<sup>55</sup> Amitkumar Brahmabhatt, Petlad

- In NP Sanand the survey carried out by the agency<sup>56</sup> during the period March 2006 to May 2007 was defective up to more than 70 *per cent* in respect of details of the properties, name of owner and measurement of the property etc.

#### **Data Entry and Software**

- In Kadi NP, the data entry work entrusted (February 2007) to and completed (May 2007) by the agency<sup>57</sup> was defective to the extent of 70 *per cent* and it was subsequently rectified and completed during the period from February 2008 to April 2008 by the Nagarpalika staff.
- In Khedbrahma, the work of Data entry initially entrusted<sup>58</sup> (September 2006) was not completed in time schedule i.e. within a month hence got carried out (April 2007) by another agency<sup>59</sup> to the extent of 90 *per cent* and remaining work was done by NP staff.
- The installation (August 2008) of software in Dholka<sup>60</sup> NP was defective in generation of data of arrears amount from previous years. Hence, a new software was purchased (September 2008) by the NP for ` 1.55 lakh.

The Survey work and data entry was to be completed from January 2006 to April 2006. However, it was completed in April 2008 i.e. delay by 24 Months. Thus, the very intension of Government (December 2005) to introduce area based tax structure from the year 2007-08 was delayed for one year resulting into loss of potential revenue of ` 4.01 crore (**Appendix IX**) due to abnormal delay in survey and data entry operation.

#### **6.1.6.2 Demand, Collection and Accounting**

##### **(a) Wrong exhibition of tax collected in the annual statements**

The reporting of Demand & Collection to DOM was defective and Annual Accounts prepared did not tally with that of actual receipts.

As provided under section 75 and 76 of Gujarat Municipal Act, 1963, the accounts of the receipts and expenditure of every NP was required to be kept in accordance with the Municipal Account Code subject to such modifications as directed by the Government, the NP was to held general meeting in April or after April in which audit of the previous years annual accounts by Gujarat Local Fund was required to be got approved the accounts and was required to keep it open to public inspection and published in such manner as the NP may prescribe in this behalf.

It was observed that five NPs as shown in **Appendix X** had prepared their annual accounts but the property tax collected and those shown in the accounts during the period 2007-08 to 2009-10 did not reconcile. It is clear from the

<sup>56</sup> Perfection Network Marketing Co. Rajkot

<sup>57</sup> Gujarat Technoworld, Ahmedabad

<sup>58</sup> Cama Computer, Ahmedabad

<sup>59</sup> Silver Touch Co, Ahmedabad

<sup>60</sup> Silver Touch Technology Ltd. Ahmedabad

**Appendix X** that the discrepancy between the collection by NP and receipts shown in accounts ranged from ` (-) 8,62,202 (i.e. receipts shown in accounts were overstated) in NP Dholka during 2008-09 to ` 1,57,33,216 (i.e. receipts shown in accounts were understated) in NP Palanpur during 2009-10 and thus revealed inaccuracy and non transparency in preparation of accounts.

**(b) Difference between opening and closing balance of the previous year**

The NPs were required to prepare annual statement for exact position of demand, collection and outstanding balance of property tax during the year from 2007-08 to 2009-10.

During the test check of eight NPs as shown below, it was observed that outstanding opening balance did not agree with that of closing balance of previous year. Due to large scale variations, incomplete records, financial control mechanism in NP was doubtful and audit could not offer any comments on the trend of demand.

Name of the Nagarpalika	Year	Closing Balance	Year	Opening Balance	Difference
Sanand	2007-08	29,85,188	2008-09	28,62,605	1,22,583
	2008-09	62,17,499	2009-10	62,97,155	(-) 79,656
Mandvi	2007-08	10,36,355	2008-09	11,25,633	(-) 89,278
	2008-09	17,72,143	2009-10	18,23,469	(-) 51,326
Palanpur	2007-08	2,31,56,819	2008-09	2,19,39,440	12,17,379
	2008-09	364,74,493	2009-10	3,44,79,440	19,95,053
Vadnagar	2007-08	12,17,177	2008-09	13,41,933	(-) 11,24,756
	2008-09	30,29,845	2009-10	30,29,845	Nil
Jetpur	2007-08	45,73,000	2008-09	45,73,000	Nil
	2008-09	58,99,000	2009-10	68,98,000	(-) 9,99,000
Songadh	2007-08	8,37,450	2008-09	8,74,069	(-) 36,619
	2008-09	32,04,026	2009-10	35,97,163	(-) 3,93,137
Vyara	2007-08	4,83,066	2008-09	3,34,209	1,48,857
	2008-09	7,87,193	2009-10	5,64,885	2,22,308
Khedbrahma	2007-08	4,37,676	2008-09	4,37,676	Nil
	2008-09	18,47,450	2009-10	18,29,998	17,407

Mandvi NP stated (February, 2011) that the properties which were registered prior to 1<sup>st</sup> April 2008 and details received subsequently were assessed as differential tax, Other NPs did not offer any comment.

The reply is not tenable as the difference in tax so received was required to be reconciled and accounted for in the respective year so as to avoid accountal difference between opening balance and closing balance of the previous year.

**(c) Difference between balances of accounts prepared by the NPs and those reported to Director of Municipalities**

Demand, Collection and Balance for the year 2009-10 as reported by twelve NPs varied widely from those reported to the Director of Municipalities



(DOM) as shown in **Appendix XI**. Further, it can also be seen that the balance exhibited by DOM was ` 73.8 lakh whereas NP Dholka exhibited ` 195.88 lakh. While in respect of NP Vadnagar the balance of current demand exhibited by DOM was ` 103.74 lakh against ` 10.22 lakh as reported by the NP. For Jetpur NP, total demand exhibited by DOM was ` 278.77 lakh against ` 550.41 lakh shown by the NP. Similarly, the total collection against arrears & current tax was shown by DOM as ` 233.31 lakh against ` 395.34 lakh by NP leaving discrepancy of ` 271.64 lakh and ` 162.03 lakh in demand and collection of tax respectively.

A suitable mechanism to monitor financial information was required to be evolved for its reliability so as to exhibit correct financial status of the NP.

#### **6.1.6.3 Loss of revenue on account of failure of the municipalities to watch completion of work and include the property under perview of tax.**

Non-coordination between planning and Tax Branch denied to impose tax from the date of completion / occupation

Under section 155 of Gujarat Municipalities Act 1963, for construction of new building or for any addition or alteration to the existing structure, the owner of the property was required to apply to the Nagarpalika with a plan certified by a qualified person recognized by the Nagarpalika specifying the purpose for which the building would be used. The Chief Officer was empowered to give permission within a period of one month from the receipt of a plan. Construction in respect of such approved plan was to be commenced within a period of one year.

On completion of the building the owner of the property within a month was required to intimate to the chief officer in writing about such completion who in turn permit occupancy of the building or part thereof. The new property so constructed was to be added to the list of demand notice for the levy of property tax.

- From the test check of records from 2007-08 to 2009-10 it was observed that CO of Palanpur and Dholka NPs granted 553 and 41 permissions respectively for construction / addition / alteration to buildings but the details of completion of the construction was not passed on to tax branch for updating the data base for raising demand and collecting tax.
- In NPs Jafrabad & Kadi, 118 & 1438 permissions respectively were granted by C.Os but no time limit for construction / completion was prescribed and no inspection by Revenue Officers was carried out to monitor construction and update property profiles.
- Prantij NP did not maintain any records about permission granted for Construction but on receipt of application with documentary evidence from the individual, details of the property was added to the demand notice. Thus, property tax payable with effect from the date of completion or occupation of the building could not be imposed until the construction was finally detected or reported by individual himself.

Thus, non-observance of provision laid down in the Act and non maintenance of records restricted the NPs from demand and collection of tax amount due on new construction or addition / alteration to the properties.

#### **6.1.6.4 Unauthorised constructions**

Non- detection of unauthorised constructions encouraged unplanned growth of the city

Under the provision of section 155 (7) of the Act, a person who commences any construction, addition or alteration work without furnishing any plan or information in contrary to legal orders and provisions of the Act would be liable for penal action and appropriate fine and the Chief Officer could order for immediate stopping and/or demolishing such unauthorized work in accordance with the existing provisions.

Further, the Chief Officer was required to conduct regular survey to identify such constructions for imposition of penalty/punishment/demolition or to bring them under the tax structure.

Eight NPs (Palanpur, Vadnagar, Sanand, Prantij, Vyara, Mandvi, Songadh and Kadi) test checked neither maintained any records about un-authorised construction nor deployed any survey teams to detect such construction. In Khedbrahma 94 properties were treated unauthorisedly constructed for which ` 10.35 lakh was recovered for regularization of the properties.

The Chief Officer Prantij stated (January 2011) that the proposal for recovery on account of unauthorized construction noticed through informal sources was resisted by the president of Nagarpalika.

In-action by NPs thus, encouraged unplanned growth of a town and also evasion of property tax in case of unauthorized construction/ addition or alteration to existing properties. Such construction may also result in collapse of substandard and faulty buildings, loss of human life and property and would be a serious issue of socio-economic concern.

#### **6.1.6.5 Enforcement of tax recovery**

Non-enforcement of Tax recovery accumulated demand

If a person served with a demand notice under section 132 of the Act did not pay the taxes within the time specified in the demand notice, action under sub section 1(i) of section 133 of the Act, i.e. sale of the movable property or the attachment and the sale of immovable property of the defaulter, discontinuance of water supply or other services rendered to the defaulter was required to be withdrawn until tax so demanded together with the expenses incurred in discontinuing and recommencing the water supply or as the case etc. was paid by the defaulter. Further, under section 142 of the Act, tax arrears could also be recovered from defaulters treating it arrears of land revenue.

In test checked 12 NPs tax arrears of ` 4.79 crore, ` 7.83 crore and ` 6.96 crore were outstanding during 2007-08, 2008-09 and 2009-10 respectively. However, no effective actions to enforce the recovery as per codal provisions were taken. During detailed scrutiny the following were noticed:

- In respect of three NP, viz Dholka, Vadnagar & Mandvi, the COs disconnected 1159, 348 and 123 water connections of the tax defaulters respectively during 2008-10 but details for its reconnection and recovery of the outstanding tax amount were not available with the Nagarpalikas.
- Dholka NP sealed (2008-10) 100 properties and Mandvi Nagarpalika issued (2008-2009) 20 warrants but no further action under section 133 and 142 of the Act was initiated as could be seen from their records.

In NP Jafrabad no action under section 133 or 142 of the Act was initiated against defaulter due to insufficient staff.

- The remaining Nine NPs<sup>61</sup> did not take any action against the defaulter.

#### **6.1.6.6 Escapement of tax recovery**

**Properties constructed without valid permission escaped from the tax revenue**

The minimum and maximum rate of tax per sqmt of the property that can be applied to residential and Commercial properties for various class of Nagarpalikas was prescribed by the Government (April 2008) consequent to Gujarat Municipalities (Amendment) Act 2007. It was at the discretion of the Nagarpalika to decide the tax between minimum and maximum rates for a particular class as stipulated by the Government.

Accordingly, minimum rates ranging from ` 2.50 to ` 5 per sqmt for residential building and ` 4 to ` 8 per sqmt for building other than the residential one falling within different class of towns viz. A, B, C & D was adopted by the NPs. However, maximum rate of ` 10 to ` 15 per sqmt for residential and non- residential properties as prescribed by the Government was not adopted by any of the NPs.

The scrutiny of records of three Nagarpalikas as shown in **Appendix XII** revealed that though the number and value of properties increased substantially against the total permissions granted by the Nagarpalikas. This showed that either these properties escaped assessment or constructed without valid permission.

- In Jafrabad NP 3795 and 633 residential and non- residential properties were constructed without permission during 2008-09 as shown in Appendix XII. Since, Jafrabad falling under 'C' class attracted minimum rate of ` 3 and ` 4 per sqmt for residential and non – residential properties respectively and assuming minimum area as 40 sqmt<sup>62</sup> for each category of properties, the total tax escaped was ` 5.66 lakh (` 4.55 lakh + 1.01 lakh).

Jafrabad is a 'C' class NP having population more than 25,000 as per Census of 2001. It was however observed that in Jafrabad Town, not a single property was recorded / reported as rented out during the period from 2007-08 to 2009-

<sup>61</sup> Sanand, Kadi, Khedbrahma, Prantij, Palanpur, Jetpur, Vyara, Jafrabad & Songadh.

<sup>62</sup> Minimum area stipulated for residential Buildings as per GR dated 11 June 2007

10. The genuineness of the records / reports appeared to be doubtful and the chances of tax evasion could not be ruled out as the tax rates on rented property were higher than self occupied property.

- Similarly, in Jetpur NP, 11,626 and 401 residential properties and 5385 and 290 non residential properties respectively during the year 2008-09 and 2009-10 were constructed without permission from the competent authority and tax was not collected from the occupants. Jetpur NP falling under 'A' class, attracted minimum ` 5 and ` 8 per sqmt for residential and non-residential properties respectively and assuming minimum area as 40 sqmt as above for each category, the tax escaped was to the extent of ` 42.21 lakh.
- In Dholka NP construction of 4219 and 700 residential and non – residential properties were detected to be without permission during the year 2008-09 and 2009-10. No tax was collected on these properties. As Dholka was falling under 'B' class having minimum rate of ` 7 and ` 11 per sqmt for residential and non – residential properties respectively, total tax recovery to the extent of ` 14.89 lakh (` 11.81 lakh + ` 3.08 lakh) for minimum area as 40 sqmt for each category of construction was escaped.

Thus, absence of internal mechanism to detect new constructions or to maintain any records about it, resulted in increase in unauthorised properties escapement of tax revenue ` 62.66 lakh.

#### 6.1.6.7 Outstanding Tax dues

The poor recovery was due to shortage of staff, and Delay in preparation of demand notice and recovery thereof

The position of Demand, Collection and arrears of property Tax (detailed in **Appendix XIII**) for the period 2007-08 to 2009-10 furnished by 12 NPs was as under.

` in lakh

Year	Demand	Collection	Arrears	%age of Outstanding Collection
2007-08	917.06	438.36	478.64	47.80
2008-09	1431.31	644.19	782.57	45.00
2009-10	1678.26	982.41	695.80	58.53

It was observed that all NPs showed increasing trend of demand as a consequence of imposition of area based tax reform from the Year 2008-09. However, collection against demand ranged between 45 *per cent* and 59 *per cent* and NPs failed to collect taxes resulting in huge outstanding dues.

It was noticed (January 2011) that though, the tax demand increased by 38 *per cent* in Palanpur NP, the collection was reduced by 9.3 *per cent*.

The poor recovery was attributable to late preparation and issuance of demand notice, inactive participation of staff for recovery, and absence of any action to improve collection efficiency by the NPs.

It was stated by CO Jafrabad (February, 2011) that recovery could not be enhanced due to shortage of staff. CO, Kadi (January 2011) attributed political intervention for poor collection.

Recovery of property Tax being a continuous process enables NP to generate its own revenue income in order to discharge its civic duties. It was noticed that Nagarpalika took action for collection of revenue with special drive at the fag end of the year instead of planning it in a phased manner during the entire year.

#### **6.1.6.8 Internal Control System**

Internal control is an integral component of Nagarpalika's management process and is established in order to provide reasonable assurance that the Nagarpalika's operations are carried out effectively, economically and efficiently. Financial report and operational data are reliable and applicable laws and regulations are complied with to achieve objective of providing better civic facilities with its own revenue income. From the test check of records of selected twelve Nagarpalikas, it was noticed that in respect of nine Nagarpalikas (i.e. Sanand, kadi, Palanpur, Vyara, Vadnagar, Songadh, Mandvi, Dholka, and Jetpur), independent internal audit wing or second/third level check/supervision in respect of assessment of property tax did not exist.

Due to this the Nagarpalikas could not ensure adequacy and effectiveness of assessing, raising and collecting tax. Further, internal control system was not found in all test checked NPs to ensure regular surveys, proper assessment, collection, detection of un-authorized constructions and verification of other relevant records.

The Chief Officers stated (January/February 2011) that such system could not be operated due to shortage of staff.

#### **6.1.7 Conclusion**

Though, the Government introduced tax revision to enhance Nagarpalikas revenue, NPs were reluctant to monitor new constructions/alterations, adopting proper tax rates for assessment, delay/non-inclusion of completed works under tax pervue coupled with collection inefficiency had defeated the aim of the Government to make Nagarpalika financially self reliable.

#### **6.1.8 Recommendations**

- All Nagarpalikas should ensure that all new buildings are brought under the tax structure as soon as they were constructed by sound monitoring system.
- The new tax structure could further be strengthened by simultaneous implementation of strong administration for collection of tax.
- Internal audit system in all Nagarpalikas is required to be strengthened.
- UD&UH Department, GMFB and Director of Municipalities should enforce vigilance and monitoring on the tax collection functions of NPs.

## **6.2 Irregularities in implementation of Integrated Development of Small and Medium Towns.**

Under the Centrally Sponsored Scheme “Integrated Development of Small and Medium Towns” (IDSMT) launched by Government of India, NPs contributing 25 percent of fund for infrastructure development projects of their towns (Such as commercial shopping centers, traffic works, water supply and sewerage projects etc), could avail financial assistance of remaining 75 percent (GoI: 45 percent and GoG: 30 percent) abiding conditions laid down in the scheme guidelines,

Vyara Nagarpalika (VNP) prepared (September 2003) a plan for improving infrastructure facilities in creation of public assets, increasing the availability of service sites for housing, commercial and industrial use and promoting resource generating schemes etc. in the town and submitted (August 2004) it for approval of GoI through Urban Development Department (UDD), GoG.

The plan estimated to `229.56 lakh contained Commercial Schemes<sup>63</sup>: `85.78 lakh, Traffic and Transportation Schemes<sup>64</sup> `63.73 lakh and Service Amenities<sup>65</sup>: `80.05 lakh. VNP had expected net profit of `112.40 lakh from leasing and renting of shops after liquidating of the loan.

GoI approved the project for `229.56 lakh with GoI share `90 lakh, State share `60 lakh and NP's share `79.56 lakh. VNP was to contribute the share either from its own fund or by raising loans from financial institutions. The project was to be completed by 31<sup>st</sup> March 2007. On completion of the project NP was required to credit 75 percent amount of the project cost into revolving fund during next ten years from the revenue realized each year.

Gujarat Municipal Finance Board (GMFB), a nodal agency of GoG released funds of `153 lakh (GoI: `91.80 lakh, GoG: `61.20 lakh) during the period from December 2004 to June 2007 to VNP which was excess by `3 lakh over the approved grant of `150 lakh (GoI: `90 lakh and GoG: `60 lakh). According to conditions of the scheme VNP was to credit `79.56 lakh in the separate bank account as matching contribution. It was observed that VNP did not credit any amount in the said bank account as of March 2011.

Irregularities noticed in implementation of the works under the scheme are discussed in the succeeding paragraphs:

### **6.2.1 Unfruitful expenditure on construction of shops**

Even though encroachments were not removed, VNP in the proposal submitted (August 2004) for approval to GoI had stated that 369.85 sq meters of land required for construction of 36 shops and departmental stores on Tikka No.48 CS No.1136 was in their possession. It was envisaged that VNP would

<sup>63</sup> (I) Construction work of shopping centre on FP No.164 `54.88 lakh.

(ii) Construction of shops and departmental stores on Thikka No. 48 CS No.1136. `30.90 lakh

<sup>64</sup> 19 number of internal roads `63.73 lakh.

<sup>65</sup> Construction of Auditorium `80.05 lakh

earn deposit of ` 84.30 lakh for 36 shops and annual rent of ` 1.44 lakh. It was estimated that after 11 years, profit earned from this project would be ` 56.12 lakh.

Though the said land was not encroachment free, VNP awarded (January 2005) the work to an agency at tender cost of ` 32.44 lakh (5 percent above the estimated cost) against the estimated cost ` 30.90 lakh. The work was to be completed by 17<sup>th</sup> January 2006 and in case of delay, liquidated damages of ` 500 per day was chargeable from the agency in case of delay in completion. The agency could not start the work as clear site was not handed over by VNP and demanded (December 2005) a hike of 25 percent on estimated cost as the period of 11 months had already passed.

After removing the encroachment VNP agreed (March 2006) to give 19 percent hike and increased the tender cost to ` 36.72 lakh with stipulated date of completion as 31<sup>st</sup> March 2007. The work was completed by the agency in March 2007 and expenditure incurred was ` 31.24 lakh. Had the site been given timely, the actual executed items of work could have been completed for ` 27.56 lakh instead of ` 31.24 lakh.

Thus, awarding of contract by VNP without possession of encroachment free site was irregular and the project was completed belatedly by 14 months with cost overrun of ` 3.68 lakh.

Further, it was noticed that VNP did not take any action to auction/allot the shops till March 2008 i.e. one year from the completion of the shops and made a reference (April 2008) to the Director of Municipalities, Gandhinagar for changing the purpose of use of the shops as slaughter house. Director of Municipalities did not respond to VNP request till date (February 2011). Thus, due to improper planning VNP had to suffer cost overrun of ` 3.68 lakh and due to non allotment of shops, incurred loss of annual income of ` 1.44 lakh apart from potential deposits of ` 84.30 lakh.

CO replied (January 2011) that necessary action would be taken in this regard on receipt of response from Director of Municipalities.

### **6.2.2 Non-construction of shopping centre**

GoI approved the plan for construction of 36 shops/stalls at FP No. 164 with estimated cost of ` 54.88 lakh in April 2005 with stipulated date of completion as 31<sup>st</sup> March 2007.

It was observed that due to wrong selection of the site the shops/stalls were not constructed. VNP neither intimated the factual position of canceling the project nor surrendered the amount of ` 41.16 lakh (75 percent of estimated cost of ` 54.88 lakh) received as grant from GoI: ` 24.70 lakh and GoG: ` 16.46 lakh. Besides the funds for this project were unauthorisedly diverted for other projects as VNP did not credit its contribution of ` 79.56 lakh against the total approved projects of ` 229.56 lakh.

VNP could not earn the anticipated deposits of ` 195.28 lakh and annual rental of ` 3.57 lakh from auction of the shops.

In reply VNP stated (February 2011) that construction of shopping centre at the proposed site was not viable and it was decided (March 2006) not to construct the shopping centre. Regarding refund of grant, it was stated that the matter would be referred to Standing Committee.

The reply is not tenable because proper survey was not conducted before submitting the proposal to GoG/GoI. No efforts were made by VNP to select an alternative site for the purpose. Retaining the grant by VNP till date, when it was already decided in March 2006 to drop the scheme was irregular.

### **6.3 Failure to observe conditions of agreement**

The Government of Gujarat decided to construct pay and use toilet in main area of Palanpur town under the scheme of “Town Developing Year- 2005” GMFB (nodal agency), released ` 14 lakh (December 2005) as grant and ` 21 lakh as a short term loan (July 2006) to Palanpur Nagarpalika (PNP) for construction of seven pay and use toilet units at a cost of ` 5 lakh per unit. PNP awarded (April 2006) work to a contractor for ` 35 lakh (` 5 lakh each for seven units) with stipulated date of completion as October 14, 2006. A review of the execution of the project revealed the following irregularities.

- As per agreement, 25 per cent amount of the total contract value was to be paid in advance on signing the agreement by the agency. The balance amount was to be paid in three installments of 25 percent each on completion of the work upto lintel level, slab level and on completion of work and after conducting third party inspection and measurement of works by Executive Engineer R&B, District Panchayat. Advance payment of ` 8.77 lakh (25% of ` 35 lakh + ` two thousand for Demand Draft charges) was made (April 2006) by PNP for construction of 7 toilet units. It was noticed that 2<sup>nd</sup> and 3<sup>rd</sup> installment of ` 5.01 lakh (May 2006) and ` 3.74 lakh (September 2007) respectively were released by PNP on the recommendation of Overseer and Project Officer PNP without conducting third party inspection and taking measurements.
- The agency took up construction of five toilet units only as against the seven. However, PNP did not adjust the excess advance payment of ` 2.50 lakh while releasing 2<sup>nd</sup> and 3<sup>rd</sup> installments to the executing agency.
- Due to non inclusion of penalty clause in the agreement, PNP could not take any action for recovery of liquidated damages from the agency inspite of non completion of work till June 2008.
- The third party inspection conducted in August 2008 revealed that the value of work executed by the agency was ` 6.81 lakh only. Thus excess



payment of ` 10.71 lakh (` 17.52 lakh – ` 6.81 lakh) was made to the agency on recommendation of the Overseer and Project Officer. It was also noticed that no action was taken by PNP till date (February 2011) to recover this excess amount.

- Performance bank guarantee of ` 1.75 lakh, security deposit of ` 0.78 lakh and income tax of ` 0.11 lakh was not obtained/deducted from the agency.
- For completion of the left out works of five toilet units, PNP awarded (June 2008) the contract to another agency who completed the work (March 2009) at a total cost of ` 13.50 lakh. Thus total expenditure incurred for construction of five toilet units was ` 31.02 lakh as against approved cost of ` 25 lakh by GMFB with cost over run of ` 6.02 lakh.

Thus, the first executing agency was favoured by making overpayment of ` 10.71 lakh besides non recovery of performance bond, security deposit and income tax aggregating to ` 2.74 lakh. Further, PNP had to incur extra expenditure of ` 6.02 lakh due to change of the agency.

#### **6.4 Irregular retention of grant**

On completion of scheme under IDSMT Project unspent amount of ` 94.54 lakh was parked in Fixed Deposit in contravention of guidelines

The Integrated Development of Small and Medium Town (IDSMT) Project, a CSS was launched in the year 1980 and was revived subsequently in the year 1995 with the revised guidelines. The Scheme was implemented in Jetpur NP through GMFB during the year 2000-01. As per the revised IDSMT guidelines the town of Jetpur fall under Category ‘C’ and hence the Jetpur Nagarpalika (JNP) town was eligible for maximum Central grant of ` 150 lakh, State grant of ` 100 lakh together with loan of ` 100 lakh from financial institution / HUDCO.

Accordingly Jetpur NP submitted (October 2000), proposal for a project for construction of five shopping centres with cost ` 369.26 lakh for approval through the Town Planning and Valuation Department of Gujarat State. The proposal was approved (2000-01) by the Town and Country Planning Organisation, GOI, Ministry of Urban Development & Poverty Alleviation. However, the proposal did not materialise as land on which the shopping centre was proposed to be built was not in the possession of the NP and hence the proposal was revised (September 2004) to construct three shopping centres as against five originally planned. The revised cost of the Project was ` 368.23 lakh. As per the project report, if implemented the project would generate net revenue of ` 162.31 lakh in 7 years after repayment of loan liabilities. The project was scheduled to be completed by August 2007.

The revised cost of the project was to be met from fund received (March 2001 to July 2006) ` 250 lakh from GoI (` 150 lakh), State Government (` 100 lakh) and funds of ` 118.23 lakh to be raised by the NP from Financial Institutions. However Jetpur NP could not raise any fund and could execute works of ` 183.24 lakh up to October 2010. It was noticed during audit that Jetpur NP not only failed to raise the required amount, it also failed to execute the scheme as was envisaged in the revised proposal. Approval of the competent authority was not obtained before shelving the remaining part of the project. Even after expiry of the period (August 2007) by which the scheme was to be executed, Jetpur NP had parked (October 2010) ` 94.54 lakh (balance of unspent fund of ` 66.86 lakh plus interest of ` 27.68 lakh earned on GoI/GoG funds during the period from 2006-07 to 2009-10) in fixed deposit.

On being pointed out by audit, it was stated by the Chief Officer that in view of the weak financial position of the NP, financial institutions refused to lend any loan. Pending the permission from competent authority, the fund was parked in fixed deposit.

The reply was not tenable as in the project report prepared, NP had proposed to raise the institutional finance. Further, retaining the balance fund awaiting approval for execution of other miscellaneous work was irregular. This also indicated the lapse on the part of controlling agency to monitor effective utilisation of the fund.




(D P Yadav)

Sr. Deputy Accountant General (LBAA)  
Gujarat

Ahmedabad  
The----- day of-----2011

Countersigned



(Chandra Mauli Singh)  
Accountant General (Civil Audit),  
Gujarat

Rajkot  
The----- day of-----2011

## Appendix – I

### Statement showing improper Maintenance of Cash Book in TP (Ref: Paragraph – 2.2)

Sl. No.	District	Taluka Panchayat
1	Bhavanagar	Palitana
2		Umralla
3		Bhavnagar
4		Vallbhipur
5		Gogha
6		Botad
7		Jamjodhpur
8	Rajkot	Rajkot
9		Maliyamiyana
10		Jasdan
11	Surendranagar	Sayla
12		Halvad
13	B.K.	Datiwada
14	Dahod	Limkheda
15	Vadodara	Naswadi
16		Savli
17		Dabhoi
18	Valsad	Pardi
19	Kathalal	Kheda
20	Kheda	Balasinor
21		Mehemdabad
22	Vadodara	Sinor

Statement showing improper Maintenance of Cash Book in VP			
Sl. No.	District	Taluka Panchayat	Village Panchayat
1	Bhavanagar	Ghogha	Piprala
2			Nesvadi
3			Tanasa
4			Goriyali
5			Kantala
6			Kuda
7			Vadiya
8		Palitana	Thadacha
9			Mandvada
10			Kumbhan
11			Aadpur
12	Surendranagar	Sayla	Gangajal
13			Chhadiyali
14			Dharmasala
15			Dhedhuki

Statement showing improper Maintenance of Cash Book in VP			
Sl. No.	District	Taluka Panchayat	Village Panchayat
16			Marsal
17			Nagadka
18			Oldjasapar
19			Ovangadh
20			Shrivaniya
21			Aadala
22	Rajkot	Maniyamiyana	Motadahisara
23			Mandrki
24			Mahendragadh
25			Kumbhriya
26			Khakhrachi
27	S.K.	Meghraj	Navagam
28	Surat	Mandvi	Amalsadi
29			Areth
30			Kharda
31			Regama
32			Ladkuva
33			Rupan
34			Bodhan
35			Varjakhan
36			Naugama
37			Patal
38			Ghantoli
39		Mahuva	Annaval
40			Aangaldhara
41			Kavitha
42			Bhoriya
43			Puna
44			Karcheliya
45			Vadiya
46			Pethron
47			Mahuva
48			Vahvel
49			Miyapur
50			Vageshwar
51			Vareth
52	Dahod	Limkheda	Palli
53	Mahesana	Satlasana	Dharoi
54			Samrapur
55			Satlasana
56			Sardarpur (Chee)
57			Sudasana
58			Timba
59			Vijapur
60			Umari
61			Vav

## Appendix-II

### Statement showing Time barred cheques (Ref: Paragraph 2.2)

Sl. No.	Name of the TP/DP	Period of unencashed cheques	No. of Cheques	Amount (₹ in lakh)
1	Gandevi (Navsari)	2004-05	73	3.74
2	Mandvi (Surat)	2001-02 to 2006-07	67	10.34
3	Naswadi (Vadodara)	1983-04 to December 2006	147	4.30
4	Sinor (Vadodara)	1995-96 to 2006-07	10	1.37
5	Mahuva (Surat)	1997-98 to 2006-07	8	6.30
6	Bhavnagar (Bhavnagar)	December'04 to December'06	65	1.14
7	Botad (Bhavnagar)	December, 2006 to March, 2007	214	101.27
8	Viramgam (Ahmedabad)	2004-05 to 2005-06	139	62.05
9	Dharmpur (Valsad)	2004-05 2006-07	147	89.80
10	Ghogha (Bhavnagar)	31-03-2005 to 09-10-2006	49	2.89
11	Modasa (S.K)	August, 2006 to 31 <sup>st</sup> December, 2006	63	19.16
<b>Total</b>				<b>302.36</b>

### Appendix - III

**Statement showing excess expenditure over the grant  
(Ref : Paragraph 2.5)**

(` In lakh)

Sl. No.	District	Taluka Panchayat	Excess Expenditure
1	Bhavnagar	Botad	38.16
2		Vallbhipur	23.42
3		Palitana	18.78
4		Gogha	62.45
5	Surendranagar	Sayla	17.41
6		Chuda	16.52
7		Vadhvan	30.53
8	Rajkot	Jasdan	19.56
9		Maniyamiyana	126.65
10	Jamnagar	Jamjodhpur	121.57
11	Vadodara	Savli	1.48
12		Sinor	140.20
13	Baruch	Hansot	17.66
14	Valsad	Pardi	68.64
15		Valsad	105.00
16	Kheda	Balasinor	14.61
17	Patan	Patan	56.48
18	S.K.	Prantij	68.30
19	Nasvsari	Gandevi	22.42
20	B.K	Palanpur	8.14
21	Dahod	Dahod	205.83
22		Limkheda	122.19
23	Ahmedabad	Viramgam	30.90
24	Surat	Mahuva	83.11
25		Mandvi	126.72
<b>Total</b>			<b>1546.73</b>

i.e. ` 15.47 crore

## Appendix – IV

### Statement Showing non surrender of unspent grant during 2006-07 (Reference Para 2.8)

(` In lakh)

District	Taluka Panchayat	Opening Balance	Grant Received	Total	Surrender	Expenditure	Closing Balance
Bhavnagar	Vallbhipur		95.6	95.6	-	53.98	41.62
	Palitana	121.71	194.55	316.26	-	161.01	155.25
	Gogha	71.13	78.81	149.94	-	72.22	77.72
	Botad	-	-	-	-	-	45.00
	Bhavnagar	-	-	-	-	-	47.00
Surendra nagar	Sayla	15.97	562.44	578.41	-	517	61.41
Jamnagar	Jamjodhpur	-	321.36	321.36	-	-	321.36
	Kalawad	-			-	-	346.00
Rajkot	Maliyamiyana	153.65	215.73	369.38	-	123.77	245.61
	Rajkot	-	-	-	-	-	213.0
	Jasdan	-	-	-	-	-	16.00
B.K.	Palanpur	751.32	2177.78	2929.1	-	2241.71	687.39
Surat	Mahuva	632.64	1172.95	1805.59	-	1073.25	732.34
	Mahuva	46.43	21.79	68.22	-	-	68.22
	Mandvi		10	10	-	-	10
Dahod	Dahod	185.27	157.73	343	-	111.12	231.88
Ahmedabad	Viramgam	375.61	1027.54	1403.15	53.52	971.73	377.9
S.K.	Modasa	-	-	-	-	-	19.00
	Prantij	-	-	-	-	-	299.00
Navsari	Gandevi	-	-	-	-	-	106.00
<b>Total</b>		<b>2353.73</b>	<b>6036.28</b>	<b>8390.01</b>	<b>53.52</b>	<b>5379.31</b>	<b>4101.7</b>

## Appendix -V

### Statement showing non realization of Revenue (Ref: Paragraph 2.10)

Sl. No.	Taluka Panchayat	Village Panchayat	Outstanding Balance	Current Demand	Total Demand	Recovery	Outstanding	% recovery
1	Rajkot Rajkot	Haripar	0	42615	42615	25599	17016	60
2		Kuvada	0	661997	661997	453980	208017	69
3		Kasturbadham	0	1101692	1101692	297880	803812	27
4		Aniyala	0	112858	112858	34803	78055	31
5		Khokhadad	0	298707	298707	205900	92807	69
6		Motamava	0	866354	866354	232078	634276	27
7		Khothariya	0	3542089	3542089	1216741	2325348	34
8		Sokhada	0	36209	36209	12301	23908	34
9		Meghpar	0	2132278	2132278	344925	1787353	16
10		Haripar	0	42615	42615	25599	17016	60
11		Kuvadva	0	661997	661997	453980	208017	69
12	Rajkot Jasdan	Devpara	0	18184	18184	6485	11699	36
13		Lalavadar	0	3451	3451	508	2943	15
14		Hingodhgadh	0	4027	4027	1098	2929	27
15		Kanduva	0	1955	1955	155	1800	8
16		Modhuva	0	32213	32213	14157	18056	44
17		Khalkana	0	9623	9623	3755	5868	39
18		Bhotara	0	4160	4160	1895	2265	46
19	Rajkot Vankaner	Kothi	0	227642	227642	54441	173201	24
20		Mahika	94400	124565	218965	85081	133884	39
21		Chandrapur	0	1132366	1132366	389627	742739	34
22		Panchdwark	0	150028	150028	90565	59463	60
23	Rajkot Maliya Minyana	Motadahisar	19129	6748	25877	9155	16722	35
24		Mardrki	0	1981	1981	267	1714	13
25		Bagarsara	48235	29600	77835	41000	36835	53
26	Jamnagar Jam-jodhpur	Valasan	0	181129	181129	42679	138450	24
27		Tarsai	0	449467	449467	76350	373117	17
28		Butavadar	0	87061	87061	30282	56779	35
29		Gingani	0	547398	547398	178697	368701	33
30		Vanana	0	56957	56957	9733	47224	17
31		Kotda Bavisi	0	52828	52828	14144	38684	27
32		Ghunda	0	40302	40302	30187	10115	75
33		Vans Jaliya	0	278955	278955	43510	235445	16
34		Motigop	0	272383	272383	34220	238163	13
35	Jamnagar Kalavad	Motavadiya	0	557935	557935	115365	442570	21
36		Khandhera	0	32283	32283	3751	28532	12
37		Sortha	0	5178	5178	3309	1869	64
38	Jamnagar Kalavad	Bodi	0	33879	33879	19800	14079	58
39		Makhakarod	0	68835	68835	25975	42860	38
40		Jivapar	0	7727	7727	3210	4517	42
41		Chelabadi	0	8639	8639	3307	5332	38
42		Patel Meghpar	0	111609	111609	64758	46851	58
43		Vibhaniya	0	52070	52070	11910	40160	23



Sl. No.	Taluka Panchayat	Village Panchayat	Outstanding Balance	Current Demand	Total Demand	Recovery	Outstanding	% recovery
44	Jamnagar Jodiya	Meghpar	69975	43571	113546	36669	76877	32
45		Badanpar	2119	2455	4574	1619	2955	35
46		Dhudhai	321353	61705	383058	31745	351313	8
47		Gajadi	16830	15425	32255	21865	10390	68
48		Koyali	147742	52800	200542	63205	137337	32
49		Hadiyam	439672	188736	628408	119006	509402	19
50		Dhudkot	24927	40930	65857	19837	46020	30
51		Balambha	668224	269792	938016	165799	772217	18
52		Ananda	20035	9855	29890	14855	15035	50
53		Jodiya	2319453	836476	3155929	303193	2852736	10
54		Kerali	1989	17455	19444	15811	3633	81
55		Limbuda	1320	58412	59732	51942	7790	87
56	Bhavnagar Umralla	Chitravav	0	3140	3140	981	2159	31
57		Dharuka	39337	29412	68749	19575	49174	28
58		Gharwala	37746	76575	114321	77995	36326	68
59		Umralla	597902	477237	1075139	440271	634868	41
60		Bhojavadar	7922	10807	18729	3435	15294	18
61		Alanpar	37310	60209	97519	17081	80438	18
62		Dhola	376660	365749	742409	317883	424526	43
63		Devaliya	39724	43905	83629	42168	41461	50
64		Chogath	259111	164677	423788	74218	349570	18
65		Bajud	88709	97990	186699	92035	94664	49
66	Bhavnagar Bhavnagar	Velavadar	2410	12200	14610	11830	2780	81
67		Undavi	28592	22569	51161	10567	40594	21
68		Tarsmiya	188087	234088	422175	201359	220816	48
69		Sidsar	179823	48311	228134	79418	148716	35
70		Mari	757542	486791	1244333	324266	920067	26
71		Hathab	27989	8055	36044	4430	31614	12
72		Akwada	174192	78077	252269	41326	210943	16
73		Budhel	93353	44410	137763	37190	100573	27
74		Bhonlariya	145204	150150	295354	101035	194319	34
75		Lakadiya	12178	9546	21724	6795	14929	31
76	Bhavnagar Ghogha	Motakhokhara	51286	26375	77661	68757	8904	89
77		Piprala	7653	8886	16539	1345	15194	8
78		Tanasa	2544	34370	36914	28484	8430	77
79		Bhandar	15510	13405	28915	4565	24350	16
80		Goriyali	0	6770	6770	3020	3750	45
81		Kuda	6280	9075	15355	4030	11325	26
82	Bhavnagar Ghogha	Avaniya	24085	16264	40349	18708	21641	46
83	Bhavnagar Palitana	Thaduka	0	51373	51373	8457	42916	16
84		Rangwada	0	31743	31743	10938	20805	34
85		Nanimal	0	79490	79490	14130	65360	18
86		Manlavda	0	21360	21360	393	20967	2
87		Kumbhan	0	358401	358401	128560	229841	36
88		Jaliya	0	13305	13305	2735	10570	21
89		Hanal	0	153830	153830	71435	82395	46
90		Shokiyapatdi	0	11995	11995	2300	9695	19
91		Ayavej	0	28692	28692	5145	23547	18
92		Wadpur	0	13309	13309	2437	10872	18

Sl. No.	Taluka Panchayat	Village Panchayat	Outstanding Balance	Current Demand	Total Demand	Recovery	Outstanding	% recovery
93	Bhavnagar Vallbhipur	Pipali	0	30775	30775	15856	14919	52
94		Loliyana	0	27032	27032	11324	15708	42
95		Manpura	0	25830	25830	13783	12047	53
96		Rajpura (Bhat)	0	6736	6736	5576	1160	83
97		Rajpura	0	83846	83846	35324	48522	42
98		Navagam	0	13338	13338	11785	1553	88
99		Mothidharia	0	21461	21461	12565	8896	59
100		Navagam (GA)	0	131669	131669	35209	96460	27
101		Piparia	0	34812	34812	10840	23972	31
102		Kalayanpur	0	49825	49825	21630	28195	43
103	Surendra nagar Chuda	Navimorvad	0	15999	15999	104	15895	1
104	Surendra nagar Sayla	Vadiya	45227	12751	57978	3707	54271	6
105		Dhamrasala	6007	8670	14677	7620	7057	52
106		Dhedhuki	0	4960	4960	3920	1040	79
107		Gangagal	3476	2400	5876	285	5591	5
108		Morsal	8388	3310	11698	4616	7082	39
109		Nagadka	22670	11052	33722	13949	19773	41
110		Oldjasapar	29814	12498	42312	7844	34468	19
111		Ovangadh	7148	10178	17326	4077	13249	24
112		Shirvaniya	9219	12710	21929	11048	10881	50
113		Chitralank	2256	4530	6786	3976	2810	59
114		Chhodiya	7148	10178	17326	4077	13249	24
115		Aadala	2613	3065	5678	3090	2588	54
116	Surendra nagar Vadhvan	Nagar	10860	8607	19467	10199	9268	52
117		Kothariya	37602	21280	58882	15937	42945	27
118		Tuva	1840	149460	151300	47845	103455	32
119		Vartadi	152497	60848	213345	39681	173664	19
120		Zampodr	5208	18486	23694	11248	12446	47
121		Gundiyala	4510	18820	23330	14910	8420	64
122		Balobana	22835	46540	69375	31826	37549	46
123	Surendra nagar Halvad	Sukhpar	57313	35610	92923	33789	59134	36
124		Ranchodgad	28793	25485	54278	6740	47538	12
125		Mathek	218052	146878	364930	82801	282129	23
126		Vakiya	14410	24325	38735	28100	10635	73
127		Dighadija	18439	12907	31346	14593	16753	47
128		Kadiyana	103852	44335	148187	37387	110800	25
129		Rainjpur	90859	86585	177444	95372	82072	54
130		Ingorala	12721	13111	25832	18940	6892	73
131		Ajitgad	32369	42305	74674	18281	56393	24
132	Vadodara Naswadi	Vankala	0	30880	30880	13790	17090	45
133		Khareda	0	28605	28605	17279	11326	60
134		Linda	0	44110	44110	20000	24110	45
135		Kandava	0	44872	44872	28025	16847	62
136		Chhalvata	0	67315	67315	42579	24736	63
137	Vadodara Sinor	Motakarala	0	182561	182561	110978	71583	61
138		Achisara	0	92587	92587	46997	45590	51

Sl. No.	Taluka Panchayat	Village Panchayat	Outstanding Balance	Current Demand	Total Demand	Recovery	Outstanding	% recovery
139	Mehsana Kadi	Kalyanpura	0	409812	409812	177667	232145	43
140		Achrasan	0	92587	92587	46997	45590	51
141		Dholasan	0	115499	115499	25744	89755	22
142		Badajipura	0	80845	80845	4625	76220	6
143		Kordi	0	89244	89244	10105	79139	11
144		Medha	0	139966	139966	55217	84749	39
145	Mehsana Satlasana	Sardarpur (Chee)	0	61936	61936	20464	41472	33
146	Bharuch Jambusar	Anakhi	0	896902	896902	583362	313540	65
147		Kavi	0	864136	864136	612340	251796	71
148		Vedach	0	374133	374133	89237	284896	24
149		Degam	93804	7319	101123	35506	65617	35
150		Dabha	32824	58740	91564	39993	51571	44
151		Bhadkodara	254773	23138	277911	20329	257582	7
152		Jantran	59635	23762	83397	8521	74876	10
153		Tankari	434686	86780	521466	121958	399508	23
154		Piludara	179910	10330	190240	86152	104088	45
155		Gajera	281389	384343	665732	230622	435110	35
156	Bharuch Valia	Mela	0	67192	67192	29270	37922	44
157		Zarnawadi	0	11374	11374	3145	8229	28
158	Bharuch Hansot	Mothiya	0	76605	76605	40640	35965	53
159		Sunevkalla	0	132442	132442	51568	80874	39
160		Aniyadra	0	28425	28425	13593	14832	48
161		Alwa	0	23252	23252	9621	13631	41
162		Dantra	0	26426	26426	12211	14215	46
163		Ghodadra	0	36452	36452	11789	24663	32
164		Sahol	0	130083	130083	42359	87724	33
165		Vankal	0	1691435	1691435	75068	1616367	4
166	Valsad Valsad	Pardi Panera	0	104800	104800	88113	16687	84
167		Ozar	0	36008	36008	4213	31795	12
168		Magod	0	51385	51385	21484	29901	42
169		Kakvadi	0	64678	64678	35297	29381	55
170		Gorgham	0	18241	18241	5970	12271	33
171		Dungari	0	811572	811572	67879	743693	8
172		Dhanori	0	28608	28608	8519	20089	30
173		Chanvai	0	138257	138257	92567	45690	67
174		Bhadeli Jagalala	0	270390	270390	67700	202690	25
175		Karaya	0	28950	28950	14025	14925	48
176	Valsad Pardi	Rohina	0	59041	59041	19360	39681	33
177		Lavachha	0	936892	936892	200174	736718	21
178		Waghchhipa	0	33999	33999	31695	2304	93
179		Pariya	0	151044	151044	57706	93338	38
180		Goima	0	61888	61888	34337	27551	55
181		Samarpada	0	28159	28159	10603	17556	38
182		Panchlai	0	26810	26810	14840	11970	55
183		Karvad	0	213153	213153	107490	105663	50

Sl. No.	Taluka Panchayat	Village Panchayat	Outstanding Balance	Current Demand	Total Demand	Recovery	Outstanding	% recovery
184	Valsad	Sanjan	0	2494591	2494591	580865	1913726	23
185	Umargam	Manekpur	0	99544	99544	15133	84411	15
186	Kheda Balasinor	Kadaia	0	15360	15360	4410	10950	29
187		Khandiva	0	33875	33875	1915	31960	6
188		Guja Pagina Muvad	0	18696	18696	8375	10321	45
189		Navgama	0	41026	41026	12129	28897	30
190		Paraliya	0	58616	58616	1539	57077	3
191		Rajpur	0	47905	47905	36905	11000	77
192		Sallyavadi	0	51350	51350	17665	33685	34
193		Vadadala	0	59130	59130	25477	33653	43
194		Janod	0	154877	154877	56994	97883	37
195		Bodeli	0	21970	21970	6660	15310	30
196		Ballyadev	0	11440	11440	4150	7290	36
197	Kheda Meheme-dabad	Felsani	0	30031	30031	6779	23252	23
198		Sojali	104504	37027	141531	26614	114917	19
199		Ghodali	93139	40510	133649	14554	119095	11
200		Chhapra	222824	60412	283236	80469	202767	28
201	Kheda Kathlal	Pahad	0	50230	50230	7905	42325	16
202	Navsari Gandevi	Pattari	0	23645	23645	8708	14937	37
203	S.K. Prantij	Zinzva	0	120450	120450	62628	57822	52
204		Tajpur	0	437150	437150	270850	166300	62
205		Pogulu	0	215879	215879	151880	63999	70
206	S.K. Prantij	Ghadi	0	168712	168712	78338	90374	46
207		Kamalpur	0	754275	754275	238167	516108	32
208		Katwad	0	27037	27037	18338	8699	68
209		Dhadkan	0	273159	273159	184661	88498	68
210	S.K. Idar	Madhva	0	119365	119365	72985	46380	61
211		Budeli	0	91860	91860	15608	76252	17
212		Bulanda	0	78237	78237	49506	28731	63
213		Mathasur	0	183046	183046	104960	78086	57
214		Masal	0	238416	238416	179000	59416	75
215		Manior	0	129557	129557	92772	36785	72
216	S.K. Megraj	Behdur	0	29453	29453	12821	16632	44
217		Vadthli	0	14528	14528	12604	1924	87
218		Rellavada	0	285085	285085	262097	22988	92
219	S.K. Modasa	Badodra	0	67745	67745	47075	20670	69
220		Godhda	0	109536	109536	91378	18158	83
221		Pahadpur	0	144246	144246	112923	31323	78
222		Davli	0	84660	84660	60365	24295	71
223		Medhasan	0	263418	263418	156551	106867	59
224		Tintoi	0	945246	945246	435058	510188	46
225		Bherunda	0	132622	132622	36391	96231	27
226		Kolikhed	0	106693	106693	89150	17543	84
227		Khododa	0	78400	78400	51164	27236	65
228		Sardoi	0	408838	408838	128658	280180	31

Sl. No.	Taluka Panchayat	Village Panchayat	Outstanding Balance	Current Demand	Total Demand	Recovery	Outstanding	% recovery
229	BK Danti-wada	Akoli	38031	28565	66596	23879	42717	36
230		Gundri	14640	18445	33085	25810	7275	78
231		Zat	27908	10654	38562	22607	15955	59
232		Vaghor	35073	10924	45997	5195	40802	11
233		Chondugari	37923	7514	45437	8893	36544	20
234		Bhandotra	22272	26062	48334	27789	20545	57
235		Odhva	33325	20705	54030	19470	34560	36
236		Satsan	34196	36149	70345	46402	23943	66
237		Bhadali (Kotha)	68528	17220	85748	10176	75572	12
238		Motimahudi	15957	40684	56641	23992	32649	42
239	BK Palanpur	Sajalpura husenpura	0	37326	37326	32106	5220	86
240		Bhavisana	0	86401	86401	24786	61615	29
241		Badagada	0	54694	54694	17951	36743	33
242		Vasan (Gha)	0	85564	85564	50723	34841	59
243	BK Palanpur	Madana (Gha)	0	296350	296350	189751	106599	64
244		Sadarpur	0	185257	185257	47548	137709	26
245	BK Viram-gam	Motikishol	0	22995	22995	7205	15790	31
246		Sokli	0	285784	285784	36782	249002	13
247		Dhakdi	0	109333	109333	33143	76190	30
248		Duman	0	125589	125589	24412	101177	19
249	Dahod Limkheda	Limkheda	1170001	541517	1711518	315054	1396464	18
250		Singvad	2100	80935	83035	58163	24872	70
251		Manlli	9166	12750	21916	9166	12750	42
252		Methan	2250	17520	19770	10262	9508	52
253		Dudhya	24201	99185	123386	57257	66129	46
254		Khadada	180	4800	4980	3450	1530	69
255		Jadakheriya	1950	11543	13493	8827	4666	65
256	Dahod Dahod	Chandwana	9280	19860	29140	10639	18501	37
257		Khapariya	4163	18227	22390	2525	19865	11
258		Lilar	0	15471	15471	415	15056	3
259		Bordiinami	3020	13480	16500	5670	10830	34
260		Vankiya	250	3220	3470	705	2765	20
261		Salapada	815	7815	8630	4000	4630	46
262	Surat Mahuva	Karchelia	140289	144661	284950	107872	177078	38
263		Patal	17682	22600	40282	6685	33597	17
	<b>Total</b>		<b>11823366</b>	<b>41159559</b>	<b>52982925</b>	<b>17420066</b>	<b>35562859</b>	<b>33</b>

## Appendix – VI

**Statement showing non Maintenance of bank Accounts in Nationalized Bank  
(Ref : Pargraph 2.15)**

Sl. No.	District	Taluka Panchayat	Village Panchayat	Amount (In `)
1	Bhavnagar	Gogha	Lakadia	33192
2			Motakhokhara	55781
3			Piparala	46768
4			Tanasa	306911
5			Bhander	30354
6			Goriyali	5597
7			Kantala	13862
8			Kuda	28413
9			Avaniya	15860
10		Palitana	Thadcha	120407
11			Nanimal	11462
12			Mandavda	46576
13			Kumbhan	67986
14			Khakhariya	23808
15			Jaliya	125307
16			Hanal	61778
17			Ayavej	98211
18			Aadpur	251660
19			Chodiyapatdi	75733
20	Surendranagar	Sayla	Dhamrasala	8365
21			Dheduki	5999
22			Gangajal	120688
23			Marsal	98920
24			Nagadka	15164
25			Overngadh	20918
26			Shirvaniya	25484
27			Chitralenk	125716
28			Old Jasapar	172527
29			Aadava	5268
30			Kherali	31109
31	Rajkot	Maliyamiyana	Taragari	16390
32			Derala	89392
33			Rohishala	75676
34			Nanibarar	362675
35			Motadahisara	32980

Sl. No.	District	Taluka Panchayat	Village Panchayat	Amount (In `)
36			Mandarki	127163
37			Mahendragadh	136461
38			Kumbhariya	136968
39			Bagasara	203884
40			Chanchavadrda	1611
41			Jasasar	249386
42	Mahesana	Satlasana	Vav	11801
43			Umari	915
44			Vajapur	8425
45			Timba	2553
46			Sudasana	448
47			Sardarpur (Chee)	1759
48			Bhimpur	15055
49			Khodamali	1026
50	Kheda	Balasinor	Janod	46553
51			Kadaia	6710
52			Guja Pagina Muvad	6544
53			Navgama	1109
54			Paraliya	31449
55			Rajpur	26071
56			Sallyavadi	1289
57			Vadadala	160903
58			Bodeli	9272
59			Ballyadev	10518
60			Felsani	5209
61	Kheda	Mahemedabad	Rinchhol	157274
62	Vadodara	Sinor	Motakarala	5594
63			Bavliya	739
64			Achisara	11172
<b>Total</b>				<b>4004798</b>

## Appendix - VII

### Statement showing non use of form No. 15 for preparing Bill (Ref: Pargraph 2.16)

Sl. No.	District	Taluka Panchayat	Village Panchayat	Voucher Number	Amount (In `)
1	Rajkot	Rajkot	Madhupar	4,14,18,30,31	14676
2	Jamnagar	Jamjodhpur	Ghunda	14,15,16	133000
3			Vansjaliya	27/29-8-06	2300
4		Kalavad	Motavadar	18,19,22,46	3556
5			Nikava	11,16,17,24,32	18680
6			Khandhera	1,2,4,8,10	9300
7			Meghda	1,4,6,10,11	3477
8			Chelabadi	1/21-3-07	800
9			Dhandhalpipliya	18,11,7,2	21997
10	Valsad	Pardi	Karvad	10,11,12,13,14	51256
11			Lavachha	7,8,15,31	354706
12			Kolak	1,4,32,50,119	18725
13			Udwada	1,3,16,18,140	8629
14			Pariya	27,30,31	120525
15			Goima	31,37,51	207494
16			Panchlai	1,2,15,22	8445
17	Kheda	Balasinor	Kadaia	12,11	70195
18			Khandiva	09	3135
19			Guja pagina Mavad	08,26	25643
20			Navgama	8,13,18	2975
21			Rajpur	17,23,61,92	13735
22			Sallyavadi	8,24,16,41	10800
23			Vadadala	18,54,88	3260
24			Janod	27,28,52,54	10465
25			Bodeli	8,13,18	2975
26			Ballyadev	5,4,19,4	1810
27			Felsani	6,188	46220
28			Janod	27,28,52,54	10465



Sl. No.	District	Taluka Panchayat	Village Panchayat	Voucher Number	Amount (In `)
29	Mehsana	Satlasana	Timba	70,57,6	86685
30			Hardol	1,24,48,71	57543
31			Bhimpur	1,6,	29100
32			Stlasana	2,54,77,133	7110
33			Samrapur	131,23	26945
34	Vadodara	Sinor	Mota Fotaliya	126,49,17,85	33667
35		Naswadi	Palasani	1,11,19,20,21,	10696
36			Akona	1,3,15,19,20	52711
37	Vadodara	Naswadi	Ratanpur	1,4,15,17,29	14350
38			Baroli	11,4,11,16,19	33939
39			Haripura	1,12,20,21,33	102085
40			Kandava	2,9,11	15885
41			Sengpur	1,4,14,26,36	32479
42			Vankala	1,17,20,5	14281
43	Surat	Mahuva	Karchelia	8,17,22,45,56,93,81	47160
44			Vadiya	8,11,18	2477
45			Pathron	2,5,7	3935
46			Anaval	43,11,55,56,61,62,63	15939
47			Vageshwar	17,13	2325
48			Angaldhara	2,6,8,12,15,20	2336
49			Puna	6,17,16	1035
50			Bhoriya	9,10,34,39	55880
51			Vaheval	11,22,32,51	3945
52			Mahuva	18,23,27,49,62,78,167,168	23084
53			Miyapur	6,9,10	24400
54		Mandvi	Amalsadi	15,21,22,25,2	85435
55			Areth	3,17,11,20,1,2,4,7,9	122500
56			Khareda	2,4,	22539
57			Patal	5,8,13,1,3,6,7	202600
58			Boudhan	28,68	5708
59			Naugama	7,17,1,6	49222
60			Rupan	7,9,30,33,1	258200
61			Ghantoli	31	89540
62			Varjakhan	20,24,25	153300
Total					2868280

## Appendix -VIII

### Statement showing payment without Voucher / Bill (Ref: Pargarpah 3.4.2)

SL No.	District	Taluka	Village Panchayat	Voucher No	Amount (In `)
1	Bhavnagar	Bhavnagar	Nari	426, 427	19900
2		Gogha	Nesvad	02	4631
3	Surendranagar	Vadhvan	Menka	10,17,30	19000
4	Rajkot	Vakaner	Panchdwarka	11,13,14,29,34	132600
5	Rajkot	Rajkot	Maliyasan	116	1400
6			Kuvadava	16,60,71,118,132	187891
7		Jasdan	Baldhoi	01,12,13	438000
8	Jamnagar	Jamjodhpur	Valasan	45,55,64	68400
9			Gingane	160,57	18650
10		Kalawad	Motavadala	07,54,87	14750
11			Jivapar	03	500
12			Nikava	06,05,1022,26,52	15350
13			Pata Meghper	01,19	34000
14			Dhandhal Pepliya	14,17	20600
15			Vibhaniya	22	40000
16	Vadodara	Naswadi	Vankala	2,4,19,5	76000
17			Khareda	116	1400
18			Linda	11	1600
19			Kandava	23,26	10655
20			Chhalvata	10,14,18,20,	114000
21			Baroli	2,21,42,44	41200
22	Bharuch	Jambusar	Kavi	16,32,44	18000
23			Vedach	05,28,30,71,78	65450
24			Degam	6,22,26,	26750
25			Tankari	98,106,04	63000
26			Piludara	10,14,2143	10500
27			Magnad	13,28,41	10000
28			Kahanava	04,28,73,114	25070
29	Ahwa	Dang	Shamgahan		175550
30			Malegaon	3,10,13,14	80950
31	Valsad	Valsad	Vankal	4,8,9	16601
32		Pardi	Samarpada	1,2,3,4,	49260
33			Udwada	31,298	26050
34			Mota Waghchhipa	07,10,17,20	53202
35			Nana Waghchhipa	02,06,16,17,10	72400

Sl. No.	District	Taluka	Village Panchayat	Voucher No	Amount (In `)
36	Mehsana	Satlasana	Bhimpur	03	24000
37	S.K.	Modasa	Budodara	21,25,26,37,34	11950
38			Medhesan	29,40,53,68,69,70	153350
39			Jambusar	8,12,16,27,45	15750
40	BK	Palanpur	Sajalpura-Husainpura	10	2380
41			Bhavisana	3,4,10,26	16950
42			Vasana(JA)	4,47,52,77	134600
43	Dahod	Limkheda	Palli	12,13,22,5,93	77410
44	Surat	Mahuva	Bhoriya	10,18,19,22,2	42290
45			Mahuva	172,2,3,4,	25700
46			Pathron	4,1	15795
47			Puna	7,9,13,24,25,1	34150
48			Vageshwar	3,10,3	23550
49			Vadiya	7,8,9	13700
50			Miyapur	4,10,13,2,4	21900
51			Anaval	4,5,10,18,118,119	79310
52			Vaheval	16,24,25,26,27,14,35	126897
53			Aanga dhara	3	15512
54			Kavitha	1,3	16000
55		Mandvi	Amalsadi	21	17400
56			Khareda	2,4	22539
57			Regama	4,1,2,6,7	44725
58			Vareth	5,42,43,3,10	63945
59			Ladkuva	1,2	21250
60			Rupan	9	43800
61			Boudhan	2,3,5,31	74640
62			Varjakhan	1,8,19,1	241805
63			Naugama	1	27142
64			Patal	1,3	57750
65			Ghantoli	13,21,23,7,8,9,11,20	142092
<b>Total</b>					<b>3561592</b>

## Appendix – IX

### Statement showing loss of potential revenue (Ref: Paragraph -6.1.6.1(b))

₹. in lakhs

Sr.No	Name of Nagarpalika	Year 2007-08	Year 2008-09	Diff.
1	Dholka	29.16	73.80	44.64
2	Prantij	10.38	10.18	(-) 00.20
3	Vyara	35.62	49.51	13.89
4	Sanand	25.88	71.85	45.97
5	Kadi	72.84	111.00	38.16
6	Jafrabad	1.12	9.85	8.73
7	Vadnagar	10.13	37.66	27.53
8	Palanpur	164.23	259.25	95.02
9	Khedbrahma	4.32	50.78	46.46
10	Songadh	13.93	54.18	40.25
11	Mandvi	11.79	26.14	14.35
12	Jetpur	325.45	351.26	25.81
	<b>Total</b>	<b>704.85</b>	<b>1105.46</b>	<b>400.61</b>

## Appendix – X

### Statement showing difference in tax collection and actual receipts (Ref: Paragraph - 6.1.6.2(a))

(In ₹)

Nagarpalika	Year	Tax collected by Nagarpalika	Receipt shown in A/cs	Difference
Sanand	2007-08	2601522	2602918	(-) 1396
	2008-09	3751480	3760822	(-) 9342
	2009-10	8236448	8235984	(+) 464
Mandvi	2007-08	1218056	1218056	Nil
	2008-09	1967705	1976087	(-) 8382
	2009-10	3432649	3432835	(-) 186
Vadnagar	2007-08	1054197	1060407	(-) 6210
	2008-09	2078261	2077957	(+) 304
	2009-10	4164766	4165936	(-) 1170
Palanpur	2007-08	19839154	11320327	8518827
	2008-09	24230551	13860810	10369741
	2009-10	44885746	29152530	15733216
Dholka	2007-08	33.45.366	33.45.216	150
	2008-09	49.81.602	58.43.804	(-) 862202
	2009-10	98.77.596	98.77.278	318

## Annexure – XI

### Statement showing difference between balances of accounts (Ref: Paragarph - 6.1.6.2(c))

(` In lakh)

	Demand			Collection			Balance		
	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total
Jafrabad (N)	5.35	9.26	14.61	3.73	7.98	11.71	1.61	1.28	2.89
(Dom)	5.46	9.57	15.03	3.73	7.98	11.71	68.32	83.39	77.91
difference	-0.11	-0.31	-0.42	0	0	0	-66.71	-82.11	-75.02
Dholka(N)	76.63	73.8	150.42	27.43	71.34	98.78	49.19	2.46	51.65
(Dom)	70.03	195.88	265.91	27.43	71.34	98.77	39.17	36.42	37.14
difference	6.6	-122.08	-115.49	0	0	0.01	10.02	-33.96	14.51
Sanand(N)	62.95	72.92	135.87	34.57	47.79	82.36	0	0	53.71
(Dom)	62.97	72.92	135.89	34.57	47.79	82.36	54.9	65.54	60.61
difference	-0.02	0	-0.02	0	0	0	-54.9	-65.54	-6.9
Khedbrahma (N)	18.3	49.7	68	9.94	41.1	51.04	8.36	8.6	16.96
(Dom)	18.3	49.7	68	9.93	41.1	51.03	54.26	82.7	75.04
difference	0	0	0	0.01	0	0.01	-45.9	-74.1	-58.08
Prantij (N)	6.57	9.45	16.02	4.76	6.89	11.65	1.81	2.56	4.37
(Dom)	6.57	9.45	16.02	4.76	6.89	11.65	72.45	72.91	72.22
difference	0	0	0	0	0	0	-70.64	-70.35	-67.85
Kadi (N)	100.76	113.74	214.5	34.16	76.72	110.88	66.61	37.02	103.62
(Dom)	118.79	108.42	227.27	42.06	97.04	139.1	35.41	89.5	61.22
difference	-18.03	5.32	-12.77	-7.9	-20.32	-28.22	31.2	-52.48	42.4
Mandvi (N)	18.23	29.24	47.48	11.39	22.93	34.33	0	0	13.15
(Dom)	18.23	29.2	47.73	2.88	5.68	8.56	15.8	19.45	18.05
difference	0	0.04	-0.25	8.51	17.25	25.77	-15.8	-19.45	-4.9
Palanpur (N)	344.79	200.04	544.83	104.51	115.25	219.75	240.29	84.79	325.08
(Dom)	344.81	199.9	544.71	171.88	115.37	287.25	49.85	57.71	52.73
difference	-0.02	0.14	0.12	-67.37	-0.12	-67.5	190.44	27.08	272.35
Vadnagar (N)	30.3	27.24	57.54	13.38	28.26	41.65	16.91	10.22	15.89
(Dom)	29.59	27.24	56.83	1338	28.26	41.64	45.22	103.74	73.27
difference	0.71	0	0.71	-1324.6	0	0.01	-28.31	-93.52	-57.38
Jetpur (N)	188.12	362.29	550.41	94.49	300.85	395.34	93.63	61.44	155.07
(Dom)	68.98	209.79	278.77	57.04	176.27	233.31	82.69	84.02	83.69
difference	119.14	152.5	271.64	37.45	124.58	162.03	10.94	-22.58	71.38
vyara (N)	5.65	49.97	55.62	4.26	45.6	49.86	0	0	2.86
(Dom)	5.64	50	55.64	4.26	45.61	49.87	75.53	91.22	89.63
difference	0.01	-0.03	-0.02	0	-0.01	-0.01	-75.53	-91.22	-86.77
Songadh (N)	35.97	58.69	94.66	11.12	26.04	37.16	24.86	32.64	57.5
(Dom)	35.97	58.69	94.66	11.02	26.04	37.06	30.64	44.37	39.15
difference	0	0	0	0.1	0	0.1	-5.78	-11.73	18.35
<b>Nagarpalika</b>	<b>893.62</b>	<b>1056.34</b>	<b>1949.96</b>	<b>353.74</b>	<b>790.75</b>	<b>1144.51</b>	<b>503.27</b>	<b>241.01</b>	<b>802.75</b>
<b>DOM</b>	<b>785.34</b>	<b>1020.76</b>	<b>1806.46</b>	<b>1707.56</b>	<b>669.37</b>	<b>1052.31</b>	<b>624.24</b>	<b>830.97</b>	<b>740.66</b>
<b>Difference</b>	<b>108.28</b>	<b>35.58</b>	<b>143.5</b>	<b>-1353.8</b>	<b>121.38</b>	<b>92.2</b>	<b>-120.97</b>	<b>-589.96</b>	<b>62.09</b>

## Appendix – XII

**Statement showing details of cases where constructions were without obtaining permissions  
(Ref; Paragraph- 6.1.6.7)**

Sr. No	Nagarpalika Class	Year	No of Properties		Total No of properties	Total Permissions Granted	No.of Properties constructed without permission		Tax leviable ( ` . in Lakhs)	
			Resi.	Non resi			Resi.	Non resi	Resi.	Non resi
1	Jafraabad	2007-08	2847	89	2936	09	-	-	-	-
	C	2008-09	6690	722	7412	39	3795 (6690-2847-48)	633 (722-89)	4.55	1.01
		2009-10	6701	725	7426	70	-	-	-	-
2	Jetpur	2007-08	19104	4181	23285	81	-	-	-	-
	A	2008-09	30937	9566	40503	126	11626 (30937-19104-207)	5385 (9566-4181)	23.25	17.23
		2009-10	31363	9856	41219	25	401 (31363-30937-25)	290 (9856-9566)	00.80	00.93
3	Dholka	2007-08	12000	5500	17500	03	-	-	-	-
	B	2008-09	16260	6200	22460	38	4219 (16260-12000-41)	700 (6200-5500)	11.81	3.08
		2009-10								
	<b>Total</b>								<b>40.41</b>	<b>22.25</b>
	<b>Grand Total</b>								<b>62.66</b>	

### Appendix –XIII

#### Statement showing status of Demand, Collection and Outstandings (Ref: Paragraph - 6.1.6.8)

( ` . in Lakhs)

Sr. No	Name of NP	Year	Demand	Collection	Arrears	% of collection
1	Palanpur	2007-08	346.47	114.90	231.57	33.16
		2008-09	478.65	113.90	364.74	23.79
		2009-10	544.83	219.75	325.07	40.33
2	Sanand	2007-08	54.82	26.01	28.81	47.54
		2008-09	100.46	37.51	62.95	37.33
		2009-10	135.87	82.36	53.51	60.61
3	Vyara	2007-08	38.42	33.59	4.83	87.43
		2008-09	52.85	44.98	7.87	85.10
		2009-10	55.61	49.85	5.76	89.64
4	Kadi	2007-08	140.05	68.96	71.08	49.24
		2008-09	182.09	81.32	100.76	44.66
		2009-10	214.50	110.87	103.62	51.49
5	Songadh	2007-08	19.55	11.18	8.37	57.18
		2008-09	62.92	30.88	32.04	49.08
		2009-10	94.65	37.16	57.49	39.25
6	Vadnagar	2007-08	22.71	10.54	12.17	46.41
		2008-09	51.08	20.78	30.29	40.68
		2009-10	57.53	41.64	15.89	72.38
7	Mandvi	2007-08	22.54	12.18	10.36	54.02
		2008-09	37.39	15.15	17.72	40.53
		2009-10	47.47	34.32	13.14	72.35
8	Jetpur	2007-08	159.53	113.80	45.73	71.43
		2008-09	255.51	196.53	58.99	76.91
		2009-10	278.77	233.31	45.46	83.69
9	Dholka	2007-08	86.09	33.45	52.64	38.85
		2008-09	126.44	49.82	76.62	39.40
		2009-10	150.42	98.77	51.64	65.66
10	Prantij	2007-08	15.43	8.36	7.07	54.18
		2008-09	17.24	10.67	6.57	61.89
		2009-10	16.02	11.64	4.37	72.69
11	Jafrabad	2007-08	2.70	1.02	1.68	38.00
		2008-09	11.52	5.96	5.56	51.73
		2009-10	14.60	11.71	2.89	80.00
12	Khedbrahma	2007-08	8.75	4.37	4.38	50.00
		2008-09	55.16	36.69	18.47	66.50
		2009-10	67.99	51.03	16.96	75.50
	<b>Total</b>	<b>2007-08</b>	<b>917.06</b>	<b>438.36</b>	<b>478.64</b>	<b>47.80</b>
		<b>2008-09</b>	<b>1431.31</b>	<b>644.19</b>	<b>782.57</b>	<b>45.00</b>
		<b>2009-10</b>	<b>1678.26</b>	<b>982.41</b>	<b>695.80</b>	<b>58.53</b>

