

CHAPTER-II

2. Transaction Audit Paragraphs

2.1 Audit findings on release and utilisation of Thirteenth Finance Commission Grants to Panchayati Raj Institutions.

The Thirteenth Finance Commission (TFC) had made the recommendation on measures needed to augment the Consolidated Fund of the State to supplement the resources of PRIs. In this regard the TFC recommended Grant-In-Aid to Local Bodies (LBs) for both General Areas and Special Areas for award period of the year 2010-15. In addition to these grant, the general performance grant would be available from 2011-12 to the States which met the conditions imposed for its release. Thus there are four sub-categories of the grant:

- (i) General Basis Grant (GBG)
- (ii) General Performance Grant (GPG)
- (iii) Special Area Basic Grant (SABG)
- (iv) Special Area Performance Grant (SAPG)

The Grants received by Government of Madhya Pradesh from the GOI on the recommendations of TFC for the year 2011-12 are depicted in **Appendix-2.1**.

Audit collected information form Finance Department (FD) Government of Madhya Pradesh, Commissioner Panchayat Raj (PR), Chief Executive Officer (CEO), Zila Panchayat (ZP) Mandla and Sagar and their related CEO Janpad Panchayats and Gram Panchayats (GPs) for the year 2011-12. The audit findings in this regard are as under:-

2.1.1 Delay in release of grant by GOI

A Para 5.1 of GOI guideline of TFC stipulates that all local body grants will be released in two tranches in July and January every fiscal year. Para 6.2 envisaged that release of any installment would be subject to UC for the previous installment drawn. Para 7.5 of the GOI guidelines stipulated that State Finance Secretary would be required to provide a certificate within 10 days showing dates and amounts of grant received by the State from the GOI and release of grant to the PRIs.

Scrutiny of records of FD of the GOMP (August 2012) revealed that out of first and second installment of GBG and SABG an amount of ₹ 507.34 crore (GBG first installment ₹ 239.85 crore second installment ₹ 244.93 crore and SABG first and second installment of ₹ 11.28 crore each) related to the year 2011-12 were released late by the GOI as shown in **Table No-1**.

Table No.-1

Sl. No.	Particulars	Due date of release by GOI	Actual date of release by GOI	Period of delay in release of grant
1	2	3	4	5
1.	First installment of GBG & SABG	July 2011	8 th December 2011	130 days ¹
2.	Second installment of GBG & SABG	January 2012	22 nd March 2012	50 days ²

It would be seen from above table that there were delays of 130 days and 50 days in release of first and second installment of GBG and SABG of TFC grant respectively. When called for in Audit (January 2013), the reasons for delayed release of grant were neither found recorded nor stated to audit.

2.1.2 Creation of liabilities due to delayed transfer of grants

According to Para 4.2 of GOI guidelines of TFC, funds must be transferred within five days of receipt from the GOI in case of State with easily accessible banking infrastructure. In case of delayed transferred of grant to PRIs beyond specific period of five days, the State Government was required to release the installment with interest at the Bank Rate of RBI for the number of days of delay.

Scrutiny of records (August 2012) of FD revealed that the GBG, SABG and GPG first installment & GPG forfeited amount were not released in specified period during the year 2011-12 as shown in **Table No-2**.

Table No-2

Interest Calculation on Delayed Transfer of 13th FC Grant to PRIs in 2011-12

(₹ In Lakh)

Sl. No.	Name of Grants	Received from GOI		Drawl from Treasury			Transferred to PRI		Delay in transfer in days	Amount on which interest is calculated	Interest amount ³
		Amount	Date	Bill NO.	Date	Amount	Amount	Date			
1	2	3	4	5	6	7	8	9	10	11	12
1	General Basic Grant-I	23985.00	08-12-11	395	14-12-11	23788.00	23788.00	16-12-11	3	23788.00	11.73
2	Special Area Basic Grant-I	1128.00	08-12-11	394	14-12-11	1128.00	1128.00	16-12-11	3	1128.00	0.56
3	General Performance Grant-I	8270.00	31-03-12	592	31-03-12	7475.00	5000.00	11-09-12	159	5000.00	206.92
				593	31-03-12	795.00					
4	General Performance Grant (For fitted ⁴)	2383.09	31-03-12	24	11-04-12	2383.09	3450.00	14-09-12	162	3450.00	145.47
5	General Performance Grant (For fitted)	3349.19	31-03-12	23	11-04-12	3349.19	2400.00	20-09-12	168	2400.00	104.94
6	-	-	-				1975.00	24-09-2012	172	1975.00	88.42
7	-	-	-				1175.00	11-12-2012	250	1175.00	76.46
Total											634.50

Source: Finance Department of M P & Commissioner PR

¹ Aug. 31 + Sep. 30 + Oct. 31 + Nov. 30 + Dec. 8 = 130 days

² Feb 28 + Mar. 22 = 50 days

³ RBI Bank Rate revised w.e.f. 13.02.2012 from 06 to 9.50 per cent per annum, Interest calculated accordingly.

⁴ Grants forfeited by non performing states

From above table, it was revealed that first installment of GBG and SABG were transferred to GPs with a delay of three days. Similarly GPG first installment and GPG forfeited grant was transferred to GPs with a delay ranging from 159 days to 250 days. As per guidelines, the FD had to be pay interest to PRIs for such delayed transfer of grant to ₹ 6.35 crore. It was also observed in audit that an amount of interest of ₹ 2.98 crore was not drawn and released to GPs by Commissioner PR for delayed transfer of TFC grant for the year 2010-11.

On this being pointed out (December 2012), Commissioner, PR replied that the proposal of sanctioning interest was sent to government.

- Further, test check in 116 GPs (September to October 2012) revealed that there were delay ranging between 20 to 125 days in release of GBG first installment and between 23 to 190 days in release of GBG second installment in crediting of their respective bank accounts as detailed in **Appendix-2.2**. Hence, GPs were deprived of interest for such delayed period.

2.1.3 Non-release of performance grants to GPs

Para 6.4.2 (a) of GOI guidelines stipulates that the State government must put in place a supplement to the budget documents separately for PRIs furnishing details of plan and non plan wise classification of transfers separately for all tiers of PRIs from major head to object head, which have been depicted in the main budget under the minor head 196,197 and 198. Panchayat and Rural Development Ministry issued instruction (September 2012) to Commissioner PR and other concerns, at least 70 *per cent* of grant must pertain to Gram Panchayat and work to be done from the performance grant as under:

Scrutiny of records of Commissioner PR revealed that an amount of ₹ 140.02 crore was drawn as GPG from treasury for 2011-12 (₹ 82.70 crore as first instalment of GPG and ₹ 57.32 crore as share of forfeited grant of other States) and released ₹ 140 crore to ZPs⁵ and JPs⁶ during September to December 2012. It is further observed that the Commissioner PR did not release any amount to GPs.

On this being pointed out (November 2012) Commissioner, PR replied (December 2012) that funds were utilised as per instructions issued by PRDD.

The reply was not convincing as 70 *per cent* of grants were not transferred to GPs.

⁵ @ ₹ 1.00 crore per ZP ₹ 50.00+11.75 crore (ZP Dewas ₹1.75 crore, Sehore- ₹4, crore, Raisen- ₹1 crore, Vidisha- ₹2 crore and Sagar- ₹3 crore)

⁶ @ ₹ 0.25 crore per JP ₹ 78.25 crore

2.1.4 Expenditure incurred without preparation of shelf of Project by GPs

Para 6 of State guidelines of TFC stipulated that each GP should prepare an Annual Work Plan (Shelf of Project) with the approval of Gram Shabha. Gram Panchayat should send a copy of shelf of Project to JP and ZP for information and there after, GPs should execute work as per Shelf of Project.

During test check of records of JPs (Mandla and Sagar district), it was observed that expenditure was incurred on execution of work without preparing annual work plan.

On this being pointed out (September to October 2012), CEO JPs replied (September to October 2012) that action Plan for Panch Parmeshwar Yojna at Janpad Panchayat level was prepared accordingly and directed to execute the work. Thus the work executed without preparing action plan for TFC.

2.1.5 Poor implementation of e-Panchayat scheme

As per Para 4.1 of the State guidelines issued (August 2010) by the Panchayat and Rural Development Department (PRDD) of State for the utilisation of the grant received on the recommendations of TFC the provision for deduction of ₹ 745.19 crore was made from the GBG and GPG for the implementation of e-Panchayat system in the GPs for the period of 2010-15. Out of the above ₹147.50 crore was to be provided for the year 2010-12, as detailed below:-

(₹ In crore)			
Year	Total grant received	Amount to be deducted for e-governance	Funds to be released to the GPs
2010-11	383.10	46.34	336.76
2011-12	596.07	101.16	494.91
Total	979.17	147.50	831.67

Source: State guideline of TFC issued by PRDD.

Chief Secretary of the State, during fifth meeting (August 2012) of High Level Monitoring Committee (HLMC) instructed the Commissioner PR to get the procedure for expenditure of the above amount approved from the Ministry of Panchayati Raj, GOI for the implementation of e-Panchayat scheme.

We observed that the Commissioner PR had drawn ₹ 191.55 crore (September 2010) from the treasury and transferred ₹ 145.21 crore to the GPs. The remaining amount of ₹ 46.34 crore was kept by the Commissioner, PR in Bank Account to implement the e-Panchayat scheme. Further, the Commissioner, PR deposited (March 2011) in the Bank Account of Chief Executive Officer (CEO), Zila Panchayat Bhopal instead of transferring the amount to the GPs. The amount remained idle in the bank account of CEO Zila Panchayat till 07.11.2011.

The idle amount of ₹ 46.34 crore (November 2011) and interest of ₹ 97 lakh was transferred (December 2012) to the Madhya Pradesh State Tech

e-Panchayat Society (MPSTEPS) which was established (January 2011) to promote e-Governance in the PRIs.

The MPSTEPS transferred (February 2012) only ₹ 9.47 crore to 42 ZP for 947 GP⁷s and ₹ 1.41 crore (₹ 74 lakh in February 2012 & ₹ 67 lakh in March 2012) was paid to BSNL for providing connectivity in these GPs. But MPSTEPS reported an expenditure of ₹ 11.03 crore till 2011-12 instead of ₹10.88 crore (₹ 9.47 crore + ₹ 1.41 crore). The difference of expenditure amounting to ₹ 15 lakh (₹ 11.03-10.88 crore) was not clear. The remaining amount of ₹ 36.28 crore was still lying unspent (December 2012). Commissioner, PR transferred total received amount during 2011-12 to GPs without deducting a sum of ₹ 101.16 crore for e-Governance. Hence no funds were provided to MPSTEPS for e-Panchayat.

We also noticed that Commissioner PR had not got approved the procedure of expenditure of the above amount from the Ministry of Panchayati Raj, GOI as directed by Chief Secretary of GOMP.

On this being pointed out (November 2012), the Additional CEO, MPSTEPS Stated (December 2012) that action for the transfer of the remaining amount for concurrent audit and construction of pre-fabricated/traditional e-Panchayat room is being taken as per the instructions of the Government.

The reply was not in consonance with the provisions of the guidelines as the amount of ₹ 46.34 crore remained idle in the bank account of CEO, ZP, Bhopal for seven months (March 2011 to November 2011) and only ₹ 11.03 crore could be utilised till December 2012 and no funds were deducted in 2011-12 which shows the poor implementation of the e-Panchayat scheme in the State.

2.1.6 Non submission of utilisation certificates

Para 11 of State guidelines for TFC grant issued by the Ministry of PRDD of the State envisages that every ZP is required to furnish a consolidated UC to Commissioner PR by 15 of every month after compilation of the figures of expenditure intimated by GPs and JPs.

Test check of records of 116 GPs of two districts (Mandla and Sagar) revealed that no UC were furnished by GPs. However, out of ₹ 6.68 crore available, only ₹ 2.86 crore was spent and ₹ 3.82 crore (57 per cent) lying unspent with them (**Appendix-2.3**).

On this being pointed out Commissioner PR Stated that consolidation of UCs is being done (December 2012). Updated position called for (May 2013), reply is awaited.

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@ ₹ One lakh per GP

2.1.7 Recovery of Taxes/User charges

2.1.7.1 Non Levy/ recovery of property tax:

Para 6.4.8 of GOI guidelines stipulates that all local bodies must be fully enabled to levy property tax (including tax for all type of residential and commercial property) and any hindrance in this regard must be removed. Further, Para 3.2 of State guidelines stipulates that it is required to made provision of a fund (with 5% of TFC grant) to encourage GPs for taxation.

Scrutiny of records of 116 GPs revealed that only 56 GPs (48 *per cent*) imposed property tax and recovered ₹ 2.16 lakh (seven *per cent*) out of ₹ 29.75 lakh (previous year ₹ 20.19 lakh and current year ₹ 9.56 lakh) against recoverable property tax of 2011-12. Detailed shown in **Appendix-2.4**

On this being pointed out (December 2012) Commissioner PR did not furnish the details of provision of fund and about its release to GPs for encourage taxation.

2.1.7.2 Non recovery of pending user charges:

As per the TFC guidelines of State Government (Para 4.3.1) recovery of user charges was to be made from the Consumers of water connection under water supply scheme of Nal Jal Schemes.

Scrutiny of records of 116 GPs of two districts (Mandla and Sagar) revealed that Nal Jal scheme was functioning in only 28 GPs (24 *per cent*). The amount of ₹ 32.30 lakh (77 *per cent*) was pending for recovery out of ₹ 42.07 lakh as user charges of water supply. Detailed shown in **Appendix-2.5**.

On this being pointed out (September to October 2012) GPs Stated (September to October 2012) that the recovery of user charges would be made. Updated position called for (May 2013), reply is awaited.

2.1.8 Social Audit not conducted

Para 9.2 of the State guidelines of TFC grant stipulates that Social Audit of construction and development works was to be conducted quarterly in each financial year in the meeting of Gram Sabha.

Scrutiny of records of 116 GPs of two districts (Mandla & Sagar) revealed that 107 GPs (92 *per cent*) had not conducted the Social Audit as detailed in **Appendix-2.6**.

On this being pointed out GPs Stated that the social audit would be conducted. Updated position called for (May 2013), reply is awaited.

2.1.9 Lack of monitoring & Evaluation

Para 9.1 of GOI guideline stipulates that every States shall constitute a High Level Monitoring Committee (HLMC) headed by the Chief Secretary to the State Government and will include Finance Secretary and the Secretaries of the concerned Departments as members. HLMC shall be responsible for

ensuring adherence to the specific conditions in respect of each category of grant, wherever applicable.

A HLMC headed by the Chief Secretary to the State Government was constituted (July 2010) by the Finance Department. The Meetings of HLMC were required to be held at least once in every quarter of financial year.

We noticed that against the requirement of ten meetings to be held (up to December 2012) only five meetings were conducted indicating lack of monitoring.

2.1.10 Conclusion

- Local body grants received by the State Government from GOI on the recommendations of TFC were not transferred to PRIs in specified period which created a liability on Government of ₹ 2.98 crore and ₹6.35 crore for the year 2010-11 and 2011-12 respectively.

(Paragraph 2.1.2)

- Seventy *per cent* of Performance Grants were not transferred to GPs.

(Paragraph 2.1.3)

- Annual Work Plan was not prepared for execution of work by the GPs.

(Paragraph 2.1.4)

- No funds were provided (2011-12) for the implementation of e-Panchayat Scheme in GPs.

(Paragraph 2.1.5)

- Utilisation certificate were not furnished by GPs.

(Paragraph 2.1.6)

- Social audit was not conducted by most of the GPs.

(Paragraph 2.1.8)

- Due to lack of effective monitoring the local body wise and activity wise position of expenditure incurred by them against the grant was not available.

(Paragraph 2.1.9)

2.2 Loss of ₹ 1.82 crore due to insolvency of bank

Loss of scheme funds of ₹ 1.82 crore due to insolvency of a bank resulting in non-implementation of schemes.

A meeting was held (May 1992) under the chairmanship of Secretary, Urban Welfare Department in the presence of Project officers of District Rural Development Authority at Bhopal where it was instructed that account of transactions should be open in commercial banks only and not in cooperative or rural banks.

Scrutiny of records (October & November 2012) of JPs, Burhanpur & Khaknar revealed that the amount of ₹ 1.65⁸ and ₹ 0.17⁹ crore (balance as on October 2012) were kept in the Citizen Co-operative Bank, Burhanpur. Banking business of the Citizen Co-operative Bank had been precluded by the RBI with effect from 15 January 2005. RBI cancelled (May 2009) the licence granted to the bank for carrying on banking business, inter alia, on the ground that the bank was not in a position to pay its depositors in full. Thus ₹ 1.82 crore could not be withdrawn. Further, the recovery of the funds, partly or fully, became doubtful.

On this being pointed out (October and November 2012) Chief Executive Officer of JPs Burhanpur and Khaknar accepted the fact and stated that (October and November 2012) due to the ban imposed by RBI on the Citizen Co-operative Bank, the money could not be withdrawn, as a result of which the implementation of Government schemes was badly affected.

The Commissioner, Panchayati Raj Institution also accepted the fact (April 2013).

Thus, non-observance of departmental instructions regarding depositing scheme funds in commercial banks led to a loss of ₹ 1.82 crore and non-implementation of schemes, depriving the beneficiaries of intended benefits.

The matter was reported (December 2012 and May 2013) to the Government; their reply had not been received so far.

Date: 08/11/2013

Place: Gwalior



(J.R. Meena)

Dy. Accountant General
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Countersigned



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Principal Accountant General
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Date: 08/11/2013

Place: Gwalior

⁸ JP Burhanpur deposited scheme funds of Indra Awas Yojana ₹16.82 lakh, Sampurna Gramin Swarojgar yojana ₹6.72 lakh, Gahan Rojgar yojana ₹1.02 lakh, Jiwan Dhara yojana ₹1.54 lakh, Jawahar Rojgar Aaswasan Yojana ₹ 0.35 lakh, Guaranteed Employment Scheme ₹ 0.73 lakh including and other schemes like M.P & MLA fund, 10th & 11th Finance Commission, Tribal welfare, Jansampark fund, Salary of panchayat staff etc. ₹78.22 lakh and deposited interest of various scheme funds of ₹59.24 lakh as fixed deposit.

⁹ JP Khaknar deposited scheme funds of Tribal welfare, Mid-day-meal & salary of Shikshakarmi ₹17.17 lakh.