

CHAPTER-II

This chapter contains findings of performance audit on implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme and thematic audit on Management of Finance in Bhavnagar and Surendranagar District Panchayats.

A - PERFORMANCE AUDIT

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

2.1 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme

Executive Summary

Government of India enacted (September 2005) National Rural Employment Guarantee Act, 2005, the Act was renamed as “Mahatma Gandhi National Rural Employment Guarantee Act” (MGNREGA) from 2 October 2009. The primary objective of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) formulated under the Act was to enhance livelihood security of rural households by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work. The performance audit on implementation of MGNREGS during the period 2007-12 revealed the following deficiencies:

State Employment Guarantee Council was constituted after a delay of four years. Shelves of projects and Development Plan were not prepared by Gram Panchayats. Perspective Plans submitted were not approved by Commissioner of Rural Development. Instances of non-refund of unspent balances by Gram Panchayats, booking of advance payments as final expenditure were noticed. Registration data was not authentic and there were discrepancies between physical and on-line records. Inordinate delays in issue of job cards were also noticed. Households provided with 100 days employment ranged between four per cent and six per cent during 2007-12. Payments of ₹6.08 crore was made by Programme Officers, Fatepura and Dahod without supporting documents and entry in Cash Book. Cases of suspected fraud/misappropriation in payment of wages, non-payment of wages and improper maintenance of muster rolls were noticed. In five districts, 447 persons were shown to have worked at two different places during same period. Excess payment of ₹18.08 crore over the rate of wage fixed by GOI was made in Dahod. Prohibited works like earthen roads and cement concrete roads at a cost of ₹6.68 crore were executed in three districts. Non-durable boribandhs were constructed at a cost of ₹101.25 crore violating the scheme guidelines. Assets created were not maintained for want of financial provision. Monitoring and Evaluation system was not effective.

2.1.1 Introduction

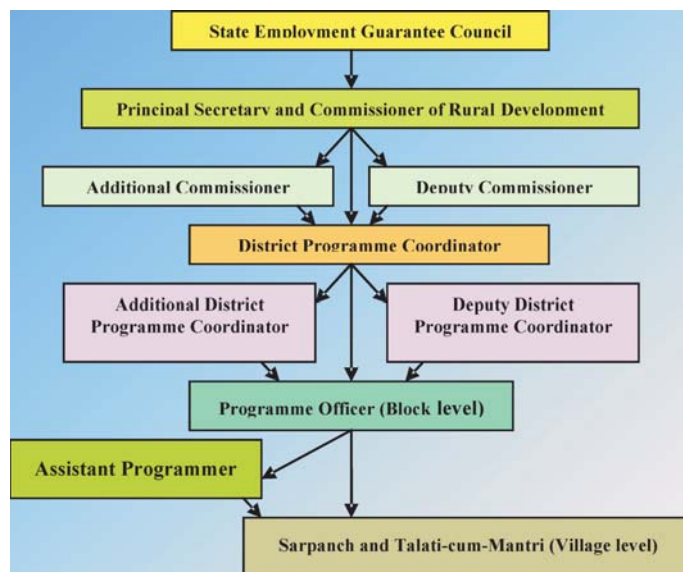
Government of India (GOI) enacted (September 2005) National Rural Employment Guarantee Act, 2005 (NREGA)¹ which came into force with effect from February 2006 in the 200 districts in rural areas of India. The Ministry of Rural Development (MoRD) was the nodal Ministry for implementation of the MGNREGA. State Government promulgated (February 2006), National Rural Employment Guarantee Scheme (NREGS)² in six districts³, which was extended to three⁴ more districts in April 2007 (Phase-II) and to the rest of 17 districts in April 2008 (Phase-III). The Principal Secretary, Panchayat, Rural Housing and Rural Development Department (PRHRDD) was responsible for implementation of the Scheme.

The primary objective of the scheme was to enhance livelihood security of rural households by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work. The auxiliary objectives of the scheme were to generate productive assets, protect environment, empower rural women, reduce rural to urban migration, foster social equity and strengthen rural governance through processes of decentralisation, transparency and accountability.

2.1.2 Organisational set up

The State Employment Guarantee Council (SEGC) is the apex body for implementation, monitoring and supervision of the Scheme. The Principal Secretary and Commissioner, Rural Development Department (CRD) has been designated as Employment Guarantee Commissioner at State level. He is assisted by Additional Commissioner and Deputy Commissioner.

Organogram



¹ The NREGA was renamed (October 2009) as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

² Renamed as MGNREGS

³ Banaskantha, Dangs, Dahod, Narmada, Panchmahals and Sabarkantha

⁴ Bharuch, Navsari and Valsad

At district level, District Development Officer (DDO) of respective District Panchayat has been designated as District Programme Coordinator (DPC). He is assisted by Additional District Programme Coordinator (ADPC)⁵. At Taluka⁶ level, Taluka Development Officer (TDO) has been designated as Programme Officer (PO). At Gram Panchayat (GP) level, Sarpanch as well as Talati-cum-Mantri (TCM) has been made joint stakeholders for implementation of the scheme, who are assisted by Gram Rozgar Sewaks (GRSs).

2.1.3 Audit objectives

The objectives of the performance audit were to ascertain whether -

- funds were released, accounted for and utilised by State Government as per the provisions of Act/Rules;
- structural mechanisms were put in place and adequate capacity building measures taken by the State Government for implementation of the Scheme;
- the procedures for preparing perspective and development plan at different levels for estimating the likely demand for work and preparing shelves of projects were adequate and effective;
- there was an effective process of registration of households (HHs), allotment of job cards and allocation of employment in compliance with the Act/Rules;
- the primary objective of ensuring the livelihood security by providing 100 days of annual employment to the targeted rural community at the specified wage rates was effectively achieved and the unemployment allowance for inability to provide job-on-demand were paid in accordance with the Act and relevant Rules;
- works were properly planned, economically, efficiently and effectively executed in a timely manner and in compliance with the Act and Rules; durable assets were created, maintained and properly accounted for; adequate maintenance of records/data/Monitoring and Information System (MIS); and
- there was an effective mechanism to assess the impact of Scheme on individual HHs, local labour market, migration cycle and efficacy of assets created.

2.1.4 Audit criteria

The findings were benchmarked against the following criteria -

- NREGA, 2005 as amended from time to time;
- Operational guidelines (2006 and 2008) of MGNREGS and circulars issued by MoRD and State Government; and
- NREGA Fund Rules 2006, NREGA Financial Rules 2009 and MGNREGA Scheme Rules 2011.

⁵ Director, District Rural Development Agency (DRDA) holds the post in *ex-officio* capacity and is responsible for the overall implementation of the scheme in the district.

⁶ In Gujarat State, Block is known as Taluka

2.1.5 Scope and methodology of Audit

The performance audit covering the period 2007-12 was conducted (February-May 2012 and July-August 2012) at office of the CRD, eight districts⁷, 25 *per cent* of Talukas⁸ from each selected district (selected on the basis of Simple Random Sampling without Replacement) and 10 GPs from each selected Taluka (two on the basis of risk analysis and eight on the basis of probability proportional to size sampling method).

Ten works from each selected GPs were selected for field visit on the basis of random sampling for impact assessment of the scheme. In addition to this, social audit reports and other relevant records were also scrutinised to assess the effectiveness of people's participation in implementation of the scheme. Data from National Informatics Centre (NIC) was also obtained, analysed and suitably commented wherever required.

An Entry Conference was held (07 March 2012) with Principal Secretary and Commissioner, Rural Development Department to explain the audit objectives. The audit findings were discussed (17 July 2012) with the Department during Exit Conference.

Audit findings

2.1.6 Financial Management

2.1.6.1 Utilisation of funds

The Scheme guidelines provide that GOI would bear 100 *per cent* cost on wages for unskilled labour, 75 *per cent* cost of skilled, semi-skilled labour, material and administrative expenditure⁹ as determined by GOI from time to time. State Government would bear 25 *per cent* cost of material, skilled and semi-skilled labour. In addition, State Government would bear the entire cost of unemployment allowance¹⁰ to households in case of failure to provide employment within fifteen days of demand of employment and expenditure on State Employment Guarantee Council (SEGC).

⁷ District Rural Development Agencies (DRDAs) at Ahmedabad, Banaskantha, Dahod, Panchmahals, Patan, Surendranagar, Vadodara and Valsad

⁸ Office of the Taluka Panchayat (TP)

⁹ Presently it is six *per cent* of total expenditure under the scheme

¹⁰ If State Government fails to provide employment within fifteen days of demand of employment by a household, it has to pay unemployment allowance at the rate not less than one fourth of wage rate for first thirty days and not less than one half of wage rate for remaining period of the financial year.

Details of grant received and expenditure incurred by the State are as shown in **Table 1** below:

Table 1 : Grant received and expenditure incurred

(₹in crore)

Year	Opening Balance	Grant released		Miscellaneous	Total funds available	Expenditure	Percentage of expenditure ¹¹	Closing Balance
		GOI	State					
2007-08	63.29	60.01	8.48	2.91	134.69	62.98	47	71.71
2008-09	71.71	164.77	42.20	22.21	300.89	187.08	62	113.81
2009-10	113.81	777.41	61.22	124.96	1,077.40	821.01	76	256.39
2010-11	256.39	909.01	111.03	26.00	1,302.43	856.92	66	445.51
2011-12	445.51	324.61	144.74	17.10	931.96	686.52	74	245.44
Total		2,235.81	367.67	193.18		2,614.51		

(Source : Information provided by Commissioner of Rural Development)

The table shows that the percentage of expenditure incurred during 2007-12 ranged from 47 per cent to 76 per cent. Audit observed that there were variations between the figures reported by CRD and online State Monthly Progress Reports available at NREGA website. Thus, the reporting of financial data was not reliable.

2.1.6.2 Inconsistent reporting of expenditure figures of Audited Accounts and Monthly Progress Reports

The scheme guidelines provide that for transfer of funds, a financial management system be devised, which must ensure transparency, efficiency and accountability of funds and track use of funds towards final outcome.

Scrutiny of records at test checked DRDAs revealed inconsistent financial reporting between Monthly Progress Reports (MPRs) and Annual Accounts (AAs). Details of inconsistencies between the expenditure reported in MPRs and AAs were as shown in **Table 2** below:

Table 2 : Inconsistencies between the expenditure reported in MPRs and AAs

(₹in crore)

District	Expenditure reported ¹²					
	2008-09		2009-10		2010-11	
	AA	MPR	AA	MPR	AA	MPR
Ahmedabad	3.97	3.96	12.80	12.63	12.43	12.41
Banaskantha	12.99	16.11	37.78	39.00	57.74	52.11
Dahod	34.10	40.65	101.34	95.65	82.08	81.05
Panchmahals	31.08	32.61	67.22	70.04	63.97	59.86
Patan	5.96	5.54	25.64	25.58	25.00	25.13
Surendranagar	1.10	0.92	22.65	22.61	40.31	39.15
Vadodara	3.51	3.87	44.92	47.85	68.23	61.90
Valsad	2.16	2.05	11.51	12.28	16.11	15.28

(Source : AAs and MPRs of DRDAs)

The above table shows that there was difference in expenditure reported by all test checked districts for the period covered under audit. Incorrect financial

¹¹ Percentage with reference to total funds available (inclusive of opening balance)¹² The Annual Accounts for the financial year 2011-12 were not ready during the period of audit.

reporting makes the data under MGNREGS unreliable and defeats the purpose of efficient and transparent financial management system.

2.1.6.3 Unspent funds with Gram Panchayats

The State Government notified (November 2008) Mahatma Gandhi National Rural Employment Guarantee Scheme Rules (Scheme Rules 2008) which envisaged transfer of funds to TP level for maintaining transparency in operation of scheme funds. The payments of wages were to be made directly in the bank/postal account of labourers.

Scrutiny of AAs (2010-11) of DRDAs, Dahod and Vadodara revealed that funds amounting to ₹3.62¹³ crore, which were transferred to GPs up to the year 2008-09, were lying unspent with them. As payment was centralised up to Taluka level, these unspent funds were required to be recovered from GPs. This resulted in blocking of funds at GP level.

DRDA, Vadodara stated (July 2012) that efforts were being made to recover the amount from GPs.

2.1.6.4 Unspent balances under preparatory activities

Preparatory activities under the scheme involved preparation of Perspective Plan (PP), printing/procuring of statutory documents, creation of infrastructure and computational facilities, training¹⁴ and Information, Education and Communication (IEC).

The GOI accordingly released (December 2007) ₹68.50 lakh¹⁵ for each DRDA for preparatory activities before launch of Scheme in Phase II and III districts¹⁶. Scrutiny of records revealed that ₹1.23 crore were lying unspent with DRDAs¹⁷.

DRDAs stated (July 2012) that there were no instructions from Government regarding utilisation of unspent funds due to which the funds remained unspent. The replies were not acceptable as non utilisation of funds on preparatory activities affects the implementation of scheme due to lack of planning and awareness.

2.1.6.5 Booking of advance payment as final expenditure

The scheme guidelines provide that no advances should be shown as expenditure. Scrutiny of records at three DRDAs revealed that an amount of ₹4.44 crore¹⁸

¹³ Dahod ₹3.54 crore, Vadodara- ₹0.08 crore

¹⁴ To officials of PRI, members of Village and Monitoring Committee, Data Entry Operators and monitoring personal at District and Block Level

¹⁵ IEC- ₹7 lakh, training for officials - ₹7 lakh, Printing/procuring of statutory documents - ₹40 lakh, Perspective Plan - ₹10 lakh, training for data entry operators - ₹4.5 lakh

¹⁶ Phase II districts - Bharuch, Navsari and Valsad, Phase III districts - Ahmedabad, Amreli, Anand, Bhavanagar, Gandhinagar, Jamnagar, Junagadh, Kachchh, Kheda, Mehsana, Patan, Porbandar, Rajkot, Surat, Surendranagar, Tapi and Vadodara.

¹⁷ Ahmedabad - ₹52.77 lakh, Surendranagar- ₹17.21 lakh and Vadodara- ₹53.08 lakh

¹⁸ Ahmedabad - ₹0.42 crore (March 2010), Surendranagar - ₹2.43 crore (₹0.93 crore in March 2010 and ₹1.50 crore in March 2011) and Vadodara - ₹1.59 crore (March 2011)

was deposited (March 2010 and March 2011) with Gujarat State Civil Supply Corporation Limited (GSCSCL) for supply of cement for construction of Bharat Nirman Rajiv Gandhi Seva Kendra at TP and GP level. Though the cement was not supplied in the year of release of deposit, the advance payment was booked as final expenditure in the scheme accounts by the DRDAs, in violation of guidelines. Further, no action was taken to recover the amount from GSCSCL.

DRDAs stated (July 2012) that action would be taken to recover the deposit or to get supply of the cement. However, specific reply on wrong booking of expenditure was not furnished by the DRDAs.

2.1.6.6 Irregularities in maintenance of financial records

The Scheme Rules, 2008 provide that DRDA should adopt accounting procedure as prescribed by MoRD. The accounting procedure prescribes that DRDAs as well as TPs should maintain a cash book. It further prescribes that Cash Book should be closed on every transacting day. All receipts and payments should be posted in the Cash Book on regular basis. After closing, it should be signed by the Cashier and Drawing and Disbursing Officer (DDO). The Cash Book should be certified, summarised, closed and signed on the last working day of the month by the DDO.

Scrutiny of Cash Books at test checked DRDAs and TPs revealed that -

- Cash Book for the year 2007-08 was not maintained at DRDA, Valsad;
- Cash Book for the year 2009-10 was not signed by the Director, DRDA, Dahod; Cash book for the year 2011-12 was not produced to audit by DRDA, Dahod;
- Cash Book for the year 2010-12 at Fatepura TP (Dahod district), 2009-10 at Ghoghamba TP (Panchmahals district) and 2009-11 at Santrampur TP (Panchmahals district) were not signed by the Programme Officer;
- Cash Book and classified register were not maintained for the year 2007-09 at Santrampur TP (Panchmahals district); and
- At Kwant TP (Vadodara district) an amount of ₹0.39 crore withdrawn (July-August 2010) by Programme Officer was not entered in the cash book.

Cash book being the primary record for financial transactions, its improper maintenance makes system vulnerable to risk, fraud and misappropriation.

DRDA, Valsad stated (May 2012) that the original cash book for the year 2007-08 was not traceable; Programme Officer of Dahod stated that the cash book was not signed due to heavy workload and Programme Officer, Santrampur admitted that the cash book was not maintained during initial period of the scheme.

2.1.7 Delay in constitution of SEGC and its ineffective functioning

The NREGA Act, 2005 mandates constitution of State Employment Guarantee Council (SEGC) for regular monitoring and review of the Scheme. Accordingly, State Government framed (November 2008) Gujarat SEGC Rules, 2008 and constituted (November 2009) Gujarat SEGC. Thus, the constitution of Gujarat SEGC was delayed by four years.

Further, the Rules provide that SEGC should meet at least two times in a year, prepare an annual report on implementation of schemes and present it to the Legislature.

Scrutiny of records revealed that only three meetings¹⁹ were held (up to March 2012) and audit could not find on record any annual report submitted to the Legislature. Thus, the functioning of Gujarat SEGC was not effective.

CRD stated (March 2012) that the annual report was prepared every year by CRD and SEGC has been apprised about annual progress in the meeting. The reply was not correct as the Rules provide that SEGC should prepare the report and present the same to the Legislature.

2.1.8 Planning

2.1.8.1 Non-preparation of Shelves of Projects and Development Plan

The Act envisages TPs as intermediate authorities and GPs as the principal authorities for planning. Section 16 of the Act *ibid* provides that Gram Sabhas would be held every year on October 2 by GPs, recommend shelves of projects by resolution and prepare a Development Plan (DP).

The DP was required to be forwarded to Programme Officer (PO) alongwith administrative and technical approvals by October 15 every year for consolidation. Programme Officer was to finalise and consolidate DP of all GPs, obtain approval from TP and send DP of TP to DPC by November 15. DPC was to consolidate DP of all TPs, prepare DP for the district as a whole and send them to State Government by December 31.

Scrutiny of records of test checked DRDAs, TPs and GPs revealed that GPs had not prepared shelves of projects and DP. Gram Sabha resolutions describing general nature of works with estimated cost were sent to Programme Officer, who accordingly prepared labour budget and sent to the DPC. At districts, only labour budgets were prepared. Thus, the entire process of preparation of shelves of projects and DP was not followed.

2.1.8.2 Non-preparation of Perspective Plan

The Scheme guidelines provide for preparation of Perspective Plan (PP) for long term development of the district on the basis of identification of needs of GPs and works were to be planned to cater to these needs for a longer term.

¹⁹ December 2010, April 2011 and June 2011

GOI issued checklist (November 2007) for approval of PPs by SEGC. GOI released (December 2007) ₹10.00 lakh each to 19 districts (Phase II and III) for preparation of PP for the period 2008-13.

Audit observed in five²⁰ out of eight test checked DRDAs that PPs were finalised and submitted to CRD by four DRDAs²¹ at an expenditure of ₹32.58 lakh²². In DRDA, Valsad, the agency engaged for preparation of PP did not prepare PP despite payment of ₹5.26 lakh. However, CRD had not approved any of the four PPs submitted to it.

CRD stated (March 2012) that plans were under approval, but did not assign any reason for the delay in approval. Thus, the objective of preparation of PP with a holistic approach for overall development of the district was defeated and could have resulted in carrying out works without identifying the needs of GPs.

2.1.8.3 Non-achievement of targets of Labour Budget

The Act provides for preparation of Labour Budget on the basis of projected demand for work from GPs. Scrutiny of records at CRD and test checked districts revealed that shortfall in achievement of targets of Labour Budget for the State ranged between 18 per cent (2011-12) and 47 per cent (2010-11); and in test checked districts, shortfall ranged between zero per cent and 66 per cent as detailed in **Appendix-III**.

DRDAs stated (May 2012) that the scheme was demand driven and achievement of labour budget depends on demand. The contention was not justifiable as in absence of shelves of projects and development plan, the Labour Budget prepared was not based on the demand raised from Gram Sabhas.

2.1.9 Registration and issuance of Job Cards

2.1.9.1 Unsupported records on registration

The scheme guidelines provide that any person from the village can give application in writing or request orally to GP for registration under the scheme. After receiving application, it was to be entered into an Application Register. Job cards were to be issued within 15 days from the date of receipt of application. The details of number of households (HHs) registered under the scheme are shown in the **Table 3** below:

Table 3 : Number of HHs registered under the scheme

Year	Cumulative number of HHs registered	Cumulative number of HHs issued job cards			
		SC	ST	Others	Total
2007-08	8,65,503	94,102	4,89,225	2,82,176	8,65,503
2008-09	28,77,792	4,06,580	10,38,264	14,32,948	28,77,792
2009-10	35,69,686	6,97,015	10,68,396	18,04,275	35,69,686
2010-11	39,55,523	4,84,983	13,39,955	21,30,585	39,55,523
2011-12	40,76,332	3,46,378	13,28,188	24,01,766	40,76,332

(Source : Information provided by CRD)

²⁰ Ahmedabad, Patan, Surendranagar, Vadodara and Valsad .

²¹ Ahmedabad – February 2009, Patan – November 2008, Surendranagar – September 2009 and Vadodara – September 2011

²² Ahmedabad - ₹8.83 lakh (88 per cent), Patan-₹8.20 lakh (82 per cent) , Surendranagar- ₹8.05 lakh (80 per cent) and Vadodara - ₹7.50 lakh (75 per cent)

Scrutiny of records at test checked GPs revealed that no Application Register was maintained. Due to this, audit could not verify the number of persons who had applied for registration and to whom job cards was issued. Time taken for issuance of job cards could also not be verified. Further, the information given in the table above was not reliable as discrepancies were noticed in issuance of job card as shown below -

- Records at DRDA, Dahod revealed that as against 2,65,400 physical job cards issued to Programme Officers, information on NREGA web site revealed that 3,24,644 job cards had been issued; and
- Similarly at Sayla Taluka (Surendranagar district) as against 25,475 job cards issued to GPs, web site showed 34,511 job cards had been issued.

This showed that registration data, which was the basis for employment guarantee, was not authentic and could lead to unreliability of other data²³.

Programme Officers stated (August 2012) that instructions were already issued to GPs to sort out the discrepancies, however, they would be instructed again. Programme Officer, Sayla stated that discrepancy would be scrutinised, rectified and proper care would be taken in future.

2.1.9.2 Unreliable registration data

The scheme guidelines provide use of MIS for uploading data on NREGA web site. Data regarding registration of households received from GPs are entered by Block level offices and other implementing offices on the website, administered by National Informatics Centre (NIC). Analysis of centralised data maintained by NIC revealed discrepancies as follows -

- As against the total registration of 42,35,573 HHs (February 2006 to July 2012), there were 8,95,164 HHs registrations, which were not in matching pattern²⁴ specified for system generated Registration Number (e.g. GJ-XXX-XXX-XXX/XXXXX) and these registrations were having suffix/extension viz “A,B,C F, K,L X, Z, a, d, or with some special characters *etc.*, which were not allowed under the scheme;
- There were 633 HHs registration numbers, which were without name or with names summarily appearing to be invalid such as names containing numbers or special character or instances of only one or two letter names;
- There were 8,420 HHs registrations without husband or father’s name therein; and
- There were 30,13,167 HHs registrations without photograph of head of HHs and family members.

Thus, the online data was not reliable.

²³ Regarding employment generation, wage payment etc.

²⁴ Registration number is auto generated by the System on the uniform pattern, as - First two digits denotes State, next three digit-District, next three digits-Block, next three digits-GP and last five digits for HH.

2.1.9.3 Job card not of distinct nature

The scheme guidelines provide that a distinct job card number would be issued to every HH willing to work under the scheme. However, the job cards uploaded on the NREGA website were not of distinct in nature in respect of test checked GPs as shown in **Table 4** below:

Table 4 : Job cards uploaded not of distinct nature

District	Taluka	Total number of job cards shown as issued on web site	Number of job cards having alphabetical suffix (Out of Col. No. 3)	Number of Job cards in which name of persons appearing in more than one job card (Out of Col. No. 3)	Number of job cards in which same postal account numbers were linked with more than one job card (Out of Col. No. 3)
1	2	3	4	5	6
Ahmedabad	Barwala	1,866	500	180	45
	Ranpur	2,863	148	59	167
Banaskantha	Dantiwada	4,218	94	306	168
	Deodar	3,063	618	130	73
	Palanpur	4,163	279	267	241
Dahod	Garbada	13,899	1,849	93	312
	Fatepura	11,367	1,954	569	443
Panchmahals	Ghoghamba	7,373	633	717	508
	Morva (H)	3,510	117	215	258
	Santrampur	9,942	732	1,004	964
Patan	Patan	3,286	358	89	165
	Siddhpur	6,119	1,973	8	265
Surendranagar	Limbdi	5,050	497	41	562
	Halvad	2,409	257	24	51
	Sayla	7,587	1,853	379	1,432
Valsad	Dharampur	5,773	191	332	250
	Valsad	5,208	243	208	78
Vadodara	Chhotaudepur	10,528	4,139	1,147	186
	Kwant	8,115	197	739	39
	Vaghodia	1,910	1,306	4	91

(Source : Online data downloaded from MGNREGS web site in respect of the test checked GPs)

Audit observed that job cards bearing alphabetical suffix (like A, B, C) to registration number were not available physically but were created online. Analysis of data downloaded from the NREGA website showed instances of name of same person and same postal account number appearing in more than one job card. Thus, the online data was unreliable which led to inclusion of ghost workers in Muster Rolls (MRs) as discussed in the succeeding paragraphs in the Report.

DRDAs, Surendranagar and Vadodara (May and August 2012) stated that the verification of discrepancy in job cards was on hand.

2.1.9.4 Delay in issuance of Job Card to Households

The scheme guidelines provide that job cards should be issued within 15 days from the date of application for registration. Analysis of centralised data maintained by NIC revealed that in 9,26,542 cases, delay in issue of Job Cards ranged from 16 days to 2,304 days. There was no basic record like application register in any test checked GP to verify the correctness of information.

2.1.10 Demand and providing of employment

2.1.10.1 Non-maintenance of Employment Registers

The scheme guidelines provide that any person having a job card can apply for work to GP in writing or orally, upon which the GP would issue him a dated receipt and arrange for employment within 15 days. Failure to do so would lead to payment of unemployment allowance. The guidelines further provide for maintenance of Employment Register.

Scrutiny of records at test checked GPs revealed that Employment Registers were not maintained in GPs, in absence of which audit could not verify whether employment was provided on demand and within the prescribed time limit.

Programme Officers admitted (May-August 2012) that the register was not maintained and stated that instructions would be issued to maintain the register.

2.1.10.2 Poor percentage of employment generation

The primary objective of the scheme is to provide at least 100 days employment to willing workers. Analysis of data provided by CRD revealed that achievement of providing 100 days employment to HHs ranged from four *per cent* to six *per cent* as shown in **Table 5** as follows:

Table 5 : Details of employment provided to HHs

Year	Number of HHs registered	Number of HHs provided employment	Percentage of HHs provided employment against registration	Number of HHs provided 100 days employment	Percentage of HHs provided 100 days employment ²⁵
2007-08	8,65,503	2,90,651	34	11,416	04
2008-09	28,77,792	8,50,691	30	49,160	06
2009-10	35,69,686	16,05,075	45	1,03,751	06
2010-11	39,55,530	10,96,210	28	67,651	06
2011-12	40,76,332	8,20,577	20	41,442	05

(Source : Information provided by CRD)

Further, audit analysis revealed that HHs getting employment against registration declined from 45 *per cent* (2009-10) to 20 *per cent* (2011-12).

In respect of test checked districts, achievement of providing 100 days employment to HHs ranged from zero *per cent* to eleven *per cent* and HHs getting employment against registration declined from 49 *per cent* (2009-10) to 19 *per cent* (2011-12) as shown in **Appendix – IV**.

²⁵ Percentage of 100 days employment has been calculated over total employment provided.

2.1.10.3 Allocation of work for more than 100 days

The scheme guidelines provide that 100 days employment would be provided to willing workers. Liability for employment of more than 100 days rests with State Government. Analysis of centralised data maintained by NIC revealed that more than 100 days employment was provided to 1.41 lakh HHs²⁶. Analysis of records at Programme Officers revealed that no separate grant was provided by State Government to meet this liability resulting in irregular utilisation of central funds to that extent.

2.1.11 Payment of wages

2.1.11.1 Payment of wages without supporting records

The scheme guidelines provide for payment of wages on the basis of attendance recorded on Muster Roll (MRs). However, scrutiny of Cash Book and Annual Accounts of Fatepura and Dahod, TPs (Dahod district) revealed that wage payment of ₹6.08 crore²⁷ (2009-11) made through post office was not recorded in the Cash Book. Further, no documents like MRs, measurement books and vouchers in support of expenditure booked were available with Programme Officers.

2.1.11.2 Suspected misappropriation of funds on wage payment

The scheme guidelines provide for payment of wages on the basis of attendance recorded on MRs. Scrutiny of MR issue register at DRDA, Dahod revealed that MRs used at Fatepura TP were actually issued to other TPs as shown in **Table 6** as follows:

Table 6 : Details of MRs issued to other TPs but used at Fatepura TP

(₹in crore)

Name of TP	Serial number of MRs issued		Payment made at Fatepura TP
	From	To	
Dhanpur	46,001	56,000	1.21
Dahod	1,01,001	1,02,500	0.40
	1,21,001	1,23,000	0.13
Devgadh Baria	56,001	68,000	0.85
Garbada	1,16,001	1,18,000	0.06
Zalod	78,001	88,000	0.94
Total			3.59

(Source : Extract of MR issue register at DRDA Dahod)

Further, scrutiny revealed that payment (2009-10) to the workers to the tune of ₹3.59 crore was purported to have been made on above MRs. There were no MRs attached with vouchers and only summary sheet mentioning these MR

²⁶ 2008-09: 3,826 (ranged from 101 days to 122 days); 2009-10: 58,216 (ranged from 101 days to 312 days); 2010-11: 53,086 (ranged from 101 days to 782 days); 2011-12: 26,107 (ranged from 101 days to 330 days)

²⁷ (i) Fatepura - ₹3.12 crore (2009-10) and ₹2.67 crore (2010-11); (ii) Dahod - ₹0.29 crore (2009-10)

numbers were attached with it. Thus, misappropriation of ₹3.59 crore could not be ruled out.

Programme Officer stated (May 2012) that action had been initiated against the concerned Programme Officer.

2.1.11.3 Unauthorised withdrawal of cash for wage payments by banks

The scheme guidelines provide that payment of wages should be made directly into the bank/postal accounts of labourers. A pay order was required to be generated in favour of group of workers and addressed to the bank/post office for crediting the amount into labourers account.

Scrutiny of records at Kwant TP (Vadodara district) revealed that account payee cheques amounting to ₹16 lakh were drawn by Programme Officer for wage payment in favour of banks²⁸ and sent to banks along with wage list. Instead of following the prescribed laid down procedure, addressee banks made the payments against cheques by cash. The genuineness of these wage payment was suspect.

2.1.11.4 Discrepancy in wage payment through post offices

State Government entered (June 2008) into a Memorandum of Understanding (MoU) with Department of Posts²⁹ regarding modalities for disbursement of wages under Scheme through post offices. According to this, DRDA would deposit estimated wage payment in lump-sum with the Head Post Office (HPO). Programme Officer and Other Implementing Agencies (OIAs) would send wage list to sub post offices and payment would be arranged through sub post offices.

- Scrutiny of records revealed that DRDA, Vadodara deposited (2009-12) ₹43.09 crore with HPO, Vadodara. As per Annual Accounts (2009-12), expenditure towards wage payment by HPO was ₹43.39 crore, which indicated that excess expenditure of ₹30.00 lakh was incurred by HPO against the amount deposited by DRDA. However, information furnished by HPO to DRDA showed an undistributed balance of ₹21.88 lakh. Thus, there was discrepancy between the figures of wage payment included in the Annual Accounts and information furnished by HPO. Reconciliation of discrepancy was not carried out by DRDA and HPO. In absence of reconciliation, correctness/authenticity of payment could not be ascertained.

Director, DRDA stated (August 2012) that reconciliation would be carried out.

- Scrutiny of records at Kwant TP (Vadodara district) revealed that Programme Officer prepared a wage payment list of ₹0.52 lakh for the workers having their accounts in post office. However, instead of sending the list to post office where workers had their accounts, Programme Officer sent the list to bank along with a cheque. As these workers had

²⁸ Union Bank of India, Central Bank of India, Bank of Baroda and Dena Bank

²⁹ Principal Chief Postmaster General/Chief Post Master General, Gujarat Postal Circle, Ahmedabad

accounts with post office, the wage payment was apparently not credited into the workers accounts as it was sent to the bank, instead. Therefore, the sanctity of making payments directly to the accounts of the workers was not maintained.

Programme Officer agreed (August 2012) to investigate the matter and provide detailed reply thereafter.

2.1.11.5 Payment to ghost workers

On comparison³⁰ of MRs used for different works executed during same period of work in a GP, audit observed that 447 persons worked at two different sites during same period and a payment of ₹2.79 lakh was made as shown in **Table 7** below :

Table 7 : Labours working at different sites during same period of work

Sl. No.	Taluka	District	Number of GPs	Number of ghost workers	Amount paid (in ₹)
1	Barvala	Ahmedabad	3	6	4,219
2	Bavla		1	64	30,671
3	Ranpur		2	68	39,482
4	Sanand		1	5	2,665
5	Dantiwada	Banaskantha	2	26	20,275
6	Dahod	Dahod	1	31	23,064
7	Fatepura		1	1	671
8	Ghoghamba	Panchmahals	4	31	23,708
9	Kadana		2	4	2,653
10	Morva Hadaf		2	3	1,867
11	Sahera		2	13	9,415
12	Santrampur		2	17	4,126
13	Dabhoi	Vadodara	1	11	3,300
14	Kwant		1	34	5,610
15	Nasvadi		5	68	72,470
16	Savli		5	17	5,078
17	Waghodiya		6	48	30,186
	Total			447	2,79,460

(Source : Copies of MRs and vouchers)

Thus, same persons working at two different works during same date/period indicate that such workers included in the MRs were ghost workers and resulted in double payment to 447 persons.

The Programme Officers (except Ahmedabad) stated that matter would be investigated and intimated to audit. Programme Officer, Ahmedabad replied that these workers were actually engaged for work and payments made. The reply was not acceptable as in Physical MRs, the workers were shown to have worked at two different places on same day which was not possible.

³⁰ Audit found musters with same persons bearing same registration numbers working at two different works on same dates/period.

2.1.11.6 Discrepancies in wage payments

Scrutiny of MRs of Morva-Hadaf TP revealed the following discrepancies in payment of wages:

- list of payment of wages to labourers worked on 18 MRs was sent to bank for payment without Programme Officer's signature, but the bank paid the amounts;
- cheque was issued for an amount of ₹1.61 lakh whereas the amount of wages as per MRs attached with the vouchers was only ₹1.57 lakh;
- eleven workers, whose names were enrolled in the MRs were not included in the payment sheet sent to the bank and were thus deprived of ₹0.22 lakh due to them; and
- payment of ₹0.19 lakh due to nine persons was actually made to some other persons.

2.1.11.7 Non-payment of wages

The scheme guidelines provide that workers are entitled to being paid wages on a weekly basis, and in any case within a fortnight of the date on which work was done. MR completed in all respects should be submitted to the Programme Officer for payment after completion of a week's work.

Scrutiny of records of three³¹ TPs revealed that wage payments to the tune of ₹7.36 lakh were pending from 2008-09 due to -

- non-clearance of cheques at Dhanpur TP (Dahod district);
- cancellation of cheques and non-revalidation of the same at Ghoghamba TP (Panchmahals district); and
- demand draft drawn but not sent to post office for crediting into labourers account at Barwala TP (Ahmedabad district).

Programme Officers stated (August 2012) that status would be checked and suitable action taken. Reply was not tenable as non-payment of wages for such a long period deprived labourers of their right under the scheme.

2.1.11.8 Non-crediting of wages due to incorrect information of workers account

The scheme guidelines provide that a pay order should be generated in favour of group of workers in the MR addressed to the Branch Manager for crediting the wages in the account of the workers.

Scrutiny of bank statement (2010-12) of TPs, Chhotaudepur, Kwant and Range Forest Officer (RFO), Chhotaudepur (Vadodara district), revealed that in 124 cases an amount of ₹1.22 lakh was credited back into Programme Officers' accounts by payee banks due to mismatch between name and account numbers of workers.

³¹ Barwala (Ahmedabad) - ₹0.21 lakh, Ghoghamba (Panchmahals)-₹6.93 lakh, RFO Dhanpur (Dahod)-₹0.22 lakh

Similarly, at Santrampur TP (Panchmahals district), 190 workers were deprived of wage payment to the tune of ₹3.00 lakh due to mismatch between account number in the list sent to bank/post office and their actual account numbers.

2.1.11.9 Deployment of excess labourers

The scheme guidelines provide that for the purpose of measurement of work and preparation of schedule of rates, the State Government may undertake comprehensive work, time and motion studies³². Accordingly, State Government fixed (July 2008) a quantity of 1.79 cubic meters per person per day for each work for payment of minimum wages.

Scrutiny of records of selected TPs revealed that in four TPs, labourers engaged for the works were in excess of requirement, against the productivity norms fixed. This resulted in generation of excess person days ranging between 39 per cent to 164 per cent as shown in **Table 8** below :

Table 8 : Excess person days generated than required

District	Taluka	Person days ³³		Excess person days generated	Percentage of excess person days generated
		Required ³⁴	Generated		
Ahmedabad	Barwala	11,025	20,041	9,016	82
	Ranpur	78,361	2,06,493	1,28,132	164
Surendranagar	Limbdi	1,36,235	1,89,619	53,384	39
	Halvad	5,342	13,564	8,222	154

(Source : Measurement books at TPs)

Thus, productivity norms fixed as per time and motion studies were not followed resulting in generation of excess person days. The State Government may like to undertake a realistic work, time and motion study to prescribe the norms.

2.1.11.10 Variation in average wages

The wages notified by GOI during 2007-08 was ₹60 per day, which was revised to ₹100 (July 2008) and ₹124 (January 2011). The average wage paid to labourers during 2008-09 to 2011-12 in the test checked districts are shown in **Table 9** as follows:

Table 9 : Average wage rate in test checked districts

(Amount in ₹)

District	2008-09	2009-10	2010-11	2011-12
Ahmedabad	99	70	83	101
Banaskantha	66	87	110	117
Dahod	67	135	86	107
Panchmahals	59	73	90	113
Patan	54	72	85	124
Surendranagar	31	86	96	104
Vadodara	67	94	96	107
Valsad	85	98	99	106

(Source : MPRs of selected districts)

³² To observe productivity norms, out-turn and fix rates.

³³ Number of persons and days required for a work.

³⁴ Total work done (cubic meter) / 1.79.

The table shows that there was wide variation in average rate of wages among districts which indicates that payment of wages to the labourers as per notified wage rate was not ensured.

2.1.11.11 Excess utilisation of GOI funds on wage payment

The GOI decided (December 2009) that liability of Central Government for payment of wages would be for notified wage rate (₹100/day) and any payment in excess thereof, would be borne by State Government.

Scrutiny of records of DRDA, Dahod revealed that 51,67,000 person days were generated during the year 2009-10 and the average rate of wage paid was ₹135 per person per day which was more than the rate notified by GOI by ₹35 per person per day. This resulted in excess payment of wages to the tune of ₹18.08 crore (₹135 - ₹100 x 51,67,000). The excess payment was debited against Central assistance, though it was required to be borne by the State Government, thereby leading to excess utilisation of GOI grants.

2.1.11.12 Delay in payment of wages

The scheme guidelines provide that workers are entitled to payment of wages on a weekly basis, and in any case within a fortnight of the date on which work was done. Scrutiny of records of test checked TPs revealed that the payment of wages were delayed by Programme Officers as shown in **Table 10** below:

Table 10 : Delay in making payment of wages

District	Taluka	Delays ranging (in days)	
		From	To
Ahmedabad	Barwala	2	432
	Ranpur	3	685
	Sanand	4	382
Banaskantha	Palanpur	37	79
Dahod	Garbada	15	609
Surendranagar	Halwad	25	61
	Limbdi	1	423
	Sayla	2	513
Vadodara	Chhotaudepur	4	116
	Kwant	4	272
	Waghodia	1	397
Valsad	Dharampur	51	118
	Valsad	2	55

(Source : Vouchers of respective Programme Officers)

When pointed out, Programme Officers attributed (May 2012) shortage of staff for late payments. However, the fact remains that the workers were deprived of timely payment of their wages.

2.1.11.13 Inclusion of unregistered persons as labourers

The scheme guidelines provide for registration of employment seekers with GPs before demand for work. Scrutiny of records of GP, Umathi of Kwant Taluka (Vadodara district) revealed that 76 workers who were not registered with GPs were employed during February 2009 and payment of ₹0.12 lakh was made to them. This amounted to inclusion of unregistered workers in the MRs.

2.1.11.14 Payment into same account number for more than one Job Card

The scheme guidelines provide for payment of wages into individual accounts of labourers. Scrutiny of MRs of Kwant TP (Vadodara district) revealed that wages amounting to ₹0.33 lakh for seven MRs were credited into same account number for different job cards as shown in **Appendix - V**. As each account number bears a distinct identity like name of holder, credit into same account for two different HHs was not possible. Thus, the genuineness of the payment could not be ensured.

Programme Officer agreed (August 2012) to investigate the matter.

2.1.12 Discrepancies in respect of Muster Rolls

2.1.12.1 Improper maintenance of Muster Rolls

The scheme guidelines provide that MR Register should be maintained at TP and GP level. MRs issued/received by TP/GP must be recorded in the MR registers. Further, MR should have a unique number and should contain name of the person on work, job card number, days worked and wages paid. Signature or thumb impression of the payee should be recorded on the muster.

Field Audit Visits of test checked GPs revealed that GPs had not kept MR Receipt Register. Scrutiny of MRs revealed that signature or thumb impressions of workers were not recorded in MRs. Thus, prescribed provisions of guideline for maintenance of MR were not followed which led to various irregularities like inclusion of ghost workers and non-payment of wages.

Programme Officers agreed (May-August 2012) to maintain the register.

2.1.12.2 Non-receipt of MRs for payment of wages

Before starting a work, a MR is generated by entering details regarding sanction of work, name of work, period of work, name and registration number of labourers on scheme web site and the same is issued to implementing agency by Programme Officer. The MR is submitted to Programme Officer for payment on weekly basis and payment is made after entering details of work done in scheme website.

Scrutiny of MR issue register at Kwant TP (Vadodara district) revealed that 129 MRs³⁵ issued (2011-12) by Programme Officer to implementing agencies (line departments) were not received back for payment even after lapse of six to eight months. Thus the workers were deprived of payment of wages.

³⁵ Online entries of work done are made in e-musters

Programme Officer stated (August 2012) that instruction had been issued to the line departments for early submission of e-musters.

2.1.12.3 Payments on photo copies of Muster Rolls

The scheme guidelines provide that original MR would form part of the expenditure record of the executing agency and any MR that was not issued by Programme Officer shall be considered unauthorised. Scrutiny of vouchers at Valsad TP revealed that Programme Officer accorded sanction for payment of ₹1.99 lakh on photocopies of seven MRs³⁶ for 408 workers.

Programme Officer stated (May 2012) that due to mobilisation of more labourers and non-availability of MRs, photocopies of MRs were used. The reply is not acceptable as the Programme Officer has violated the provisions of guideline and there could be possibility of double payment on submission of original MRs.

2.1.12.4 Non-payment of wages due to missing Muster Rolls

Scrutiny of Measurement Books (MB) of Ambli and Abhlod villages of Garbada Taluka (Dahod District) revealed that payments of ₹0.62 lakh for the work done by the following MR workers were not made as they were missing. The details of non-payment of wages in respect of missing MRs are shown in **Table 11** below:

Table 11 : Details of non-payment of wages due to missing MRs

Name of GP	MB Number	Muster number	Period of work	Name of work	Payment due (in ₹)
Ambli	1192	0176908, 0165197	2.2.10 to 6.2.10	Group well (survey 67)	9,673
	1192	0176209, 0176210	25.1.10 to 30.1.10	Protection wall (survey 182)	11,846
	1192	0176207, 0176208	25.1.10 to 30.1.10	Group well (survey 67)	10,555
	1192	0176201, 0176202	25.1.10 to 30.1.10	Group well (survey 13/3)	10,941
Abhlod	2850	0249916	10.1.11 to 15.1.11	Group well (survey 139/4)	9,672
	2850	0249222	27.1.10 to 01.1.11	Group well (survey 139/4)	9,672
			Total		62,359

(Source : Measurement books)

Programme Officer admitted (May 2012) that the payment was not made as these MRs were not traceable. Thus, the labourers were deprived of their wages for the work done.

2.1.12.5 Muster roll issued after completion of work

Scrutiny of MR Issue Register and completed MRs of Waghodia TP (Vadodara district) revealed that Programme Officer issued five MRs³⁷ in September 2009 for construction of boribandh to GP Valva whereas the recordings of work in the MRs were made in respect of work done in August 2009. This might have resulted in creation of ghost assets.

³⁶ Muster Roll with Serial Numbers - 36142, 36143, 36144, 36145, 2416, 2417 and 2418

³⁷ 47678, 47679, 47680, 47681 and 47682

Programme Officer stated (August 2012) that this was due to mistake in issue of MRs. The reply is not tenable as the MRs are required to be issued before commencement of the work and not after completion of work.

2.1.12.6 Deficiency in muster generation system on scheme web site

Under the MGNREGS, GOI is committed to provide 100 days employment. If State Government wishes to provide employment beyond 100 days, payment is to be borne by State Government. For the States who have conveyed their willingness to GOI to bear the cost of payment for employment for more than 100 days, a facility has been created in NREGA website to accept the generation of muster for the households who have completed 100 days. In case of Gujarat, State Government has not conveyed its willingness to GOI for providing employment beyond 100 days.

Scrutiny of records at Range Forest Officer, Limkheda and Garbada (Dahod district) revealed that payment to 59 workers amounting to ₹0.44 lakh could not be made as their names were declined by the system at the time of entering work completion details on web site. The reason shown was completion of 100 days of employment for those households though their names were accepted at the time of generation of muster. This system deficiency led to deprivation of wages to workers.

2.1.13 Execution of works

2.1.13.1 Construction of earthen and concrete roads

MGNREGS Works Field Manual prohibits construction of earthen roads and cement concrete (CC) roads under the scheme.

Scrutiny of records, however, revealed that -

- construction of 183 earthen works in Ahmedabad and 187 earthen roads in Surendranagar at an expenditure of ₹2.44 crore and ₹3.93 crore respectively were executed (2008-12); and
- seven CC road works were constructed (2010-12) at an expenditure of ₹31.00 lakh in Banakantha district.

Programme Officers stated (May 2012) that works were undertaken on the recommendation from GPs. The reply is not justifiable as the guidelines prohibit execution of these types of works.

2.1.13.2 Execution of work without Labour component

Primary objective of the scheme is to generate employment of rural households. Scrutiny of records at DRDA, Ahmedabad revealed that DRDA sanctioned (February 2011), 24 underground drainage works for Ranpur TP at an estimated cost of ₹1.10 crore. Scrutiny revealed that these works were completed at a

cost of ₹0.90 crore and the entire expenditure was on material component. The very purpose of generation of labour employment under the scheme was thus defeated.

Programme Officer stated (May 2012) that works were executed by GPs and public contribution was utilised for labour component. The reply is not tenable, as the scheme was primarily for employment generation and material expenditure was incidental.

2.1.14 Unfruitful expenditure

2.1.14.1 Construction of boribandh

The Scheme guidelines provide for creation of useful and durable assets. The works under the scheme are required to be approved by the Gram Sabha and to be included in Labour Budget by TP.

The State Government instructed (August 2009) DRDAs to undertake construction of 1000 boribandhs³⁸ in each Taluka of the district. In all, 2,64,652 boribandhs were constructed (2009-10) at an expenditure of ₹101.25 crore. Scrutiny of technical estimates of boribandh revealed that the structure proposed was of mud/sand and could not be of a durable nature.

DRDAs stated (May 2012) that works were taken up either on the recommendation of GP or as per directions of the Government. The reply was not acceptable as the works taken were not in conformity with the scheme guidelines and no durable assets were created.

2.1.14.2 Construction of open drainage

The work of construction of open drainage by excavating soil from the existing earthen drainage at GP, Ranpur, Taluka Ranpur (Ahmedabad district) was carried out (February 2009) and expenditure of ₹0.45 lakh was incurred towards wage payment.



³⁸ Small structure constructed across non-perennial rivulets by stacking gunny-bags filled with mud/sand for the purpose of storage of water during monsoon and its percolation underground, so as to bring up the water-level; this is mostly constructed in areas having inadequate rainfall

Field audit visit of the site revealed that the open drainage constructed was choked and flooded with sewage water. Programme Officer stated (April 2012) that during initial period there was normal flow of water but subsequently due to non-maintenance by the GP, the congestion occurred. However, the fact remains that the work did not serve its intended purpose resulting in unfruitful expenditure.

2.1.14.3 Execution of canal work

At GP, Nani Kathechi of Limbdi Taluka (Surendranagar district), the work of canal excavation was done (2010-11) at a cost of ₹2.06 lakh. Field audit visit of the site, however, revealed that canal had been flattened subsequent to excavation due to mud/sand having filled it up; as shown in the picture below:



It can thus, be seen that the intended purpose was not served and incurring of an expenditure of ₹2.06 lakh on canal excavation works proved unfruitful.

Programme Officer admitted (May 2012) that it was due to non-maintenance of work subsequently by GP.

2.1.15 Incomplete works

2.1.15.1 Incomplete group-wells

DRDA sanctioned (2008-11), 392 and 498 works of group-wells for Garbada TP (Dahod district) and Ghoghamba TP (Panchmahals district) at the cost of ₹4.91 crore and ₹7.02 crore respectively for the purpose of micro irrigation with a condition to complete the works within the year of sanction.

- (a) Scrutiny of records at Garbada TP (Dahod district) revealed that only 55 works were completed while 337 works remained incomplete (May 2012) as shown in **Table 12** below:

Table 12 : Incomplete group-wells

(₹in crore)

Year	Group-wells				
	Sanctioned	Amount	Completed	Expenditure	Incomplete
2008-09	31	0.39	4	0.05	27
2009-10	156	1.95	33	0.41	123
2010-11	182	2.28	11	0.14	171
2011-12	23	0.29	7	0.09	16
Total	392	4.91	55	0.69	337

(Source : Information provided by Programme Officer)

- (b) Scrutiny of records at Ghoghamba TP (Panchmahals district) revealed that only 89 works were completed at a cost of ₹1.14 crore while 409 works remained incomplete (August 2012). For 89 works which were stated to be completed, there were no recordings in measurement books of their completion.

Programme Officer, Garbada stated (May 2012) that the works remained incomplete due to lack of interest of the beneficiaries³⁹ and Programme Officer, Ghoghamba stated (July 2012) that progress of work would be furnished to audit. However, the fact remains that non-completion of works for such a long period defeated the very purpose of creation of micro irrigation facilities.

2.1.15.2 Incomplete road works

DRDA, Surendranagar sanctioned (2008-12), 102 road works to be executed by Road and Building (R&B) Sub Division, Limbdi at an estimated cost of ₹6.26 crore. The details of work executed by R&B sub division are shown in the **Table 13** below:

Table 13 : Status of road works executed

Year	Number of works	Estimated Cost	Number of works started	Expenditure incurred (₹in crore)		Status
				Labour component	Material component	
2008-09	11	1.35	5	0.25	0.00	Incomplete
2009-10	33	2.23	20	0.19	0.72	Incomplete
2010-11	2	0.52	2	0.02	0.19	Incomplete
2011-12	56	2.16	52	0.01	0.69	Incomplete
	102	6.26	79	0.47	1.60	

(Source : Information compiled from records of R&B Sub Division, Limbdi)

Scrutiny of R&B records revealed that the estimates sanctioned did not contain any details of wage-material ratio, number of person days to be generated and

³⁹ Beneficiaries are those farmers, in whose fields, the group-wells were to be constructed

time frame for completion of work which resulted in non-maintenance of 60:40 wage and material component ratio and non-completion of works. Further, in 43 works, expenditure of ₹0.55 lakh incurred was towards material component only. This defeated the objectives of the scheme to provide employment and creation of durable assets for the community.

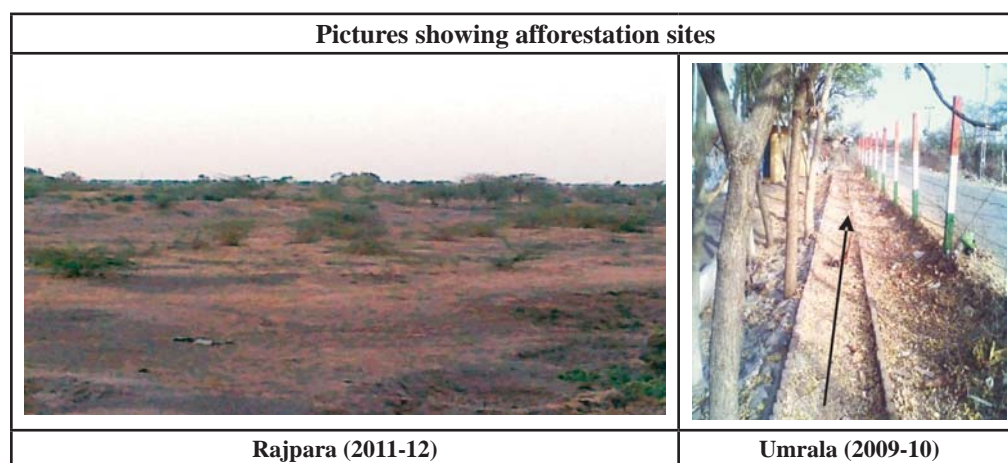
2.1.16 Non-maintenance of Assets

The Act provides for maintenance of an asset register to record all the assets created under the scheme and for their proper upkeep. During the period covered under audit, State Government has completed 3,98,290 works under the scheme. Scrutiny of records at CRD, test checked Programme Officers and GPs revealed that the asset registers were not maintained in the GPs. Further, there was no provision for maintenance of assets at any level which led to deterioration/non-survival of assets as discussed in the succeeding paragraphs.

2.1.16.1 Non-survival of plantation

The Scheme guidelines provide for creation of durable assets for community benefit and subsequently its maintenance by GPs.

Ranpur TP (Ahmedabad district) had executed afforestation works⁴⁰ at an expenditure of ₹3.38 lakh. Field audit visit of the site revealed that not a single plantation survived at any place.



Programme Officer stated (March 2012) that the GPs were responsible for maintenance of assets; non-maintenance of plantations by GPs resulted in non-survival of plantations.

2.1.17 Procurement of material

2.1.17.1 Irregular payment in material procurement

The scheme rules notified by State Government lays down that in case of material procurement, payment should be made by the Programme Officers

⁴⁰ Villages : Charanki , Gunda, Rajpra , Sangalpur and Umrala

directly to the supplier through account payee cheques after ascertaining that due administrative and accounting procedures relating to procurement of material have been followed by the implementing agency.

Scrutiny of records of Morva Hadaf TP (Panchmahals district) and Waghodia TP (Vadodara district) revealed that amount of ₹3.76 crore⁴¹ (2009-10 and 2010-11) and ₹0.02 crore (2010-11) respectively were released to GPs for making payment to suppliers for procurement of material instead of making payment directly to the suppliers by Programme Officers.

Further, scrutiny of records of test checked GPs under Morva Hadaf TP revealed that payments were made by GPs to material suppliers on bearer cheques in contravention to scheme rules.

2.1.17.2 Procurement of material from unregistered/impersonated suppliers

As per Central Stores Purchase Manual, procurement should be made from a registered supplier. Gujarat Value Added Tax (VAT) Act, 2003 provide that any dealer having a yearly turnover of ₹5 lakh and above should have a registration number.

Scrutiny of records of Morva Hadaf TP (Panchmahals district) revealed that material to the tune of ₹0.90 crore was procured (2007-12) from an unregistered dealer⁴². Further, the dealer presented an invoice bearing false VAT registration number.

2.1.17.3 Embezzlement on duplicate bills

Programme Officer, Waghodiya (Vadodara district) made payment (March 2012) of ₹0.61 lakh towards purchase of polythene bags for nursery work by RFO, Waghodiya (Social Forestry). Scrutiny revealed that the five invoices⁴³ on which payment was made were tampered⁴⁴ by taking photocopy of the original invoices and inserting A/B/C to the invoice number. This resulted in embezzlement of ₹0.39 lakh in three invoices.

2.1.17.4 Irregular use of machinery in NREGA works

The scheme guidelines prohibit engagement of contractor and use of machinery in execution of works. Scrutiny of the records of RFO, Dolariya (Vadodara) revealed that Tractors/JCB machines were used (September 2010) in land levelling work and payment of ₹1.11 lakh was made. As the scheme aimed to provide 100 days employment to unskilled/semi-skilled workers, work executed by using machinery was in violation of scheme guidelines.

RFO stated (August 2012) that due to rocky terrain, machines were used. The reply is not acceptable as scheme guidelines prohibit use of machines and thus the very purpose of employment generation was defeated.

⁴¹ ₹3.51 crore to 49 GPs (2009-10) and ₹0.25 crore to 15 GPs (2010-11)

⁴² Hari Om traders-GP Rajayata

⁴³ Invoice Numbers – 358/A, 358/B, 358/C, 357/A and 357/B

⁴⁴ By manually changing invoice number

2.1.18 Supply of tools to the beneficiaries

CRD purchased (July 2010 and December 2011) 1,03,800 and 79,075 set of tools⁴⁵ at a cost of ₹3.50 crore and ₹3.04 crore respectively for supply to HHs, who had completed 100 days employment (2010-12).

Scrutiny of records at test checked districts revealed that as there were no entries on job cards for work done, identification of workers who had completed 100 days' employment was not verifiable. Therefore, genuineness of distribution of tools was doubtful. Further, scrutiny revealed that-

- Sanand TP (Ahmedabad district) had been provided 257 sets of tools; but since there was no identification of beneficiaries, no tools were distributed;
- at Ranpur TP (Ahmedabad district), out of 461 sets received 298 sets were distributed. Physical verification by audit revealed that against book balance of 163 sets, only 29 sets were physically available;
- at Lunavada TP (Panchmahals district), 186 out of 377 sets (2009-11) were lying undistributed; and
- at Kwant TP (Vadodara district), out of 1,429 sets provided (2010-12), proof of distribution in respect of only 319 sets was available.

Programme Officer, Sanand stated (April 2012) that as the data of work done was not available in job card, the tools were not distributed; Programme Officer, Ranpur stated (May 2012) that difference would be reconciled; and Programme Officer, Kwant stated (August 2012) that acknowledgement from beneficiaries would be obtained.

2.1.19 Monitoring, Evaluation, Social Audit and Grievance redressal

2.1.19.1 Ineffective working of Ombudsmen

GOI instructed (September 2009) the State Governments to appoint ombudsmen in each district within three months. It was aimed to create an independent authority to expeditiously redress the grievances with regard to the implementation of the Scheme.

State Government appointed Ombudsmen (December 2010) for 19 districts. Out of eight test checked districts, Ombudsmen were appointed only in four districts⁴⁶. Further, ombudsmen appointed were ineffective as records of complaints received and their disposal were not available at the DRDAs. Thus, the objective of creating an independent authority for effective redressal of grievances could not be achieved.

DRDA, Valsad admitted (May 2012) that the Ombudsmen were inactive.

⁴⁵ pick axes, powarhs and galvanised chamelas

⁴⁶ Ahmedabad, Surendranagar, Vadodara and Valsad

2.1.19.2 Social Audit

The Act mandates for social audit by Gram Sabha twice a year for the works carried out under the scheme and to forward reports thereof to Programme Officer. **Table 14** shows the status of social audits conducted in test checked districts -

Table 14 : Status of Social audits conducted

District	2008-09		2009-10		2010-11		2011-12	
	Total number of GPs	Social audits conducted	Total number of GPs	Social audits conducted	Total number of GPs	Social audits conducted	Total number of GPs	Social audits conducted
Ahmedabad	516	149	516	516	516	516	516	516
Banaskantha	783	783	783	783	783	783	783	783
Dahod	459	459	473	473	479	479	479	479
Panchmahals	668	621	668	624	668	668	668	668
Patan	464	314	459	465	465	465	465	465
Surendranagar	615	615	615	615	615	615	615	615
Vadodara	891	452	863	863	863	663	867	616
Valsad	345	100	345	348	374	374	374	374

(Source : Monthly Progress Reports)

Scrutiny of records at test checked TPs and GPs revealed that reports of social audit were not available at any level. In absence of records, veracity of information regarding social audits conducted as reported in MPRs could not be ascertained.

Programme Officers admitted (April-August 2012) that records or minutes of the meetings were not maintained as they were not having sufficient manpower.

2.1.19.3 Vigilance and Monitoring

The scheme guidelines provide for formation of Vigilance and Monitoring Committees (VMC). Guidelines prescribe that for every work sanctioned under the scheme, there should be a local VMC composed of members of the locality or village where the work was undertaken, to monitor the progress and quality of work while it was in progress. The final report of the committee should be attached with the completion certificate of the work and forward the report to the Programme Officer and DPC.

Scrutiny of records at test checked GPs and TPs revealed that though VMCs were formed in GPs, VMC reports in respect of inspections carried out by VMCs were not available at any level. In absence of any basic record, working of VMCs could not be verified.

Programme Officers admitted (May-August 2012) that the reports were not received from VMCs.

2.1.19.4 Grievance redressal

Operational guidelines provide for setting up of a Technical Resource Support Systems at the State and District levels to assist in the planning, designing, monitoring, evaluation and quality audit of various initiatives. For this purpose, Resource Institutions are to be identified by the State Government.

The CRD engaged (July 2010) an agency⁴⁷ at a cost of ₹82.72 lakh to develop a policy design and operating framework for the implementation of social audit and grievance redressal during the period from July 2010 to July 2011. The agency completed the work in July 2011 and payment of ₹56.17 lakh was made.

As per the report of the agency, 2,603 complaints were reported⁴⁸ under 10 categories⁴⁹. Scrutiny of report of agency and information provided by CRD revealed that out of 261 complaints received regarding involvement of ghost workers, only 44 complaints were stated as addressed; remaining complaints were either have been withdrawn or no information was available with CRD. Similarly, out of 43 complaints regarding use of machinery, only 11 cases were stated as addressed; for rest there was no information. This shows that though grievance redressal mechanism was put in place, it was not working effectively.

2.1.19.5 Complaints and Redressal

The scheme guidelines provide for receipt of complaints and their disposal in a time bound manner. A complaint register was to be maintained at every level and complaints were to be disposed off within 15 days. **Table 15** shows the status of receipt and disposal of complaints –

Table 15 : Status of receipt and disposal of complaints

Year	Complaints registered	Addressed	Balance
2007-08	19	14	5
2008-09	115	91	24
2009-10	195	149	46
2010-11	1,272	1,069	203
2011-12	1,404	1,169	235
Total	3,005	2,492	513

(Source: Information provided by CRD)

Scrutiny of records of test checked TPs and GPs revealed that Complaint Registers were not maintained. As there were no records at GPs and TPs, veracity of complaints received and their disposal could not be verified.

⁴⁷ UNNATI

⁴⁸ Through District Level Monitors (DLMs), telephone helpline and social audit campaign

⁴⁹ 1. Demand for work, 2. Job card separation, 3. Timely non availability of work, 4. Delayed payment, 5. Low wage payment, 6. Job cards and pass book not with the workers, 7. Post and Bank related, 8. Ghost workers, 9. Use of machines and 10. VMC/work place facility and other issues.

2.1.19.6 Monitoring

The scheme guidelines provide for internal verification⁵⁰ of works at field level by the official functionaries, for which targets of 100 *per cent* of works (taluka level), 10 *per cent* of works (district level) and two *per cent* (State level) in a quarter, were prescribed.

Analysis of Monthly Progress Reports⁵¹ for inspection and monitoring revealed that no information was available for inspection carried out at State level. At district level, overall shortfall was 20 *per cent* (2009-10). In test checked districts (Banaskantha and Vadodara), the shortfall was 100 *per cent* (2008-09) and at Taluka level shortfall ranged between three *per cent* (2009-10) and 15 *per cent* (2010-11) in verification of works.

Scrutiny of records at test checked TPs and GPs revealed that no inspection reports were available. In absence of availability of any basic record, authenticity of information in MPRs could not be ascertained. This indicates that monitoring mechanism was not effective.

2.1.19.7 Technical Audit

The scheme guidelines provide for quality audit of works. The CRD entered into an agreement (May 2010) with WAPCOS Limited⁵² for technical audit of works executed in 15,000 villages at a cost of ₹0.98 crore. Payment of ₹0.58 crore was made after submission of report.

Scrutiny of records at CRD revealed that the WAPCOS Limited had conducted (June 2011) technical audit of 8,963 works in 10,390 villages across the State. As per technical audit report, 8,630 works (96 *per cent*) failed on every parameter⁵³ of technical audit. This clearly showed that the technical approval for the works were weak.

CRD stated (June 2012) that capacity building of the technical persons appointed at all levels would be enhanced by providing training, arranging seminars, *etc.* to improve quality of work.

2.1.20 Shortage of Manpower

State Government sanctioned (August 2008 and September 2010) posts of Gram Rozgar Sewaks (GRS), Technical Assistants (TAs), Assistant Programmer (AP) and other supportive staff for implementation of the scheme.

Analysis of MPRs showed that there was an overall shortage (61 *per cent*) of GRS at State level and in the test checked districts it ranged between 28 *per cent* (Dahod) and 71 *per cent* (Ahmedabad). Similarly, there was an overall shortage (54 *per cent*) of TAs at State level and in the test checked districts it

⁵⁰ Physical verification of the works by the taluka, district and State level authorities

⁵¹ It contains information on physical and financial progress and also contains details of inspection, social audits *etc.*

⁵² A GOI undertaking

⁵³ Viability, adherence to technical estimates, quality of material, supervision of work and overall satisfaction of work

ranged between 16 *per cent* (Dahod) and 70 *per cent* (Ahmedabad) (**Appendix-VI**). This has resulted in delay in recording of MBs, payment of wages and monitoring and implementation of the scheme as narrated in the foregoing paragraphs of this report.

2.1.21 Conclusion

Deficiencies were noticed in planning and implementation of Scheme. Utilisation of funds was not optimal. Deficiencies in financial management like incorrect financial reporting, unspent balances lying with GPs, booking of advance payment as final expenditure, *etc.* were noticed. There were discrepancies in registration of HHs and issue of job cards. Employment of 100 days to registered HHs was not ensured. Several instances of suspected payments and ghost workers were noticed. Prohibited works were taken up and payments made. Vigilance, monitoring and evaluation mechanisms were not effective.

2.1.22 Recommendations

- Finance management needs to be strengthened and funds made available be utilised optimally;
- Planning process for employment generation may be ensured as per guidelines;
- Issuance of Job Cards for the job-seekers may be streamlined and providing of employment of 100 days ensured;
- All financial irregularities in payment of wages may be plugged;
- Works may be taken up of durable nature and maintenance of assets should be ensured; and
- Monitoring by officials, technical audit, social audit, vigilance monitoring committee and ombudsmen need to be strengthened to help reap the benefit of the scheme.

The matter was reported to Government (September 2012); reply was not received (March 2013).

B - THEMATIC AUDIT

2.2 Management of Finance in Bhavnagar and Surendranagar District Panchayats

2.2.1 Introduction

The 73rd Constitutional amendment gave Constitutional status to Panchayati Raj Institutions (PRIs) and established a system of uniform structure, regular elections, regular flow of funds through Finance Commissions, *etc.* As a follow up, the States are required to entrust the PRIs with such powers, functions and responsibilities so as to enable them to function as institutions of self-government. A three-tier system of Panchayat was envisaged in the Gujarat Panchayat (GP) Act, 1961. The Act was amended in April 1993 to incorporate the provisions of the 73rd Constitutional Amendment Act, 1992.

Panchayats, Rural Housing and Rural Development Department (PRHRDD) is the administrative department for Panchayats. District Panchayat (DP) is the apex body of the three-tier system of PRIs. The DPs coordinate functions of Taluka Panchayats (TPs) and Gram Panchayats (GPs). District Development Officer (DDO) is the Chief Executive Officer of the DPs; TPs are headed by Taluka Development Officers (TDOs) and GPs by Talatis-cum-Mantri (TCMs).

The sources of revenues of PRIs are (i) specific purpose grant received from State/Central Government, (ii) revenue sharing and (iii) own revenue. Besides, funds are received also from District Rural Development Agency for implementation of the schemes/programmes assigned to them by State/Central Government.

In order to assess efficacy of management of finance by the DPs, records of Bhavnagar and Surendranagar DPs, along with selected TPs⁵⁴ were test checked (June-July 2012).

Audit findings are given in the succeeding paragraphs:

2.2.2 Receipts and expenditure

The main source of funds for DPs and TPs were grants from State/Central Government, own revenues consisting of sharing in respect of land revenue, stamp duty, forest revenue, professional tax, royalty on minerals, taxes, cesses, fees, fines *etc.* All the revenues received are deposited in the Personal Ledger Account (PLA) of respective DPs and TPs maintained in the Government Treasury. The details of receipts and expenditure of selected DPs are as shown in **Table 1** as follows:

⁵⁴ Bhavnagar, Shihor and Vallabhipur of Bhavnagar DP; and Chotila, Dhrangadhra and Patdi of Surendranagar DP.

Table 1 : Receipts and expenditure of selected DPs

(₹in crore)

Year	Receipt					Expenditure				
	Opening Balance	Own Revenue	Grants received	Loans and Advances	Total	Own Revenue	Out of grants	Loans and Advances	Total	Closing Balance
Bhavnagar DP										
2007-08	82.32	6.49	207.06	27.65	323.52	3.35	200.94	28.08	232.37	91.15
2008-09	91.15	5.88	242.94	31.51	371.48	3.81	226.07	28.39	258.27	113.21
2009-10	113.21	4.16	281.83	38.65	437.85	3.76	288.30	36.68	328.74	109.11
2010-11	109.11	9.80	401.41	43.27	563.59	5.01	372.17	37.74	414.92	148.67
2011-12	148.67	5.83	473.98	40.67	669.15	4.38	420.70	38.57	463.65	205.50
Sub Total		32.16	1,607.22	181.75		20.31	1,508.18	169.46	1,697.95	
Surendranagar DP										
2007-08	55.15	2.64	71.46	2.38	131.63	0.51	68.48	3.42	72.41	59.22
2008-09	59.22	5.08	83.88	13.41	161.59	0.52	73.75	12.08	86.35	75.24
2009-10	75.24	3.72	60.15	8.12	147.23	0.74	73.15	6.41	80.30	66.93
2010-11	66.93	6.05	94.07	4.39	171.44	0.75	79.08	4.45	84.28	87.16
2011-12	87.16	1.14	172.80	8.72	269.82	1.23	102.37	5.75	109.35	160.47
Sub Total		18.63	482.36	37.02		3.75	396.83	32.11	432.69	

(Source: Annual Accounts of selected DPs)

Audit analysis revealed that -

- In Bhavnagar DP, the unspent balances increased from ₹91.15 crore (March 2008) to ₹205.50 crore (March 2012) while in Surendranagar DP, it increased from ₹59.22 crore (March 2008) to ₹160.47 crore (March 2012) due to non-achievement of targets against the grants released by State Government.
- Receipt of own revenue of Bhavnagar DP declined from ₹9.80 crore (2010-11) to ₹5.83 crore (2011-12) and in Surendranagar DP from ₹6.05 crore (2010-11) to ₹1.14 crore (2011-12) due to poor recovery of taxes.

DP, Bhavnagar stated (May 2013) that as the works/projects under schemes have to be implemented after due process, the grants of on-going works/projects was lying unspent which would be utilised in the subsequent financial year based on the progress of the work. DP Surendranagar admitted (May 2013) that the unspent balance increased due to non-achievement of targets fixed by State Government against the grants released.

2.2.3 Budgeting

The Gujarat Taluka and District Panchayats Financial Accounts and Budget Rules, 1963 (GTDPFAB Rules) provide that every District Panchayat should prepare a Budget Estimate (BE) of its income and expenditure for the ensuing year and get it approved by General Body on or before March 31. The budget should be realistic and accurate in order to avoid wide variations between budgeted and actual figures at the end of the year.

Audit scrutiny revealed that there were wide variations between the estimated income and expenditure and actual income and expenditure (**Appendix - VII**). In Bhavnagar DP, the variation between BE and actual receipt ranged

from nine *per cent* (2009-10 and 2010-11) to 21 *per cent* (2007-08) and two *per cent* (2011-12) to 16 *per cent* (2007-08) between BE and actual expenditure. Similarly, in Surendranagar DP, the variation between BE and actual receipt ranged from 22 *per cent* (2008-09) to 65 *per cent* (2010-11) and 42 *per cent* (2008-09) to 80 *per cent* (2010-11) between BE and actual expenditure.

DPs stated (January 2013) that as per provisions of GP Act, DP was to prepare and finalise annual budget of its own fund only, however, while preparing the budget estimates, Government grants were also considered. The reply is not justified as the rules provide that all anticipated receipts and expenditures should be considered while preparation of budget estimates. Further, grants to the DPs are decided on the basis of their previous year utilisation and need for current year.

2.2.3.1 Arrears in primary audit

Director Local Fund Audit (DLFA) is the primary auditor of the accounts of DPs, TPs and GPs under the provisions of the Gujarat Local Fund Audit (GLFA) Act, 1963. In selected DPs, the DLFA had conducted audit up to the year 2009-10 and the audit of accounts for the year 2010-11 and 2011-12 was in arrears.

2.2.3.2 Excess expenditure over allotted grants

Government Resolution (April 1993) of PRHRDD provides that expenditure should not be incurred in excess of the allotted grants, however, in cases of exigencies, approval of the grant controlling authority must be obtained and arrangements for additional grants be made during the next year. Further, the concerned departments should release 100 *per cent* grants towards staff salaries in respect of the transferred activities.

Scrutiny of records of test checked DPs revealed that there were minus balances of ₹22.93 crore as on 31 March 2008 and ₹22.88 crore as on 31 March 2012 under 26 Major Heads (MHs) (**Appendix-VIII**). The excess expenditures were not adjusted in the subsequent years and prior approval of the grant controlling authority for incurring excess expenditure was not obtained (August 2012). Further, in six MHs⁵⁵, minus balances were carried forward since March 2007.

When pointed out, DDOs stated (January 2013) that minus balances were mainly in salary heads and that the matter has been taken up with respective State Departments.

2.2.4 Non-utilisation of grants

There were opening balances (2007-08) of ₹63.39 lakh and ₹11.54 lakh under two MHs⁵⁶ viz., water supply for Scheduled Tribe (ST) area and purchase of

⁵⁵ MH 2020 Income and Expenditure - ₹2.19 lakh, MH 2070 Police - ₹0.10 lakh, MH 2225 Social Welfare (Landless) - ₹14.70 lakh, MH 2225 Social Welfare (Education) - ₹119.03 lakh, MH 4210 Medical and Public Health (Sim well) - ₹0.40 lakh and MH 2515 CDP-8 Other Rural Development Programme (drinking water) - ₹30.49 lakh

⁵⁶ Bhavnagar - MH 2515 Water Supply and Surendranagar - MH 2702-(P)-052 MNR-228 T&P

vehicle with DP, Bhavnagar and Surendranagar respectively. Grants amounting to ₹3.55 lakh and ₹4.00 lakh respectively were received (2007-12) by the DPs for the above activities. Audit observed that no expenditure was found to have been incurred (May 2013) by the DPs except refund (2009-10) of ₹0.86 lakh by DP, Bhavnagar.

Bhavnagar DP stated (January 2013) that as per previous experience, it was not possible to utilise this grant for ST area, however, possibility of expenditure if any would be looked into. The reply is not acceptable as the non expendable funds should be refunded back to the grant controlling authority. Surendranagar DP stated (January 2013) that process of purchase of vehicles was in progress. The funds provided were not utilised for long periods.

2.2.4.1 Non-utilisation of TFC grant

On recommendation of Social Justice and Empowerment Department, Commissioner of Rural Development released (March 2007) Twelfth Finance Commission (TFC) grant of ₹30.70 lakh to Bhavnagar DP for development works under Special Component Plan. However, no expenditure was incurred and the amount remained unspent in the PLA of the DP.

Thus, due to non-utilisation of grant for more than five years, the ST community was deprived of the intended benefits.

2.2.5 Non-adjustment of funds

Functions relating to Primary Health were withdrawn (March 2005) from the ambit of TPs and transferred to the Block Health Officer (BHO). Consequently, the unspent balances with TPs were required to be transferred to the BHOs and minus balance, if any, was to be adjusted by obtaining a Government grant for that purpose.

Audit scrutiny in six TPs revealed retention of ₹1.07 crore on account of savings and non-adjustment of minus balances amounting of ₹1.43 crore (August 2012) as detailed in **Table 2** as follows:

Table 2 : Funds retained and minus balances not adjusted

Name of TPs	Saving of grant			Minus Balances		
	MH-2210	MH-2211	Total	MH-2210	MH-2211	Total
Bhavnagar	0	46.50	46.50	-37.80	0	-37.80
Shihor	0	11.27	11.27	-15.81	0	-15.81
Vallabhipur	0	0	0	-24.99	-5.61	-30.60
Dhragandhra	15.90	21.24	37.14	0	0	0
Chotila	3.66	0	3.66	0	-17.66	-17.66
Patdi	0	8.83	8.83	-41.04	0	-41.04
Total	19.56	87.84	107.40	-119.64	-23.27	-142.91

(Source : Annual Accounts of TPs)

DPs stated (January 2013) that the process of transfer of funds/adjustment of minus balance from TPs to BHOs was being carried out. The fact remains that the funds were not transferred and adjusted even after lapse of eight years.

2.2.6 Reconciliation of accounts

2.2.6.1 Un-reconciled differences

The GTDPFAB Rules provide that balances of Treasury Pass Book shall be reconciled with the balances of Cash Book at the end of every month and differences, if any, be reconciled to ensure proper classification of the receipt and expenditure and to detect any misappropriation or excess drawal of funds. As the validity of cheques expires after three months from the month of their issuance, the time barred unencashed cheques are required to be revalidated or amounts written back in the books of accounts.

Audit scrutiny revealed that -

- In Bhavnagar DP, remittances amounting to ₹75.52 lakh (1968 to 2012) were credited to the PLA, but for want of copies of challans, the receipts were not accounted for in the Cash Book. No action was, however, taken to carry out the adjustments.
- In DPs⁵⁷ and five TPs⁵⁸, cheques amounting to ₹38.32 lakh issued (1999 to 2011) remained un-encashed beyond the validity period, but the amounts were not written back in the relevant heads of accounts.

When pointed out, DPs stated (January 2013) that efforts were being made to reconcile the difference. The non-reconciliation of balances and non-accountal of receipt in the cash book indicate of very weak internal controls.

2.2.7 Non-submissions of Utilisation Certificates

Gujarat Financial Rules, 1971 provide that administrative departments shall release funds for the subsequent financial year only after receipt of Utilisation Certificate (UC) in respect of the grants of preceding year. Scrutiny revealed that UCs for ₹46.90 crore, for which grants towards Major Head 2216-Housing (Plan) received (2007-11) by DPs from Development Commissioner were not submitted.

Further scrutiny revealed that DPs released grant of ₹2.10 crore⁵⁹ to TPs, though UCs for grants released in the previous years were not obtained. In Surendranagar DP, an amount of ₹1.97 crore⁶⁰ was retained by DP instead of releasing to TPs or refunding to the grant controlling authority. Thus, the DPs failed to ensure financial discipline in their subordinate offices. The status of the works and fund utilisation by TPs could also not be ascertained.

DPs stated (January 2013) that UCs would be submitted to the Development Commissioner on receipt of UCs from TPs.

⁵⁷ Bhavnagar DP - ₹23.19 lakh and Surendranagar DP - ₹6.35 lakh

⁵⁸ Chotila- ₹1.36 lakh, Dhrangadhra - ₹2.38 lakh, Patdi - ₹0.40 lakh, Shihor - ₹4.28 lakh and Vallabhipur - ₹0.36 lakh.

⁵⁹ DP, Bhavnagar - ₹0.30 crore and DP, Surendranagar - ₹1.80 crore

⁶⁰ Out of total receipt of ₹28.88 crore (2007-12) for housing purpose, after transferring ₹23.61 crore to TPs and ₹3.30 crore to other DPs, a balance of ₹1.97 crore was retained by the DP.

2.2.8 Creation/Administration of funds

2.2.8.1 State Equalisation Fund

The GP Act, 1963 provides that a State Equalisation Fund (SEF) shall be created at State level in which five *per cent* of average land revenue collected by State Government through GPs during the last three years shall be credited. The SEF shall be utilised to minimise the social and economic inequalities between the DPs, development of agro-products, water supply schemes, village roads *etc.* The balance of the SEF was to be distributed as special grants to the DPs⁶¹ subject to the condition of utilisation of funds within next two years. **Table 3** shows the details of special grants received and expenditure incurred (2007-12) by the Bhavnagar DP.

Table 3 : Grants received and expenditure incurred by Bhavnagar DP out of SEF

(₹in lakh)					
Details	2007-08	2008-09	2009-10	2010-11	2011-12
Opening Balance	22.69	17.31	5.00	5.00	5.00
Grant received	0	0	0	0	0
Grant distributed	5.38	12.31	0	0	0
Balance in PLA	17.31	5.00	5.00	5.00	5.00

(Source : Accounts statement of DP)

Due to non-utilisation of available funds, no fund from SEF was released (2007-12) to Bhavnagar DP.

The DP stated (January 2013) that the balance funds would be utilised and proposal for new grant would be submitted to Development Commissioner.

2.2.8.2 District Equalisation Fund

The GP Act, 1993 provides that a District Equalisation Fund (DEF) shall be created in each district. State Government shall release 7.5 *per cent* of 60 *per cent* of average land revenue collected by GPs during last three years as grant to DPs for providing special grants to the backward GPs to minimise the social and economic inequalities between the GPs in the district. Further, DEF Rules provide that DEF should be kept in Government treasury and maximum one third of the fund could be deposited in banks. The details of receipts and payments out of DEF (2007-12) were as shown in **Table 4** as follows:

Table 4 : Receipts and payments out of DEF

(₹in lakh)					
Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
DP, Bhavnagar					
Opening Balance	8.04	5.77	10.72	11.82	18.30
Receipts ⁶²	1.73	6.88	1.10	6.48	4.47
Grant given to GPs	4.00	1.93	0	0	0
Closing Balance	5.77	10.72	11.82	18.30	22.77
DP, Surendranagar					
Opening Balance	39.03	40.07	47.09	52.55	57.10
Receipts	1.04	7.02	5.46	4.55	8.39
Grant given to GPs	0	0	0	0	0
Closing Balance	40.07	47.09	52.55	57.10	65.49

(Source : Accounts statement of DPs)

⁶¹ Bhavnagar DP falls under Category A and were eligible for the grant at the rate of one paise per rural population; Surendranagar DP falls under Category B and were eligible at the rate of two paise per rural population.

⁶² Grant and interest earned

Audit scrutiny revealed that no grants were released to GPs by Surendranagar DP (2007-12) and Bhavnagar DP (2009-12). Further, Surendranagar DP had kept ₹54.58 lakh in Fixed Deposit and ₹0.47 lakh in savings banks account in violation of above provisions. Moreover, DPs have not taken any action to identify backward GPs for providing the grants to minimise the social and economic inequalities which resulted in the funds lying undistributed in bank. Therefore, the very purpose of creation of DVEF was defeated.

2.2.8.3 District Village Encouragement Fund

The GP Act, 1993 provides that a District Village Encouragement Fund (DVEF) shall be constituted in every DP. State Government shall release 7.5 per cent of 60 per cent average land revenue collected by it through GPs during the last three years as grant to DPs as incentive to those GPs in which tax collection had gone up substantially. Further, DVEF rules provide that DVEF should be kept in Government treasury and could be invested in Government Securities. The details of receipts and payments of grant (2007-12) from DVEF were as given in **Table 5** below:

Table 5 : Receipts and payments of grant from DVEF

(₹in lakh)					
Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
DP, Bhavnagar					
Opening balance	26.64	29.71	39.42	43.03	51.43
Receipts ⁶³	3.07	9.71	3.61	8.40	6.52
Grant given to GPs	0	0	0	0	0
Closing balance	29.71	39.42	43.03	51.43	57.95
DP, Surendranagar					
Opening Balance	152.04	156.55	177.84	193.58	205.28
Receipts	4.51	21.29	15.74	11.70	19.12
Grant given to GPs	0	0	0	0	0
Closing balance	156.55	177.84	193.58	205.28	224.40

(Source : Accounts statement of DPs)

Audit scrutiny revealed that despite balances existing in the DVEF, no grants were released to any GP during the period 2007-12 by the DPs. Further, Bhavnagar DP kept ₹51.48 lakh in Fixed Deposit and Surendranagar DP kept ₹213.15 lakh in Fixed Deposit and ₹0.65 lakh in savings bank account in violation of above provisions. The DPs thus, violated the DVEF Rules by depositing the unutilised amounts in banks.

2.2.9 Grants out of royalty receipts

Gujarat Minerals Act, 1961 authorises District Collector to issue permits for extraction of minerals such as sand, stone, gravel, etc. The royalty on such extraction was initially to be credited into Government account after deducting

⁶³ Grant and interest earned

five *per cent* towards administrative charges. Director of Geology and Mining was to then release from the credited amount (i) 50 *per cent* to DPs for flood control works, repairing roads and river banks damaged due to mining and (ii) 50 *per cent* for GPs (through DPs and TPs), where the mining had taken place.

Scrutiny of records of DPs revealed that royalties amounting to ₹6.16 crore⁶⁴ were received (2007-12), but, ₹3.08 crore⁶⁵ was retained by DPs and remained unspent in the PLA of DDOs. Further, in five test-checked TPs, as against the grant of ₹22.50 lakh⁶⁶ received from DPs for distribution amongst the GPs, the TPs unauthorisedly retained ₹10.35 lakh and distributed only ₹12.15 lakh⁶⁷ to the GPs. Thus, the funds released for DPs were not spent for the purpose intended and TPs unauthorisedly retained funds not meant for them.

DPs stated (January 2013) that fund would be utilised after preparing a detailed plan and approval of competent authority. DDO, Surendranagar further stated (January 2013) that TPs have distributed most of the grant to respective GPs. But, as per records, substantial sums were lying unutilised.

2.2.10 Earmarked fund for welfare of SC/ST and OBC

The GP Act provides that every DP shall spend seven *per cent* for the welfare of Scheduled Castes (SCs), seven *per cent* for the welfare of Other Backward Castes (OBCs) and a proportionate percentage of total population for the welfare of STs from its gross own resources after deducting administrative and recurring expenditure. This fund referred to as ‘Samajik Nyay Nidhi’ (SNN) was to be maintained by the DPs.

Audit scrutiny revealed that no fund was separately earmarked for the welfare of SCs, STs or OBCs in Surendranagar DP. In Bhavnagar DP, SNN fund was created through ad-hoc annual contribution of ₹3.00 lakh. However, out of available amount of ₹29.23 lakh⁶⁸ in the fund, DP, Bhavnagar spent only ₹4.06 lakh (2007-12) for supply of sewing machines to SC beneficiaries, leaving an unspent balance of ₹25.17 lakh (March 2012).

2.2.11 Unadjusted advances

The GTDPFAB Rules provide that advance payment shall be entered in the Register of Advances with details of amount and person/work for monitoring its recovery. Further, as per Gujarat Financial Rules, an amount of advance paid for specific works shall be adjusted on completion of the work.

Records of test checked DPs and TPs revealed that there were unadjusted advances amounting to ₹1.89 crore as on 31 March 2012 as shown in **Table 6** as follows:

⁶⁴ Bhavnagar ₹0.87 crore and Surendranagar ₹5.29 crore

⁶⁵ Bhavnagar ₹0.44 crore and Surendranagar ₹2.64 crore

⁶⁶ Patadi ₹0.45 lakh, Chotila ₹1.25 lakh, Dhrangadhra ₹14.22 lakh, Shihor ₹0.24 lakh and Vallabhipur ₹6.34 lakh

⁶⁷ Dhrangadhra ₹2.54 lakh and Vallabhipur ₹9.61 lakh

⁶⁸ Opening Balance ₹14.23 lakh (2007-08) + ₹15.00 lakh (₹3.00 lakh adhoc yearly contribution during 2007-08 to 2011-12)

Table 6 : Unadjusted advances

(₹in lakh)

Name of DP/TP	Amount	Nature of advances
Bhavnagar DP	59.37	Advances given to the Government servant to execute specific works
TP, Bhavnagar	13.46	Food grain Advance
TP, Shihor	31.33	Details not available
TP, Vallabhipur	12.40	Details not available
Surendranagar DP	69.86	Advances given to the Government servant to execute specific works
TP, Dhragandhra	0.13	Food grain and Festival advance
TP, Chotila	0.71	Details not available
TP, Patdi	2.01	Advances given to the Government servant to execute specific works
Total	189.27	

(Source : Advance Register and Annual Accounts of the DPs and TPs)

- Out of the total outstanding advances in DP, Bhavnagar, ₹11 lakh was given in 1982-83 as advance to field officers (water works) and ₹25.87 lakh given in 1984-85 for purchase of cement *etc.* but remained unadjusted;
- In DP, Surendranagar, Food Grain Advances of ₹3.38 lakh given in 1979-99 remained unadjusted;
- In DP, Bhavnagar, ₹1.11 lakh received from Deputy Director of Agriculture (Extension) towards sale proceeds of plants in 1987-88 was accounted as minus advance instead of accounting as receipts in cash book; and
- Advance Registers were not updated (2007-12) by test checked TPs of Bhavnagar, due to which the actual position of advances granted was not available.

DPs stated (January 2013) that most of the advances given to TPs at the time of natural calamities (1981-82 and 1984-85) for the purchase of cement has been adjusted to the PLAs of DDOs, however, accounting adjustment would be completed in due course. The delays in the adjustments for long periods showed very weak internal control.

2.2.12 Lapsed Deposits

The GTDPFAB Rules provide that each item of deposit received shall be entered in the Register of Deposits and final disposal be watched. Further, rules provide that balances unclaimed for more than three complete years shall be credited into the lapsed deposits account.

Audit scrutiny revealed that an amount of ₹2.08 crore (₹0.88 crore-Bhavnagar DP and ₹1.20 crore-Surendranagar DP) pertaining to public contributions, contractors' deposits, *etc.* remained unadjusted (March 2012). Further, un-utilised grants of ₹1.63 crore (₹1.20 crore-Bhavnagar DP; ₹0.43 crore- Surendranagar DP) refundable to Government were credited to Deposits account and retained as such in the Deposits Register.

2.2.13 Omissions in maintenance of Cash Book

In contravention to the provisions of GTDPFAB Rules, following omissions in maintenance of Cash Book were noticed –

- Separate Cash Book for DEF and DVEF were not maintained;
- Cash Book pages were left blank in both the DPs;
- No surprise checks of cash balances were done by the DDOs and TDOs;
- Corrections in the Cash Book were not attested and entries were corrected by over-writing; and
- Opening Balances at the beginning of year were not attested by DDOs and TDOs.

Non-observance of the provisions of the GTDPFAB Rules in respect of maintenance of the Cash Book is fraught with risk of mistakes remaining undetected leading to possible misappropriation of funds.

DPs stated (January 2013) that separate cash book for DEF and DVEF would be maintained and corrective measures taken in future.

2.2.14 Conclusion

Unspent balances of Bhavnagar and Surendranagar District Panchayats (DPs) increased due to non-achievement of targets communicated by the State Government under the schemes. Receipts of own funds decreased in both DPs due to poor recovery of taxes. Grants received for water supply and purchase of vehicles and from Twelfth Finance Commission were not utilised. Funds of devolved function of Primary health were not transferred to Block Health Officers. DPs failed to indentify backward GPs for providing District Equalisation Fund grants to minimise inequalities and also did not distribute grants on account of royalty to GPs. Separate fund for welfare of SC, ST and OBC was not earmarked in Surendranagar DP. Advance payments were lying un-adjusted since long. Cash Books of DPs and TPs were also not properly maintained.

The matter was reported to Government (September 2012); no reply was received (March 2013).