

# **CHAPTER III**

## **Compliance Audit of Panchayati Raj Institutions**



## Chapter-III

### COMPLIANCE AUDIT OF PRIs

#### 3.1 Misappropriation at Golaghat Zilla Parishad

*An amount of ₹16.63 lakh received from different lessess was not deposited in the Government Account by the Accountant of Golaghat ZP.*

Rule 14 of the Assam Panchayat (Financial) Rules, 2002 envisages that all receipts due to the Zilla Parishad shall be collected by an officer or any person authorised by the Zilla Parishad and the amount collected shall be handed over to the Cashier or any other official authorised for the purpose through the Accountant. All such receipts shall be entered in the Cash Book on that very date and shall be authenticated by the Drawing and Disbursing Officer (DDO) concerned, with his dated initial. Further, Rule 95 of the Assam Financial Rules provides that the DDO is personally responsible for accounting of all money received and disbursed and for the safe custody of cash.

Scrutiny (November-December 2015) of records of the Golaghat ZP revealed that though there was provision in the receipts for signature and countersignature by the Cashier and Accountant respectively, both these columns were unsigned in the receipts. In the space provided for signature of the CEO, the Accountant had signed on his behalf. Moreover, references to the cash book entries had also not been recorded on the body of the receipts.

Detailed scrutiny of receipts further revealed that, in 42 instances, during the period from September 2012 to February 2015, revenues received from different lessees, had either not been entered in the cash book or amounts lesser than the actual receipts had been entered. The details are shown in the following **Table 3.1**:

**Table 3.1: Details of amount received and amount entered in Cash Book**

(₹ in lakh)

Sl. No	Particulars	Period of collection	Received by	Amount received	Amount entered in the Cash Book and deposited in the Bank	Difference between amount received and amount entered in Cash Book
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Kist money partially deposited in bank	June 2012 to September 2015	S. Borah, Accountant	28.71	25.76	2.95
2	Kist money and Room rent not deposited in the bank	September 2012 to March 2015	-do-	13.68	Nil	13.68
<b>Total</b>				<b>42.39</b>	<b>25.76</b>	<b>16.63</b>

Thus, out of ₹42.39 lakh collected from lessees, only ₹25.76 lakh was deposited in the bank. The remaining ₹16.63 lakh, though received from the lessees, was neither deposited in the bank, nor recorded in the Cash Book, by the Accountant, Golaghat ZP, as detailed in **Appendix IV**.

The present CEO, Golaghat ZP, has stated that the reply would be furnished after verification, indicating that the whereabouts of the un-deposited money were also not known to him, pointing towards possible misappropriation of the amount of ₹16.63 lakh. The CEO, Golaghat ZP, stated (April 2016) that the fund received from different lessees of

*Beel*<sup>46</sup>/*Ghat*<sup>47</sup>/*Bazar*<sup>48</sup> was deposited into the bank in bulk, according to convenience, which is in violation of Rule 14 (3) of the Assam Panchayat (Financial) Rules, 2002.

Short deposit was pointed out by audit in December 2015; no action against the accountant was initiated till the date of superannuation (31.01.2016) of the Accountant.

Thus, failure on the part of the CEO, Golaghat ZP, to monitor the deposits of cash, resulted in probable misappropriation of ₹16.63 lakh, by the Accountant, Golaghat ZP. Further, except issuing (April 2016) a notice to the retired Accountant, no efforts were made by the CEO, Golaghat ZP, to recover the misappropriated amount till date (September 2016).

The matter was reported to the Government in May 2016; their reply had not been received (December 2016).

### **3.2 Misappropriation at Sivasagar Anchalik Panchayat (AP)**

*An amount of ₹13.85 lakh received from different lessees was not deposited in the Government Account by the Accountant of Sivasagar AP.*

Rule 14 of the Assam Panchayat (Financial) Rules, 2002 envisages that all receipts due to the AP shall be collected by an officer or any person authorised by the AP and the amount collected shall be handed over to the Cashier or any other official authorised for the purpose, through the Accountant. All such receipts shall be entered in the Cash Book on that very date and shall be authenticated by the Drawing and Disbursing Officer (DDO) concerned with his dated initial. Further, Rule 95 of the Assam Financial Rules provides that DDO is personally responsible for accounting of all money received and disbursed and for the safe custody of cash.

Scrutiny (November–December 2015) of records of the Sivasagar AP, pertaining to the period from February 2012 to June 2015, revealed that, though amounts were received by the Accountant of the Sivasagar AP, the same were not entered in the Cash Book on the same dates. Instead, the amounts were entered in the Cash Book in lump sum and were deposited in the Bank account at later dates. The extent of delays ranged up to 338 days. Moreover, reference to the cash book entry was not recorded on the body of the receipts. It was also observed that the Executive Officer (EO), who was the DDO of the AP, failed to (a) ensure daily deposit of the receipts and (b) detect the Cash Book discrepancies through the prescribed monthly checks on the closing balance of cash.

Detailed scrutiny of receipts further revealed that, during the period from February 2012 to June 2015, ₹26.35 lakh was received from different lessees by the Accountant, but only ₹12.50 lakh were deposited in the bank account. The Accountant neither deposited the remaining ₹13.85 lakh in the bank, nor recorded the receipts of the amount in the Cash Book. The present EO, Sivasagar AP, stated that reply would be furnished after verification, indicating that the whereabouts of the money not deposited were also not known to him, which tantamounted to misappropriation of ₹13.85 lakh. In reply to an audit query, the EO, Sivasagar AP, stated (May 2016) that steps had been initiated against the Accountant and the matter had been reported to the higher authority for taking necessary action accordingly. However, no action was taken against the Accountant till October 2016, except for handing

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<sup>46</sup> A fresh water lake

<sup>47</sup> A place on the river bank from where boats and ferries carry goods and passengers.

<sup>48</sup> A permanently enclosed marketplace or street where goods and services are exchanged or sold.

over of the records in respects of own funds viz., Cash Book, Pass Book and other related documents, from him, to another official of the Sivasagar Development Block.

Thus, failure of the EO to exercise necessary oversight over cash management in the AP not only allowed the Accountant to violate Rule 14 (3) of the Assam Panchayat (Financial) Rules, 2002, by not depositing the revenue in the bank immediately on receipt from different lessees of *Beel/Ghat/Bazar*, but also resulted in probable misappropriation of ₹13.85 lakh.

The matter was reported to the Government in May 2016; their reply had not been received (December 2016).

### 3.3 Wasteful expenditure in Cachar Zilla Parishad

*An amount of ₹15 lakh was wasted on construction of Market shed due to unauthorised change of sites to private lands by Junior Engineers (JEs) and failure on the part of the CEO, Cachar Zilla Parishad to monitor the works after releasing the funds to the JEs.*

Government of Assam (GoA), accorded sanction and released (March 2013) ₹8.00 crore under 13<sup>th</sup> Finance Commission (FC) grants for 2012-13 for construction of New Market Sheds to eight<sup>49</sup> districts of Assam (@ ₹1.00 crore each) for promoting rural business hubs. The fund was released specifying the detailed location, address *etc.* of each market shed proposed by the Zilla Parishads (ZPs). As per the release order, it was to be ensured by the Chief Executive Officers (CEOs) that the lands for construction of the market sheds were free from all encumbrances and that the project was completed within three months from the date of sanction. Besides other instructions, it was also specifically mentioned in the release order that the CEOs of the concerned ZP must be held responsible for any misuse or misappropriation of the funds.

Accordingly, the CEO, Cachar ZP accorded (September 2013) administrative approval of ₹12.50 lakh each, for construction of new market sheds, at eight different locations in Cachar District, against an estimated cost of ₹25 lakh for each market. Out of ₹12.50 lakh, ₹7.5 lakh each was released (September 2013) as 1<sup>st</sup> installment to the Junior Engineers (JEs), for execution of the works in respect of eight market sheds, with an instruction to utilise the amount as per plan and estimate within one month and to submit Progress Report of the work from time to time.

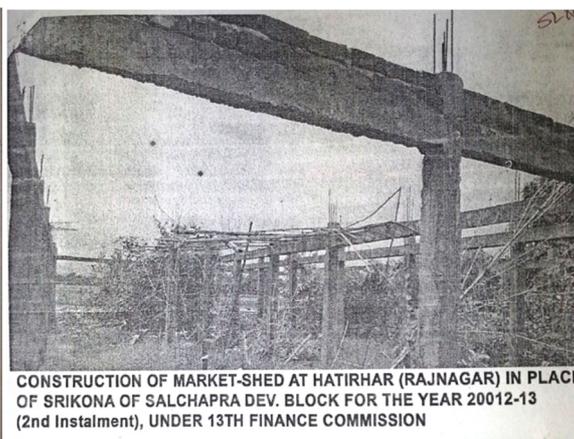
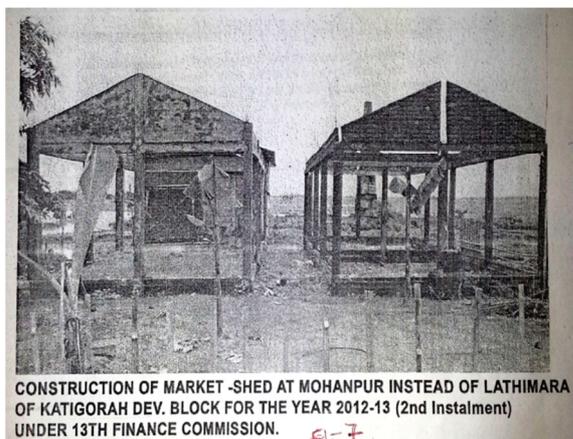
Test check (November 2015) of records of the CEO, Cachar ZP, revealed that, in two instances<sup>50</sup>, the JEs changed the approved site for market sheds to other locations, without any approval from the competent authority. Reasons for change in location of the market sheds were neither found on records, nor could be explained by the present CEO. Moreover, the lands selected for market sheds were private lands and no registered deed was executed for transferring the ownership of the lands to Cachar ZP. The land on which the market shed was constructed at Mohanpur was re-occupied by the owner after the ZP had incurred an expenditure of ₹7.50 lakh and now stands abandoned. Further, the construction work of the market shed at the unapproved site at Rajnagar was also incomplete till March 2016, as the work was abandoned by the JE without citing any reason. The present CEO stated that the

<sup>49</sup> Barpeta, Cachar, Dhubri, Golaghat, Jorhat, Morigaon, Nagaon and Sonitpur

<sup>50</sup> 1. Construction of Market shed at Lathimara Bazar at Katigora GP under Katigora AP shifted to an unapproved location at Mohanpur.  
2. Construction of Market shed at Srikona Daily Bazar at Salchapra GP under Salchapra AP shifted to an unapproved location at Rajnagar.

concerned JE might have misappropriated the money, as he did not submit any details of expenditure on the market sheds. The then CEO also did not take any action against the erring JEs.

The following photographs depict the incomplete state of the two market sheds at the unapproved sites:



The present CEO, Cachar ZP, stated (May 2016) that the Government had been moved (February 2015) for departmental action against the erring JEs. However, no report of any action taken by the Government was available. Moreover, one of the concerned JEs had also died, as stated by the CEO.

Audit observed that unauthorised change of approved site to a private land, starting the work without registering the deed agreement with the land owner and non-monitoring of the work by the then CEO, Cachar ZP, after releasing the fund to the JEs, led to wasteful expenditure of ₹ 15 lakh, as the work had been abandoned at both the sites.

The matter was reported to Government in May 2016; their reply had not been received (December 2016).

### 3.4 Unfruitful expenditure in Agomani Anchalik Panchayat

*Failure to complete the project “Construction of Road cum bund from Md. Goyal SK house to Simlabari Parghat with boulder pitching at Kaimari PT-I, II & V”, under Agomani AP, resulted in unfruitful expenditure of ₹ 2.23 crore.*

The project “Construction of Road cum bund from Md. Goyal SK house to Simlabari Parghat with boulder pitching at Kaimari PT-I, II & V” was taken up for execution under MGNREGA, for the year 2008-09, with the objective of protecting vast areas of homestead, cultivable land and residences, under the Kaimari GP, from flood water and erosion caused by the Gangadhar river, as several families were forced to shift their establishment from that area due to unabated erosion. The project was expected to generate about 4,63,811 mandays, to boost the socio-economic status of the people of that area, by creating gainful employment.

Administrative Approval for the project was accorded (January 2009) by the Deputy Commissioner (DC), as the Chairman of District Planning Committee. The project was to be executed by the Water Resources (WR) Department, Government of Assam. Accordingly, the Executive Engineer, Dhubri WR Division, Dhubri, prepared an estimate of ₹ 6.31 crore for the project, which was declared as technically viable by the Superintending Engineer, North Assam WR Circle, Guwahati and recommended for implementation.

Test check (February 2016) of the records of the EO, Agomani AP revealed that PD, DRDA, Dhubri released (during May 2009 to September 2012) only ₹2.23 crore for the project, to the WR Division, Dhubri. As per the Management Information System (MIS) Report, an amount of ₹90.65 lakh was incurred on wage payments and ₹1.32 crore on purchase of materials. The WR Division, Dhubri, claimed (February 2012) to have completed almost 50 per cent of the work<sup>51</sup> with the released amount and requested the Additional Deputy Commissioner, Dhubri, to release the balance funds, so that the project could be completed before the flood of 2012. However, as per the Progress Report submitted (November 2014) by Secretary, Kaimari GP to the EO, Agomani AP, only 35 per cent physical progress was achieved. Since September 2012, no fund was released by the PD, DRDA, Dhubri and the constructed portion of the protection work gradually got washed away. The EO, Agomani AP stated (May 2016) that since December 2012, no work was executed by the WR division due to not releasing of the balance funds. Joint physical verification of the site (February 2016) revealed that the major portion of the work executed was washed away and there existed only five boulder deflectors along with some damaged porcupines, bamboo cribs/clamps and raised platform. Thus, the embankment was fully damaged, as can be seen from the following photographs:



The people of that area had also filed (January 2014) a public petition with the Deputy Commissioner (DC), Dhubri district, alleging that the released amount was not properly utilised and requested the DC to investigate the matter and release the balance funds, so that the area could be protected from floods. An investigation was got conducted by the DC, Dhubri, through the BDO, Agomani AP, who submitted (November 2014) a Report to the PD, DRDA, Dhubri, stating that the work was progressing satisfactorily. Till date (May 2016), the work remained incomplete and the balance funds were not released by PD, DRDA, Dhubri. Neither the Secretary, Kaimari GP, nor the EO, Agomani AP, took any initiative for release of balance funds from the fund sanctioning authority. However, PD, DRDA, Dhubri, stated (May 2016) that the balance funds could not be released due to non-receipt of sufficient funds from the Government under MGNREGA. The reply was not tenable, as the Administrative Approval (AA) for ₹6.31 crore against the scheme was accorded by the PD, DRDA, Dhubri, as per the Annual Action Plan (AAP) for 2009-10 and PD, DRDA Dhubri

51

Sl. No	Item of work	Estimate	Actually completed
1	Construction of embankment by job card	6220m	3000m
2	Construction of launching of R.C.C. porcupine	1080 nos	1080 nos
3	Construction of bamboo cribs	220 nos	220 nos
4	Construction of boulder deflectors	19 nos	7 nos

had closing balances of ₹15.57 crore and ₹14.58 crore during 2009-10 and 2010-11 respectively. Moreover, the PD, DRDA, Dhubri could not produce any evidence of steps taken by him to ensure release of balance funds from the Government. As the scheme had already closed and since it was not included in the subsequent year's AAP, there was no scope for release of balance funds.

Thus, despite availability of funds, fund beyond ₹2.23 crore was not released, which affected the completion of the project. The objective of the scheme remained unfulfilled, as only 91,857 mandays could be generated from the project out of the expected 4,63,811 mandays, depriving the people of that area from getting gainful employment. Further, due to not completing of the project, neither could the area be protected from flood/erosion, nor could shelter be provided to the flood affected people of that area, resulting in unfruitful expenditure of ₹2.23 crore.

The matter was reported to the Government in October 2016; their reply had not been received (December 2016).

### **3.5 Idle expenditure in Lakhimpur Zilla Parishad**

*Construction of Bharat Nirman Rajiv Gandhi Sewa Kendras remained incomplete in seven APs due to inaction on part of the CEO, North Lakhimpur ZP and the respective APs in monitoring the schemes and submission of UCs in time, resulting in idle expenditure of ₹1.32 crore*

Ministry of Rural Development, Government of India (GoI), included construction of Bharat Nirman Rajiv Gandhi Sewa Kendras (BNRGSKs), in the scope of permissible works under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), to provide space to facilitate the functioning of the MGNREGA offices at the GP/Block level and to function as Knowledge Resource Centres, to enable citizens to have access to information on MGNREGA and other Rural Development Programmes.

As per the Manual for BNRGSK, for the Backward Region Grant Fund (BRGF) Districts, the material component for the work can be met from BRGF scheme and the labour component from the MGNREG scheme. In the Annual Action Plan (AAP) meeting of the Lakhimpur ZP, it was decided to include construction of BNRGSK in the BRGF Action Plan of 2010-11.

Test check of records of the CEO, Lakhimpur ZP, revealed that the CEO accorded Administrative Approval (AA) (September 2011 to February 2012), for nine Sewa Kendras, in nine Anchalik Panchayats (APs), each amounting to ₹25 lakh. While releasing (September 2011 to February 2012) the fund, the CEO, Lakhimpur ZP, instructed the EOs/BDOs of the respective APs to implement the scheme as per the plan/estimate and to submit Utilisation Certificates (UCs), supported by photographs, as well as physical and financial progress reports, for release of the balance funds. Further, the EOs/BDOs were instructed to complete the project within six months from the date of receipt of AA. However, only two out of nine APs could complete the project and submit the UCs for the released amounts within the prescribed time of three months and received the balance funds for completing the work. The remaining seven APs utilised the released amounts by executing some work but did not submit the UCs to the ZP within three months for release of the balance amounts. The position of funds, released from 2011-12 to 2014-15, out of the sanctioned amount; fund utilised and status of the scheme is shown in **Table 3.2**.

**Table 3.2: Position of funds, released, utilised and status of the scheme (₹ in lakh)**

Sl. No.	Name of the AP	Amount Allocated and Sanctioned	Fund Released	Fund Utilised	Status of the scheme
1	Boginadi AP	25.00	24.50	24.50	Completed
2	Dhakuakhana AP	25.00	24.50	24.50	Completed
3	Telhi AP	25.00	17.50	17.50	Incomplete
4	Karunabari AP	25.00	17.50	17.50	Incomplete
5	Ghilamara AP	25.00	17.50	17.50	Incomplete
6	Nowboicha AP	25.00	17.50	17.50	Incomplete
7	Bihpuria AP	25.00	17.93	17.93	Incomplete
8	Lakhimpur AP	25.00	17.50	17.50	Incomplete
9	Narayanpur AP	25.00	17.50	17.50	Incomplete
	<b>Total</b>	<b>225.00</b>	<b>171.93</b>	<b>171.93</b>	

The Sewa Kendras remained incomplete for more than four years (funds released during September 2011 to February 2012, photographs taken in November 2015), as shown in the following photographs:

BNRGSK at Narayanpur AP



BNRGSK at Bihpuria AP



BNRGSK at Karunabari AP



BNRGSK at Lakhimpur AP



Even though the initial construction was not completed by the APs, it was seen from records that three<sup>52</sup> APs received (April 2015) additional ₹3.15 lakh each for extension of the BNRGSKs which was beyond the original scope. However, the BNRGSKs remained incomplete till November 2015.

In reply to an audit query, the present CEO, Lakhimpur ZP, stated that the respective EOs of the APs were responsible for completing the works and they failed to do so. Also, the then CEO took no initiative to supervise and complete the project in due time<sup>53</sup>. The possibility of completion of the projects is remote, as the remaining funds for seven Sewa Kendras lapsed due to closure of the BRGF scheme in March 2015.

Thus, due to inaction on part of the EOs of the respective APs in completing the works and submitting the UCs in time and failure on part of the CEO, North Lakhimpur ZP, to supervise/monitor the progress of work by the APs and submit UCs to the Government, the

<sup>52</sup> Ghilamara, Bihpuria and Narayanpur AP

<sup>53</sup> As per sanction orders, the Sewa Kendras were to be completed within six months from the date of sanction order.

remaining amount of the allocated funds lapsed, leading to not completing of the Sewa Kendras. Further, the expenditure of ₹ 1.32 crore (₹ 1.23 crore as initial release + ₹ 0.09 crore for extension to three APs), incurred so far on schemes, remained idle for more than four years, besides depriving the people of the district of the benefits of the scheme.

The matter was reported to Government in October 2016; their reply had not been received (December 2016).

### 3.6 Unfruitful expenditure in Kakodunga Anchalik Panchayat

*The Executive Officer (EO), Kakodunga AP incurred an expenditure of ₹29.35 lakh on plantation schemes under Mahatma Gandhi National Rural Employment Guarantee Act, (MGNREGA), which remained unfruitful due to non-completion of the schemes.*

The Deputy Commissioner & District Programme Coordinator, MGNREGA, Golaghat, sanctioned (September 2010) an amount of ₹59.98 lakh for 12 Cashew-nut plantation schemes, under MGNREGA, in Nahordonga, with the objectives of generating employment and making the horticulture projects permanent assets of the Anchalik Panchayats (APs). The Scheme was to generate 17700 mandays.

The Project Director (PD), District Rural Development Agency (DRDA), Golaghat, released (October 2010) ₹29.99 lakh as first instalment, to Kakodunga AP, for the 12 Cashew-nut plantation schemes, which were to be completed by March 2011. Before taking up the schemes, a feasibility study/land suitability report for plantation of Cashew-nut was obtained by the EO, Kakodunga AP, from the Department of Horticulture, Assam Agriculture University (AAU), Jorhat. The report recommended proper scientific intervention before execution of the proposed plantation scheme and stated that the scheme should be taken up as a professional plantation project. The AAU also expressed readiness for providing consultancy service for the project.

Test-check (December 2015) of records of the EO, Kakodunga AP, revealed that ₹ 29.35 lakh was incurred on material (₹22.48 lakh) and payment on wages (₹6.87 lakh) for developing the land and planting of saplings at 12 plots, but all the schemes remained incomplete till the date of audit (December 2015), as the plantations could not survive. Although EO, Kakodunga AP, stated physical progress of 50 per cent, during joint physical verification (December 2015), only 13 Cashew-nut plants were found surviving in five plots, against the estimated plantation of 5250 cashew-nut plants. For the remaining seven plots, as per records, no procurement of cashew-nut saplings was done, although ₹9.35 lakh was spent on materials and wages, as given in the following **Table 3.3**:

**Table 3.3: Amount utilised for plantation in seven plots (Plots 6 to 12) where cashew-nut saplings were not procured**

Sl. No	Particulars	Total in ₹
1	Fitting and Fixing of MS plate and Sign Board	35000
2	MS Angle post	242788
3	G.P Fencing and Fencing Hook	434000
4	Hand Pump and Galvanized Steel tube	65982
5	Cost of Tractorisation @ ₹ 5/Mtsq	105000
	<b>Materials etc.</b>	<b>882770</b>
	<b>Wages</b>	<b>52650</b>
	<b>Total</b>	<b>935420</b>

Scrutiny further revealed that items<sup>54</sup> required to be procured as per the estimate of the plantation schemes, which were essential for growth and survival of the saplings, were not procured by the AP authority for any of the 12 plots. Further, neither any boundary wall nor any sign board was seen in the plantation sites, though ₹15.13 lakh<sup>55</sup> was spent on procurement of construction materials and development of the site. Photographs of the sites taken during joint verification shows that there was no sign of cashew-nut plantation and that the whole area was covered with wild shrubs and tall grasses:



In reply to an audit query, the EO, Kakodunga, AP, stated (April 2016) that the scheme remained incomplete due to lack of funds and the plantation could not survive as there was no provision of manpower for maintenance of the plantations and all the signboards and fencing were stolen. However, the reply contradicts the reply of the PD, DRDA Golaghat, who stated (December 2015) that the balance 50 per cent funds were not released due to non-survival of the plantation. Thus, failure of EO, Kakodunga AP to implement the project professionally, in consultation with the AAU and utilise the available funds (50 per cent of the sanctioned amount) in a phased manner to complete the plantation in at least six plots (out of 12 plots), instead of proportionately utilising the funds in all the plots, led to failure of the plantation to survive, as many items, which were essential for growth and survival of the saplings, could not be procured.

Audit observed that, while implementing the cashew-nut plantation scheme, scientific intervention, as recommended by the Horticulture Department, was not sought for by the AP. Thus, failure of the EO, Kakodonga AP, to implement the plantation in a scientific and planned manner, resulted in unfruitful expenditure of ₹29.35 lakh, besides frustrating the objective of the schemes, as only 5461 mandays were generated against the expected 17700 mandays. Moreover, permanent assets for the AP, as expected from the plantation scheme, could also not be created.

The matter was reported to the Government in October 2016; their reply had not been received (December 2016).

<sup>54</sup> Single Superphosphate (SSP) (7.5 Qtl), Urea (7.5 Qtl), Vermi Compost (10 Qtl), Staking of Plant (100MD), Planting Chain (1 No.), Hook (LS), Aluminium wire (LS), Painting (LS) and Mat (50MD)

<sup>55</sup> Details of amount utilised for materials and development of site

Sl. No	Particulars	Total (₹)
1	Fitting and Fixing of MS plate and Sign Board	60000
2	MS Angle post	416208
3	G.P Fencing and Fencing Hook	744000
4	Hand Pump and Galvanized Steel tube	113112
5	Cost of Tractorisation @ ₹5/Mt sq	180000
	<b>Total</b>	<b>1513320</b>

