

CHAPTER II

Performance Audit of “Implementation of recommendations of Fourth Assam State Finance Commission and Utilisation of the Grants by Panchayati Raj Institutions”

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PERFORMANCE AUDIT

Implementation of recommendations of Fourth Assam State Finance Commission and utilisation of the Grants by Panchayati Raj Institutions

Executive Summary

The Fourth Assam State Finance Commission (4th ASFC) was constituted in April 2010 with an objective to improve the finances and enlarging the functional canvas of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). Government of Assam (GoA) released ₹999.62 crore to PRIs during 2011-12 to 2016-17 under 4th ASFC grants as salary, non-salary and Grants-in-aid. GoA did not implement nine out of 16 recommendations and 11 out of 14 suggestions of the 4th ASFC though all the recommendations/suggestions were accepted by it. This Performance Audit noticed that objectives of empowering the PRIs to become institutions of Local Self-Governance (LSG) could not be met as the funds, functions and functionaries were not transferred to PRIs, the due share of divisible pool and the Specific Purpose Grants (SPG) were not released to them. Financial mismanagement of 4th ASFC grants was also noticed viz. misappropriation, irregular utilisation, idle expenditure, inadmissible expenditure and blockade of funds. Instances of non-completion of works, delay in completion of works, execution of substandard works and execution of non-income generating schemes were also noticed in implementation of schemes under 4th ASFC award.

2.1 Introduction

As per Article 243-I of the Constitution of India, the Governor shall constitute a State Finance Commission (SFC) at the expiry of every fifth year. Accordingly, the GoA has so far constituted five Assam State Finance Commissions (ASFCs).

It is the primary responsibility of the SFCs to ensure adequate resources, both financial and physical, to PRIs and ULBs to empower them to fulfil the role envisaged for them in the Constitution.

The 4th ASFC was constituted in April 2010 to make recommendations for the period 2011-12 to 2015-16. However, the award period was restricted from 2011-12 to 2014-15 as per recommendation (December 2014) of the 4th ASFC to make the award period of Central and State Finance Commission coterminous.

The mandate of the 4th ASFC was to recommend:

- Sharing of the net proceeds of taxes, duties, tolls and fees leviable by the State Government with the Local Bodies
- Taxes, duties, tolls and fees that may be assigned to the Local Bodies.
- The Grants-in-aid to the Local Bodies from the Consolidated Fund of the State.

2.1.1 Organisational set-up

In keeping with the constitutional mandate under Article 243 B, the Assam Panchayat Act, 1994, introduced a three tier Panchayati Raj System in Assam comprising of Gaon Panchayats (GP), Anchalik Panchayats (AP) and Zilla Parishads (ZP).

The Panchayat and Rural Development Department (PRDD), GoA is the administrative department in respect of the PRIs. The PRIs are elected bodies and assisted by GoA officials posted in these bodies. The organisational set-up of PRIs in Assam is shown in **Figure-1.1**.

There are 21 districts in ‘General’ areas of Assam in which PRIs exist. In six districts under Sixth schedule areas, local governance is vested with Village Development Councils and Village Council Development Committees.

2.1.2 Funding arrangements

The PRIs received the 4th ASFC award under three components *viz.*

- Salary: for payment to provincialised employees of PRIs;
- Non-salary: implementation of visible schemes like roads, income generating assets, tourist lodges, markets, parks, *etc.*; and,
- Grant-in-aid: for construction of office and residential buildings for PRIs.

The details of grants released to PRIs in the 20⁷ ‘General’ area districts of Assam during 2011-12 to 2016-17 under the above three components are shown in **Table-2.1** below:

Table-2.1: Details of Grants released

Year	Purposes for which funds released to PRI			Total
	Salary	Non-Salary	Grant-in-aid	
2011-12	97.09	36.34	94.53	227.96
2012-13	91.41	13.02	0	104.43
2013-14	185.23	0	0	185.23
2014-15	167.16	232.77	66.06	465.99
2015-16	0	0	2.60	2.60
2016-17	0	0	13.41	13.41
Total	540.89	282.13	176.6	999.62

⁷ For purpose of release of fund under 4thASFC, Kamrup metro district and Kamrup rural district are considered as one entity (ZP).

2.2 Audit Objectives

The objectives of the Performance Audit were to assess whether:

- action was taken on the recommendation of the 4th ASFC;
- the grants were released timely, utilised economically, efficiently and effectively;
- social sector programmes were implemented as intended; and,
- the monitoring and evaluation was effective.

2.3 Audit Criteria

The audit scrutiny was benchmarked against the following audit criteria:

- Assam Panchayat Act, 1994;
- Assam Panchayat (Financial) Rules, 2002;
- Report of the 4th ASFC; and,
- Orders and instructions issued by GoA.

2.4 Audit Scope, Sampling and Methodology

The Performance Audit⁸ (PA) covering the period from 2011-12 to 2016-17 was conducted during April-July 2017. The PA commenced with an Entry Conference on 18 April 2017 with Finance and P&RD Department, GoA. In the conference, audit objectives, criteria, methodology *etc.*, were discussed. Selection of Audit sample was done using ‘Probability Proportional to Size Without Replacement’ sampling method and six ZPs⁹, 14 APs¹⁰ and 28 GPs¹¹ were selected for detailed scrutiny including joint physical verification of works. In addition, records of Finance (Economic Affairs) Department and Commissionerate, P&RD were also scrutinised during the PA.

The draft report was issued to the Government in August 2017 seeking response on the audit findings. The audit findings were discussed with the Government in an Exit Conference held on 17 October 2017. However, Government’s reply on the audit findings was not received as of February 2018.

⁸ This PA examined only the districts under ‘General’ areas and excluded the Sixth Schedule areas.

⁹ Kamrup, Cachar, Nagaon, Sivasagar, Dibrugarh and Dhubri.

¹⁰ Bezera, ChayaniBarduar, Bihdia Jajikona, Rajabazar, Salchapra, Tingkhong, Lahowal, Sonari (renamed as Mahmora), Lakuwa, Jugijan, Raha, Khagorijan, Golokganj and Jamadarhat.

¹¹ Lachitgarh, Agdola, Kochpara, Barenti Maniari Parakuch, Hardutta Karara, Dighli Lakhicheera, Borthol Thailu, Kumarpara and Bhangarpa, Rajgarh, Dhaman, Hiloidhari, Rahmoria, Milon, Bharalipukhuri, Nimonagarh, Hollowphukon., Pub Dhaniram Pathar, Ashi Nagar, Salmara, Pramila, Senchowa, Bebejia Dimow Bangthai, Barundanga, Kachokhana, Chirakuti and Tarangajhar.

2.5 Acknowledgement

The office of Accountant General (Audit), Assam acknowledges the co-operation extended by Finance and P&RD Department, GoA, Commissioner, P&RD, Assam, and concerned PRIs during the course of the audit.

Audit findings

2.6 Implementation of 4th ASFC recommendations

GoA had accepted all the 16 recommendations and 14 suggestions of 4th ASFC relating to PRIs. However, GoA had not implemented nine and partially implemented two out of 16 recommendations. Further, out of 14 suggestions, GoA had not implemented 11 and partially implemented one suggestion as shown in the *Appendix-III*.

Status of implementation of the important recommendations/suggestions is discussed below:

2.6.1 Devolution of functions and functionaries

The XIth Schedule of the Constitution contains 29 subjects¹² placed within the purview of PRIs. The 4th ASFC suggested that all activities listed in Schedule XIth of the Constitution of India be transferred to PRIs at the appropriate level along with fund and functionaries.

In this regard, GoA had done activity mapping of 23 out of 29 functions in 2007. In June 2017, GoA issued orders for devolution of seven¹³ out of the 23 functions. However, as of July 2017, no function had been transferred to PRIs as yet although seven subjects were notified to be transferred. Further, activity mapping for the remaining six functions was yet to be done as of July 2017. Deployment of functionaries from the line departments to the PRIs was also not carried out and funds earmarked for PRIs against the transferred subjects were actually being spent by the line departments.

GoA has, therefore, largely failed to comply with the suggestions of the 4th ASFC to transfer the 29 subjects listed in XIth Schedule along with fund and functionaries to PRIs thereby

¹² Agriculture including agricultural extension, Land improvement, implementation of land, reforms, land consolidation and soil conservation, Minor irrigation, water management and watershed development, Animal husbandry, dairying and poultry, Fisheries, Social forestry and farm forestry, Minor forest produce, Small scale industries, including food-processing industries, Khadi, village and cottage industries, Rural housing, Drinking water, Fuel and fodder, Roads, culverts, bridges, ferries, water ways and other means of communication, Rural electrification, including distribution of electricity, Non-conventional energy sources, Poverty alleviation programme, Education including primary and secondary schools, Technical training and vocational education, Adult and non-formal education, Libraries, Cultural activities, Markets and fairs, Health and sanitation, including hospitals, primary health centres and dispensaries, Family welfare, Women and child development, Social welfare, including welfare of the handicapped and mentally retarded, Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes, Public distribution system and Maintenance of community assets.

¹³ Agriculture including agricultural extension, Land improvement and Soil conservation, Animal husbandry, dairying and poultry, Adult and non-formal education, Education including primary and secondary education, Khadi village and cottage industries and Rural electrification including distribution of electricity.

frustrating the objective of empowering PRIs to function as effective institutions of local self-governance.

2.6.2 Short release of Divisible Pool Share to PRIs

As per the recommendation of 4th ASFC, ₹ 3389.40 crore was to be devolved to the PRIs in the 21 'General' area districts for the period 2011-12 to 2015-16. However, the GoA released only ₹ 992.62 crore to the PRIs against this amount as shown in **Table-2.2** below:

Table-2.2: Year-wise position of devolution of funds to PRIs

(₹ in crore)

Year	Amount to be devolved to PRIs ¹⁴	Additional devolution to PRIs ¹⁵	Total amount to be devolved to PRIs	Actual release to PRIs	Short release (4-5)
(1)	(2)	(3)	(4)	(5)	(6)
2011-12	343.22	0.00	343.22	243.97 ¹⁶	99.25
2012-13	576.17	66.06	642.23	104.43	537.81
2013-14	653.87	66.06	719.93	185.23	534.70
2014-15	732.88	66.06	798.94	465.99	332.96
2015-16	819.02	66.06	885.08	0.00	885.08
Total	3125.16	264.24	3389.40	999.62	2389.80

It will be seen from above that there was short release of funds to PRIs every year and no fund was released for the year 2015-16. Due to short release of funds year after year, the PRIs could not take up the schemes like construction of roads, income generating assets, tourist lodges, markets and parks, etc. PRIs also could not construct their office and residential buildings as discussed in the succeeding paragraphs.

2.6.3 Release of Specific Purpose Grant (SPG)

(a) SPG necessitates better targeting of expenditure in certain important areas so identified. The 4th ASFC recommended SPG of ₹ 601.42 crore for the PRIs in 21 "General" area districts at all levels (ZP, AP and GP) for construction of 7515 number of functional and residential buildings. One-fifth of this amount or ₹ 120.28 crore was recommended for release in 2011-12 and the balance amount over the next four years at the rate of ₹ 120.28 crore per year to 20 ZPs.

It was however, observed that GoA released only ₹ 110.54 crore in three tranches (2011-12: ₹ 94.53 crore; 2015-16: ₹ 2.60 crore; 2016-17: ₹ 13.41 crore) to 20 ZPs¹⁷ for construction of 1503 (990 residential¹⁸ and 513 functional¹⁹) buildings. Out of ₹ 110.54 crore, an amount of

¹⁴ Includes Specific Purpose Grants

¹⁵ It is Untied Grants to be released to GPs.

¹⁶ Includes ₹16.01 crore released in 2015-16 (₹2.60 crore) and 2016-17(₹13.41 crore).

¹⁷ Barpeta, Bongaigaon, Cachar, Darrang, Dhemaji, Dhubri, Dibrugarh, Goalpara, Golaghat, Haikandi, Jorhat, Kamrup, Karimganj, Lakhimpur, Morigaon, Nagaon, Nalbari, Sivasagar, Sonitpur and Tinsukia ZP.

¹⁸ Includes Executive Officer Quarter, Grade-III Quarter for APs, GP Secretary Quarter and Grade-IV quarters for GPs.

¹⁹ Includes ZP building, multi-purpose hall, AP office building and GP office building.

₹ 46.96 crore was released to six selected ZPs covered under this audit. The status of construction of functional and residential buildings in these six ZPs is given in **Table 2.3** below:

Table 2.3

(₹ in lakh)

Name of ZP	Amount released	No. of buildings sanctioned	No. of building completed	No. of building incomplete	No. of buildings whose construction not started
Kamrup	803.10	107	105	0	2
Nagaon	1142.36	161	159	2	0
Sivasagar	526.13	78	77	1	0
Dhubri	981.40	117	114	3	0
Dibrugarh	574.60	64	62	2	0
Cachar	668.10	110	0	0	110
Total	4695.69	637	517	8	112

It can be seen from the above table that eight halls (multi-purpose) remained in complete as of July 2017 and construction of two buildings (one ZP building and one multi-purpose hall) under Kamrup ZP is yet to commence as brought out in para 2.8.1. Further, none of the 110 (38 functional and 72 residential) buildings sanctioned for Cachar ZP were constructed as the entire fund sanctioned was misappropriated in 2013 as reported in CAG's Audit Report on Local Bodies, Government of Assam for the year ended March, 2015.

Due to non-release of remaining fund of ₹ 490.88 crore (₹ 601.42 crore - ₹ 110.54 crore), 6012 functional and residential buildings could not be constructed across 20 ZPs in 'General' area thus depriving the PRIs of proper office accommodation and staff quarters.

(b) In addition, the 4th ASFC also recommended SPG of ₹ 852.30 crore to PRIs for four years (2011-12 to 2014-15) for improvement of markets, cremation and burial grounds and construction of 48 cold storage. However, GoA did not provide any fund depriving the PRIs and the public of the intended benefits.

2.6.4 Release of Untied Grants

The 4th ASFC recommended untied grants of ₹ 3 lakh per GP per year in order for the GPs to effectively discharge core activities viz., water supply, sanitation, solid waste disposal, street lighting, etc. However, as against ₹ 264.24 crore²⁰ due for 2012-15, GoA released only ₹ 66.06 crore to 2202 GPs during 2014-15. Short release by 75 per cent of untied grants to GPs would have severely impacted on the capacity of the GPs to discharge their core functions.

²⁰ ₹ 3.00 lakh x 2202 GPs = ₹ 6606 lakh per year
₹ 6606 lakh x 4 years = ₹ 26424 lakh i.e., ₹ 264.24 crore.

2.6.5 Imposition of Taxes

The 4th ASFC suggested for determined and sustained efforts by PRIs to raise their own revenues. Audit observed that there was scope for PRIs to raise revenue prescribed under the AP Act, 1994 (*Appendix-IV*).

However, it was observed that selected six ZPs, 14 APs and 28 GPs collected revenue only from settlement of *Hats* and *Ghats* instead of 22 items (ZP:6, AP:8 and GP:8) as detailed in *Appendix-IV* as no bye laws had been framed by GoA.

2.6.6 Maintenance of Accounts by PRIs

The 4th ASFC made suggestions for PRIs for proper maintenance of accounts and their audit. The status of action taken by these PRIs is shown in **Table-2.4** below:

Table-2.4: Status of action taken by PRIs in respect of maintenance of accounts

Sl. No.	Suggestions	Status of action taken
1	The 4 th ASFC suggested that annual budget estimates showing the details of estimated receipt and expenditure during the year shall be prepared by each PRI (ZP, AP and GP).	The budget covering overall receipt and expenditure of the PRIs was not prepared as per the format prescribed by the AP Act, 1994. PRIs prepared the budget only in respect of funds generated through their own revenue sources only.
2	The 4 th ASFC suggested that annual and monthly accounts as per the format prescribed by the CAG showing the details of income and expenditure shall be prepared.	Annual accounts were not prepared at AP and GP level. Monthly accounts were also not prepared at any level of PRI (ZP, AP and GP).
3	The 4 th ASFC suggested that audit of accounts of each level of PRI should be conducted and delay in reply to audit observations shall be eliminated.	Although Director of Audit Local Fund audited the accounts of the PRIs, there were significant shortfalls in coverage of audit by it due to shortage of staff. (Reference para 1.5.1.1.). In respect of audit by the office of the AG (Audit), Assam, replies to 6,353 audit observations with money value of ₹ 2366.29 crore were pending as of March 2017.

It was also observed that the selected PRIs generated only three reports *viz.*, Annual Receipt and Payment, Consolidated Abstract Register and Monthly Reconciliation Statement. Other five reports namely Receivable and Payable Register, Register of Immovable Property, Register of Movable Property, Inventory Register, Demand, Collection and Balance Register had not been prepared as prescribed by the CAG.

Against the above backdrop, the maintenance of accounts by PRIs was far from satisfactory. Accounting formats prescribed by the CAG had also not been adopted in entirety and hence, a true picture of the financial status of PRIs was not easily ascertainable.

2.6.7 Reconstitution and reorganisation of GPs

The 4th ASFC observed that there are 225 GPs in Assam having population less than 6,000 against the statutory provision ranging between 6,000 and 10,000 population which has not only reduced the viable size of GPs but escalated establishment costs as well. The 4th ASFC suggested to reconstitute the GPs through merger and reorganisation so that the population size of each GP conforms to the statutory limit of 6,000 as this would reduce establishment costs significantly.

GoA had accepted (February 2014) the aforesaid suggestion but the reconstitution of GPs was yet to be undertaken. The Commissioner, P&RD stated (August 2017) that delimitation of the panchayats is under process.

2.6.8 Implementation of other recommendations/suggestions of the 4th ASFC

The status of action taken on other recommendations/suggestions of the 4th ASFC is elaborated in the **Table-2.5** below.

Table-2.5

Sl. No.	Recommendation/suggestions	Status of implementation
1	The award period of Central and State Finance Commission may be made coterminous	The award period of 4 th ASFC was restricted to four years from 2011-12 to 2014-15 instead of five years to make it coterminous with Central Finance Commission.
2	PRIs may adopt the financial year from 1 st April instead of 1 st July.	Not yet implemented.
3	The State Government loans outstanding against PRIs of ₹ 46.40 lakh may be written off.	No action had been initiated.
4	The remuneration of elected representatives of PRIs to be revised upward.	Implemented.
5	Registration of births and deaths may be transferred to the PRIs.	Not yet implemented.
6	Training may be imparted in the fields of planning, implementation, monitoring and maintenance of accounts. For capacity building of PRIs, 4 th ASFC suggested training at regular intervals encompassing the elected representatives, official functionaries of PRIs and functionaries of line departments.	Though, State Institute of Rural Development, Assam imparted training to PRI staff and elected representatives on different subjects (92391 at GP level: 15,219 at AP level and 1,746 at ZP level) during 2012-13 to 2016-17, the training had no visible impact on the quality of accounts maintained by the PRIs.

Audit noted that the 5th ASFC observed that action taken on the recommendations of 4th ASFC was not found satisfactory as most of the recommendations were not implemented.

2.7 Utilisation of 4th ASFC grants**2.7.1 Non-submission of Utilisation Certificate**

GoA while releasing funds to ZPs instructed that Utilisation Certificates (UCs) were to be submitted by the ZPs to the Commissioner, P&RD. The Commissionerate would then submit the same to the government. It was observed that the 20 ZPs in Assam received a total of ₹ 626.23 crore during 2011-17 as non-salary component and Grants-in-aid under 4th ASFC. However, 12 ZPs furnished UCs for only ₹ 92.99 crore (14.85 per cent) as detailed in Appendix-V.

Thus, UCs for remaining ₹ 533.24 crore (85.15 per cent) were pending which indicated lack of financial discipline and lack of monitoring by P&RD Department.

2.7.2 Misappropriation of Funds

Cachar ZP sanctioned an amount of ₹ 3.00 lakh to Barthal Thailoo GP for construction of a road with brick soiling from near Barthal Tea Estate (TE) L.P. School to Jagannath Mandir at Barthal T.E. during 2014-15. Though the GP incurred ₹ 3 lakh for construction of the above road, no bills/vouchers in respect of expenditure on construction of brick soiling road was available with the GP Secretary. It was noticed during physical verification that a road with cement concrete block was constructed under MGNREGS during 2015-16 at the same location. As the Secretary, Barthal Thailoo GP had drawn the money by self-cheque and could not produce any details of expenditure, the execution of work remains doubtful and points towards misappropriation of ₹ 3.00 lakh.

2.7.3 Other Financial irregularities

Instances of other financial irregularities noticed in the selected PRIs covered under this audit is shown in **Table-2.6** below:

Table-2.6: Instances of financial irregularities in utilisation of grants

Sl No.	Irregularities	Remarks
1	Doubtful expenditure	Tingkong AP (under Dibrugarh ZP) incurred expenditure of ₹ 6.45 lakh towards construction of brick soiling road at Kenduguri Jatiya Vidyalaya against estimated area of 1204.80 sq.m. (401.60 m × 3.00 m). However, during joint physical verification of the work, it was found that brick soiling road measuring only 600 sq.m. was constructed. Hence expenditure of ₹ 3.25 lakh (604.8 sq.m × ₹ 538.11 ²¹) out of the total expenditure of ₹ 6.45 lakh incurred towards execution of 604.80 sq.m was doubtful.
2		Ashinagar GP (under Nagaon ZP) incurred expenditure of ₹ 2.57 lakh towards construction of road from PWD Road via Masjid to Mainul Hoque house at Dakhin Ashinagar against estimated length of 508.75 meter.

²¹ ₹6,48,314.00 (total estimated cost)/1204.80 sq.m (total estimated qty.) = 538.11 (cost per sq.m)

Sl No.	Irregularities	Remarks
		However, during joint physical verification of the work it was noticed that road measuring only 250 meters was constructed. Hence expenditure of ₹ 1.40 lakh (258.75 m × ₹ 540.54) out of the total expenditure of ₹ 2.57 lakh incurred towards execution of 258.75 m was doubtful.
3	Avoidable expenditure	Schedule of Rates for construction works provides for contractor's profit in the estimates only when the work is executed by contractor. Eight of the selected PRIs ²² covered under this audit did not deduct 10 per cent contractor's profit from the total estimated amount of ₹ 393.76 lakh against 143 works executed departmentally and hence these PRIs incurred avoidable expenditure of ₹ 39.15 lakh against total expenditure of ₹ 393.76 lakh.
4	Irregular expenditure	i) Kamrup ZP authority incurred an expenditure of ₹ 1.50 lakh on non-permissible works (foundation laying ceremony of construction of AP/GP buildings etc.) thereby violating Government instruction issued from time to time. ii) 22 of the selected PRIs covered under this audit, (3 ZPs, 6 APs and 13 GPs) drew a total amount of ₹ 890.02 lakh through self cheques violating Government Orders issued from time to time prohibiting drawal of funds on self-cheques. Details are shown <i>vide Appendix-VI</i> . (iii) Six selected PRIs ²³ covered under this audit incurred irregular expenditure of ₹ 20.74 lakh on non-permissible items (procurement of bicycle, sewing machines, etc.)
5	Diversion of funds	i) The CEO, Dhubri ZP diverted ₹ 93.86 lakh (June 2014) from 4 th ASFC grant for construction of 'Dhubri Civil Hospital Attendants guest house' taken up under District Development Plan (DDP) citing unavailability of fund under DDP. Further, although a total expenditure of ₹ 137.06 lakh including ₹ 93.86 lakh diverted from 4 th ASFC was incurred, the building remained incomplete as of July 2017. ii) CEO, Dhubri ZP, diverted ₹ 97.79 lakh to the 13 th FC account for creation of data base out of ₹ 113.95 lakh released as non-salary component under 4 th ASFC.
6	Excess payment made to the contractors	Nagaon ZP awarded (September 2012) six works (construction of AP Office and GP Office buildings) to contractors at rates ranging from two to 12 per cent below their tendered value. However, the contractors were paid the full tender value of the works. This resulted in excess payment of ₹ 4.53 lakh to the contractors.
7	Basic records not maintained	Four ²⁴ out of 48 PRIs covered under this audit did not maintain plan estimates and Measurement Books (MB) of 36 works executed valuing ₹ 40.78 lakh. Bills, Vouchers and Actual Payee Receipts in support of works executed and expenditure incurred was also not made available by these PRIs.

²² Kamrup ZP, Nagaon ZP, Lahowal AP, Bangarpar GP, D. Lakhichera GP, Barthal Thailoo GP, Milan GP and B.Pukhuri GP

²³ Mahmora AP (₹ 14.74 lakh), Milon GP (₹ 1.00 lakh), Bharalipukhuri GP (₹ 1.00 lakh), Hollowphukan GP (₹ 1.00 lakh), Nimonagarh GP (₹ 1.00 lakh) and Lakuwa AP (₹ 2.00 lakh).

²⁴ Agdola GP, Lachitgarh GP, Chayani Barduar AP, and Tarangajhar GP

2.7.4 Undue financial benefit to contractors resulting in loss of Government revenue

Out of six ZPs covered under this audit, audit noticed that Kamrup and Dhubri ZP did not deduct Labour cess and Dhubri ZP did not deduct Labour cess and income tax from contractors' bills paid against construction of AP/GP building as shown in **Table-2.7** below:

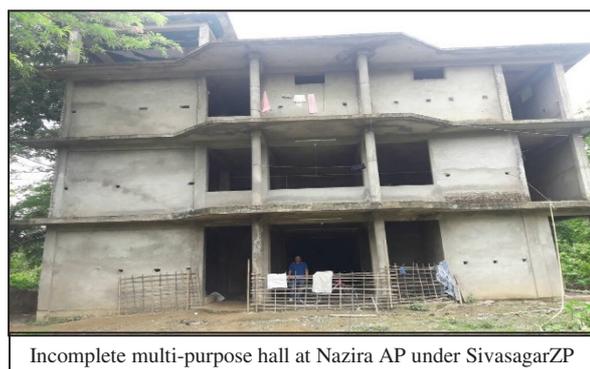
Table-2.7: Details of Labour Cess and Income Tax not deducted**(₹ in lakh)**

Sl. No.	Name of executing PRI	Total Bill value	Amount of Labour cess not deducted	Amount of Income Tax not deducted
1	Kamrup ZP	76.00	0.76	0
2	Dhubri ZP	910.04	9.10	10.92
	Total	986.04	9.86	10.92

This resulted in undue financial benefit of ₹ 20.78 lakh to the contractors and at the same time caused loss of Government revenue of ₹ 9.86 lakh and ₹ 10.92 lakh in the form of labour cess and income tax respectively.

2.8 Implementation of Social Sector Programmes**2.8.1 Incomplete works and undue benefit to the contractor**

(i) Finance Department, GoA sanctioned and released ₹ 9.73 crore in March 2012 as SPG to five²⁵ of the selected ZPs covered under audit, for construction of eight multi-purpose halls having conference rooms, bank counters, restaurants, shops and entertainment facilities. The main objective of the construction of these halls was to generate



Incomplete multi-purpose hall at Nazira AP under Sivasagar ZP

revenue for the ZPs. Although ₹ 6.10 crore was incurred by these ZPs for construction of the eight multi-purpose halls, these were yet to be completed as detailed in **Table 2.8** below:

Table 2.8: Details of multi-purpose halls remained incomplete

Sl. No.	Name of ZP	Location of construction of multi-purpose hall	Date of commencement	Stipulated date of completion	Physical progress till July 2017 (%)
1	Kamrup	Multi-purpose hall at Goraimari	05.12.13	08.04.14	50
2	Sivasagar	Multi-purpose hall at Nazira	26.10.12	12.09.13	70
3	Nagaon	Multi-purpose hall at Raha	21.10.12	16.09.12	95
4		Multi-purpose hall at Baziagaon	23.12.12	14.12.13	95
5	Dhubri	Multi-purpose hall at Agomoni AP	20.10.12	17.09.13	50
6		Multi-purpose hall at Gauripur AP	08.09.12	11.08.12	65
7	Dibrugarh	Multi-purpose hall at Panitola AP	03.12.14	22.05.15	60
8		Multi-purpose hall at Khowang AP	18.03.15	12.01.16	55

²⁵ Dhubri (2nos.), Dibrugarh (2nos.), Kamrup (1no), Nagaon (2nos.) and Sivasagar (1no).

ii) The construction of ZP office building-cum-guest house at Dhubri was awarded in October 2012 to a contractor at the tendered amount of ₹ 1.82 crore for civil works (Parking floor and Ground floor). Joint physical verification of the work disclosed that only ground floor was constructed and work remained incomplete as shown in the photograph. Though the contractor had not completed the work yet he had been paid the full amount of ₹ 1.82 crore between March 2013 and July 2016.

Incomplete ZP office building cum Guest House at Dhubri



2.8.2 Less execution of work

The CEO, Nagaon ZP incurred ₹ 5.83 crore during November 2012 to February 2015 for construction/extension of GP office buildings, GP Secretary Quarters and Grade-IV quarters. However, joint physical verification of these facilities disclosed that they had not been executed as per the approved plans and estimates as detailed in the **Table-2.9** below:

Table-2.9: Details of schemes executed without following the plan and estimates

(₹ in lakh)

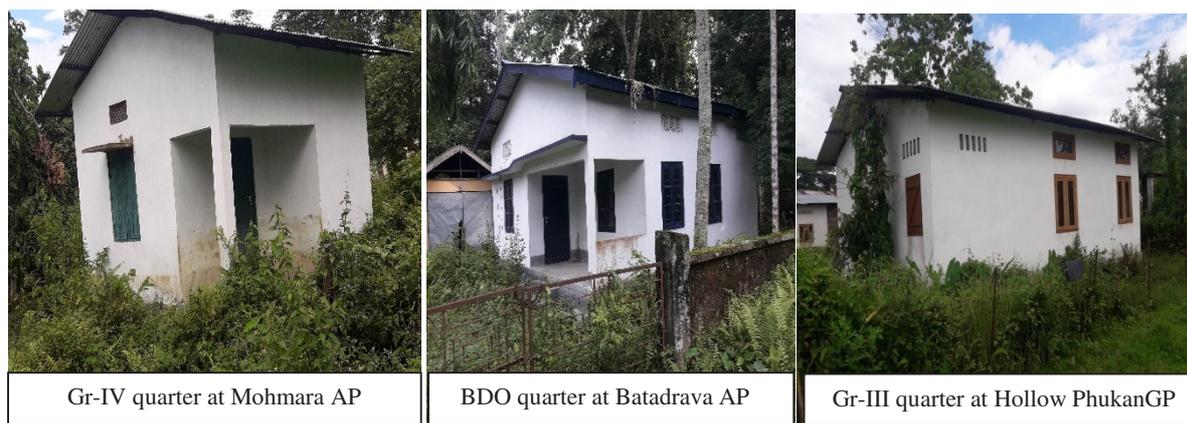
Sl. No.	Name of the Scheme	Estimated amount	Actual Expenditure	Items of work not executed	Value of work not executed
1	Extension of 35 GP Office buildings	297.50	297.50	Internal electrification works	7.88
2	Construction of 52 GP Secretary Quarters	176.80	176.80	Internal electrification and sanitary works	21.10
3	Construction of 52 Grade-IV Quarters	109.20	109.20	Internal electrification works	1.69
	Total	583.50	583.50		30.67

2.8.3 Idle Expenditure

GoA sanctioned ₹ 33.16 crore to five²⁶ of the selected ZPs covered under this audit, in 2011-12 as SPG for construction of multi-purpose halls, AP/GP office buildings and staff quarters. Out of this, ₹ 10.00 crore was allocated for construction of EO/BDO quarters (12 nos.) and Grade III staff quarters (12 nos.), Grade IV staff quarters (168 nos.) and GP Secretary quarters (156 nos.) on need based priority. The ZPs utilised the allocated amount towards construction

²⁶ Kamrup, Dibrugarh, Sivasagar, Nagaon and Dhubri

of the said buildings. However, these buildings were not allotted to/occupied by the PRI staff



for more than three years (October 2017). Thus, the expenditure of ₹ 10.00 crore incurred towards construction of 348 staff quarters remained idle. Had the quarters been allotted to the PRI staff, the PRIs could have saved ₹ 132.07 lakh in the form of house rent allowances which they paid to staff since completion of the quarters besides non-receipt of licence fees in respect of these quarters.

2.8.4 Irregularities in execution

Irregularities were noticed in connection with execution of the following works as shown in **Table-2.10** below:

Table-2.10: Details of irregularities noticed in execution of works under 4th ASFC (₹ in lakh)

Sl. No.	Nature of Irregularity	Remarks
1	Doubtful execution of works	<p>i) During physical verification (June 2017) of the work 'Development of Jugijan Bazar (construction of drain)', it was noticed that no drain was constructed at Jugijan Bazar even though expenditure of ₹ 3 lakh had been incurred on the work. The amount was drawn by self-cheques and records in support of actual expenditure were also not available.</p> <p>ii) Plan and estimates, MB, Bills and Vouchers and physical evidence of execution of the work 'Extension and renovation of AP Office building' at Chayani Barduar AP (under Kamrup ZP) were not available although the Executive Officer (EO) had drawn the amount of ₹ 4.93 lakh through self-cheques to utilise against this work.</p> <p>iii) Approved beneficiary list, installation reports along with photographs in support of installation of hand tube wells (HTW), Actual Payee Receipts of beneficiaries in connection with installation of HTWs in Mahmora AP (under Sivasagar ZP) were not made available even though expenditure of ₹ 10.43 lakh had been incurred for distribution of 96 HTWs raising a question about the authenticity of the expenditure.</p>
2	Less execution of works	<p>i) It was noticed that five of the PRIs²⁷ covered under this audit, executed lesser quantity of works and procured materials less than the estimated quantity valuing ₹ 2.70 lakh as detailed in <i>Appendix-VII</i>. Execution of works in lesser quantity than the estimated quantity and</p>

²⁷ Dhubri ZP, Sivasagar ZP, Salchapara AP, Tinkhong AP and Hiloidhari GP

		procurement of less material than required for the works would have resulted in execution of substandard works.
3	Irregular execution of work	In Barundanga and Kachokhana GPs (under Dhubri ZP), works other than the ones sanctioned were executed. Instead of executing the sanctioned works viz., construction of Reinforced Cement Concrete (RCC)/ Brick binding Road, the GPs incurred expenditure of ₹ 4.97 lakh on earth work on road, drains and boundary wall of GP office.
4	Execution of inadmissible works	Dhaniram Pathar GP (under Nagaon ZP) constructed two temples instead of two community halls at a cost of ₹ 3.24 lakh. Photograph shows one of the two temples constructed at Danohar Basti under Dhaniram Pathar GP. 
5	Works not measured	Works measurement was not recorded in the Measurement Books (MB) against total expenditure of ₹ 27.34 lakh relating to seven ²⁸ schemes under Tinkhong AP (under Dibrugarh ZP) and Rajabazar AP (under Cachar ZP). Only supply of materials and labour payment were recorded in the MBs. In absence of measurement of works, actual quantity of works executed could not be ascertained in audit.
6	Non-commencement of works	SPG of ₹ 1.25 crore was released in March 2012 for construction of ZP Building and multi-purpose hall at Amingaon under Kamrup ZP. However, land was allotted for the said work only in January 2016 and as of July 2017, the work was yet to start.
7	Irregular award of Works	While awarding (September 2012 and October 2012) the works of construction of 30 GP office buildings/quarters and five AP Office buildings (Extension), Nagaon and Sivsagar ZPs ignored the lowest tenderer without citing any valid reason. As a result, the ZPs concerned incurred excess expenditure of ₹ 9.13 lakh (Nagaon ZP: ₹ 2.92 lakh and Sivasagar ZP: ₹ 6.23 lakh).

2.8.5 Potential loss of revenue

The GoA provided Grants-in-aid to the PRIs under 4th ASFC for taking up visible schemes including revenue generating schemes. In case of two of the selected PRIs covered under this audit, it was noticed that these PRIs failed to mobilise revenue from the assets created as shown in **Table-2.11** below:

²⁸ Construction of Community hall at Nemupathar village under Tinkhong AP (₹ 6.48 lakh). Construction of Approach Road from Mahmora Health Centre to Mahmora PWD Road under Tinkhong AP (₹ 6.48 lakh), Construction of Road from KachaluTiniali to Kacahlu Play ground under Tinkhong AP (₹ 6.48 lakh), Construction of market shed at Dewan T.E. under Rajabazar AP (₹ 2.00 lakh), Construction of drain with pucca (SIRI) at Subhas Nagar Cattle Market under Rajabazar AP (₹ 2.00 lakh), Construction of market shed at Joypur Natun Bazar Goat Market under Rajabazar AP (₹ 2.15 lakh) and Construction of Culvert and Guard wall near the house of Nipesh Sabdakar at Thailoo Colony under Rajabazar AP (₹ 1.75 lakh).

Table-2.11: Statement showing details of schemes implemented but revenue not generated by PRIs

Sl. No.	Topic	Name of PRI	Cost of the Project	Remarks
1	Market sheds not rented	Nagaon ZP	₹ 17.68 lakh	Nagaon ZP failed to generate any income as of July 2017 due to failure to let out two market sheds constructed at a cost of ₹ 17.68 lakh in 2012-13.
2	Non-leasing of Fishery tank	Jugijan AP	₹ 6.00 lakh	Jugijan AP failed to generate any income from a fishery tank as the same was not leased out, though expenditure to the tune of ₹ 6.00 lakh had been incurred in 2015 on improvement of the tank.

2.8.6 Execution of non-income generating schemes

For creating income generating assets like tourist lodges, markets, parks, *etc.*, GoA sanctioned ₹ 19.26 crore²⁹ under non-salary component of 4th ASFC award to the PRIs covered under this audit.

However, these PRIs undertook schemes which were mostly of non-income generating nature *viz.*, roads, boundary walls, development of fields *etc.*, as shown in **Table-2.12** below:

Table-2.12: Details of execution of schemes by the sampled PRIs

Sl. No.	District	Total number of PRI ³⁰	Total number of schemes executed	Number of income generating scheme executed	No. of non-income generating schemes executed (4)-(5)
(1)	(2)	(3)	(4)	(5)	(6)
1	Kamrup	10	328	2	326
2	Cachar	7	196	4	192
3	Dibrugarh	7	187	6	181
4	Sivsagar	7	270	11	259
5	Nagaon	10	390	37	353
6	Dhubri	7	228	2	226
Total		48	1599	62	1537

Source: Sanction orders of GoA and information furnished by the Department.

Details of PRI wise income generating and non-income generating schemes are shown in *Appendix-VIII*.

It could be seen from above table that the percentage of income generating schemes to total schemes was meagre (3.88 *per cent*). This was indicative of the fact that the PRIs concerned neglected the income generating schemes violating the conditions of sanction of funds. Further, the income generating schemes executed were market sheds, fishery tanks, *etc.* But, these were

²⁹ ₹13.97 crore during 2011-12 and ₹5.29 crore during 2012-13.

³⁰ Includes ZPs, APs & GPs

also not rented/leased and hence no income was earned from these market sheds, thereby frustrating the objective of strengthening the income generating capacity of PRIs.

2.8.7 Outstanding *Kist*³¹ Money

In case of four out of the six ZPs covered under this audit, *kist* money amounting to ₹ 3.00 crore was outstanding for realisation from lessees as rent from 229 *Hats*, *Ghats* and *Beels* during the period 2011-17 as shown in **Table-2.13** below:

Table-2.13: Details of *Kist* money remained outstanding

(₹ in crore)					
Sl. No.	Name of ZP	Nos. of Hat/Ghat/Beels	Rent to be realised	Amount realised	Outstanding <i>kist</i> money
1	Kamrup	6	0.36	0.23	0.13
2	Nagaon	42	2.45	1.66	0.79
3	Sivasagar	122	3.53	2.14	1.39
4	Dhubri	59	1.81	1.12	0.69
	Total	229	8.15	5.15	3.00

The ZPs need to put in concerted efforts to realise their own revenues as this income can be utilised to provide a better level of civic services to their constituent population.

2.9 Monitoring and Evaluation

The 4th ASFC suggested the constitution of a High Level Monitoring Committee (HLMC) headed by the Chief Secretary with the Finance Secretary and the Secretaries, Heads of Department concerned as members responsible for monitoring both financial and physical targets and for ensuring adherence to the specific conditionality in respect of each grant. The Committee was to meet at least once in every quarter to review the utilisation of the grants and to issue directions for mid-course correction, if considered necessary. However, the HLMC was not constituted as of July 2017.

Further, the 4th ASFC advised setting up a Monitoring and Evaluation Cell in PRDD, but the same was yet to be done (July 2017).

The 4th ASFC also suggested for setting up of Monitoring Committees at ZP level. In case of six selected ZPs covered under this audit, it was noticed that although monitoring committees were set up, their jurisdiction was restricted to construction of functional and residential buildings only. The PRDD may issue advisory to all ZPs so as to set right the monitoring mechanism.

In the above backdrop, it was apparent that there was complete lack of monitoring system at State and Department level while at the district level monitoring was limited.

³¹ *Installment Money to be realised from the lessee against the settled value.*

2.10 Conclusion

- Though, GoA accepted the recommendations of 4th ASFC and partially released funds to PRIs as per recommendations of the 4th ASFC, the objectives of enabling the PRIs to become effective institutions of local self-governance was still to be achieved.
- The GoA had not transferred the funds, functions and functionaries to PRIs as recommended by the 4th ASFC.
- The GoA had not released due share of the divisible pool and the SPGs to the PRIs as recommended by 4th ASFC.
- There were recurring instances of financial mismanagement of 4th ASFC funds, misappropriation, irregular utilisation of funds, idle expenditure, inadmissible expenditure, blockade of funds, *etc.*, as brought out in this report.
- Irregularities were noticed in implementation of schemes under 4th ASFC grants like non-completion of works, delay in completion of works, execution of substandard works, execution of non-income generating schemes, *etc.*
- There was no monitoring and evaluation of implementation of the schemes at the State and line department level and while at district level the same was limited to one area (construction of functional and residential buildings) only.

2.11 Recommendations

The GoA may ensure the following for better implementation of succeeding State Finance Commission:

- Empowering PRIs through effective transfer of funds, functions and functionaries as recommended by the 4th ASFC.
- Preparation of accounts by PRIs as per format prescribed by CAG.
- Proper implementation of schemes as sanctioned to avoid financial mismanagement and glitches in execution of the schemes with provision of periodic monitoring and evaluation.
- Timely and full release of funds.

