

Presented to  
Punjab Vidhan Sabha  
On 14 MAR 2014

# **Annual Technical Inspection Report**

**on**

**Panchayati Raj Institutions and Urban Local Bodies  
for the year ended 31 March 2014**

**Government of Punjab**

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT),  
PUNJAB, CHANDIGARH**



## TABLE OF CONTENTS

Contents	Reference to	
	Paragraph	Page
Preface		v
Executive Summary		vii
<b>PART A: PANCHAYATI RAJ INSTITUTIONS</b>		
<b>CHAPTER-I</b>		
<b>Overview of Panchayati Raj Institutions</b>		
Background of Panchayati Raj Institutions	1.1	1
Organizational structure of Panchayati Raj Institutions	1.2	3
Financial Profile	1.3	5
Accountability framework of Panchayati Raj Institutions (Internal Control System)	1.4	7
<b>CHAPTER-II</b>		
<b>Results of audit of Panchayati Raj Institutions</b>		
Non-handing over of cash by the Sarpanch	2.1	11
Irregular cash withdrawals from bank through self-cheques	2.2	11
Non-preparation of Annual Accounts	2.3	11
Irregular purchase of material	2.4	12
Non recovery of outstanding rent	2.5	12
Short collection	2.6	13
Delayed payment of wages and non-payment of compensation	2.7	14
Execution of work without estimates	2.8	14
Irregular release of IAY funds	2.9	15
Mis-utilization of funds	2.10	15
<b>PART B: URBAN LOCAL BODIES</b>		
<b>CHAPTER-III</b>		
<b>Overview of the Urban Local Bodies</b>		
Background of Urban Local Bodies	3.1	17
Organizational structure of Urban Local Bodies	3.2	18
Financial Profile	3.3	20

	Reference to	
	Paragraph	Page
Accountability framework of Urban Local Bodies (Internal Control System)	3.4	22
<b>CHAPTER-IV</b>		
<b>Results of audit of Urban Local Bodies</b>		
Blockade of funds	4.1	25
Loss of revenue due to sale of land below collector rate	4.2	25
Avoidable payment of interest	4.3	26
Non realization of revenue receipt	4.4	27
Short deduction of Value Added Tax	4.5	28
Diversion of funds	4.6	29
Avoidable payment of penal interest	4.7	30
Avoidable expenditure	4.8	31

## APPENDICES

Appendix		Reference to Page
I	Staff position in Panchayati Raj Institutions	33
II	Statement showing non-maintenance of record by Gram Panchayats	34
III	Non-reconciliation of withdrawals and deposits into Banks	36
IV	Statement showing operation of multiple bank accounts	37
V	Statement showing non-handing over of cash by the Sarpanch	39
VI	Statement showing irregular cash withdrawals from bank through self-cheques	41
VII	Detail of non-preparation of annual accounts	42
VIII	Statement showing short collection of Panchayat Secretary Wages	43
IX	Statement showing detail of delayed payment of wages	44
X	Statement showing execution of work without estimates	45



## **PREFACE**

The Annual Technical Inspection Report (ATIR) has been prepared for submission to the Government of Punjab (GoP) in accordance with the terms and conditions of Technical Guidance and Support (TGS) on the audit of accounts of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) as entrusted by the GoP to the Comptroller and Auditor General (CAG) of India under Section 20(1) of the CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971.

The Report contains four Chapters. Chapter-I and Chapter III contain overview of PRIs and ULBs and the comments on financial reporting. Chapter II and Chapter IV contain findings emerging from transaction audits of PRIs and ULBs.

The cases mentioned in the Report are a consolidation of major audit findings, relating to 392 PRIs (four Zilla Parishad, 30 Panchayat Samities and 358 Gram Panchayats) and 25 ULBs (four Municipal Corporations, 16 Municipal Councils and five Town Councils), which were noticed during the year 2013-14.





---

---

## Executive Summary

This Report is in two parts and consists of four chapters. Chapters I and II deal with Panchayati Raj Institutions and Chapters III and IV deal with Urban Local Bodies. A synopsis of audit findings is presented in this Executive Summary:

### Overview of Panchayati Raj Institutions (PRIs)

There are 22 Zila Parishads (ZPs), 145 Panchayat Samitis (PSs) and 13109 Gram Panchayats (GPs) in the State. Though the State Government adopted the Model Accounting Structure, 2009 developed by the Ministry of Panchayati Raj in consultation with Comptroller and Auditor General of India (CAG), the requisite reports were not made available and hence implementation could not be ascertained in audit. Total 1291 posts of technical and non-technical staff under PRIs were lying vacant. Of the 29 functions included in the Eleventh Schedule of the Constitution, only 13 functions were transferred to the PRIs. Important records like movable/immovable asset register, demand and collection register, advances/loan outstanding register, receipt book register, etc. were not maintained.

(Chapter-I)

### Results of Audit of Panchayati Raj Institutions

- In 46 GPs ₹ 95.10 lakh were not handed over by the Sarpanchs on vacation of office to the concerned BDPOs.
- In 21 GPs and 4 PSs, ₹ 52.84 lakh were withdrawn from bank through self-cheques in contravention to the Rules.
- Material worth ₹ 1.04 crore was purchased by 30 GPs from the local market without obtaining the quotation.
- Rent amounting to ₹ 2.23 crore was outstanding in respect of 320 shops in one Zila Parishad and four Panchayat Samitis.
- Short collection of Panchayat Secretary wages of ₹ 76.57 lakh as 20 *per cent* of the income from auction from Gram Panchayat land by five Panchayat Samitis in respect of 211 GPs, was noticed.
- Payment of wages amounting to ₹ 50.79 lakh under MGNREGS by 11 GPs were delayed for the period ranging between 13 and 280 days in contravention to the guidelines of scheme.
- Detailed estimate in respect of 55 works involving expenditure of ₹ 4.85 crore in 44 GPs were not prepared in contravention of provisions of PWD (Code).

- In BDPO, Lohian Khas, ₹ 12.36 lakh were either withdrawn through self cheque or were directly released to agencies in contravention of the guidelines of the scheme.
- Mis-utilization of funds of ₹ 9.06 lakh was noticed in 3 GPs.

**(Chapter-II)**

### **Overview of Urban Local Bodies (ULBs)**

There are nine Municipal Corporation, 138 Municipal Councils/Town Councils in the State. State specific accounts manual, though prepared could not be adopted as the same has been forwarded to the Examiner, Local Fund Accounts Punjab for necessary vetting and amendment thereof. Cash book was not maintained properly as cases of non-verification of cash book, non-reconciliation of balances with bank account were noticed in test checked ULBs. Various records such as Contractor ledger, muster roll register, grant register, etc. was not maintained in test checked ULBs.

**(Chapter-III)**

### **Results of Audit of Urban Local Bodies**

- Lack of initiative resulted in blockade of funds amounting to ₹ 34.28 lakh as the PSIEC Ltd. neither refunded the amount nor completed the work of construction of shopping complex at Batala.
- Transfer of 7056.69 sq yard land below collector rate resulted in loss of revenue of ₹ 19.58 crore.
- Negligence on the part of Municipal Corporation, Patiala by offering land reserved for Public Park, resulted in avoidable payment of interest of ₹ 1.41 crore.
- An amount of ₹ 154.94 crore in 24 ULBs was still recoverable on account of House Tax, Rent, etc.
- In nine ULBs, VAT of ₹ 11.33 lakh, in 136 cases, was short deducted.
- Municipal Corporation, Bathinda diverted funds of ₹ 3.54 crore in contravention of the terms and conditions of grants released by the PIDB by purchasing buses in the name of General Manager, PRTC.
- Failure of Municipal Corporation, Patiala in timely payment of loan instalment resulted in avoidable payment of penal interest of ₹ 44 lakh.
- Failure of Municipal Council, Batala to pay pension contribution of its employees resulted in avoidable payment of penal interest of ₹ 51.65 lakh.

**(Chapter-IV)**

**PART – A: PANCHAYATI RAJ INSTITUTIONS**



### Overview of Panchayati Raj Institutions

#### 1.1 Background of Panchayati Raj Institutions

The Constitution (Seventy Third amendment) Act, 1992 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.* The act envisaged a three tier system of PRIs namely Gram Panchayat (GP) at village level, Panchayat Samiti (PS) at block level and Zila Parishad (ZP) at district level. As a follow up, the States were required to entrust these bodies such powers, functions and responsibilities so as to enable them to function as institutions of self-government. In particular, the PRIs were required to prepare plans for economic development and social justice on the functions enumerated in the Eleventh Schedule of the Constitution.

Accordingly, three tier Panchayati Raj System was established under Punjab Panchayati Raj Act, 1994 with elected bodies at the village, block and district levels. The last elections of PRIs were held in July 2013.

##### *1.1.1 Audit arrangement*

The Examiner, Local Fund and Accounts, Punjab (ELFA) is responsible for conducting the audit of PRI units.

The Thirteenth Finance Commission (TFC) recommended that the State Government must put in place an audit system for all tiers of PRIs. Based on the recommendations of TFC, the State Government entrusted (August 2011) the test audit of PRIs to Comptroller and Auditor General of India (CAG) under Section 20 (1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and for providing Technical Guidance and Support (TGS) over the work of the Examiner, Local Fund and Accounts, Punjab (ELFA) with regard to audit of PRIs. Annual Technical Inspection Report (ATIR) on the audit of PRIs conducted during preceding year is sent by the Pr. Accountant General (Audit) to the State Government to be laid before the State Legislature.

---

### **1.1.2 Accounting system in Panchayati Raj Institutions**

The Deputy Chief Executive Officer was responsible for the maintenance of accounts of ZP with the assistance of Accounts Officer. The BDPO-cum-Executive Officer maintained the accounts of PS while Gram Sachiv/Secretary maintained accounts of GP. The certification of accounts was being done by Deputy Chief Executive Officer, Executive Officer and Sarpanch in respect of ZPs, PSs and GPs respectively. ELFA being a statutory auditor was responsible for conducting audit of PRIs.

Ministry of Panchayati Raj, Government of India in consultation with Comptroller and Auditor General of India developed the Model Accounting Structure (MAS), 2009. The model formats developed under MAS was to benefit State Government in terms of tracking the flow and usage of funds while the Panchayats were to gain in terms of better financial management, enhanced credibility and assessing Panchayat finances for devising strategies to make Panchayats financially viable. Subsequently, in December 2013, Director, Rural Development directed all the Additional Deputy Commissioners (Development) (ADCs (D)) to create a data base on the basis of proformas as prescribed in MAS by December 2013 so as to make the MAS functional from April 2014. However, on being enquired (October 2014) from the Department as to whether the requisite reports<sup>1</sup> were being generated in the prescribed formats; no reply was received (March 2015). Thus, achievement of objective to facilitate sound Financial Management and Decision Support System at the district, block and village level could not be ascertained in Audit.

---

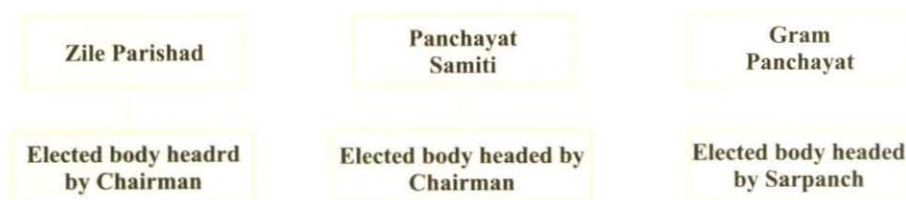
<sup>1</sup> (i) Monthly/Annual receipts and payments accounts; (ii) abstract register; (iii) monthly reconciliation statement; (iv) receivable and payable; (v) movable and immovable property; (vi) inventory register; and (vii) demand, collection and balance of the Zila Parishad, Panchayat Samiti and Gram Panchayats.

**1.2 Organizational structure of Panchayati Raj Institutions**

**(i) Executive Level**



**(ii) Elected Level**



The organogram given above depicts the organisational structure of the department and PRIs at district, block and village level. At the district level, the ZP is constituted by the elected representatives headed by the Chairman with the Additional Deputy Commissioner as Chief Executive Officer (CEO). Under the CEO, Deputy Chief Executive Officer discharged day to day administrative functions of the ZP. The Panchayat Samiti (PS) at the block level comprised of elected representatives headed by the Chairman of the PS with the Block Development and Panchayat Officer (BDPO) as the Executive Officer. At the village level, the elected members headed by the Sarpanch constitute GP. Gram Sachiv/secretary appointed by the State Government in the GP performed day to day duties of the GP under the control of the Sarpanch.

### 1.2.1 Standing Committees

The various Standing Committees involved in financial matters and implementation of schemes is given in **Table 1.1** below:

**Table 1.1 Roles and responsibilities of the Standing Committees**

Level of PRIs	Standing Committee headed by	Name of the Standing Committee	Roles and responsibilities of the Standing Committee
District Panchayat	Chairman	General Committee	Performs functions relating to establishment matters, communications, buildings, etc.
		Finance Audit and Planning Committee	Performs functions relating to finances of the Zila Parishad .
		Social Justice Committee	Performs functions like promotion of education, economic, social, cultural and other interest of the Scheduled Castes (SCs) and Backward Classes (BCs), protecting SCs/BCs from social injustice, etc.
		Education and Health Committee	Performs functions relating to promotion of educational activities in the ZP, maintenance of health services, hospitals, water supply and family welfare, etc.
		Agriculture and Industry Committee	Performs functions relating to agriculture production, animal husbandry, village and cottage industries and promotion of industrial development of the district, etc.
Block Panchayat	Chairman	General Committee	Performs functions relating to establishment matters, communications, building, rural housing, etc.
		Finance, Audit and Planning Committee	Performs functions relating to finance of the Panchayat Samiti.
		Social Justice Committee	Performs functions relating to promotion of education, economic, social, cultural and other interests of the SCs/BCs, etc.
Village Panchayat	Chairman	Production Committee	Performs functions relating to agriculture production, animal husbandry, rural industries and poverty alleviation programmes.
		Social Justice Committee	Performs functions relating to promotion of education, economic, social, cultural and other interests of the SCs/BCs, etc.
		Amenities Committee	Performs functions relating to education, public health and public works, etc.

(Source: Punjab Panchayati Raj Act, 1994)

### 1.2.2 Staff position in PRIs

Panchayati Raj Institutions have technical and non-technical staff. Against 4041 sanctioned posts, 1291 posts are lying vacant under various cadres as of 31 March 2014 (*Appendix-I*). Two training centres namely Community Development Training Centre, Batala and Gram Sevak Training Centre, Nabha are imparting training to the officials of PRIs to enhance their skills.



### 1.2.3 Devolution of functions

The Constitution (Seventy Third Amendment) Act, 1992, envisaged devolution of funds, functions and functionaries to the PRIs to enable them to work as institutions of self-government. Although the State Government had devolved all 29 functions included in the Eleventh Schedule of the Constitution to the three tiers of Panchayats through inclusion in the Schedules to the Panchayati Raj Act, 1994, only 13 functions viz. animal husbandry, rural housing, drinking water, education (including primary and secondary schools), libraries, cultural activities, markets and fairs, health and sanitation, family welfare, women and child development, social welfare including welfare of handicapped and mentally retarded, welfare of the weaker sections and in particular of the Scheduled Castes and the Scheduled Tribes and maintenance of community assets have been devolved to PRIs and are being performed by them.

## 1.3 Financial profile

### 1.3.1 Fund flow to Panchayati Raj Institutions

The resource base of PRIs consists of own receipts, State Finance Commission (SFC) grants, Central Finance Commission (CFC) grants, State Government grants and Central Government grants for maintenance/development purposes and implementation of schemes. Central and State grants are utilized by the PRIs for execution of Central and State sponsored schemes as per the guidelines issued by GOI and State Government in this regard whereas the own receipts of PRIs are utilized for execution of schemes/works formulated by the PRIs.

The fund-wise sources and their custody for each tier are given in **Table 1.2** below:

**Table 1.2: Fund flow arrangement in major Centrally Sponsored Schemes**

Sr. No.	Scheme	Fund Flow Arrangement
1.	Mahatma Gandhi National Rural Employment Guarantee Scheme (MG-NREGS)	GOI and State Government transfer their respective shares of MGNREGA funds in a bank account, called State Employment Guarantee Fund (SEGF). Accounts of beneficiaries are being credited from the SEGF through Electronic Fund Management System.
2.	Indira Awaas Yojana (IAY)	The IAY is funded on cost-sharing basis between the GOI and the State Government in the ratio of 75:25. Funds are released to District Rural Development Agency (DRDA) / ZP and there from funds are directly transferred to the beneficiaries' accounts.

Sr. No.	Scheme	Fund Flow Arrangement
3.	Integrated Watershed Development Programme (IWDP)	Funds are released to District Rural Development Agency (DRDA) which transfers it to Watershed Committee directly involved in implementation of the programme.
4.	Integrated Watershed Management Programme (IWMP)	
5.	Swarnjayanti Gram Swarozgar Yojana (SGSY)	The total cost of the project is to be shared between Centre and State in the ratio of 75:25. Funds are released to DRDA and thereafter directly to beneficiaries' accounts through BDPOs.

### 1.3.2 Resources: Trends and Composition

The resources of PRIs for the period from 2009-14 are detailed in **Table 1.3** below:

**Table 1.3: Time series data on resources of PRIs**

(₹ in crore)

Year	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Own Revenue</b>					
Non-Tax	270.30	313.05	362.66	415.31	456.84
CFC transfers (Central Finance Commission devolutions)	66.75	103.50	139.10	74.59	60.00
SFC transfers (State Finance Commission devolutions)	63.48	69.22	78.75	85.91	99.00
Grants from State Government*	949.73	1,055.26	1,172.51	1,298.14	1,440.93
Govt. of India grant for CSS	251.43	267.56	201.85	165.85	299.17
Other Receipt (bank interest etc.)	09.21	09.75	10.30	10.89	11.43
<b>TOTAL</b>	<b>1,610.90</b>	<b>1,818.34</b>	<b>1,965.17</b>	<b>2,050.69</b>	<b>2,367.37</b>

\* includes State Government grants for State Schemes

(Source: Figures provided by Department of Rural Development and Panchayats, Punjab)

### 1.3.3 Application of Resources: Trends and Composition

The application of resources of PRIs for the period from 2009-14 are detailed in **Table 1.4** below:

**Table 1.4: Expenditure from resources sector-wise**

(₹ in crore)

Description	2009-10	2010-11	2011-12	2012-13	2013-14
Expenditure from own revenue	270.30	313.05	362.66	415.31	456.84
Expenditure from CFC transfers (Central Finance Commission devolutions)	66.75	103.50	139.10	74.59	60.00
Expenditure from SFC transfers (State Finance Commission devolutions)	63.48	69.22	78.75	85.91	99.00

Description	2009-10	2010-11	2011-12	2012-13	2013-14
Expenditure from grants from State Government*	949.73	1,055.26	1,172.51	1,298.14	1,440.93
Expenditure on CSS	232.97	267.51	236.88	185.49	281.76
Expenditure from Other Receipt	09.21	09.75	10.30	10.89	11.43
<b>TOTAL</b>	<b>1,592.44</b>	<b>1,818.29</b>	<b>2,000.20</b>	<b>2,070.33</b>	<b>2,349.96</b>

\* includes State Government grants for State Schemes

(Source: Figures provided by Department of Rural Development and Panchayats, Punjab)

The above figures were provided by the Department of Rural Development and Panchayats, Punjab on the basis of grants disbursed to PRIs. No record in respect of actual expenditure incurred by the PRIs was maintained by the department except for expenditure on Centrally Sponsored Schemes (CSS).

#### Statement showing Expenditure Incurred under major CSS.

(₹ in crore)

Schemes	2009-10	2010-11	2011-12	2012-13	2013-14
<b>MG-NREGS</b>	136.62	166.98	162.82	157.76	262.56
<b>IAY</b>	76.43	77.79	53.94	17.41	04.72
<b>SGSY / NRLM</b>	15.90	17.49	11.42	04.56	04.13
<b>IWDP</b>	04.02	03.26	01.41	01.09	00.19
<b>IWMP</b>	00.01	01.99	07.29	04.67	10.16

#### 1.4 Accountability framework of PRIs (Internal Control System)

A sound internal control system significantly contributes to efficient and effective governance of the PRIs by the State Government. Compliance with financial rules, procedures and directives as well as timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the PRIs and the State Government in meeting its basic stewardship responsibilities, including strategic planning, decision making and accountability of the stakeholders. The following deficiencies were found in the internal control system.

##### 1.4.1 Primary Audit of PRIs

Examiner, Local Fund and Accounts (ELFA) has been empowered to conduct the audit of all tiers of PRIs. ZPs and PSs are audited under Rule 100 of the Punjab, Panchayat Samitis and Zila Parishads (General) Financial, Budget, Accounts and Audit Rules, 1964 framed under sections 83 and 115 (i) of the Punjab Panchayat Samitis and Zila Parishads Act, 1961 whereas GPs are audited under Rule 33 (i) of the Punjab Gram Panchayat Rules, 1995 framed under section 101(i) of the Punjab Gram Panchayat Act, 1952. The position of internal audit conducted during 2013-14 is given in **Table 1.5**:

**Table 1.5 Position of internal audit**

Name of the Institution	Total Units	No. of units to be audited as per manual*	No. of units planned	No. of units audited	No. of units not audited	Percentage of shortfall
Zila Parishad	22	11	06	07	04	36.36
Panchayat Samitis	145	72	19	32	40	55.56
Gram Panchayats	13109	6555	2700	2948	3607	55.02
<b>Total</b>	<b>13276</b>	<b>6638</b>	<b>2725</b>	<b>2987</b>	<b>3651</b>	<b>55.00</b>

\* Manual of the Local Audit Department, Punjab

Analysis of table above shows that against the 6638 units required to be audited by the ELFA, only 2987 units (45 per cent) were actually audited during 2013-14. Information regarding follow up action on audit findings was called for (May 2015) and reply was awaited (June 2015).

#### **1.4.2 Non-maintenance of Record**

Section 87(1) of the Panchayati Raj Act, 1994 provides that the Sarpanch, and in his absence the Panch authorized by the GP or by the BDPO in this behalf shall be responsible for the safe custody of the movable property of the GP and such of its records as may be prescribed and immovable property belonging to or vested in the GP shall also remain in his charge. Section 87 (2) further provides that Panchayat Secretary shall be responsible to maintain and update all the records of the GP in the custody of Sarpanch or the Panch as under Section 87(1).

Audit scrutiny of records in 40 GPs (*Appendix-II*) showed that basic records such as movable/immovable assets register, demand & collection register, advances/loan outstanding register, receipt book registers, register of stores and stock with physical verification, cheque and draft registers were not being maintained. In the absence of such record, proper account of the assets, material procured and advances made and its recovery could not be vouched safe in audit.

The concerned authorities stated (November 2013-March 2014) that necessary instructions would be issued to all the GPs and records would be maintained in future.

#### **1.4.3 Non-reconciliation of withdrawals and deposits into banks**

Rule 2.2(v) of Punjab Financial Rule Volume-I and Rule 27 of the Punjab Panchayati Raj (Gram Panchayat) Rules, 2012 provide that every Drawing and Disbursing Officer is required to reconcile with bank's record all the amounts drawn from bank and deposited into the banks during the month to check the accuracy of entries made in the cash book.

Scrutiny of records of 16 Gram Panchayats and four Panchayat Samitis showed (*Appendix III*) that reconciliation with bank account was not carried

out despite the fact that difference in balances as per cash book and pass book ranged between ₹ 0.01 lakh and ₹ 22.72 lakh in these PRIs. The authenticity of accounts of these PRIs could not be ascertained in the absence of reconciliation with bank statements. The officers of the concerned PRIs stated (August 2013 and March 2014) that the necessary reconciliation would be carried out in future.

#### 1.4.4 Operation of multiple bank accounts

Rule 24 of the Punjab Panchayati Raj (Gram Panchayat) Rules, 2012 provides that Gram Panchayat fund mentioned in section 86 of the Punjab Panchayati Raj Act, shall be kept in a saving bank account in the name of the Gram Panchayat in a nationalized bank. The Gram Panchayat may open saving bank account for other schemes, if their terms and conditions provide so.

Scrutiny of records (between July 2013 and March 2014) of 16 Gram Panchayats and four Panchayat Samitis showed that more than one saving bank account was being operated for a single scheme by the concerned authorities in contravention to the provisions of the Gram Panchayat Rules, 2012 (*Appendix IV*).

The concerned authorities while admitting the audit observation stated (July 2013-March 2014) that the accounts would be closed in due course of time.

#### 1.4.5 Lack of response to audit observations

Details of audit paragraphs issued by the ELFA and outstanding as on 31 March 2014 are given in **Table 1.6** below:

**Table 1.6: Details of outstanding paras**

Sr. No.	Since pending	Zila Parishad	Panchayat Samitis	Total
1.	Up to 5 years old	319	1,722	2,041
2.	5 to 10 years old	512	2,046	2,558
3.	More than 10 years old	1,162	12,903	14,065
<b>Total</b>		<b>1,993</b>	<b>16,671</b>	<b>18,664</b>

(Source: Information supplied by Examiner, Local Fund and Accounts, Punjab)  
(Information regarding details of outstanding paras in respect of Gram Panchayats was called for (May 2015) and reply was awaited (June 2015))

Besides this, on the entrustment of audit of PRIs to CAG in August 2011, the audit of three tiers of PRIs in Punjab State was taken up by Principal Accountant General (Audit), Punjab. During the year 2013-14, 394 units of PRIs (4 ZP, 30 PS and 360 GPs) were audited and the Inspection Reports (IRs) on the said PRIs containing 1885 audit observations were issued

between May 2013 and March 2014 to the concerned units of PRIs with a copy to Examiner, Local Funds Accounts (ELFA) and Director Rural Development and Panchayat, Punjab for their comments. Eight PRIs<sup>2</sup> submitted their replies in respect of 69 paras whereas replies of the remaining 386 PRIs in respect of 1816 paras were awaited (October 2014). The audit findings are summarized in Chapter-II.

---

<sup>2</sup> PSs: Mehla Kalan, Dehlon, Naushera Panuan, Kalanaur, Chamkaur Sahib, Malout, Lambi and Tarn Taran

## Chapter-II

### Results of audit of Panchayati Raj Institutions

#### 2.1 Non-handing over of cash by the Sarpanch

Section 87 of the Punjab Panchayati Raj Act, 1994 provides that the Sarpanch shall be responsible for the safe custody of the movable property of the GP and such of its records and immovable property belonging to or vesting in the GP shall also remain in his charge and he is required to hand over complete charge of such record and property to Executive Officer, Panchayat Samiti (EOPS) before filing of his nomination papers for election or on vacation of his office, failing which EOPS may apply to Executive Magistrate for securing from such Sarpanch such records or property as the case may be.

Scrutiny of records (between August 2013 and March 2014) of 46 GPs of six blocks however showed that ₹ 95.10 lakh had not been handed over by the then Sarpanch(s) to the concerned BDPO(s) (**Appendix-V**).

The concerned BDPOs stated (between August 2013 and March 2014) that notices had been issued to the concerned GPs to deposit the amount.

#### 2.2 Irregular cash withdrawals from bank through self-cheques

Rule 24 (8) of Punjab Panchayati Raj (Gram Panchayat) Rules, 2012 provides that amount shall be drawn only through cheques. Payment to third parties for the amount exceeding rupees five thousand shall also be made through account payees cheques.

Scrutiny of records in 21 GPs and four PSs showed that ₹ 52.84 lakh (**Appendix-VI**) were withdrawn from the banks through self/bearer cheques in contravention to the provision of rules *ibid*. The officers of the concerned PRIs while admitting the audit observation, noted (August 2013 and March 2014) the same for future compliance.

#### 2.3 Non-preparation of Annual Account

Rule 23 and 24 of the Punjab Zila Parishad/Panchayat Samiti (General) Financial Budget, Account and Audit, Rules, 1964 provide that Zila Parishad and Panchayat Samiti shall prepare its Annual Accounts showing its income and expenditure. The account so prepared is to be submitted by the Panchayat Samitis and Zila Parishad to the Zila Parishad and Examiner/Government

respectively by 15<sup>th</sup> May every year. Further, Rule 27 (10) of Punjab Panchayati Raj (Gram Panchayat) Rules, 2012 provides that at the end of each year, the Gram Panchayat shall prepare its annual accounts and send it to the Panchayat Samiti by the following 31 May for transmission to the Zila Parishad.

Scrutiny of the records of two ZPs, two PSs and 36 GPs showed that annual accounts for the period 2011-13 were not prepared, as detailed in *Appendix-VII*.

On being pointed out in audit, Zila Parishads, (Gurdaspur and Taran Taran) and Panchayat Samitis (Valtoha, Qadian) attributed (between September 2014 and January 2015) the reasons for non-preparation of Annual Accounts to shortage of staff. BDPO (Ajnala, Majitha and Talwandi Saboo) stated (between August-September 2014) that due to non-receipt of Punjab Panchayati Raj (Gram Panchayat) Rules, 2012, the Annual Accounts could not be prepared.

#### **2.4 Irregular purchase of material**

Rule 15.2(b) of Punjab Financial Rules Volume-I provides that whenever material valuing ₹ 5000 or more is purchased from the open market, the system of open competitive tender should be adopted and the purchase should be made from the lowest tender. Mention was made in the Report of The Annual Technical Inspection Report on PRIs and ULBs for the year ended 31 March 2013 (Paragraph 2.6) on irregular purchase of material worth ₹ 3.90 crore by 110 GPs.

Scrutiny of records (between September 2013 and March 2014) showed that material worth ₹ 1.04 crore by 30 GPs was purchased from the local market without obtaining quotations or floating tenders thereby depriving the benefit to GPs of competitive rates to effect economy in expenditure.

The concerned BDPOs while admitting the facts (between September 2013 and March 2014) noted the audit observation for future compliance. Keeping in view the non-observance of the financial rules by the GPs in successive years, the Department of Rural Development and Panchayats needs to issue suitable instructions in this regard and put in place a mechanism for ensuring and monitoring the compliance to its instructions.

#### **2.5 Non-recovery of outstanding rent**

Notification issued (April 1984) by Department of Rural Development and Panchayats, Government of Punjab provides that if a person fails to provide the vacant possession of the leased property or public place immediately after



the expiry of the period of lease nor agrees to enhance the lease money is liable to pay to the Panchayat Samiti or Zila Parishad, as the case may be, an amount equivalent to 20 times (twenty times) the amount which would have been payable had the lease of such property or public place continued during that period.

Scrutiny of records (between August 2013 and February 2014) in one Zila Parishad and four Panchayat Samitis showed that rent/lease money amounting to ₹ 2.23 crore was outstanding in respect of 320 shops and a piece of land from the concerned lessee as detailed in **Table 2.2**.

**Table 2.2: Detail of outstanding rent**

Sl. No.	Name of Zila Parishad/ Panchayat Samiti	No. of Shops	Period of recovery	Rent amount to be recovered (in ₹)
1	Zila Parishad Gurdaspur	215	2011-14	1,74,12,165
2	Panchayat Samiti, Majitha (ASR.)	21	2005-14	5,28,528
3	Panchayat Samiti, Chamkaur Sahib	32	2010-14	14,04,263
4	Panchayat Samiti, Mukatsar	23	2011-14	4,55,795
5	Panchayat Samiti, Kalanaur, Gurdaspur.	29	2011-14	24,85,385
<b>TOTAL</b>		<b>320</b>		<b>2,22,86,136</b>

On being pointed out, the concerned authorities stated (September-October 2014) that efforts were being made to recover the outstanding rent. Panchayat Samiti, Majitha further stated (September 2014) that efforts were being made to initiate legal proceedings against defaulters whereas Panchayat Samiti Chamkaur Sahib attributed (October 2014) the reason for non-recovery to non-posting of tax collector.

## 2.6 Short collection

Department of Rural Development and Panchayats, Government of Punjab issued (December 2012) instructions that 20 *per cent* of the income resulting to the GP for the last three years from the auction of Shamlat land<sup>1</sup> of GP should be deposited with PS so that the salary/wages could be paid to the workers of the Panchayat Samiti. Mention was made regarding short-deposit of this money in the Report of The Annual Technical Inspection Report on PRIs and ULBs for the year ended 31 March 2013 (Paragraph 2.5).

Scrutiny of records (between November 2013 and March 2014) in the offices of five PSs (Bathinda, Kahnuwan, Majitha, Talwandi Saboo and Dhariwal) showed that instructions *ibid* were not followed as an amount of ₹ 14.05 lakh

<sup>1</sup> Common land belonging to GP.

was deposited against the requisite amount of ₹ 90.62 lakh by 211 GPs during 2011-14 resulting in short deposit of ₹ 76.57 lakh (₹ 4.53 crore receipt as income of shamlat land) as detailed in *Appendix-VIII*.

On being pointed out in audit, the concerned Executive Officers stated (August 2014) that instructions have been issued to the concerned GPs to deposit the due amount. The Department of Rural Development and Panchayat needs to issue suitable instructions in this regard and put in place a mechanism for ensuring and monitoring the compliance to its instructions.

## **2.7 Delayed payment of wages and non-payment of compensation**

Para 7.1.4 and 7.1.5 of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) Operational Guidelines provide that the wages should be paid on weekly basis on a pre-specified day of the week and in any case within a fortnight of the date on which the work was done. In the event of any delay, the workers were entitled to compensation as per the provisions of the Payment of Wages Act, 1936 and expenditure in this regard was to be borne by the State Government. This matter was mentioned in the Report of The Annual Technical Inspection Report on PRIs and ULBs for the year ended 31 March 2013 (Paragraph 2.7).

Audit scrutiny of records (September 2013) in 11 GPs<sup>2</sup> showed that wages of ₹ 50.79 lakh were delayed for the period ranging between 13 and 280 days (*Appendix-IX*). No compensation was paid for delayed payment of wages.

On being pointed out in audit, the BDPO, Doraha attributed (September 2013) the reason for delayed payment of wages to late receipt of funds from District Project Officer and noted the audit observation for future compliance. No reason for non-payment of compensation was stated. The Department of Rural Development and Panchayat needs to ensure the compliance of MGNREGS guidelines as the delayed payment of wages and non-payment of compensation appears to be a common practice.

## **2.8 Execution of work without estimates**

Para 2.89 of Punjab Public Works Department Code provides that no work shall be commenced unless a properly detailed design and estimate has been sanctioned, allotment of funds made and orders for its commencement issued by the competent authority.

---

<sup>2</sup> (i) Begowal, (ii) Bhumani, (iii) Dugri, (iv) Dehlon, (v) Katahari, (vi) Kartarpur, (vii) Lapran, (viii) Mukudra, (ix) Rampura, (x) Rabbouchi and (xi) Sihora

**Table 2.4: Detail of excess expenditure**

(Amount in ₹)

Sr. No.	Name of the GP	Expenditure booked	Expenditure on the basis of measurement of work done (by JE)	Difference
1.	Bir Khurd	10,00,000	5,34,956	4,65,044
2.	Majo Kalan	6,61,937	3,35,262	3,26,675
3.	Hira Kalan	14,14,467	13,00,602	1,13,865
<b>Total</b>		<b>30,76,404</b>	<b>21,70,820</b>	<b>9,05,584</b>

Further, scrutiny of record showed that no serious efforts had been made by the department to recover the excess expenditure from the concerned Sarpanch(s) as only ₹ 5,000 have been recovered from GP, Hira Kalan.

The BDPO, Bhikhi stated (August 2014) that efforts were being made to recover the amount. The reply was not tenable as BDPO did not initiate proceeding for recovery of the amount as stipulated under section 216(2) of Punjab Panchayati Raj Act, 1994.

Audit, however, noticed (October 2013-March 2014) that an expenditure of ₹ 4.85 crore was incurred on 55 works by 44 GPs of 11 blocks (*Appendix-X*) without preparation of estimates in contravention of the provisions *ibid*.

The concerned BDPOs of six blocks admitted the facts and stated that the compliance would be made in future. No reply was furnished by three BDPOs. Remaining two BDPOs stated that estimates were being prepared. However, no documentary evidence in support of preparation of estimates was provided to audit.

### **2.9 Irregular release of IAY funds**

Indira Awaas Yojana (IAY) guidelines (Provision 4.7(iii)) provide that the payment to the beneficiaries should be made directly into their accounts.

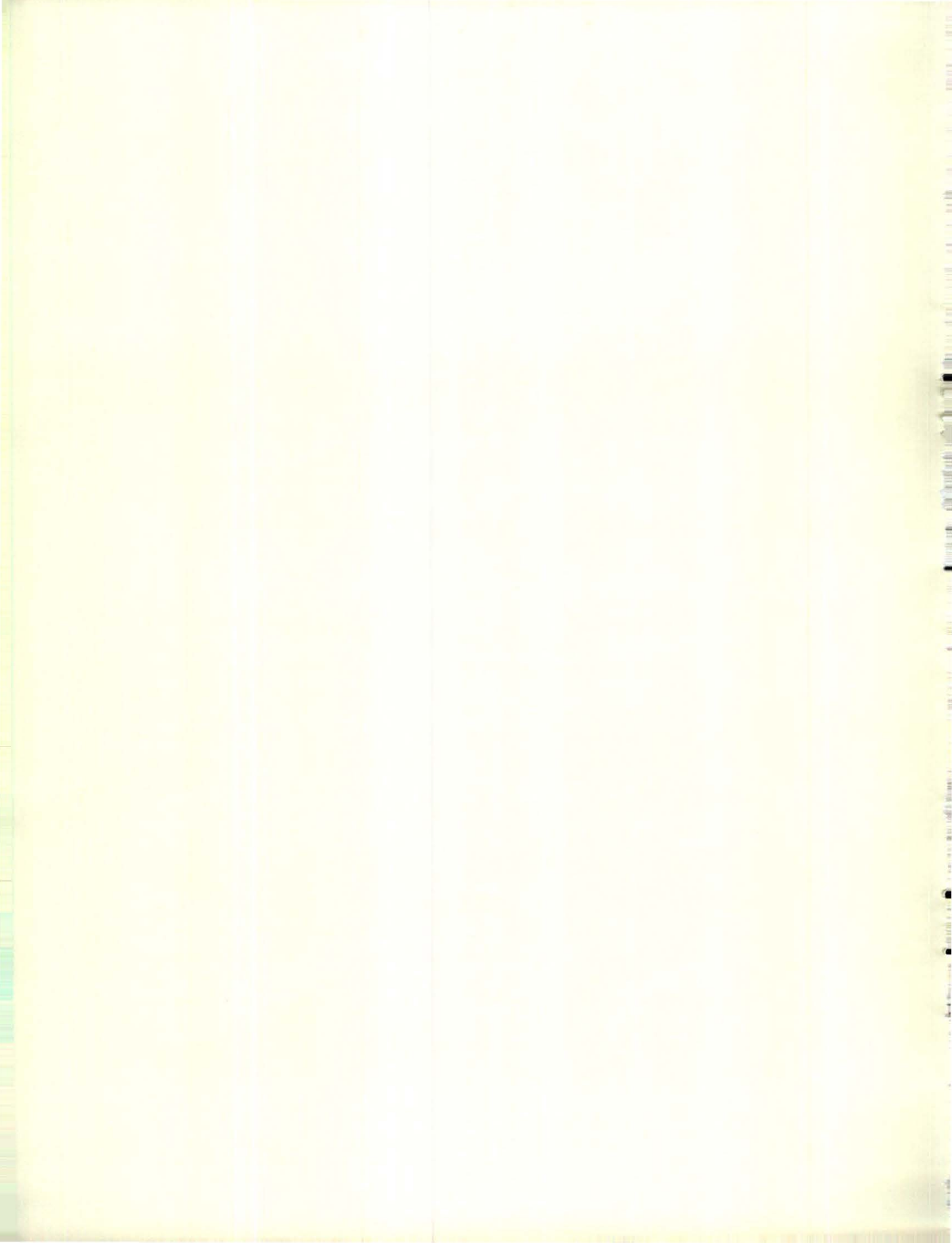
Audit scrutiny of records (July 2012) of BDPO, Lohian Khas showed that ₹ 12.36 lakh were either drawn through self cheque or were directly released (April 2008 and February 2010) to different agencies in contravention of the provisions. No record/vouchers relating to utilization of funds withdrawn on self cheques against which the payments were released to the agencies was available with the department. As such, the possibility of mis-appropriation of funds could not be ruled out.

The BDPO, Lohian Khas stated (July 2012) that matter will be looked into. The matter was again taken up (August 2014) with the BDPO, but no reply was furnished (October 2014).

### **2.10 Mis-utilization of funds**

Section 216 of Punjab Panchayati Raj Act, 1994 provides that every member of a Panchayat shall be liable for the loss, waste or mis-appropriation of any money or property belonging to the Panchayat, if such loss, waste or mis-appropriation is a consequence of his neglect or misconduct and shall also be liable to pay interest at the prescribed rate, from the date of loss, waste or misappropriation on the amount assessed under sub-section 2 or sub section-3 as the case may be.

Scrutiny of records in three GPs of Block Bhikhi, district Mansa showed that development works amounting to ₹ 30.76 lakh were undertaken between (May 2008 and August 2012) by these GPs. However, on the basis of complaints received against Sarpanches for mis-utilization of funds, the department initiated an enquiry and the works were got re-measured from the Junior Engineer (JE) who detected that the expenditure booked against the work done was in excess by ₹ 9.06 lakh as detailed in **Table 2.4**.



**PART – B: URBAN LOCAL BODIES**

Overview of Urban Local Bodies

**3.1 Background of Urban Local Bodies**

Government implemented the system of democratic governance down to grass root level in Urban Local Bodies (ULBs) through Punjab Municipality Act, 1911. The objective was to make the ULBs self reliable and to provide better civic facilities to the people of areas under their jurisdiction. Further, the 74<sup>th</sup> Constitutional Amendment paved the way for decentralization of power, transfer and devolution of more functions and funds to the ULBs. Consequently, more diversified responsibilities were devolved through three levels namely Municipal Corporation, Municipal Council and Town Council. To incorporate the provisions of 74<sup>th</sup> amendment, State legislature enacted/amended Punjab Municipal Corporation Act, 1976 (amended in 1994) for Municipal Corporations and Punjab Municipal Act, 1911 (amended in 1994) for Municipal Committees and Town Councils. The ULBs are governed by the elected representatives with a five years tenure normally.

**3.1.1 Audit Mandate of CAG of India**

The Thirteenth Finance Commission (TFC) recommended that the State Government must put in place an audit system for all categories of ULBs. Based on the recommendations of TFC, the State Government entrusted (August 2011) the test audit of ULBs to CAG under section 20(1) of the CAG's (Duties, Powers and Condition of service) Act, 1971 and for providing Technical Guidance and Support (TGS) over the work of the ELFA, with regard to audit of ULBs. ATIR on the audit of ULBs conducted during preceding year is sent by the Pr. Accountant General (Audit) to the State Government to be laid before the State Legislature.

**3.1.2 Accounting system in Urban Local Bodies**

In terms of the Eleventh Finance Commission recommendations, Government of India, Ministry of Urban Development in consultation with the Comptroller and Auditor General of India, developed (November 2004) National Municipal Accounts Manual (NMAM) with a view to not only increase transparency and accountability in the utilization of public funds but also to help ULBs to play their role more effectively and ensure better service-delivery. In accordance with this manual, a draft of the State specific manual

---

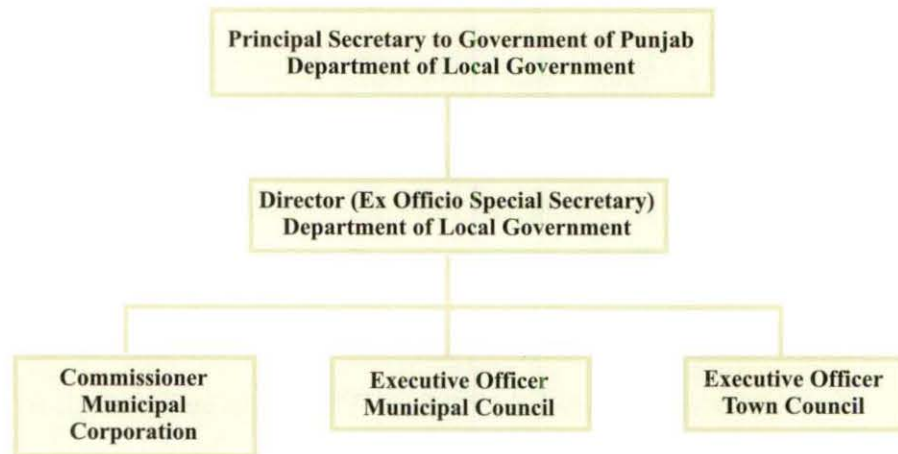
has been prepared for maintenance of accounts as per the formats and patterns mentioned in the NMAM and has been forwarded (October 2012) to the Examiner, Local Fund Accounts, Punjab for necessary vetting and amendment thereof. However, the NMAM could not be adopted till March 2014.

The accounts of the ULBs are monitored by the Commissioner in case of Municipal Corporation and the President in case of Municipal Committee and Town Council. However there is no provision for certification of accounts of the ULBs in the Punjab Municipal Corporation Act, 1976.

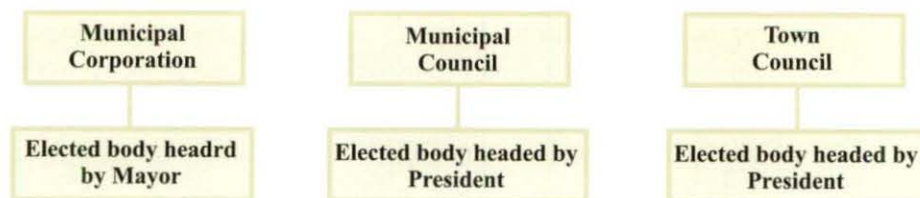
### 3.2 Organizational structure of Urban Local Bodies

The organizational structure of ULBs in Punjab State is as under:

#### (i) Executive Level



#### (ii) Elected Level





### 3.2.1 Standing Committees

Brief introduction to the working of ULBs and various Standing Committees involved in financial matters and implementation of schemes is given in **Table 3.1** below:

**Table 3.1: Roles and responsibilities of the Standing Committees**

Level of ULBs	Roles and responsibilities of the Standing Committees
Municipal Corporation	Each Municipal Corporation can constitute as many committees namely Finance & Contract Committee, Water Supply & Sewerage Disposal Committee, Building and Roads Committee, House Tax Assessment Committee, etc. for the exercise of any power or discharge of any function which the corporation may by resolution delegate to them or for inquiring into, reporting or advising upon any manner which the Corporation may refer to them as per provision of section 42 of the Punjab Municipal Corporation Act, 1976.
Municipal Committee/ Town Council	Section 34 of the Punjab Municipal Act, 1911 provides that a committee may appoint a sub-committee consisting of such members as it may deem fit for the management of any or more wards and may delegate to the sub-committee all or any of the powers of the Committee to be exercised within the wards.

(Source: Information provided by Director, Local Government)

### 3.2.2 Staff position in ULBs

The Director, Local Government, Punjab directs, supervises and controls the functioning of all the ULBs in the State. It has been observed from the staff position supplied (November 2014) by the department in respect of 33 ULBs (out of 147) that cent *per cent* staff was deployed in five ULBs, whereas in 28 ULBs, the shortage of staff remained up to 69 *per cent*. However, the department did not provide the staff position of the remaining ULBs.

The department stated (November 2014) that instructions had been given to the remaining ULBs to supply the requisite information, which was awaited (March 2015).

### 3.2.3 Devolution of functions

As a follow up to the 74<sup>th</sup> amendment of the Constitution (1992), the Government of Punjab entrusted 18 functions to ULBs under Section 50-B of the Punjab Municipality Act. The functions entrusted to the ULBs and being performed by them are urban planning including town planning, regulation of land-use and construction of buildings, planning for economic and social development, roads and bridges, water supply for domestic, industrial and commercial purposes, public health, sanitation, conservancy and solid waste management, fire services, urban forestry, protection of the environment and promotion of ecological aspects, safeguarding the interests of weaker sections of society including the handicapped and mentally retarded, slum

improvement and upgradation, urban poverty alleviation, provision of urban amenities and facilities such as parks, gardens, playgrounds, promotion of cultural, educational and aesthetic aspects, burials and burial grounds; cremations, cremation grounds and electric crematoriums, cattle ponds; prevention of cruelty on animals, vital statistics including registration of births and deaths, public amenities including street lighting, parking lots, bus stops and public conveniences and regulation of slaughter houses and tanneries.

### 3.3 Financial profile

#### 3.3.1 Fund flow to Urban Local Bodies

For execution of developmental works, ULBs receive funds mainly from GOI and the State Government in the form of grants. GOI grants include grants assigned under the recommendations of the Central Finance Commission and grants for implementation of schemes. The State Government grants are received through devolution of net proceeds of the total tax revenue on the recommendation of the State Finance Commission (SFC) and grants for implementation of State sponsored schemes. Besides, revenue is also mobilized by the ULBs in the form of taxes, rent, fees, issue of licenses, etc. While Central and State grants are utilized by the ULBs for execution of Central and State sponsored schemes as per the guidelines issued by GOI and State Government in this regard, the own receipts of ULBs are utilized for administrative expenses and execution of schemes/works formulated by the ULBs. The source of fund is given in **Table 3.2**.

**Table 3.2: Fund flow arrangement in major Centrally Sponsored Schemes**

Sr. No.	Scheme	Fund Flow Arrangement
1.	Swaran Jayanti Shahri Rojgar Yojana (SJSRY)	Funding under SJSRY is shared between the Centre and the State in the ratio of 75:25. The Central share is released to the nodal agency in the form of demand draft and State share is apportioned through state budget.
2.	Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)	Grant-in-aid is to be shared by Central and State Government in the ratio of 80:10. The Central share is released to the nodal agency and balance 10 per cent to be arranged by the ULBs from own sources.
3.	Integrated Housing & Slum Development Programme (IHSDP)	Eighty per cent of the cost of the scheme flows from the Centre in the form of grants-in-aid to the nodal agency. The remaining 20 per cent is shared by the State Government, ULBs and parastatal agencies. The ULBs raise their contribution from their own resources or from beneficiary's contributions.
4.	Urban Infrastructure and Governance (UIG)	Funding under UIG is shared between the Centre, State and ULBs agencies in the ratio of 80:10:10. The ULBs raise their contribution from financial

Sr. No.	Scheme	Fund Flow Arrangement
		institutions. The funds are released to nodal agency which disburses the assistance to ULBs/parastatal agencies.
5.	Basic Service to the Urban Poor (BSUP)	Eighty <i>per cent</i> of the cost of the scheme flows from the Centre in the form of grants-in-aid. The remaining 20 <i>per cent</i> is shared by the State Government, ULBs, parastatal agencies. The ULBs raise their contribution from beneficiary's contributions. The funds are released to nodal agency which disburses the assistance to ULBs/parastatal agencies.

### 3.3.2 Resources: Trends and Composition

The resources of ULBs for the period from 2009-14 are detailed in **Table 3.3**:

**Table 3.3: Time series data on resources of ULBs**

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Own Revenue:					
Tax	1,047.73	1,300.87	1,366.36	1,565.21	1,723.42
Non-Tax	272.49	315.63	381.36	379.57	627.97
CFC transfers (Central Finance Commission devolutions)	17.10	46.34	29.09	119.81	55.29
SFC transfers (State Finance Commission devolutions)	-	-	5.68	-	0.67
Grants from State Government	87.59	97.46	5.13	62.84	29.79
GOI grants for CSS	193.45	22.39	0.00	92.67	105.68
Other Receipt:					
PIDB, PMIDC, PUDA, etc.	7.45	32.05	209.12	53.01	253.34
Capital Receipt (sale of property, etc.)	20.50	66.60	91.57	49.61	96.84
<b>Total</b>	<b>1,646.31</b>	<b>1,881.34</b>	<b>2,088.31</b>	<b>2,322.72</b>	<b>2,893.00</b>

(Source: Figures provided by Director, Local Government, Punjab)

### 3.3.3 Application of Resources: Trends and Composition

The application of resources of ULBs for the period from 2009-14 are detailed in **Table 3.4**.

**Table 3.4: Application of resources sector-wise**

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Expenditure from own revenue	1,526.73	1,863.92	2,134.39	2,045.81	2,586.73
Expenditure from CFC transfers (Central Finance Commission devolutions)	17.10	46.34	29.09	119.81	55.29

Expenditure from SFC transfers(State Finance Commission devolutions)	-	-	5.68	-	0.67
Expenditure from grants from State Govt.	87.59	97.46	5.13	62.84	29.79
Expenditure on CSS	193.45	22.39	0.00	92.67	105.68
<b>TOTAL</b>	<b>1,824.87</b>	<b>2,030.11</b>	<b>2,174.29</b>	<b>2,321.13</b>	<b>2,778.16</b>

(Excess expenditure during 2009-10 to 2011-12 was met from the saving of ₹ 540.96 crore made during 2007-09)

### Statement showing expenditure under major CSS

(₹ in crore)

Schemes	2009-10	2010-11	2011-12	2012-13	2013-14
SJSRY	0.00	0.40	0.00	7.58	0.00
UIDSSMT	93.97	20.69	0.00	19.17	77.26
IHSDP	3.54	0.58	0.00	10.92	0.00
UIG	84.29	0.00	0.00	30.27	28.42
BSUP	11.65	0.72	0.00	24.73	0.00

### 3.4 Accountability framework of ULBs (Internal Control System)

A sound internal control system significantly contributes to efficient and effective governance of the ULBs by the State Government. Compliance with financial rules, procedures and directives as well as timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the ULBs and the State Government in meeting its basic stewardship responsibilities, including strategic planning, decision making and accountability of the stakeholders. The following deficiencies were found in the internal control system.

#### 3.4.1 Primary Audit of Urban Local Bodies

Examiner, Local Fund and Accounts has been empowered to conduct the audit of Municipal Corporation as per Section 176 (2) of the Punjab Municipal Corporation Act, 1976. The audit of Municipal Committees/Town Council has been empowered under Rule XVII. 17(I)(a) of the Municipal Account Code, framed under Section 240 of the Punjab Municipal Act. The position of internal audit conducted during 2013-14 is given in **Table 3.5**.

Table 3.5: Position of internal audit

Name of the Institution	Total Units	No. of units to be audited as per manual*	No. of units planned	No. of units audited	No. of units not audited	Percentage of shortfall
Municipal Corporation	09	09	09	09	-	-
Municipal Committee/ Town Council	138	138	36	36	102	73.91
<b>Total</b>	<b>147</b>	<b>147</b>	<b>45</b>	<b>45</b>	<b>102</b>	<b>69.39</b>

\* Manual of the Local Audit Department, Punjab

Information regarding action taken on Inspection Reports was called for (May 2015) and reply was awaited (June 2015)

### 3.4.2 Other Irregularities

Audit scrutiny of records (April 2013-March 2014) of 25 ULBs<sup>1</sup> showed the following irregularities:

- Cash book was not maintained properly as cases of non-reconciliation of balances with bank in four ULBs (Barnala, Phagwara, Sangrur and Sirhind), cash book not closed properly and certificate of closing cash balance not given in three ULBs (Barnala, Sirhind and Khamano), non-attestation of cuttings/overwriting in two ULBs (Khamano and Sirhind) and cancelled cheques not written back on receipt side of cash book before issuing new cheque in lieu of cancelled cheques in two ULBs (Barnala and Sangrur) were noticed.
- Various records such as Contractor Ledger in six ULBs (Buchho Mandi, Moga, Phagwara, Rampuraphul, Talwandi Sabo, and Zirakpur), Tree register & Muster Roll register in three ULBs (Moga, Patiala and Phagwara), work abstract, register of technical sanctions, records relating to handing over of charge, progress report of works in two ULBs (Nabha and Zirakpur), completion reports register, stock register of MBs and receipt books (Zirakpur) and records relating to mobile tower annual charges (Mandi Gobindgarh) were not maintained.
- Physical verification of the stores and stock was not carried out in eight ULBs (Barnala, Lalru, Mandi Gobindgarh, Moga, Mukerian, Samana, Sangrur, and Tarn Taran).
- Improper maintenance of Grant Registers in four ULBs (Lalru, Moga, Phagwara & Patiala), Proceedings register (Sangrur) and Provident Fund Ledger (Talwandi Sabo) was noticed.

<sup>1</sup> **Municipal Corporations:** Bathinda, Moga, Patiala, Phagwara ; **Municipal Councils:** Barnala, Batala, Buchho Mandi, Gurdaspur, Kharar, Mandi Gobindgarh, Mukerian, Muktsar, Nabha, Nangal, Rampura Phul, Samana, Sangrur, Sirhind, Tarn Taran and Zirakpur ; **Town Councils:** Khamano, Lalru, Naya Gaon, Ghagga and Talwandi Sabo.

- Temporary advances of ₹ 85.03 crore in nine ULBs (Barnala, Batala, Bathinda, BuchhoMandi, Kharar, Nabha, Patiala, Phagwara and Zirakpur) were not adjusted.

The concerned authorities admitted (between April-2013 to March-2014) the audit observation and assured compliance in future.

### 3.4.3 Lack of response to audit observations

Details of audit paragraphs issued by the ELFA and outstanding as on 31 March 2014 are given in **Table 3.6**.

**Table 3.6: Details of outstanding paras**

Sr. No.	Since pending	Municipal Corporation	Municipal Committee/ Town Council	Total
1.	Up to 5 years old	2064	2180	4244
2.	5 to 10 years old	1507	4203	5710
3.	More than 10 years old	4529	3254	7783
	<b>Total</b>	<b>8100</b>	<b>9637</b>	<b>17737</b>

Besides this, on the entrustment of audit of ULBs to CAG in August 2011, the audit of three levels of ULBs in Punjab State was taken up by Pr. Accountant General (Audit) Punjab. During the year 2013-14, 25 units of ULBs were audited and Inspection Reports (IRs) containing 270 audit observations were issued (between April 2013 and March 2014) to the concerned audit entities with a copy to ELFA and Director Local Government, Punjab for their comments. Three ULBs (Bhucho Mandi, Nangal and Naya Gaon) submitted their replies in respect of 21 paras whereas replies of the remaining 22 ULBs in respect of 249 paras were awaited (October 2014). The audit findings are summarized in Chapter-IV.

Results of audit of Urban Local Bodies

**4.1 Blockade of funds**

Housing & Urban Development Corporation Limited (HUDCO) sanctioned (October 2005) a project “Integrated development of Historic Town of Batala” to Municipal Council (MC), Batala with a project cost of ₹ 8.87 crore and loan assistance of ₹ 7.97 crore to execute the work relating to road work, drainage and water supply and sewerage system etc. The project was to be completed in one year. The executing agencies for the works were Punjab Small Industries and Export Corporation Limited (PSIEC) and Punjab Water Supply and Sewerage Board.

Scrutiny of records (September 2013) of MC Batala showed that MC, Batala transferred (January 2006) ₹ 20 lakh to the Executive Engineer, PSIEC Ltd., Jalandhar for construction of ‘Khajuri gate’ and ‘Tibba Bazar’ shopping complex at Batala out of these funds so as to generate sufficient revenue to help MC, Batala in repayment of loan to HUDCO. However, despite repeated reminders between January 2006 and July 2006 by MC, Batala, no work was started by the PSIEC. In the meantime, MC, Batala repaid the entire loan alongwith interest of 8 per cent to HUDCO. No efforts were made by the MC, Batala after July 2006 to recover the amount from PSIEC. This resulted in blockade of funds of ₹ 20 lakh.

Municipal Council, Batala attributed (January 2015) the reasons for not pursuing the matter with PSIEC after July 2006 to shortage of staff and stated that matter with PSIEC is being taken on priority, after having been pointed out by audit, to refund the entire amount of ₹ 34.28 lakh (₹ 20.00 lakh + ₹ 14.28 lakh interest).

**4.2 Loss of revenue due to sale of land below collector rate**

Government of Punjab, Department of Local Government (January 2013) accorded approval to the resolution passed (November 2012) by the Municipal Corporation (MC), Patiala to transfer the land measuring 7794 sq. yards near its division no. 2 to Improvement Trust Patiala (Trust) at the collector rate i.e. ₹ 64,000 per sq. yard (commercial rate).

Scrutiny of records (January 2014) showed that in the meeting held in March 2013 under the chairmanship of Deputy Commissioner, Patiala, Improvement Trust, Patiala intimated that trust was ready to take possession of land at collector rate for residential purpose i.e. ₹ 8500 per square yard since the land was meant for residential purposes. However, the Town and Country Planning, Patiala intimated that since the said land came under the category of 'mixed landuse', it could be used for both commercial as well as residential purposes. However, MC, Patiala instead of exploring possibilities for sale of land at commercial rates decided to transfer half the land at commercial rate and half at residential rate to the Trust in violation of approval of the State Government. MC, Patiala (June 2013) transferred the land measuring 7056.69 sq yards (as per actual measurement after allowing 600 sq. yards for widening of road) to the Trust, at a cost of ₹ 25.58 crore<sup>1</sup> instead of ₹ 45.16 crore<sup>2</sup>. This resulted in loss of revenue of ₹ 19.58 crore.

Municipal Council, Patiala stated (January 2014) that the land had been transferred after the approval of General House. As such there was no loss of revenue to MC, Patiala. The Department replied (September 2014) that the case has been sent to the State Government for approval in January 2014 which was awaited. The reply was not acceptable as half of the said land was transferred to Trust at residential collector rates, which was in contravention of the approval of the State Government to transfer the entire land at commercial collector rates.

#### **4.3 Avoidable payment of interest**

Audit scrutiny of records (December 2013) of Municipal Corporation (MC), Patiala showed that Bharat Sanchar Nigam Limited (BSNL) purchased land measuring 10546 sq. yards at the rate of ₹ 250 per sq. yard from MC, Patiala in 1985 at a cost of ₹ 26.37 lakh<sup>3</sup>. But, MC, Patiala failed to give possession of land to BSNL as site was reserved for a park. MC, Patiala again failed to hand over another site measuring 11183 sq. yards offered in 1988 to BSNL as the same was also earmarked for park and the residents of that area had already secured a stay order in August 1988 against the allotment. BSNL made the additional payment of ₹ 1.59 lakh for excess land of 637 sq. yards in September 1989.

<sup>1</sup> ₹ 3 crore (3529 sq. yards @ 8500 per sq. yard) + ₹22.58 crore (3528 sq. yards @ 64000 per sq. yard)

<sup>2</sup> 7056.69 sq. yards @ ₹ 64000 per sq. yard = ₹ 45,16,28,160

<sup>3</sup> ₹ 9.50 lakh in February 1985 and ₹ 16.87 lakh in September 1985



Due to non-handing over the possession of land, BSNL filed a suit (September 2003) against MC, Patiala in the Court of Civil Judge, Senior Division, Patiala. The Hon'ble Court ordered (January 2009) MC, Patiala to refund the amount to BSNL along with simple interest at the rate of six *per cent* per annum. The appeal (March 2009) of MC, Patiala, was rejected (November 2010) by Additional District Judge, Patiala and ordered to pay interest at the rate of 18 *per cent* per annum from the date of deposit i.e. February 1985 till date of decree i.e. 10 January 2009 and six *per cent* onwards till the date of payment.

As a result, total amount of ₹ 1.74 crore including principal amount of ₹ 27.96 lakh as on 30.09.2012 became recoverable out of which ₹ 1.41 crore had been paid (upto June 2012) to BSNL and the balance amount of ₹ 0.33 crore was yet to be paid by MC, Patiala. Thus, failure on the part of MC, Patiala to ascertain the status of land before offering it, resulted in avoidable payment of interest to BSNL.

Municipal Corporation, Patiala stated (December 2013) that as per its available record, the land could not be handed over to BSNL due to orders of Hon'ble Punjab and Haryana high court to stop construction at vacant parks/sites in model town and the payment of interest had been made to BSNL as per court orders. The reply was not tenable as MC, Patiala did not ensure that the land was free from encumbrances before offering the sites to BSNL.

#### 4.4 Non-realization of revenue receipt

Rule 4.1 of Punjab Financial Rules provides that the departmental controlling officers should see that all sums due to government are regularly and promptly assessed and realised.

Scrutiny of records (between April 2013 and March 2014) of 24 ULBs showed that the revenue in respect of house tax, rent of shops, water supply & sewerage charge (WSSC) and renewal charges of mobile towers amounting to ₹ 154.94 crore were outstanding as on 31 March 2014 as detailed in Table 4.1.

**Table 4.1: Statement showing non-realization of revenue receipt**

(₹ in crore)						
Sr. No.	Name of ULB	House Tax	WSSC	Mobile tower charges	Shop Rent	Total
1	Barnala*	2.70	-	0.03	0.06	2.79
2	Batala	0.80	-	-	0.02	0.82
3	Bathinda	5.98	12.03	0.03	0.36	18.40
4	Buchho Mandi*	0.03	0.52	-	0.14	0.69

Sr. No.	Name of ULB	House Tax	WSSC	Mobile tower charges	Shop Rent	Total
5	Ghagga	0.01	0.05	0.01	0.01	0.08
6	Gurdaspur*	1.75	0.51	-	0.01	2.27
7	Khamano	0.77	0.01	0.01	0.13	0.92
8	Kharar	3.82	1.61	0.01	0.20	5.64
9	Lalru	0	0.60	0.02	0.16	0.8
10	Moga*	8.37	3.77	-	0.41	12.55
11	Mandi Gobindgarh*	0.49	-	-	0.84	1.33
12	Mukerian*	0.29	-	-	0.01	0.30
13	Muktsar	1.86	-	0.03	0.18	2.07
14	Nabha	1.86	0.27	-	0.09	2.22
15	Nangal*	0.83	-	-	-	0.83
16	Naya Gaon	0	-	-	0.07	0.07
17	Patiala	74.26	5.79	0.12	0.82	80.99
18	Phagwara	3.81	1.11	-	0.12	5.04
19	Rampura Phul*	0.56	1.42	-	0.01	1.99
20	Samana*	0.40	0.80	0.02	0.06	1.28
21	Sangrur*	4.77	2.24	0.01	1.40	8.42
22	Talwandi Sabo*	0.08	-	0.01	0.06	0.15
23	Tarn Taran*	0.12	0.10	0.04	0.02	0.28
24	Zirakpur	5.02	-	-	0.01	5.03
	<b>TOTAL</b>	<b>118.58</b>	<b>30.83</b>	<b>0.34</b>	<b>5.19</b>	<b>154.94</b>

\*as on 31-03-2013

On being pointed out in audit (between April 2013 and March 2014), the department stated that efforts would be made to recover the outstanding arrears.

#### 4.5 Short deduction of Value Added Tax

Section 27 of the Punjab Value Added Tax Act, 2005 provides that every contractee responsible for making payment to any person for discharge of any liability on account of valuable consideration, exceeding ₹ five lakh in a single contract payable for the transfer of property in goods in pursuance of a works contract shall at the time of making such payment to the contractor deduct a sum towards the tax payable under this Act. Government of Punjab amended Section 27 of Punjab Value Added Tax Act, 2005 (November 2011) and increased the rate of deduction of VAT at source from the bills of the contractors from four *per cent* to five *per cent*.

Scrutiny of the records of nine ULBs (April 2013 to March 2014) showed that in 136 cases, while making payments to the contractors during the period between November 2011 and February 2013, VAT was deducted at the rate of four *per cent* instead of five *per cent* resulting in short deduction of VAT of ₹ 11.33 lakh as detailed in **Table 4.2**.

**Table 4.2: Statement showing short deduction of Value Added Tax**

(₹ in lakh)

Sr. No.	Name of ULB	Period	No. of cases	Short deduction of VAT
1.	Batala	December 2011	7	0.45
2.	BuchhoMandi	February-November 2012	10	1.64
3.	Gurdaspur	November 2011-October 2012	15	1.11
4.	Khamano*	December 2011-January 2012	3	0.17
5.	Muktsar*	December 2011-August 2012	25	1.90
6.	Nangal	November 2011-March 2012	38	3.00
7.	Sangrur	December 2011-February 2013	18	1.34
8.	Sirhind(FGS)	February-August 2012	8	0.81
9.	Talwandi Sabo	December 2011-February 2013	12	0.91
<b>TOTAL</b>			<b>136</b>	<b>11.33</b>

On being pointed out (September 2014) in audit, MC, Khamano and Muktsar stated that recovery of ₹ 0.17 lakh and ₹ 1.90 lakh respectively has been made. Concerned authorities of the remaining seven ULBs stated that efforts would be made to recover the amount.

#### **4.6 Diversion of funds**

Punjab Infrastructure Development Board (PIDB) provided (March 2011) funds of ₹ 12.45 crore to Municipal Corporation (MC), Bathinda as an advance through Director, Local Government Punjab for the project “Basic Development and Sewerage Works of MC, Bathinda” with a condition that the funds would be utilized for construction works only and no expenditure on account of salary, purchase of machinery and other material, repairs, addition, renovation and alteration would be made. The terms and conditions further stipulated that in case the funds were not returned to PIDB, the amount so advanced would be treated as loan, returnable in sixty monthly installments along with annual interest of 5.5 per cent.

Scrutiny of records (June 2013) showed that MC, Bathinda incurred an expenditure of ₹ 3.52 crore (between September 2011 and March 2012) for the purchase of 10 non-AC buses for city bus services out of ₹ 12.45 crore in contravention of the terms and conditions of the funds provided by PIDB. Although, these buses were purchased by MC, Bathinda they were registered in the name of General Manager (GM), PRTC. An expenditure of ₹ two lakh on insurance of these buses, done in the name of GM, PRTC, was also incurred (April 2012) by MC, Bathinda. This resulted in diversion of funds amounting to ₹ 3.54 crore. Scrutiny of records further showed that due to non-availability of funds, MC, Bathinda could not return the funds to PIDB and the request of the MC, Bathinda to convert this loan as grant was also rejected (August 2013) by the State Government.

The matter was taken up with MC, Bathinda (September 2014), who stated that the grant was disbursed after the approval of resolution passed by the MC, Bathinda and with the sanction (May 2011) of the State Government. It was further stated that the repayment of loan to PIDB would be made by deducting the amount from additional excise duty of Municipal Corporation, Bathinda. The reply was not tenable as the funds were diverted in contravention of the terms and conditions of PIDB and the sanction to purchase the buses was accorded to MC, Bathinda by the State Government whereas the buses were purchased in the name of General Manager, PEPSU Road Transport Corporation. Thus the asset is in the name of PEPSU Road Transport Corporation whereas the funds were provided by MC, Bathinda.

#### **4.7 Avoidable payment of penal interest**

National Capital Region Planning Board (NCRPB), New Delhi sanctioned (October 2002) a loan of ₹ 44.95 crore<sup>4</sup> to Patiala Urban Planning and Development Authority (PDA), Patiala against the guarantee by the State Government for the project “Extension and Augmentation of Water Supply, Sewerage and Solid Waste Management”. The loan was availed by PDA, Patiala on behalf of Municipal Corporation (MC), Patiala.

Scrutiny of records (December 2013) of Municipal Corporation (MC), Patiala showed that the repayment of the loan was made on due dates by the MC, Patiala except ₹ 2.83 crore payable in November 2011. NCRPB, New Delhi brought (April 2012) the matter to the notice of the State Government for the payment of outstanding amount of loan of ₹ 3.15 crore<sup>5</sup> drawn against the State guarantee. As the payment was not made, NCRPB again demanded (May 2013) ₹ 3.47 crore<sup>6</sup> calculated upto May 2013. Subsequently, MC, Patiala in May 2013 made the payment of ₹ 3.47 crore to NCRPB. Thus, failure of the MC, Patiala to make payment of loan installment resulted in avoidable payment of penal interest amounting to ₹ 44 lakh.

No reply was furnished (December 2013) by the MC Patiala. The matter was again taken up with the department in September 2014. In reply, the department stated that due to poor financial condition of the MC, the repayment of loan could not be made in time and even now the payment of interest has been made from grant received under 13<sup>th</sup> Finance Commission scheme (UD-3.1.) aimed at helping ULBs. However, no information with regard to financial position of ULB including the details of fixed deposits held by the MC, Patiala during the period November 2011 to May 2013 was furnished to audit (November 2014).

---

<sup>4</sup> Released ₹ 12.68 crore in January 2003, ₹ 5.43 crore in July 2004, ₹ 5.67 crore in February 2005, ₹ 7 crore in October 2005 and ₹ 14.17 crore in November 2006.

<sup>5</sup> ₹ 2.83 crore principal amount + ₹ 0.20 crore interest + 0.12 crore penal interest.

<sup>6</sup> ₹ 2.83 crore principal amount + ₹ 0.20 crore interest + ₹ 0.44 crore penal interest.


#### 4.8 Avoidable expenditure

Director of Local Government, Punjab directed (January 1996) all the ULBs to remit the monthly contribution to the Pension Fund regularly by 7<sup>th</sup> of every month. Delay in remittance of monthly contribution would attract a penal interest of 10 per cent till the actual date of payment. Further, Director of Local Government, Punjab revised (May 1999) the rate of interest to 18 *per cent* per annum on the amount due for the period from December 1994 to the date of its actual payment.

Scrutiny of records (September 2013) of Municipal Council (MC), Batala showed that the amount of pension contribution since 1995 in respect of 36 employees was not paid on due dates to the Director of Local Government Punjab, as a result of which MC, Batala had to pay an avoidable penal interest of ₹ 51.65 lakh on the delayed payment of pension contribution for the period 1995-2013.

MC Batala stated that due to lesser revenue resources and non-availability of funds the pension contribution could not be sent in time.

CHANDIGARH  
The 27 JAN 2016

  
(JAGBANS SINGH)  
Principal Accountant General  
(Audit), Punjab



## **APPENDICES**





**Appendix-1**

(Refer to in Paragraph 1.2.2; page 4)

**Staff Position in Panchayati Raj Institutions**

<b>Sr. No.</b>	<b>Name of Post</b>	<b>Sanctioned Strength</b>	<b>In position</b>	<b>No. of vacant posts</b>
1	Superintendent	167	138	29
2	Panchayat Officer	144	42	102
3	Panchayat Secretary	2381	1674	707
4	Steno	21	03	18
5	Pharmacist	256	143	113
6	Clerk	391	210	181
7	Craft Teacher	45	37	08
8	Peon	366	321	45
9	Sweeper	126	93	33
10	Water carrier	144	89	55
<b>TOTAL</b>		<b>4041</b>	<b>2750</b>	<b>1291</b>

**Appendix-II**

(Refer to in Paragraph 1.4.2; page 8)

**Statement showing non maintenance of record of Gram Panchayats**

Sr. No	Name of			Type of records
	Gram Panchayat	Block	District	
1	Abdal	Majitha	Amritsar	Movable/immovable property register, Demand and collection register, Advances/loans register, Register of Receipt Book, Cheque/Draft register & Compliant register.
2	Bhangali Kalan	Majitha	Amritsar	
3	Budha Theh	Majitha	Amritsar	
4	Mudhipur	Majitha	Amritsar	
5	Kalanaur	Majitha	Amritsar	
6	Mustfapur	Majitha	Amritsar	
7	Bag Sikanderpur	Bassi Pathana	Fatehgarh Sahib	
8	Majri Ajim	Bassi Pathana	Fatehgarh Sahib	
9	Sikanderpur	Bassi Pathana	Fatehgarh Sahib	
10	Khudda Darapur	Bassi Pathana	Fatehgarh Sahib	
11	Awan	Dhariwal	Gurdaspur	
12	Ghuman Khurd	Dhariwal	Gurdaspur	
13	Sahari	Dhariwal	Gurdaspur	
14	Deol	Majitha	Amritsar	
15	Kot Miyan Sahib	Majitha	Amritsar	Moveable/immovable properties register, Muster Roll registers, Demand and collection register, Advance/Loan outstanding register, Register of receipt books, Physical verification of store and stock register, Cheque/draft register.
16	Bhangali Khurd	Majitha	Amritsar	
17	Jalalpura	Majitha	Amritsar	
18	Kathu Nangal	Majitha	Amritsar	
19	Nag Kalan	Majitha	Amritsar	
20	Waryam Nangal	Majitha	Amritsar	
21	Nag Nawan	Majitha	Amritsar	
22	Behrampur	Bassi Pathana	Fatehgarh Sahib	
23	Kotla	Bassi Pathana	Fatehgarh Sahib	
24	Dehat Talaria	Bassi Pathana	Fatehgarh Sahib	
25	Thablan	Bassi Pathana	Fatehgarh Sahib	
26	Mir Pur	Bassi Pathana	Fatehgarh Sahib	
27	Gaggon	Chamkaur Sahib	Roop Nagar	
28	Manjitpur	Chamkaur Sahib	Roop Nagar	
29	Sheikhpur	Chamkaur Sahib	Roop Nagar	
30	Mukarabpur	Chamkaur Sahib	Roop Nagar	
31	Choura Kalan	Majitha	Amritsar	

Sr, No	Name of			Type of records
	Gram Panchayat	Block	District	
32	Panwana	Majitha	Amritsar	Demand and Collection Register, Advances/ Loans outstanding Register, Register of receipts books, Cheque /Draft Register.
33	Beharmpur Bet	Chamkaur Sahib	Roop Nagar	Moveable/immovable properties register, Demand and collection register, Advance/Loan outstanding register, Register of receipt books, Physical verification of store and stock register, Cheque/draft register.
34	Duggri	Chamkaur Sahib	Roop Nagar	
35	Ferozepur	Chamkaur Sahib	Roop Nagar	
36	Garhi	Chamkaur Sahib	Roop Nagar	
37	Rasidpur	Chamkaur Sahib	Roop Nagar	
38	Kalyanpur	Dhariwal	Gurdaspur	
39	Shahpur	Majitha	Amritsar	
40	Rampur	Chamkaur Sahib	Roop Nagar	Demand and collection register, Advance/Loan outstanding register, Register of receipt books, Physical verification of store and stock register, Cheque/draft register.

**Appendix-III**

(Refer to in Paragraph 1.4.3; page 8)

**Non-reconciliation of withdrawals and deposits into banks**

Sr. No	Name of the			Date	Balance in ₹ as per		Difference between 6 & 7
	GP	Block	District		Cash Book	Pass Book	
1.	2.	3.	4.	5.	6.	7.	8.
1	Lapran	Doraha	Ludhiana	03/12	1,69,277	2,53,332	8,40,55
2	-	Mehal Kalan	Barnala	07/13	0	22,71,824	22,71,824
3	Dehat Talania	Bassi Pathana	Fatehgarh Sahib	12/13	91,997	1,29,889	37,892
4	Bag Sikauder	-do-	-do-	12/13	13,54,330	13,56,548	2,218
5	Majri Ajim	-do-	-do-	12/13	1,59,183	1,67,607	8,424
6	Behrampur	-do-	-do-	12/13	5,99,823	6,01,484	1,661
7	Thablan	-do-	-do-	12/13	75,848	1,01,138	25,290
8	Mirpur	-do-	-do-	12/13	-18,400	12,390	30,790
9	-	Kharar	SAS Nagar	03/13	55,93,032	43,84,723	12,08,309
10	Sambhalki	-do-	-do-	12/13	7,59,504	1,38,823	6,20,681
11	Dharak Kalan	-do-	-do-	12/13	-35,708	12,309	48,017
12	-	Dera Bassi	-do-	09/12	41,47,029	43,20,115	1,73,086
13	Aganpur	-do-	-do-	03/13	15,729	5,157	10,572
14	Jaraunt	-do-	-do-	12/13	4,13,822	4,43,273	29,451
15	Sitarpur	-do-	-do-	03/13	2,96,653	3,01,423	4,770
16	Hansala	-do-	-do-	03/13	12,839	11,386	1,453
17	Batoli	-do-	-do-	01/14	-44,388	3,087	47,475
18	Adda Jhungia	-do-	-do-	01/14	8,70,005	8,76,123	6,118
19	Sadh Nagal	-do-	-do-	03/13	-49,755	19,148	68,903
20	-	Valtoha	Tarn Taran	10/13	5,238	31,168	25,930

### Appendix-IV

(Refer to in Paragraph 1.4.4; page 9)

#### Statement showing operation of multiple bank accounts

<b>Sr. No</b>	<b>Name of the G.P</b>	<b>Punchayat Samiti / Distt</b>	<b>Name of Scheme</b>	<b>Name of the Bank</b>
1	Tangori	Kharar (Mohali)	Panchayat Fund	Punjab Gramin Bank, Kharar
				Axis Bank, Landran
				HDFC Bank, Banur
2	Majat	Kharar (Mohali)	Panchayat Fund	Punjab Gramin Bank (Kharar)
				-do-
				Axis Bank
3	Jaraunt	Dera Bassi (Mohali)	Panchayat Fund	SBOP(Lalru)
				OBC
				Axis Bank Dera Bassi
4	Bhani Maharaj	Mehal Kalan (Barnala)	Panchayat Fund	Punjab & Sindh Bank
				-do-
				Union Bank of India
				Punjab & Sindh Bank
				Indian Overseas Bank
5	Khudhi Khurd	Mehal Kalan (Barnala)	Panchayat Fund	Union Bank of India
				SBOP
				Indian Overseas Bank
				SBOP
				Axis bank
6	Kanauran	Majri (SAS Nagar)	Panchayat Fund	Co-operative Bank
				PNB
				HDFC
7	Sangat Khurd	TalwandiSabo (Bathinda)	MG-NREGS Panchayat Fund	Co-operative Bank
				OBC
				Co-operative Bank
				HDFC
8	Kamalu	TalwandiSabo (Bathinda)	Panchayat Fund	PNB
				Co-operative Bank
				Co-operative Bank
9	Khasi Kalan	Ludhiana II (Ludhiana)	Panchayat Fund	OBC
				OBC
				PNB
10	Bothgarh Banjara	Ludhiana II (Ludhiana)	Panchayat Fund	IOB, Rahon
				IOB, Rahon
				Axis Bank
11	Bandeekzi	Anandpur Sahib (Rupnagar)	Panchayat Fund	Ropar CCBank
				CCBank
				UCO Bank, Ajoli

<b>Sr. No</b>	<b>Name of the G.P</b>	<b>Punchayat Samiti / Distt</b>	<b>Name of Scheme</b>	<b>Name of the Bank</b>
12	Gharn	Kharar (SAS Nagar)	Punchayat Fund	PGB, Kharar
				Coop-Bank
				HDFC, Desumajra
13	Sangala	Majri (SAS Nagar)	Punchayat Fund	PNB
				PNB
				PNB
14	P S Delhon Ramgarh Sardara	Ludhiana-II (Ludhiana)	Punchayat Fund	BOI
				BOI
				BOI
				CCBANK
15	Bhaini Keema	Ludhiana-II (Ludhiana)	Punchayat Fund	PNB
				PNB
				OBC
16	Daffar Pur	Dera Bassi (SAS Nagar)	Punchayat Fund	Axis Bank, Dera Bassi
				Axis
				PNB
17	-	Mehal Kalan (Barnala)	Panchayat Fund	SBI, Mehal Kalan
				State Bank of Patiala
				Punjab & Sind Bank
			13th FC	SBI, Mehal Kalan
				Punjab & Sind Bank
			MGNREGS	SBI
				State Bank of Patiala
				Punjab & Sind Bank
Viveki Grant	State Bank of Patiala			
	CC			
18		Aur (SBS Nagar)	Punchayat Fund	SBI, Aur
				SBOP
				SBOP
19		Valtoha (Tarn Taran)	Punchayat Fund	PNB
				Axis Bank
				Canara Bank
20		Patti Tarn Taran	IAY	Axis Bank
				HDFC
				Punjab & sind Bank
			MGNREGS	Punjab & sind Bank
				Punjab & sind Bank
				Axis Bank
				Axis Bank

## Appendix-V

(Refer to in Paragraph 2.1; page 11)

## Statement showing non-handing over of cash by the Sarpanch

Sr. No.	Name of Gram Panchayat	Name of Sarpanch	Since when pending	Description	Amounts (In ₹)
<b>Block Majitha of Amritsar District</b>					
1	Athwal	Maan Singh	2011-13	Cash	2,86,594
2	Gosal Zimidaran	Balwinder Singh	-do-	Cash	64,952
3	Abdal	Kashmir Singh	-do-	Cash	1,48,024
4	Harian	Gyan Kaur	-do-	Cash	11,230
5	Tarpai	Surjit Singh	-do-	Cash	10,000
6	Mugosohi	Sucha Singh	-do-	Cash	39,700
7	Galowali	Swaran Singh	-do-	Cash	14,377
8	Kotla Majewal	Rachhpal Singh	-do-	Cash	48,000
9	Jalalpura	Guljar Singh	-do-	Cash	36,000
10	Johal	Joginder Singh	-do-	Cash	27,539
11	Supariwind	Ram lal	-do-	Cash	6,97,000
12	Nag Kalan	Rajbir Kaur	-do-	Cash	5,85,939
13	Abdal	Kashmir Singh	-do-	Cash	16,920
<b>Block Ajnala of Amritsar District</b>					
14	Poonga	Nirmal Singh	2009-10	Cash	1,43,000
		Lal Singh	2009-10	Cash	2,05,677
		Harbhajan Singh	2009-10	Cash	29,270
		Ravinder Singh	2009-10	Cash	70,200
15	Rajian	Balraj Singh	2009-12	Cash	1,00,500
		Harijinder Kaur	2009-12	Cash	30,000
<b>Block Mukatsar of Muktsar District</b>					
16	Jagat Singh Wala	Paramjit Singh	2011-13	Cash	53,440
17	Chak Mann Singh Wala	Kartar Singh	-do-	Cash	13,693
18	Chak Attari (Satarwala)	Gurdial Singh	-do-	Cash	77,971
19	Goniana	Darshan Singh	do-	Cash	52,127
20	Haraj	Sher Singh	-do-	Cash	4,368
21	Wangal	Sukhdev Kaur	-do-	Cash	89,646
22	Samadh	Ramandeep Kaur	-do-	Cash	92,292
<b>Block Kharar of SAS Nagar District</b>					
23	Gharuan	Bhag Singh	April 2008	Cash	4,87,696
<b>Block Tarn Taran of Tarn Taran District</b>					
24	Phoja	Kundan Singh	-do-	Cash	12,800
25	Pandori Kalan	Harbhajan Singh	-do-	Cash	5,00,000
26	Kaji Kot	Harbhajan Singh	-do-	Cash	30,000
<b>Block Talwandi Sabo of Bathinda District</b>					
27	Bangi Rauldhu	Gurpreet Kaur	2011	Cash	20,43,457
28	Lehri	Gurmit Singh	2008-09	Cash	3,76,781
29	Nangla	Manjit Singh	-do-	Cash	1,23,678
30	Sukhlandhi	Bhola singh	2010-11	Cash	1,25,000
31	Menuana	Gurdev singh	2010-11	Cash	6,050
32	Laleana	Ram Pal	-do-	Cash	5,000
33	Shekhpura	Pargat Singh	-do-	Cash	9,875
34	Maanwala	Jagga Singh	-do-	Cash	2,82,835

Sr. No.	Name of Gram Panchayat	Name of Sarpanch	Since when pending	Description	Amounts (In ₹)
35	Seego	Chhinder Kaur	-do-	Cash	20,570
36	Menuana	Goja Singh	-do-	Cash	33,724
37	Shekhpura	Bhag singh	-do-	Cash	46,610
38	Kamaloo	Brij Lal	-do-	Cash	58,400
39	Mahi Nangal	Lila Singh	2007-08	Cash	6,44,067
40	Jaga Ram Tirath	Jalour Singh	2010-11	Cash	31,300
41	Phulokhaari	Balbir Kaur	2013-14	Cash	4,73,168
42	Laleana	Gurjant singh	2012-13	Cash	8,28,638
43	Gehlewala	Gurdeep Singh	2009-10	Cash	2,32,005
44	Kalal Wala	Jugraj Singh	2010-11	Cash	1,25,000
45	Kot Bakhtu	Sadhu Singh	2010-11	Cash	33,000
46	Giaan	Jantt Singh	2010-11	Cash	31,900
<b>Total</b>					<b>95,10,013</b>



## Appendix-VI

(Refer to in Paragraph 2.2; page 11)

## Statement showing irregular cash withdrawals from bank through self-cheques

Sr. No.	Name of the			Period	No. of transaction	Total amount (in ₹)
	Gram Panchayat	Block	District			
1.	Majri	Majri	SAS Nagar	11/12 to 04/13	4	1,70,625
2.	Sangala	-do-	-do-	11/12	1	29,200
3.	Thana Govindgarh	-do-	-do-	04/13	2	40,000
4.	Ekalgada	-do-	-do-	01/13 to 05/13	13	11,06,000
5.	Sanger Kalan	-do-	-do-	04/11 to 09/13	1	1,85,000
6.	Rabbo uchi	Dehlon	Ludhiana	01/13 to 04/13	5	99,288
7.	Khelowali	Lambi	Mukatsar	12/12 to 06/13	11	4,05,000
8.	Ramgarh Sardaran	Dehlon	Ludhiana	12/12 to 01/13	7	1,35,700
9.	Sahibana	Ludhiana-II	Ludhiana	03/13 to 04/13	4	86,600
10.	Behrampur	Bassi Pathana	Fatehgarh Sahib	11/12 to 10/13	4	90,800
11.	Boothgarh Banjara	Ludhiana-II	Ludhiana	11/12 to 02/13	4	90,000
12.	Khasi Kalan	Ludhiana-II	Ludhiana	04/13 to 06/13	2	41,500
13.	Mahdhian	Bassi Pathana	Fatehgarh Sahib	12/13	3	1,02,960
14.	Thablan	-do-	-do-	04/13	8	1,90,800
15.	Dhelpur	Kharar	SAS Nagar	11/12 to 12/13	3	65,000
16.	Gochar	Majari	SAS Nagar	09/13 to 11/13	7	1,74,300
17.	Katahari	Doraha	Ludhiana	12/12 to 04/13	14	8,17,300
18.	Sikanderpura	Bassi Pathana	Fatehgarh Sahib	11/12 to 04/13	5	1,15,700
19.	Sambhalki	Kharar	SAS Nagar	10/13 to 11/13	2	35,000
20.	Sheobhpur	Aur	SBS Nagar	11/12 to 04/13	5	90,000
21.	Batoli	DeraBassi	SAS Nagar	02/13 to 10/13	4	65,000
22.		Kharar	-do-	11/12 to 12/13	13	3,25,000
23.		Khadoor Sahib	Tarn Taran	03/13 to 08/13	7	2,65,000
24.		Talwandi Sabo	Bathinda	12/12 to 03/13	4	2,66,500
25.		Valtoha	Tarn Taran	12/12 to 07/13	12	2,92,000
<b>Total</b>					<b>145</b>	<b>52,84,273</b>

**Appendix-VII**

(Refer to in Paragraph 2.3; page 12)

**Detail of non-perparation of annual accounts**

Sl. No.	Name of			Period
	Gram Panchayat	Block	District	
1.	Abdal	Majitha	Amritsar	2011-13
2.	Bhangali Kalan	-do-	-do-	-do-
3.	Budha Theh	-do-	-do-	-do-
4.	Kathu Nangal	-do-	-do-	-do-
5.	Madhipura	-do-	-do-	-do-
6.	Nag Kalan	-do-	-do-	-do-
7.	Nag Nawan	-do-	-do-	-do-
8.	Waryam Nangal	-do-	-do-	-do-
9.	Giana	Talwandi Sabo	Bathinda	-do-
10.	Sangat Khurd	-do-	-do-	-do-
11.	Ramsara	-do-	-do-	-do-
12.	Tarkhan wala	-do-	-do-	-do-
13.	Nihal Singh	-do-	-do-	-do-
14.	Kamalu	-do-	-do-	-do-
15.	Jogewal	-do-	-do-	-do-
16.	Bangi Ruldu	-do-	-do-	-do-
17.	Leleana	-do-	-do-	-do-
18.	Awan	Dhariwal	Gurdaspur	-do-
19.	Bhangali Khurd	Majitha	Amritsar	-do-
20.	Jalal pura	-do-	-do-	-do-
21.	Dehat Talania	Bassi Pathana	Fatehgarh Sahib	-do-
22.	Behrampur	-do-	-do-	-do-
23.	Thablan	-do-	-do-	-do-
24.	Mirpur	-do-	-do-	-do-
25.	Sikanderpura	-do-	-do-	-do-
26.	Khuda Darapur	-do-	-do-	-do-
27.	Nangal Sohal	Ajnala	Amritsar	-do-
28.	Mehmad Mandranwala	-do-	-do-	-do-
29.	Panj Grai Nijjeran	-do-	-do-	-do-
30.	Jagdev Khurd	-do-	-do-	-do-
31.	Vachhoya	-do-	-do-	-do-
32.	Pahrewal	-do-	-do-	-do-
33.	Poonga	-do-	-do-	-do-
34.	Rajian	-do-	-do-	-do-
35.	Makowal	-do-	-do-	-do-
36.	Quimpura	-do-	-do-	-do-
<b>Panchayat Samitis</b>				
37.	-	Valtoha	Tarn Taran	-do-
38.	-	Qadian	Gurdaspur	-do-
<b>Zila Parishad</b>				
39.	-	-	Gurdaspur	-do-
40.	-	-	Tarn Taran	-do-

**Appendix-VIII***(Refer to in Paragraph 2.6; page 14)***Statement showing short deduction of Panchayat Secretary Wages**

Sr. No.	Name of the Panchayat Samiti	No. of villages	Period	Auction money of Shamlat Land	Amount due @ 20 per cent	Amount actually deposited	Difference
( in ₹ )							
1.	Majitha	30	2011-12	51,32,260	10,26,452	-	10,26,452
		41	2012-13	66,63,600	13,32,720	61,000	12,71,720
		38	2013-14	65,84,290	13,16,858	-	13,16,858
2.	Talwandi Saboo	11	2013-14	29,34,750	5,86,950	27,000	5,59,950
3.	Kahnuwan	50	2013-14	93,36,935	18,67,387	5,39,505	13,27,882
4.	Bathinda	3	2013-14	6,58,100	1,31,620	-	1,31,620
5.	Dhariwal	38	2013-14	1,39,99,800	27,99,960	7,77,700	20,22,260
<b>Total</b>				<b>4,53,09,735</b>	<b>90,61,947</b>	<b>14,05,205</b>	<b>76,56,742</b>

**Appendix-IX**

(Refer to in Paragraph 2.7; page 14)

**Statement showing Detail of delayed payment of wages**

Sr. No.	No. of Muster Rolls	Period of wages	Date of payment	Amount paid (in ₹)	Delay in days ranged between
<b>GP: Sihora of Doraha Block (District Ludhiana)</b>					
1.	14	June 2012 – January 2013	17.10.12 – 15.4.13	3,59,385	80-194
<b>GP: Lapran of Doraha Block (District Ludhiana)</b>					
2.	8	November 2012 – January 2013	12.02.13 – 18.03.13	4,75,590	30-65
<b>GP: Katahari of Doraha Block (District Ludhiana)</b>					
3.	10	June – November 2012	12.11.12 – 10.01.13	5,58,922	80-165
<b>GP: Rampura of Doraha Block (District Ludhiana)</b>					
4.	15	August 2012 – September 2012	07.10.11 – 15.02.13	1,81,325	33-168
<b>GP: Begowal of Doraha Block (District Ludhiana)</b>					
5.	8	July 2011 – February 2013	18.05.12 – 30.03.13	3,12,464	15-280
<b>GP: Kartarpur of Doraha Block (District Ludhiana)</b>					
6.	10	June 2011 – June 2012	09.09.11 – 05.01.13	4,67,363	29-228
<b>GP: Dugri of Doraha Block (District Ludhiana)</b>					
7.	9	August 2010 – August 2012	15.04.11 – 03.12.12	4,11,076	33-228
<b>GP: Bhumani of Doraha Block (District Ludhiana)</b>					
8.	20	April 2011 – December 2012	19.05.11 – 28.03.13	6,75,108	13-138
<b>GP: Maksuda of Doraha Block (District Ludhiana)</b>					
9.	14	October 2011 – January 2013	16.04.12 – 18.03.13	5,50,431	36-159
<b>GP: Rabbo Uchi of Dehlon Block (District Ludhiana)</b>					
10.	9	June 2012 – May 2013	11.09.12 – yet to be paid	4,76,662	15-yet to be paid
<b>GP: Dehlon of Dehlon Block (District Ludhiana)</b>					
11.	4	April – June 2013	19.06.13 - 26.08.13	6,10,696	33-72
<b>Total</b>				<b>50,79,022</b>	

### Appendix-X

(Refer to in Paragraph 2.8; page 15)

#### Statement showing execution of work without estimates

Sr. No.	Name of Gram Panchayat	Name of Work	Name of scheme	Amount (₹ in lakh)	Remarks / Reply	
<b>Block Talwandi Sabo, District Bathinda</b>						
1.	Bangi Nihal Singh	Sanitation Works	13 <sup>th</sup> FC	3.34	The department stated that the estimate of works could not be prepared due to shortage of "Technical Staff". However, directions have been issued to start the work only after preparation of the Estimates.	
2.	Ramsara	Construction of Tube Well	Untied fund	4.00		
		Construction of Streets and drains	MP-LAD	3.00		
		Construction of Water & Sanitation works	13 <sup>th</sup> FC	4.61		
3.	Sangat Khurd	Development Works	MPLAD	2.00		
4.	Giana	Construction of Tube well	United Fund	6.00		
		Construction of Water and sanitation works	13 th FC	1.40		
		Construction of Street Drain		1.75		
<b>Block Kharar, District SAS Nagar</b>						
5.	Gharaun	Development work upto 12/2013	Panchayat fund	37.29		No reply was submitted as on 30/09/14..
6.	Tangori	Development work	Panchayat Fund	32.40		
7.	Majat	Development works	Panchayat Fund	5.96		
8.	Raipur Kalan	Development work	Panchayat Fund	13.22		
9.	Sohana	Development work	Grant	38.95		
10.	Shakrullapur	Development work	Panchayat Fund	12.16		
11.	Sambhalki	Development work	Panchayat Fund	19.92		
12.	Dharak Kalan	Development work	Panchayat Fund	7.26		
13.	Dhelpur	Development work	Panchayat Fund	12.59		
14.	Kambala	Development work	Panchayat Fund	4.74		
<b>Block Majri, District SAS Nagar</b>						
15.	Kanauran	Development work upto 12/2013	Panchayat fund	5.19	No reply was submitted as on 30/09/14.	
16.	Dhode Majra	Development work	Panchayat Fund	4.00		
17.	Gochar	Development work	Panchayat Fund	7.34		
18.	Mirjapur	Development work	Panchayat Fund	5.07		
19.	Sangala	Development work	Panchayat Fund	4.47		

Sr. No.	Name of Gram Panchayat	Name of Work	Name of scheme	Amount (₹ in lakh)	Remarks / Reply
<b>Block Anandpur Sahib, District Rupnagar</b>					
20.	Majari	Development work	Panchayat Fund	6.54	No reply was submitted as on 30/09/14.
21.	Dahkhera lower	Development work	Panchayat Fund	10.74	
22.	Behlu	Development work	Panchayat Fund	8.15	
23.	Plasi	Development work	Panchayat Fund	21.39	
24.	Baudlehri	Development work	Panchayat Fund	12.21	
25.	Ganaru	Development work	Panchayat Fund	20.49	
26.	Chandesar	Development work	Panchayat Fund	3.25	
27.	Mehandi Kalan	Development work	Panchayat Fund	8.29	
<b>Block Chamkaur Sahib, District Rupnagar</b>					
28.	Gaggo	Construction. of Rural Latrines	DRDO1	2.00	Estimate is prepared, but due to strike the department is unable to provide the documents in token of proof. The reply is not tenable as reply without document is not acceptable.
		Construction of Dharamshala	MPLAD	1.00	
		Sanitation works	13th FC	0.52	
<b>Block Bassi Pathana, District Fatehgarh Sahib</b>					
29.	Mirpur	Construction of Shamshan ghat	Discretionary grant	2.00	The department stated that the estimate is not prepared, however instructions have been issued that the estimates have to be prepared before the construction of work.
		Construction of streets		1.00	
30.	Bassi Pathana	Constt. of Dharamshala	Discretionary grant	0.50	
		Construction of Dharamshala	MPLAD	1.00	
		Construction of Dharamshala	13th FC	1.50	
<b>Block Qadian, District Gurdaspur</b>					
31.	Dallan Kalan	Development work	Panchayat Fund	9.65	The department stated that the estimate is not prepared, however instructions have been issued that the estimates have to be prepared before the construction of work.
32.	Leela Kalan	Development work	Panchayat Fund	14.70	
33.	Panjgarian	Streets/drains	Panchayat Fund	5.33	
<b>Block Majitha District Amritsar</b>					
34.	Bhangali Khurd	Construction of Streets and Drains	Viveki Grant, MG-NREGS	6.50	The department stated that the estimates are prepared and kept in the EOPS office but are not provided to the Gram Panchayats. In future, the estimates will be prepared before the start of work and will be handed over to the Gram Panchayats.
35.	EOPS Majitha	Discretionary grant	Panchayat Fund	9.00	
36.	Nag Kalan	Construction of streets, drains and Dharamshala	MPLAD, Disc. Grant	8.50	
37.	Waryam Nangal	Construction of streets & drains	Discretionary grant	6.00	
38.	Kathu Nangal	Construction of streets	13th FC, MPLAD, MGNREGS	8.18	

Sr. No.	Name of Gram Panchayat	Name of Work	Name of scheme	Amount (₹ in lakh)	Remarks / Reply
<b>Block Valtoha, District Tarn Taran</b>					
39.	Sarai	Boundary wall of pond	BADP	1.00	The department stated that the estimates are prepared and kept in the EOPS office but are not provided to the Gram Panchayats. In future, the estimates will be prepared before the start of work and will be handed over to the Gram Panchayats. However, no copy of the estimate has been provided to audit.
		Shamshan ghat shed		1.07	
		Construction of streets		3.01	
				7.01	
<b>Block Bathinda, District Bathinda</b>					
40.	Burj Mehma	Developments works	Panchayat Fund	21.05	The department stated that the system of preparation of estimates is not practiced in the GP here, however when the funds would be received the estimate shall be prepared by the JE and work will be done accordingly.
41.	Gill Patti	Development work	Panchayat Fund	18.94	
42.	Bir Talab Basti no. 2,3	Development works	Panchayat Fund	11.43	
43.	Multania	Development works	Panchayat Fund	14.02	
<b>Block Khadoor Sahib, District Tarn Taran</b>					
44.	Sangar Kalan	Development work	Panchayat Fund	1.85	The estimate was prepared and was sent to the competent authority for approval but not received back till date.
<b>Total</b>				<b>4,85.48</b>	

