

CHAPTER II

RESULTS OF AUDIT

2.1 Functioning of Zilla Parishad.

Test check of records revealed, the ZPs since their creation (1997) could not implement any of the functions devolved to them despite the Government's instructions, as the responsibilities and functions assigned to the District Rural Development Agency (DRDA) have not yet been transferred to ZPs.

2.2 Idling of funds – Rs 37.02 Lakh

The Zilla Parishad receives grants from the Government and transfers them to the executing agencies like Panchayat Samitis, Gram Panchayats and other line departments for implementation of various developmental schemes and projects.

Test check of 3ZPs revealed, Rs.37.02 lakh (Appendix-II) relating to the funds of different defunct/closed schemes like RCP, TFC, ERRP, NREP, RLEGP, MWS and EAS was kept idle without disbursement to the implementing agencies during the period of operation of these schemes. Non-release of funds during the period of operation defeated the very purpose of allotment. As the schemes are closed/defunct, the amounts lying with the ZPs are to be refunded to the Government. But the amounts were kept as such without being refunded to the Government. Thus non-refund of funds to the Government after closure of the schemes resulted in idling of funds.

2.3 Advances lying unadjusted- Rs 25.60 crore.

Advances made to the individuals/contractors/suppliers should be regularly and promptly adjusted and unspent balances refunded/recovered immediately. In

case of 278 PRIs as on 31.03.2007, advance of Rs 25.60 crore were not adjusted since long as detailed below:-

Name of the PRI	No. Of units	Advance outstanding (Rs in crore)
Panchayat Samitis	74	24.40
Gram Panchayats	204	01.20
Total	278	25.60

Some advances remained outstanding for the periods ranging from one to thirty years. However the age of the advances pending could not be known in case of majority of the PRIs due to non- maintenance of list of outstanding advances and Advance ledgers. The possibility of recovery of old advances is remote and may lead to loss of Government money.

2.4 Diversion of fund- Rs 77.56 lakh

As per Panchayat Samiti Accounting Procedure (PSAP) Rules and Gram Panchayat Act, funds placed at the disposal of the PRIs by the Government by way of grant for scheme should be utilized for the purpose for which they have been received. Funds should not be diverted without approval of the Government.

In contravention of the above, Rs 77.56 lakh of scheme funds have been diverted during 2000-06 in four PS and nineteen GPs (Appendix-III) for expenditure on other schemes.

2.5 Non collection/remittance of Royalty-Rs 79.14 lakh

As per Government (Orissa Minor Mineral Concession) Rules, the royalty should be deducted from the bills on execution of works and remitted to Government account forthwith.

Royalty for Rs.8.70 lakh in two PS and 4 GPs (Appendix-IV) was not realized from the work bills. In 13 PS and 50 GPs (Appendix-V), the royalty for Rs.70.44 lakh though realized from the bills were not remitted to Government account in violation of the rules.

2.6 Un-fruitful Expenditure on incomplete works Rs 20.69 crore

As per scheme guidelines, no works should be taken up which could not be completed in one year or at the most within two financial years. Test check of records of works undertaken during 1990-06 under different schemes in 25 PS revealed, 9814 number of works (Appendix-VI) involving expenditure of Rs.20.69 crore remained incomplete for more than five years and resulted in unfruitful expenditure.

The works remained incomplete due to inaction of the PSs as no specific replies furnished.

2.7 Non-utilisation/mis-utilisation of interest – Rs 1.35 crore

The interest accrued on deposits of scheme funds shall be treated as additional resources and be utilized as per guidelines.

Test check of Z.P Balasore and 3 PS (Appendix-VII) revealed, interest of Rs 57.02 lakh was earned during 2000-07 under various schemes kept unutilized for more than five years. This shows that the implementing agencies are not keen in utilizing available resources for developmental purposes.

In case of eight PS, the interest money of Rs 77.91 lakh earned during 2002-06 (Appendix-VIII) was mis-utilised in constructing the of office building and staff quarters, meeting transportation of rice and other contingent expenditure in violation of SGRY Guidelines.

2.8 Idle Expenditure on Shopping Units Rs 2.23 crore

As per the Government instructions (April 2005), no shopping units constructed under Sampoorna Grameen Rozgar Yojana (SGRY) schemes should remain vacant without being handed over to the targeted beneficiaries.

The records of 10 P.S revealed, 529 shopping units constructed (Appendix-IX) out of the SGRY funds were not allotted to the beneficiaries thereby resulting in idle

expenditure of Rs.2.23 crore. The shopping units were not allotted to the beneficiaries as no beneficiaries were identified for distribution of the shopping units. Further, there was no demand of these units in rural areas. The units were constructed by the PSs without conducting proper survey of the areas despite Government instructions.

2.9 Wasteful expenditure on plantation- Rs 2.52 lakh

The cashew plantations made in the wasteland of the Government involving expenditure of Rs 2.57 lakh out of SGRY scheme were handed over to 105 SC/ST beneficiaries in 12 GPs under Nabarangapur PS. But, on physical verification of the plantation sites jointly by the BDO, JE and Audit in presence of beneficiaries (December 2006), no plants could be seen in the land. Reasons of non- availability of plants stated by the BDO were due to non-maintenance and absence of watch and ward by the beneficiaries. The reply was not tenable in audit since there were no arrangements made for maintenance and watch and ward by the PS. Failure to take follow up action by the PS led to wasteful expenditure of Rs.2.57 lakh on plantation.

2.10 Inadmissible expenditure of SGRY fund Rs 27.35 lakh

As per Para 6.5.1 of SGRY Guidelines, the works like soil conservation, minor irrigation, rejuvenation of drinking water sources, construction of rural link roads and creation of durable socio- economic assets such as schools, dispensaries, community centers, Panchayat Ghars and development of hats etc. could be taken up under the scheme.

In violation to the above, an inadmissible expenditure of Rs 27.35 lakh was incurred by three PSs during 2003-06 (Nawarangpur Rs 14.56 lakh, Umerkote Rs 2.50 lakh, and Balipatna Rs.10.29 lakh) towards construction of office buildings, staff quarters, conference hall, computer room, etc.

2.11 Irregular expenditure on transportation charges Rs 37.10 lakh

As per SGRY/NFFWP guidelines, the transportation charges of food grains were to be borne by the State Government from their own resources and the cash component could not be used for transportation.

Records of eight PSs and nine GPs (Appendix-X) revealed that total amounts of Rs 37.10 lakh were utilized irregularly from the scheme funds during 2001-06 towards transportation charges of food grains.

2.12 Excess expenditure on construction of Cement Concrete road -Rs 9.32 lakh

As per Government of India Guidelines (Rural Road Manual), the width of the rural Cement Concrete (CC) roads should be 3 meters. Records of Semiliguda PS revealed that 14 rural roads within the PS were constructed (Appendix-XI) with width ranging from 3.30 to 11.50 meters despite sanction of roads with 3 meters width in Estimates. This ultimately resulted in reduction of the length of the roads by 1379.40 meters from the total estimated length of 5322 metres. Had the roads of 1379.40 metres length been constructed within the same estimated cost, some more villages/habitations could have availed the connectivity facility. The roads constructed in violation of specification led to excess execution of works of 649.04 cum involving excess expenditure of Rs 9.32 lakh and resulted in denial of connectivity to some habitations/villages.

The BDO of the PS to the audit observation replied, the width of the road increased on the demand of the Village Committee (VC). The reply was not convincing, as no representation to this effect could be made available.

2.13 Irregular utilisation of Kendu Leaf Grant- Rs 35.14 lakh

The Government (Panchayati Raj Department) passed a Resolution (December 2002) specifying the principles of utilization of Kendu Leaf (KL) Grants^{**} by the Panchayati Raj Institutions (PRIs).

^{**} 90% of the K.L grants distributed to PSs and GPs of K.L. growing Sub-Divisions and 10% retained at the Government level for distribution for socially relevant purposes and activities. As per

Accordingly, 80 *percent* of KL fund should be utilised for infrastructure development and 20 *percent* for providing services to public in respect of primary education, health, drinking water, sanitation and other production activities. It was stipulated in the order that the amount available under KL grant should not be spent for completing a portion of the project.

Scrutiny of records revealed that Sundergarh Zilla Parishad had received Rs 65.54 lakh during 2001-06 of which Rs 24.22 lakh and Rs 10.92 lakh (Appendix-XII) were utilized for development of the existing Vikash Bhawan and Theme Park respectively through Block Development Officer (BDO), Sundergarh. Further scrutiny revealed that the expenditure was made in Vikas Bhawan for decoration and furnishing works and in Theme Park for constructions and installation of entertainment items like sky dome, museum show case, etc.

Since the above item of works were not admissible under the principles of utilization of KL grants, the expenditure of Rs 35.14 lakh (Appendix-XII) made by the Zilla Parishad was irregular. To an audit query, Executive Officer, ZP replied that the projects were implemented as per the resolution of the Parishad and the necessary approval from the Government would be obtained (February 2007).

2.14 Irregular expenditure on repair and maintenance- Rs 11.94 lakh

As per SGRY Guidelines, GPs were permitted to spend up to maximum of 15 *per cent* of the funds on maintenance of the public assets created under the wage employment programme.

In case of five GPs (Appendix-XIII), the expenditure in excess of prescribed limit of 15 *per cent* was incurred on repair and maintenance of assets leading to irregular expenditure of Rs 11.94 lakh.

recommendation of the State Finance Commission, the Zilla Parishad should also get a share from K.L.grant.

2.15 Creation of non-durable assets

As per SGRY guidelines read with the provisions of Rural Road Manual, the construction of rural road should be above minimum standard of Grade-I metalling, so that the road would be all weather and a durable asset.

Check of records of four GPs (Appendix-XIV) revealed, Rs 5.65 lakh was utilized during 2004-06 on construction of moorum roads which led to creation of non durable assets and ultimately resulted in wasteful expenditure

2.16 Infructuous expenditure on construction of Check Dams- Rs 46.08 lakh

As per National Food For Work Programme(NFFWP) guidelines, the works relating to water conservation, drought proofing and land development, etc. could be taken up to provide additional resources apart from the resources available under SGRY to the backward districts for generation of wage employment and creation of community assets.

Record of Chandahandi PS revealed, ten Check dams were constructed over available water resources (nalla) during 2004-06 with an expenditure of Rs 46.08 lakh under SGRY and NFFWP schemes to provide irrigation facilities to the beneficiaries. Though the civil constructions were completed, MS sluice Gates as provisioned were not installed in the check dams due to which the water could not be conserved for irrigation purposes.

The BDO of the PS stated that the MS sluice gates were not installed since the beneficiaries were not taking any responsibilities for the security and maintenance of MS gates. The reply was not tenable in audit as the PS has neither fixed the MS gates in the dams permanently nor any security of the same arranged by the PS. Due to non-conservation of water in the Check dams, the assets created could not be utilized by the beneficiaries, which ultimately resulted in infructuous expenditure of Rs. 46.08 lakh

2.17 Excess Payment under IAY Scheme Rs 30.82 lakh.

As per Indira Awaas Yojana (IAY) guidelines effective from April 2004, the unit cost for construction of IAY houses including cost of sanitary latrine and smokeless chulha was Rs 25,000/- in plan areas and Rs 27,500/- in Hilly/Difficult areas respectively. The Government of Orissa considered (May 2004) all the Tribal Area Sub Plan (TASP) Blocks of Orissa as Hilly/Difficult areas without prior approval from the Government of India (GOI) and released funds to the District Rural Development Agencies (DRDAs) at the unit cost of Rs.27500/- per IAY house in TASP Blocks. The GOI did not agree (October 2005) to the State Government's request to disburse Rs 27500 to the beneficiaries of the TASP Blocks since the Orissa could not come under the category of Hilly/Difficult areas. Due to incorrect decision, the Government incurred Rs 27500 per unit of IAY house in lieu of Rs 25000 in TASP Blocks leading to excess expenditure of Rs 2500 per IAY house.

Tests check of four PS (Appendix-XV) revealed excess payment of Rs.30.82 lakh to the beneficiaries in 1231 IAY houses due to such incorrect decision of the Government.

2.18 Non realization of dues in Gram Panchayats- Rs 15.30 lakh

The Gram Panchayats collect revenues on leasing of their assets like ponds, ferries, markets, lands, tanks, etc.

Records 43 GPs (Appendix-XVI) revealed, Rs 15.30 lakh was not realized during 1966-06 towards the leasing value on the above assets owned by them.

2.19 Suspected Misappropriation of Rs 0.63 lakh

Audit of Athagarh Panchayat Samiti revealed, Rs.0.63 lakh was misappropriated due to non-accountal and excess drawal of funds as detailed below:

Amount of Rs.28,035 drawn from the Bank through self Cheque (11 December 2003) was not accounted for (May 2006).

As against the payment of Rs.5000 to the President of Ramachandrabauti Pani Panchayat though cheque (03 August 2004) shown in the Cash book, Rs 40,295 was actually drawn from the Bank leading to excess drawal of Rs 35,295 not accounted for.

On audit query, the Block Development Officer (BDO) replied to investigate the matter and intimate results to audit

2.20 Shortage of Stock leading to suspected misappropriation of funds Rs 33.98 lakh

Test check of records of five Panchayat Samitis (Appendix-XVII) showed that short accountal and shortage of stock during physical verification(January & November 2005) came to a total shortage of 483.23 MT of rice and 130 MT of cement with money value of Rs 33.98 lakh.

As revealed, rice under SGRY and National Food for Work Programme (NFFWP) shown as issued during 2003-06 by three PS were short accounted for in Gram Panchayats. It was in one PS (Bhanjanagar) that the stock of 369.59 MT of rice was found short during physical verification. In Kalimela PS, 75 MT of cement were accounted against receipt of 190 MT of cement.

2.21 Non production of vouchers to Audit parties

The supporting vouchers in respect of expenditure for Rs 80.87 lakh in 19 GPs (Appendix-XVIII) could not be produced to audit. In the absence of vouchers, the authenticity of expenditure could not be ensured.

2.22 Conclusion and recommendations

The expenditure was not commensurate with the receipts resulting in accumulation of unutilized balances. Annual Accounts were not prepared for which authenticity of accounts could not be ensured. The loss of revenue for idling of

assets, irregular/inadmissible expenditure in violation of rules, wasteful expenditure on works and non remittance of statutory deductions to Government account indicate that internal control mechanisms are not adequate to ensure proper financial management. In view of the findings as explained in previous chapters, the following recommendations are made for consideration of the Government.

The Government should ensure that:

- Annual Accounts are prepared by the PRIs regularly and timely;
- Funds are used timely and unspent balances refunded promptly;
- Data base on finances are maintained in all levels of PRIs;
- Statutory deductions are remitted to Government accounts timely;
- Schemes are implemented as per Guidelines;
- Effective control and supervision to be applied to prevent wasteful expenditure etc;
- Works are completed in time;
- Idle assets are utilized to enhance the revenue of the PRIs

Bhubaneswar
The----- day of-----2007

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