

CHAPTER-II

2. RESULTS OF AUDIT

2.1 Idling of funds – Rs 82.03 Lakh

The funds earmarked for Centrally Sponsored Schemes by GOI viz, IAY, SGRY, SGSY, JGSY etc and the State matching share where ever applicable allotted by the State Government were received at the first instance by the PD, DRDA/ZPs and these funds were allotted to the PRIs of each district based on the norms fixed in the respective guidelines for various developmental projects.

Besides, the State Government also released funds to the ZPs for various State sponsored schemes like Rural Connectivity Programme (RCP), Rural Housing Scheme (RHS), Krushaka Kalyan Karyakram (KKK) and Centrally sponsored schemes like Jawahar Gramin Swarojgar Yojana (JGSY), Million Well Scheme (MWS) etc through annual budget provisions. Finance Commission grants were also received by PRIs through the State Government. Generally entire funds allotted have to be utilized in the same financial year for the purposes envisaged.

Test check of five ZPs revealed that a total amount of Rs.82.03 lakh (**Appendix-V**) received for further disbursement to the Executing Agencies (PSs & GPs) for its utilisation under different schemes like RCP, TFC, PRI TRAINING, RHS, KKK, MWS, BIOGAS etc. remained undisbursed to the concerned agencies though many of these schemes were discontinued/closed. It was also ascertained in audit that non-release of funds by ZPs during the period of operation defeated the very purpose of the project denying the benefits to the beneficiaries. As the schemes were closed/defunct, the amounts lying with the ZPs were to be either refunded to the Government or should have been utilized for the other projects after approval from government. But no attempt was made for utilization of these funds resulting in idling of funds.

On this being pointed out in audit, no specific replies were furnished by the ZPs.

2.2 Advances lying unadjusted- Rs 35.57 crore.

As per Rule 41 of Panchayat Samiti Accounting Procedure Rules, 2002 advances made to the individuals/contractors/suppliers for various purposes should be regularly and promptly adjusted. Apart from that Panchayati Raj Department, Government of Orissa instructed (December 2002) all the BDOs to adjust the outstanding advances within one month or otherwise treat the same as temporary misappropriation of fund warranting initiation of disciplinary proceedings/criminal proceeding in appropriate cases. On test check of records of 56 PSs it was noticed that, advances to the tune of Rs.35.57 crore sanctioned as advances to various agencies remained unadjusted (**Appendix-VI**).

In certain cases advances remained outstanding for the periods ranging from twenty eight to forty four years. However no effort was made to conduct age wise and party wise analysis of advances for its early adjustment. As some advances are pending for a long time the possibility of recovery is remote and may lead ultimately to loss of Local Bodies concerned.

On this being pointed out the PSs stated (April 2007 - January 2008) that advances would be adjusted at the earliest. But the replies are not justifiable since the PSs have not taken any efforts for the settlement of advances till date.

2.3 Diversion of funds- Rs 4.19 crore

Both GOI and the State Government guidelines invariably stipulate that funds released for a particular scheme shall not be diverted for any other purpose.

In contravention of the above stipulations, Rs 4.19 crore of scheme funds have been diverted during 2004-07 in 20 PS and 13 GPs (**Appendix-VII**) for expenditure on other schemes due to non release of funds in time by the State Government for implementation of developmental schemes.

On this being pointed out no specific replies were furnished by the PRIs.

2.4 Misappropriation of Rs.1,35,548/-

Audit noticed following cases of misappropriation in 4 PRIs: -

(1) In Reamal Panchayat Samiti (Deogarh District) it was seen that an amount of Rs.10,000/- withdrawn from Union Bank of India, Reamal Branch by self cheque (July 2006) by the BDO was not accounted for in the cash book till the date of audit (November 2007). No specific explanation was offered by the BDO.

(2) In Bargarh PS (Bargarh district) an amount of Rs.19748/- received towards the costs of cement and House License Fees during 2004-05 by the Cashier was neither accounted for in the Cash Book nor deposited into Bank account despite issue of Money Receipts (MR).

(3) In Champeipal GP (Jajpur district) Rs.64000/- drawn from saving bank account in May 2006 (Rs.30,000/-), June 2006 (Rs.29,000/-) and September 2006 (Rs.5,000/-) by the Secretary of the GP were not accounted for in the Cash Book. No satisfactory explanation was given to audit for its utilization.

(4) In Korkunda PS (Malkangiri District) amount of Rs.41800/- was misappropriated as per the following details: -

Saving Bank Account No	Cheque No/Date	Amount as per counterfoils of cheque	Amount Accounted for in the cash book	Amount actually drawn from bank	Amount Misappropriated
5281 Utkal Gramya Bank, Korkunda	1651771/ 27.09.06	Rs.2300/-	Rs.2300/-	Rs.42300/-	Rs.40000/-
-do-	1551766/ 27.09.06	Rs.10524/-	Rs.10524/-	Rs.12324/-	Rs.1800/-
Total					Rs.41800/-

On this being pointed out the PRIs replied (04/2007, 05/2007, 11/2007 & 02/2008) that action would be taken to investigate the cases under intimation to audit.

2.5 Misappropriation of stock - Rs.60.09 lakh

Scrutiny of records of Tiring PS (Mayurbhanj District) revealed that stock materials worth Rs.7.69 lakh (**Appendix-VIII**) was not handed over by Ex-Senior Clerk to the Samiti inspite of several orders issued by the Block. On physical verification of materials (September 2004) by the Block Development Officer, it was found that there were no materials available in the godowns which indicated that the stock materials were misappropriated.

Disciplinary proceedings were initiated (November 2005) against Ex-Senior Clerk. Inquiry Officer has completed his inquiry and suggested to recover the cost of materials from the Ex-Senior clerk. But no action has so far been taken (July 2007) to realise the amount.

In another similar case in Madanpur Rampur PS audit noticed that 5759 cum of moorums was collected for use in six road projects during 2004-07 under National Food for Work Programme (NFFWP) and National Rural Employment Guarantee Scheme (NREGS). Out of this only 1501 cum of moorums was utilized in three projects (**Appendix-IX**) leaving 4258 cum as unutilised.

But on joint physical verification of work sites by the Audit along with Assistant Engineer, Junior Engineers of the PS and Secretaries of the concerned Gram Panchayats (January 2008) it was revealed that no moorum were left at the work sites as unutilized quantity. Thus, the moorum valued at Rs.5.65 lakh was misappropriated from the site, for which responsibility is yet to be fixed (March 2008).

Further, it was seen in four PSs that 2833.70 quintals of rice issued under SGRY was accounted for in the stock register as against the actual receipt of 8514.27 quintals which resulted in short accountal of 5680.57 quintals of rice. Similarly in five PSs 17927.00 quintals of cement was taken in to account against 22037.50 quintals actually received which led to short accountal of 4110.50 quintals of cement by the Samities during 2002-07 (**Appendix-X**). This resulted in suspected misappropriation of rice and cement valuing Rs.46.75 lakh (Rs.33.21 lakh – Rice and Rs.13.54 lakh – cement).

On this being pointed out the PRIs replied that action would be taken to verify the cases.

2.6 Misappropriation of food grains worth Rs.23.07 lakh

During the audit of the following PSs, audit has conducted joint physical verification of stock of food grains received for SGRY and NFFWP with PS/GP officials and noticed that 1662.60 quintals of rice costing Rs.20.92 lakh (20.87 qtls @ Rs.1130/- and 1641.73 qtls @ Rs.1260/- per quintal) was not available in the GP/PS godowns and the same has been misappropriated as detailed below: -

(In Quintals)

SI No.	Name of the PS	Name of the GP	Scheme	Year	Balance as per stock	Actual Physical balance	Quantity Misappropriated
1	Madan Rampur	PS Godown	SGRY	2005-06	0133.21	095.00	0038.21
		Nunpur	NFFWP	2005-06	0070.53	-	0070.53
		Madanpur	NFFWP	2005-06	0029.51	-	0029.51
		Alatara	NFFWP	2005-06	0176.22	-	0176.22
		Bamak	NFFWP	2005-06	0040.00	-	0040.00
		Gochhadengan	NFFWP	2005-06	0222.40	-	0222.40
		Mudding	NFFWP	2005-06	0090.20	-	0090.20
		Urladani	NFFWP	2005-06	0180.00	-	0180.00
2	Sukinda	Duburi	SGRY	2005-06	0749.10	137.91	0611.19
3	Kabisuryanagar	PS Godown	SGRY	2005-06	0195.00	039.00	0156.00
4	Kuarmunda	PS Godown	SGRY	2003-04	0025.87	005.00	0020.87
5	Patnagarh	Jogimunda	SGRY	2005-06	0101.15	090.68	0010.47
6	Hatadihi	Akarua	SGRY	2005-06	0164.90	147.90	0017.00
Total					2178.09	515.49	1662.60

From the above table it is evident that 1662.60 quintals of food grains (SGRY-853.74 quintals and NFFWP-808.86 quintals) valuing Rs.20.92 lakh was misappropriated by the PRIs.

On this being pointed out the PRIs failed to furnish any specific replies. However it was stated that action would be taken to investigate the cases under intimation to audit.

Further it was seen in Bhawanipatna PS that 451 quintals of rice was shown issued to different works under SGRY/NFFWP schemes during 2005-06 as against the actual issue of

280 quintals as per the works case records which resulted in misappropriation of 171 quintals of rice (SGRY 105 quintals & NFFWP 66 quintals) valuing Rs.2.15 lakh @ FCI issue price by the PS. The PS authority also agreed to recover the cost of rice from the responsible persons.

2.7 Excess payment of Rs. 31,320/-

During the course of audit of the following GPs, it is noticed that, excess payments were made towards honorarium, sitting allowances and salary as detailed below: -

(In Rupees)

Sl.No	Name of the PRI	To whom paid	Nature of payment	Period	Amount due	Amount paid	Date of payment	Excess Paid
1	Tandiki GP	Secretary	Salary	06/2005 to 09/2005	8800/- (2200/-PM)	6600/- 8800/-	09/2005 01/2006	6600/-
2	Champeipal GP	Sarpanch	Honorarium	02/2004 to 12/2005	6900/- (300/- PM)	4500/- 3300/- 3600/-	06/2005 08/2005 05/2006	4500/-
3	-do-	Naib Sarpanch	-do-	07/2003 to 05/2005	6900/- (300/- PM)	6900/- 1800/- 3600/-	06/2005 08/2005 05/2006	5400/-
4	-do-	Ward Members	Sitting Allowance	09/2004 to 06/2005	4920/-	4920/- 4920/-	08/2005 07/2006	4920/-
5	Andali GP	Ex-Executive Officer	Subsistence allowance	04/2003 to 03/2007	52800/- (1100/-PM)	52800/- 9900/-	04/2007 05/2004	9900/-
Total								31,320/-

On this being pointed out the PRIs replied (04/2007 , 07/2007 & 11/2007) that action would be taken to investigate the cases.

2.8 Undue benefit to the VLLs - Rs. 1.80 crore

The primary objective of SGRY and NFFWP schemes is to provide additional wage employment in all rural areas so that food security and improvement in nutritional levels could be ensured. The guidelines envisage distribution of food grains should be made to the workers most preferably at worksite and effective safeguards shall be ensured to avoid leakages of food grains.

Scrutiny of records of 16 PSs and five GPs revealed that as against the actual utilization/requirement of 13,379.20 quintals of food grains, 42,020.16 quintals was issued (**Appendix-XI**) to the Village Level Leaders (VLLs)/persons executing the works for distribution of the same in the works under SGRY (36,924.18 quintals) and NFFWP (5,095.98 quintals). The excess issue of 28,640.96 quintals of food grains to the VLLs, enabled them to sell the rice at higher price in the open market to meet the cost of materials like cement, steel, metal, sand etc. which led to misutilisation of food grains as the schemes prohibited utilization of food grains on non-wage purposes. Though the cost of the food grains at subsidized rate was recovered from the VLLs, the differential cost between the FCI rate and subsidized rate amounting to Rs.1,79,71.253/- was not recovered from them which resulted in giving undue benefit to that extent to the VLLs/persons executing the works.

On this being pointed out in audit the PRIs stated that the excess rice was issued to meet the cost of materials. The reply was not justifiable since the food grain was meant for the rural poor and not to meet the cost of materials.

2.9 Mis-utilisation of Scheme funds – Rs 34.86 lakh

As per the guidelines, in respect of central schemes like SGRY, IAY and NREGS the funds allotted under the schemes shall be utilized for 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 centres, Panchayat Ghars and development of hats etc. The interest accrued on deposits of scheme funds shall be treated as additional resources and be utilized as per guidelines. The cost of Empty Gunny Bags (EGB) should be utilized towards transportation and handling charges of food grains.

In case of six PSs, the scheme funds including interest and EGB cost under Indira Awaas Yojana (IAY), SGRY and NREGS for Rs 34.86 lakh (**Appendix-XII**) was diverted for construction of the office building, cremation ground, prayer halls, rest shed meant for temple, repairing of office & staff quarters, purchase of furniture and other contingent expenditure in violation of the scheme guidelines.

In Muribahal PS, the interest money of Rs 07.27 lakh earned during 2006-07 under IAY scheme was diverted for construction of the of PS office building in violation of IAY

guidelines. Had this amount been utilized in construction of IAY houses, at least 29 poor beneficiaries could have availed the benefit of obtaining a dwelling unit each.

On being pointed out the PSs replied (01/2008) that as per the approval of action plan by the Panchayat Samiti and ZPs, the works were executed. The replies were not acceptable since these works were not admissible as per guidelines.

2.10 Non-utilisation of interest – Rs. 1.59 crore

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

Test check of 15 PS (**Appendix-XIII**) revealed that interest of Rs.1.59 crore earned during the period from 1998-99 to 2006-07 under various schemes was kept unutilized for more than nine years. This shows that the implementing agencies are not keen in utilizing available resources for developmental purposes. No effort has been taken for utilization of the same till date.

On this being pointed out in audit the PSs replied that action would be taken to utilize the interest money on approval of action plan by the Samitis and ZPs.

2.11 Non-remittance of royalty-Rs 1.29 crore

As per Government (Orissa Minor Mineral Concession) Rules, royalty shall be collected from each works bill of the executing agencies for procurement and use of metals, Moorums, Sand, stones etc and the same shall be remitted to Government account forthwith.

Test check of records revealed that in 19 PSs and 44 GPs (**Appendix-XIV**), the royalty of Rs.128.52 lakh though realized from the works bills during 2004-07 was not remitted to Government account in violation of the rules.

On being pointed out the PRIs failed to furnish any specific reply.

2.12 Excess remittance of royalty-Rs.17.67 lakh

In the PSs of Thakurmunda, Bahalda and Rairangpur, audit noticed that amounts of Rs.11.20 lakh, Rs.3.56 lakh and Rs.2.91 lakh respectively have been paid as royalty to the State Government in excess of the amount realized from the work bills of the executing agencies as per the following details: -

(Rupees in lakh)

SI No.	Name of the PRIs	Scheme	Period	Amount received	Amount remitted	Excess remitted
PANCHAYAT SAMITI						
1	Thakurmunda	NFFWP	2005-07	03.98	15.18	11.20
2	Bahalda	-	2004-07	07.94	11.50	03.56
3	Rairangpur	NFFWP	2005-07	06.89	09.80	02.91
Total				18.81	36.48	17.67

On being pointed out the PRIs have failed to furnish any specific reply.

2.13 Waste full expenditure of Rs.22.81 lakh on construction of bridge.

In order to provide all weather connectivity, the P.D, DRDA, Rayagada has placed a sum of Rs.22.81 lakh with the Block Development Officer, Chandrapur for construction of a bridge over the river Bandhri Nallah near Chandrapur out of Member of Parliament Local Area Development (MPLAD) Funds. The work was executed departmentally by the Samiti with the available technical assistance during 1999-00 and completed in January 2002.

In the mean while, the wing walls of the bridge was collapsed in 2002 flood and washed away by river and the bridge is standing at the middle of the nallah and it was in no way useful to the public. The bridge collapsed within a period of eight months from its completion due to absence of survey and the construction was completed in absence of technical assistance required for such a high level bridge. For restoration of the bridge an estimate amounting to Rs.10.00 lakh was prepared and submitted (December 2006) to the DRDA for placement of funds. The DRDA, Rayagada placed Rs.5.00 lakh (January 2007) out of Biju KBK fund. The river also changed its course of flow of water near the bridge

under construction during high flood (August 2007) for which the Samiti intimated to the DRDA for additional requirement of about Rs.40 lakh for completion of the bridge. As per the direction of the Collector, Rayagada, the Samiti refunded Rs.5.00 lakh (December 2007) to the DRDA due to insufficient funds for completion of the bridge.

On this being pointed out the samiti stated (October 2008) that a high level bridge is going to be constructed out of NABARD assistance to the tune of three crore at the upstream of river near this bridge. As such the entire expenditure of Rs.22.81 lakh towards construction of bridge without proper survey and lack of high technical assistance became waste full under MPLAD scheme.

2.14 Infertuous expenditure on construction of CIP- Rs 6.74 lakh

As per NFFWP guidelines, the works relating to water conservation, drought proofing and land development etc. could be taken up to provide additional resources over and above the resources available under SGRY for the developmental of backward districts for generation of wage employment and creation of community assets.

Record of Rasgovindpur PS revealed that one Community Irrigation Project (CIP) was constructed to conserve water resources during 2004-05 with an expenditure of Rs. 6.74 lakh under NFFWP scheme to provide irrigation facilities to the beneficiaries. Though the civil constructions were completed, the Screw gear shutter for head regulator was not installed in the CIP for which the water could not be conserved for irrigation purposes.

Due to non-installation of Screw gear shutter, the water could not be conserved in the CIP and thereby the assets created could not be utilized by the beneficiaries resulting in idle expenditure of Rs. 6.74 lakh.

On this being pointed out in audit the samiti agreed to install the Screw gear shutter early.

2.15 Excess Expenditure on material components under NREGS-Rs.1.09 crore.

As per Para 5.4 of the NREGS the ratio of wage cost to material costs should not be less than the minimum norm of 60:40.

Test check of eight PSs and five GPs revealed that in violation of the above norms excess expenditure to the tune of Rs.1.09 crore was incurred on material component on 140

projects under NREGS during 2006-07 beyond the admissible expenditure of Rs.1.37 crore **(Appendix-XV)**.

On this being pointed out in audit the PRIs replied that as per the action plan of GPs & PSs approved by the ZPs, the works were executed. The reply was not tenable since the PRIs should ensure the norms of material cost in the works executed so that the wage benefits out of this scheme could be secured.

2.16 Un-fruitful Expenditure on incomplete works- Rs 13.54 crore

As per the guidelines applicable to centrally sponsored schemes, 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 revealed that out of the works undertaken during 1994-2006 under different schemes in 35 PS and seven GPs, 6410 works **(Appendix-XVI)** involving expenditure of Rs.13.54 crore remained incomplete for more than three to 13 years. As the works remained incomplete for years together due to lack of monitoring and supervision the beneficiaries were deprived of the desired benefits from the projects. Hence the entire expenditure of Rs.13.54 crore became unfruitful expenditure.

No specific replies were furnished to audit in this regard.

2.17 Idle Expenditure on Shopping Units- Rs 4.55 crore

As per the instructions of Panchayati Raj Department, Government of Orissa (April 2005), no shopping units constructed under SGRY scheme should remain vacant without being handed over to the targeted beneficiaries.

The records of 28 P.S revealed that 1165 shopping units constructed during 2003-07 **(Appendix-XVII)** with the expenditure of Rs.4.55 crore out of the SGRY funds were not allotted to the beneficiaries resulting in idle expenditure of Rs.4.55 crore. The shopping units were not allotted to the beneficiaries as beneficiaries were not 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 for ascertaining the feasibility of the market complexes in those areas as per Government instructions.

On this being pointed out in audit the PRIs agreed to hand over the shopping units very soon.

2.18 Irregular expenditure on transportation charges- Rs 47.39 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 of the scheme was not to be used for transportation.

Scrutiny of records of 16 PSs and 14 GPs (**Appendix-XVIII**) revealed that amount of Rs 47.39 lakh was diverted irregularly from the scheme funds during 2003-07 towards transportation charges of food grain under these schemes. Due to such diversion of scheme funds, the creation of socio economic assets in the rural areas hampered to that extent.

On this being pointed out, the concerned PSs agreed to recoup the cost of transportation of rice on receipt of funds from the DRDAs. The replies were not justifiable since the schemes were already merged with NREGS and the chances of recoupment were remote.

2.19 Creation of non-durable assets-Rs.35.97 lakh.

As per SGRY and NFFWP 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 five PSs and 18 GPs (**Appendix-XIX**) revealed that Rs 35.97 lakh was utilized during 2003-07 for the construction of earth and moorum roads, which were not above the minimum standard of Grade-I metalling as per the scheme guidelines, resulting in creation of non-durable assets at an expenditure of Rs.35.97 lakh.

On this being pointed out in audit the PRIs replied that as per the approved action plan of GPs & PSs the works were executed. The replies were not tenable since the works executed were not as per standard prescribed in the guidelines.

2.20 Non utilization of food grains worth Rs. 1.17 crore

The primary objective of SGRY and NFFWP schemes is to provide additional wage employment in all rural areas and thereby provide food security and improve nutritional levels.

During test check of records, it was seen that in 14 PSs food grains of 11,821.10 quintals (SGRY) and 7761.51 quintals (NFFWP) which were procured during March 2005 to May 2005 remained un-utilized as of March 2007 for more than 2 to 3 years from the date of receipt (**Appendix-XX**). Due to storage in the godown for a long time the food grains would not be fit for human consumption. Further non-utilization of the food grains in the works defeated the very purpose of the schemes and the beneficiaries were deprived of the desired benefits of the schemes.

On this being pointed out in audit the PSs agreed to utilize food grains very soon but the replies were not acceptable since the schemes were merged with NREGS which does not provide for issue of rice at subsidized rate(s) and being old stock, the rice would not be fit for human consumption.

2.21 Idle stock of materials-Rs.26.71 lakh

Test check of records of eight PSs (**Appendix-XXI**) revealed that stock materials like cement, bitumen, pump sets and other building materials worth Rs.26.71 lakh purchased during the period 1999-2006 by the Samitis remained unutilized as of March 2007. It was evident that the materials were procured without assessing the requirement and thereby keeping the same idle for years together.

On this being pointed out the PSs replied that action would be taken to utilize the materials early.