

## Chapter-5

### Economic Services

#### **Developmental schemes/activities**

The GoI envisaged a participative planning process for the overall development of the Districts. The 74<sup>th</sup> amendment to the Constitution of India mandated the establishment of the DPC for consolidating the plans prepared by the Panchayats and Municipalities in the District and to prepare the draft development plans for the Districts as a whole. All the three tiers of local administration viz. DRDA, Blocks and GPs were to prepare an Annual Action Plan (AAP) at the beginning of each financial year and no work was to be taken up unless it formed part of the AAP. Audit findings in regard to District Development Agencies and other schemes are discussed in the succeeding paragraphs:

#### **5.1 District Rural Development Agency**

##### **Role and Function of the DRDA**

Each district has its own DRDA which is the main organ at district level to oversee the implementation of various anti poverty programmes. It is responsible for planning and coordination with various agencies i.e. governmental, non-governmental, technical and financial for successful programme implementation, enabling the community and rural poor to participate in the decision making process, overseeing the implementation of various programme to ensure adherence to guidelines, quality, economy and efficiency of the expenditure and reporting to the concerned authorities at prescribed intervals.

#### **5.2 Financial Management and Accounting Framework**

The funds are allocated to the District Rural Development Agency (DRDA) by the Central and State Government for various developmental activities. The DRDA releases the funds to the Zila Parishad, Blocks and other executing agencies (GPs and beneficiaries), based on the approved allocation for individual schemes for implementation of various socio-economic programmes.

#### **5.3 Irregular opening of bank accounts**

As per general guidelines on accounting system of the DRDA, principle of one bank account for each scheme must be followed by the DRDA. Second bank account for the same scheme could only be opened with the approval of the State Secretary (RD). Multiplicity of bank accounts for one scheme was not permissible. Audit observed that in the DRDA, (Ludhiana), an amount of ₹ 4.95 crore was lying in 100 bank accounts as on March 2012. On this being pointed out, the ADC (D) Ludhiana intimated that out of 100 bank accounts,

23 accounts have been closed, 25 bank accounts are Dormant accounts, 10 bank accounts are inactive accounts, 18 bank accounts are invalid or do not pertain to their office and presently 24 banks accounts are active accounts. It was further intimated in exit conference (January 2013) that efforts were being made to close un-necessary bank accounts and balances lying in accounts would also be remitted/refunded to the concerned funding agency.

#### **5.4 Embezzlement of Government money**

The GOI, Ministry of Rural Development, prescribed the accounting procedure for the funds released for various schemes implemented through the DRDA. The funds are transferred by the Project Director to the respective scheme's account and the Drawing and Disbursing Officer (DDO) is to ensure one account for one scheme, proper maintenance of Cash Book, reconciliation with Banks and cheques exceeding one lakh are signed both by the Project Director as well as Executive Director.

Audit scrutiny of records of the DRDA, Ludhiana for the period 2007-12 revealed irregularities such as opening of multiple bank accounts and non reviewing of accounts of closed schemes led to embezzlement of ₹ 1.23 crore by the officials entrusted with the job allegedly by forging signatures of the ADC (D) as detailed below:

##### **5.4.1 Indira Awas Yojna**

Under IAY Scheme, an amount of ₹ 166.30 lakh and ₹ 6.33 lakh for the period 2008-09 was transferred by the GOI to DRDA, Ludhiana account No.10011613091 of the State Bank of India, Ludhiana on 23 and 24 March, 2009 respectively. The amount of ₹ 166.30 lakh were transferred on 26 March 2009 to the account No.12390 (already opened for IAY Scheme) of Punjab & Sindh Bank, Ludhiana and ₹ 31,70,305 was withdrawn from account by self cheques issued during 6 October 2009 to 5 March 2010 by Junior Assistant and one contractual employee, which were not entered in the cash book. Further, an amount of ₹ 1,66,29,600 was transferred from the account No.12390 on 5 March 2010 to account No.2407 opened with the same bank by the Junior Assistant and another contract employee. A sum of ₹ 49,52,145 was drawn from account No.2407 by self cheques between 5 May 2010 and 27 August 2010. The amount drawn through cheques was not entered in the cash book and no supporting vouchers were available. Thus, a total sum of ₹ 81,22,450 was fraudulently withdrawn by both the officials against whom an FIR was lodged on 9 September 2010 by the Department. A sum of ₹ 19,77,000 was deposited in Account No.2407 on 7 September 2010 leaving a balance of ₹ 61,45,450 recoverable from both the officials.

On this being pointed out, the Department stated (May 2012) that sanction was being obtained from the higher authorities for transferring the remaining funds of IAY Scheme to CEO, Zila Parishad, Ludhiana. So far as recovery of embezzled amount was concerned, the FIR was lodged against prima facie guilty employees and matter was in the Court. Final decision of the court is awaited (January 2013).

### 5.4.2 Total Literacy Campaign

Under Total Literacy Campaign in District Ludhiana, funds of ₹ 42.79 lakh were received (February, 2006) from the GOP and deposited in the Account No. 30365 of Indian Overseas Bank, Ludhiana. No funds were withdrawn from this account till June 2009. Account was closed on 26 September 2009 by transferring the balance of ₹ 48,03,802 to Account No. 397001 on 30 June 2009 in Punjab National Bank, Ludhiana. An amount of ₹ 3700207 was withdrawn from the Bank through cheques during 14 July 2009 to 16 August 2010 by issuing the cheques in the name of contractual employee under forged signature of the ADC (D). Against this irregular withdrawal, the ADC (D) Ludhiana lodged an FIR on 20 September 2010 with the Police. Due to non production of supporting vouchers and relevant documents, the amount so drawn could not be verified in audit. Thus, the non exercise of effective Internal checks/controls over Cash and Bank transactions by DDO led to fraudulent withdrawals from Bank of ₹ 37 lakh.

On being asked (May 2012) regarding the reasons/circumstances for non-utilization of the funds of ₹ 42.79 lakh received in February 2006 from the GOP and its retention for more than four years, the Department stated (May 2012) that due to non-evaluation of TLC and non-approval of next project Puran Literacy Campaign (PLC), the funds could not be utilized. Further, an amount of ₹ 18.72 lakh was lying unspent under Total Literacy Campaign. Regarding unspent balance, Department stated that the matter was being taken up with State Government.

Similarly under other schemes an amount of ₹ 24.40 lakh was embezzled by forging signatures of ADC (D) on self drawn cheques and without making entries in the cash book as given in Table 28 below:

**Table 28: The details of amount embezzled by forged signatures of ADC (D)**

Sr. No.	Name of Scheme	Amount (in ₹)	Name of Bank and A/C No.
1	D.R.D.A. (Administration)	703223	OBC, Ludhiana 00692151006316
2	Development of women and Children in Rural Area	208500	OBC, Ludhiana 00692151006323
3	Development of women and Children in Rural Area	10000	OBC Miller Ganj 00692191004136
4	Development of women and Children in Rural Area	110950	SBI, Ludhiana 100011613921
5	DRDA (Main)	228950	SBI, Ludhiana 100011613091
6	DRDA (Main)	303138	UCO Bank, Ludhiana 07650100016182
7	National Child Labour Project	213500	OBC, Ludhiana 024020110008484
8	Special Central Assistance	563019	OBC, Ludhiana No. 11093
9	SCA (Computer Training)	99000	Receipt not deposited.
	<b>Total</b>	<b>2440280</b>	

(Source: Departmental records)

The absence of accountability and weak Internal Control Mechanism in the Department led to embezzlement of Government funds.

On this being pointed out, the ADC (D) stated (September 2012) that the cash book and accounts of all the schemes were being maintained by the Junior Assistant and another contract employee who fraudulently opened the bank accounts and embezzled the amount by transferring the amount to other account through self cheques. Further, in the exit conference (January 2013) the Department stated that FIR has been lodged against the concerned employees and the case is pending in the Court.

### 5.5 “Development of Women and Children in Rural Area” Scheme

With the launching of “Swaranjayanti Gram Swarozgar Yojna” (SGSY) with effect from April, 1999, the earlier programme “Development of Women and Children in Rural Area” (DWCRA) remained no longer in operation since April, 1999. As per guidelines of SGSY Scheme the un-spent balances as on 1 April 1999 of the said scheme were to be pooled under the head SGSY and utilized as per guidelines.

During scrutiny of records, Audit noticed that an amount of ₹ 30.70 lakh was lying since 1999 in the different banks under DWCRA Scheme as detailed in Table 29, resulting in the blockade of funds:

**Table 29 : Showing the details of blocked funds**

Sr.No.	Name of Bank	Account No.	Balance as on 31 March 2012 (in ₹ )
1.	State Bank of India, New Court Ludhiana	10011613921	2896821
2.	State Bank of Patiala, Miller Ganj, Ludhiana	65037602262	106985
3.	Oriental Bank of Commerce, Miller Ganj, Ludhiana	00692151006323	28132
4.	Vijay Bank, Mata Rani Chowk, Ludhiana	750301010013246	17639
5.	Punjab National Bank, Bharat Nagar Chowk, Ludhiana	0765000106684131	20155
	<b>Total</b>		<b>3069732</b>

(Source: Departmental records)

On this being pointed out, (May 2012) Department stated (May 2012) that the clarification was sought from the Joint Development Commissioner, IRD, Punjab Mohali regarding the merger of unspent balance of DWCRA scheme into SGSY Scheme. This shows a casual approach on the part of the Department in handling the schemes as well as the un-spent balances with the department.

### 5.6 Non-functioning of Accounts Wing

The Accounts wing of DRDA (Administration) was to be headed by a Senior Accounts Officer either on deputation basis or by engaging the services of Chartered Accountant. Audit however, noticed that in violation of the guidelines, no regular personnel was engaged to head the wing. The

Department (January 2013) stated that the accounts wing would be operated shortly.

### Recommendations

The Government/ District Administration may consider to:

- ensure reconciliation of Bank Accounts to rule out the chances of any misappropriation of funds.
- strengthen Accounts Wing to ensure effective control over accounting system.

## 5.7 Member of Parliament Local Area Development Scheme

The Member of Parliament Local Area Development Scheme (MPLAD) is a plan scheme fully funded by the GOI. Annual entitlement of each Member of Parliament (MP) under MPLAD is ₹ two crore, Ludhiana Parliamentary Constituency covers the entire District. The scheme is implemented by the Panchayati Raj Institutions, (PRI) etc. under the overall supervision of Deputy Economic and Statistical Advisor to the GOP, Ludhiana.

### 5.7.1 Financial Position

The position of funds received and utilized under MPLAD scheme during 2007-12 is given in Table 30 below:

**Table 30: Showing the funds received and utilized under MPLAD Scheme**

(₹ in crore)

Year	Opening balance	Funds received from GOI	Interest accrued	Funds received on distribution**	Total funds available	Funds utilised		Total funds utilized	Closing balance
						SC	Others		
2007-08	0.14	3.00*	0.05	0.24	3.43	0.08	2.16	2.24	1.19
2008-09	1.19	2.00	0.06	Nil	3.25	0.14	2.54	2.68	0.57
2009-10	0.57	2.00	0.03	Nil	2.60	0.04	0.61	0.65	1.95
2010-11	1.95	1.00	0.01	-0.15***	2.81	0.03	2.00	2.03	0.78
2011-12	0.78	3.50***	0.08	Nil	4.36	0.02	1.34	1.36	3.00
<b>Total</b>		<b>11.50</b>	<b>0.23</b>	<b>0.09</b>		<b>0.31</b>	<b>8.65</b>	<b>8.96</b>	

(Source-Dy. Economic and Statistical Advisor)

### 5.7.2 Status of works executed

The position of works recommended, sanctioned and completed for BPL, SC/Non -SC categories under MPLAD is given in Table 31:

\* Rupee one crore pertains to the year 2005-06.

\*\* Minus figure of funds received on distribution is due to transfer of funds to District Sangrur, Gurdaspur and Tarn Taran.

\*\*\* Rupee one crore pertains to the year 2010-11.

**Table 31: Physical and financial status of works under MPLAD Scheme during 2007-12**

(₹ in crore)

Year	Total no. of Works recommended with cost (SC)		No. of Works sanctioned with cost (SC)		No. of Works completed with cost (SC)		No. of Works not completed		
	Number (SC)	Cost (SC)	Number (SC)	Cost (SC)	Number (SC)	Cost (SC)	Number	Expenditure Incurred	Expenditure to be Incurred
2007-08	130 (9)	1.81 (0.08)	181 (9)	2.28 (0.08)	172 (09)	2.19 (0.08)	9 (NIL)	0.05 (NIL)	0.04 (NIL)
2008-09	194 (12)	2.29 (0.16)	210 (12)	2.77 (0.16)	203 (10)	2.68 (0.14)	7 (2)	0.02 (NIL)	0.07 (0.02)
2009-10	49 (2)	0.98 (0.04)	36 (2)	0.69 (0.04)	26 (02)	0.54 (0.04)	10 (NIL)	0.11 (NIL)	0.04 (NIL)
2010-11	199 (28)	3.08 (0.30)	161 (28)	2.55 (0.30)	48 (2)	0.72 (0.03)	113 (26)	1.31 (NIL)	0.52 (0.27)
2011-12	152 (31)	3.58 (0.45)	151 (31)	3.11 (0.45)	3 (1)	0.06 (0.02)	148 (30)	1.30 (NIL)	1.75 (0.43)
<b>Total</b>	<b>724 (82)</b>	<b>11.74 (1.03)</b>	<b>739 (82)</b>	<b>11.40 (1.03)</b>	<b>452 (24)</b>	<b>6.19 (0.31)</b>	<b>287 (58)</b>	<b>2.79 (Nil)</b>	<b>2.42 (0.71)</b>

(Source-District Statistical Office)

### Audit Findings

Audit scrutiny of records of MPLAD scheme disclosed the following deficiencies:

#### 5.7.3 Delay in completion of work

As per Para 3.13 of MPLAD guidelines, the time limit for completion of the work should not exceed one year. The DC accords sanction and administrative approval after assessing the feasibility of the schemes proposed/recommended by the Hon'ble MP. The 724 works (estimated cost ₹ 11.74 crore) were recommended by the Hon'ble MP during 2007-12, 739 works (estimated cost ₹ 11.40 crore) were sanctioned by the DC Ludhiana to be completed within one year of sanction.

The 452 works were completed during 2007-12 at the cost of ₹ 6.19 crore and 287 works on which ₹ 2.79 crore were incurred/released to the executing agencies remained incomplete for the period ranging between one to five years. A amount of ₹ 2.42 crore was required for completion of these 287 incomplete works as per the estimated cost approved by the competent authority and inspite of having sufficient balance of ₹ 3 crore, the works were not completed which shows the casual approach of the Department towards the implementation of the scheme, resulting in blockade of funds and denial of benefits to the beneficiaries. On this being pointed out, the Department stated (January 2013) that the efforts are being made to complete the works, but no reasons for non-completion of works within stipulated time limit were given.

#### 5.7.4 Non-enforcement of provisions for the development

The guidelines of MPLAD Scheme provide that the MP would recommend 15 per cent and 7.5 per cent of funds released under the scheme every year for areas inhabited by SC population and ST population respectively and if any constituency does not have ST population, then these funds may be utilized for SCs.

Audit noticed that in absence of ST population in the Ludhiana Parliamentary Constituency, ₹ 2.36 crore was required to be incurred on SC population during 2007-12 from the available funds of ₹ 10.50 crore but the district authorities recommended/sanctioned only 82 works valuing ₹ 1.03 crore for SC population. It was further noticed that only 24 works valuing ₹ 31.00 lakh (3 per cent against the required 22.50 per cent of the total funds available) were completed as of March 2012 and the remaining amount of ₹ 2.05 crore were lying unspent.

On this being pointed out, the Department stated (January 2013) that the efforts would be made to achieve the targets. In rural areas, funds for SC populated area are sanctioned separately but in urban localities there is no specific area of SC population.

### **5.7.5 Discrepancies in Implementation**

The following discrepancies were noticed during implementation of the MPLAD scheme:

- The asset registers were not maintained by the Deputy Economic Statistical Advisor to the GOP, Ludhiana.
- The District authorities were responsible to inspect every year 10 per cent of the work executed but no such inspections were conducted by the District authority during 2007-12.
- District authority had not obtained the completion reports of 452 work completed during 2007-12, as required.
- The time limit prescribed for completion of work was one year, whereas 139 works valuing ₹ 2.16 crore taken up during 2007-11 were lying incomplete as of March 2012.
- As per financial rules every DDO is required to reconcile monthly figures of each cash book and bank statement. Audit, however, noticed that there was difference of ₹ 46.13 lakh in Cash Book and bank statement as on March 2012, which requires immediate attention.

On this being pointed out, the Department stated (January 2013) that needful would be done.

### **Recommendation**

The Government/ District Administration may consider to:

- *adopt a coordinated approach with the executing agencies to ensure that the planned works are completed within the stipulated time frame.*

### **5.8 Punjab Pollution Control Board**

The Punjab Pollution Control Board (Board) was constituted (July 1975) after the enactment of Water (Prevention and Control of Pollution) Act, 1974 with the aim to preserve the wholesomeness of water.

The Water (Prevention and Control of Pollution) Act, 1974, The Water (Prevention and Control of Pollution) Cess Act, 1977 and The Air (Prevention and Control of Pollution) Act, 1981 have been adopted by the GOP to control environmental pollution in the State.

Ludhiana has emerged as the most vibrant and important business centre of the State. It is the biggest city in Punjab, both in terms of area and population and is an industrial hub of State of Punjab having all categories of industries. The predominant industries operating in the District are electroplating and dyeing units having high pollution potential. There are 42184 industries operating in the District, out of which 145 are large and medium scale industries and 42039 small scale industries.

### 5.8.1 Water Pollution

The Cumulative Environmental Pollution Index (Index) of water pollution in Ludhiana District was 63.0 in 2011 against the score of 60. The Index had not been calculated during the period from April 2006 to April 2009. One of the major factors contributing to the high Index level is insufficient common treatment facilities for industrial effluent and inadequate common treatment facility for domestic effluent as well as discharge of untreated waste water by the non-point sources<sup>1</sup>.

### 5.8.2 Domestic water pollution

The primary reason for domestic water pollution is the common conveyance system for the domestic as well as the industrial effluent In Ludhiana District, the sewage requires treatment before its discharge into Budha Nallah/River Satluj for which 55 Sewage Treatment Plants (STPs) were required to be installed by the Municipal Corporation/Municipal Committees/other bodies against which only 41 sewage treatment plants were installed in the District. The quality of water of Satluj in respect of Bio Oxygen Demand (BOD), Dissolved Oxygen (DO), Chemical Oxygen Demand (COD) and total coli upstream Ludhiana City and downstream as on July 2012 is given Table 32 below:

**Table 32: Showing the quality of deteriorated water of river Sutlej**

Sr No.	Name of Station	BOD Mg/l	DO Mg/l	COD Mg/l	T.Coli MPN/ml
1	Sutlej Upstream Budha Nallah	1.6	6.8	12	3000
2.	Sutlej at 100 mts Downstream Budha Nallah Confluence Ludhiana	14	4.2	44	110000

(Source Departmental figure)

The deteriorated level of Satluj water clearly indicates that the BOD, DO, COD and total coli level increased drastically after leaving Ludhiana City for which no steps were taken by the concerned Departments to control water pollution.

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<sup>1</sup> Non-point source pollution refers to pollution from diffuse sources, affects a water body from sources such as run off from agricultural areas draining into river.



On this being pointed out, the Senior Environmental Engineer (SEE) stated (August 2012) that the local bodies falling under the jurisdiction of District Ludhiana are required to install 13 STP, out of which three STP were installed in Ludhiana. Whereas, the installation of STPs in other bodies, Educational Institutions, Hotels is concerned, 38 such organizations had installed STP against the identified 42. The remaining 14 STP have not been installed so far. The reply does not contain the justification for non-installation of remaining 14 STP for which no time frame has been fixed.

### **5.8.3 Air pollution**

The main sources of air pollution are the industrial units manufacturing plants. The Air polluting industries in District, which are using fossil/bio-mass as fuel and emitting the pollutants, besides emitting process/fugitive emissions. Burning of straws by the farmers and frequent use of diesel generator sets due to erratic power supply by various industries/organizations/households have further added to air pollution. Further, 781 air pollution units were working without the consent of the Board as discussed in Paragraph number 5.8.5.

### **5.8.4 Periodical inspections of Industries**

In terms of Water (Prevention and Control of Pollution) Act, 1974 and as per instructions of the board, the large and medium industries of red category<sup>2</sup> were required to be visited by the field staff at least once in twelve and six months till February 2010 and thereafter, two times and four times in a year respectively.

Audit scrutiny of records revealed that periodical inspections were not carried out as per norms prescribed by the Board and there was shortfall of 16 *per cent* to 77 *per cent* in periodical inspections of industries during the period 2007-12.

On this being pointed out, the SEE (January 2013) stated due to shortage of staff required visits/targets of inspection could not be achieved.

### **5.8.5 Grant of consent to establish and operate the industry**

As per the provisions defined in of policy guidelines (February 2010) regarding categorization of industries and procedure for consent management, the Board was required to grant consent to establish/operate industries.

Audit observed that out of 1943 water polluting industrial units identified during 2007-12, only 1679 (86.41 *per cent*) industrial units had been granted the requisite consent. Similarly, out of 2578 air polluting industrial units identified, only 1797 units (69.71 *per cent*) had been granted the consent to establish industrial units which indicated establishment of 264 water polluted units and 781 air polluted industrial units without obtaining consent from the Board. On this being pointed out, the Department stated (January 2013) that there was not much pendency of consent cases with the Department and the consent cases were being dealt in a time bound manner.

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<sup>2</sup> Red category –Highly polluting industries.

### **Recommendations**

The Government/District Administration may consider to:

- *carry out periodical inspection of industries as per prescribed norms.*
- *take appropriate action against the persons/organizations violating the provisions of the Act, rules, orders, directions, etc.*