

## CHAPTER-III COMPLIANCE AUDIT

### PANCHAYATI RAJ AND DRINKING WATER DEPARTMENT

#### 3.1 Avoidable loss of interest

**Panchayati Raj Institutions did not operate flexi accounts for depositing scheme funds during 2013-14 to 2015-16 which led to loss of interest of ₹ 1.41 crore.**

The Finance Department (FD) had instructed (October 2012) the implementing agencies to keep unspent scheme funds in flexi accounts with banks. The intention was to plough back higher interest accruals to expand the coverage of the schemes, without affecting fund flow of the scheme. This instruction was also reiterated by FD in November 2014. Banks offer higher rate of interest on deposits made in flexi accounts in addition to the liquidity associated with savings account.

Audit scrutinised (October 2016 to January 2017) 88 bank pass books under different schemes in seven Panchayati Raj Institutions (PRIs)<sup>1</sup>. It was found that the option of flexi account was not exercised in respect of funds kept in savings bank accounts. An amount of ₹ 3.44 crore was earned at normal rate of interest of four *per cent* per annum in saving bank accounts for the period 2013-16. However, if flexi account had been operated, PRIs could have earned interest of ₹ 4.85 crore. Thus, there was a loss of interest of ₹1.41 crore as detailed in *Table 3.1*.

**Table 3.1: Unit-wise loss of interest**

(₹ in lakh)							
Sl. No.	Name of the PS	No. of bank A/cs checked	Period	Minimum balance of all A/cs	Interest to be accrued in Flexi A/cs	Interest earned in SB A/cs	Differential interest as loss to the PRIs
1	Baripada	05	2013-16	1,523.38	52.88	26.42	26.46
2	Balasore	07	2015-16	2,049.25	71.94	46.08	25.86
3	Udala	23	2013-16	2,441.42	84.66	69.00	15.66
4	Khaira	07	2013-16	1,507.63	52.15	35.61	16.54
5	Jashipur	24	2013-16	4,077.98	141.88	104.39	37.49
6	Rairangpur	17	2013-16	844.88	29.21	28.74	0.47
7	DRDA, Kendrapara	05	2013-16	1,479.44	52.55	33.69	18.86
<b>Total</b>		<b>88</b>		<b>13,923.98</b>	<b>485.27</b>	<b>343.93</b>	<b>141.34</b>

(Source: Bank Pass Books of PRIs concerned)

The Commissioner eum Secretary, Panchayati Raj and Drinking Water Department stated (July 2017) that consequent to FD letters, all the DDOs were instructed to operate flexi accounts. Due to some technical difficulties many of the field functionaries could not open it. The Department had also issued a circular in June 2017 for investment of schematic funds kept in bank accounts through flexi account mode.

However, the Project Director, DRDA, Kendrapara and the BDOs of test checked PSs attributed ignorance about FD circular. The fact remains that

<sup>1</sup>PS Baripada, Balasore, Udala, Khaira, Jashipur, Rairangapur and DRDA Kendrapara

failure in enforcing FD instructions by the Department led to loss of ₹ 1.41 crore in seven PRIs.

### **3.2 Infertuous expenditure**

**Two Training-cum-production centres constructed in two Panchayat Samitis remained idle over four to eight years thereby making the expenditure of ₹ 17.26 lakh infertuous.**

Section 2.2.66 of Orissa Public Works Department Codes provides that the Junior Engineer in-charge of the project should pay attention to timely and careful field survey and investigation on preparation of plan and estimate.

(A) Under Swarnjayanti Gram Swarozgar Yojana (SGSY), Government established training-cum-production centres to provide training and capacity building inputs to the beneficiaries. The aim was to familiarise them with the basics of group dynamics. It also provided skill training to make their micro-enterprises sustainable and more productive.

The Block Development Officer (BDO), Joda took up a project ‘Construction of ready-to-eat Chhatua<sup>2</sup> production centre at Bhadrasahi’ at an estimated cost of ₹ 16.70 lakh<sup>3</sup> under SGSY during 2011-12.

Audit observed (April 2016) that civil works of the building had been completed (November 2012) at an expenditure of ₹ 12.26 lakh. During JPI of the site, Audit observed that no machinery/ equipment had been installed. The building had been lying locked since its completion and there was no power supply to the area. The reason for idle infrastructure was commencement of the project without ensuring provision of power supply.

Thus, the objective of the scheme to provide training as well as income to the beneficiaries could not be achieved and the amount of ₹ 12.26 lakh spent on the building became infertuous.

The Commissioner-cum-Secretary, PR&DW Department stated (October 2017) that electrification of the building had been done with an expenditure of ₹ 2.54 lakh. The BDO had assured to install the transformer within 15 days.

Audit noticed that the electrification of the buildings had started at the instance of audit. This was an additional investment. The original objective of the scheme was yet to be fulfilled.

(B) Scrutiny of records at BDO, Balisankara was done during February-March 2016. Audit noticed that Project Director, DRDA, Sundargarh sanctioned (March 2007) ₹ 5 lakh for construction of a Training-cum-Production centre in Balisankara GP. The work was executed departmentally. Audit observed that the building had remained incomplete due to land dispute since February 2009. By then, an expenditure of ₹ 5.00 lakh was already incurred. It was

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<sup>2</sup> Chhatua is a mix of ingredients like wheat, Bengal gram, groundnut and sugar in a prescribed proportion

<sup>3</sup> Cost of production building- ₹ 11.70 lakh and cost of machineries with installation- ₹ 5.00 lakh

noticed that the BDO had not verified Records of Right (RoR) from the Tahsil before construction of the building. Eventually, the building was constructed on a private land. Thus, the amount of ₹ 5.00 lakh spent on the work became infructuous.

The Commissioner-cum-Secretary, PR&DW Department admitted (October 2017) that the then BDO started the work without verifying RoR. The Collector stopped the work when some Scheduled Tribe people claimed right over the land.

The fact, however, remained that before incurring expenditure, the BDO should have obtained the land clearance from the Revenue authorities. Moreover, the SGSY scheme has been restructured into National Rural Livelihood Mission from June 2011. There was a remote chance of utilisation of these buildings under the new structure.

### 3.3 Misappropriation of Government money of ₹ 10.12 lakh

**Improper cash management and lack of supervisory control by higher authorities in 11 Gram Panchayats (GPs) and disbursement of Old Age Pension against deceased beneficiaries in 14 Panchayat Samitis led to misappropriation of Government money of ₹ 10.12 lakh**

Under Orissa Grama Panchayat Rules, 1968, i) Rule 156(2) envisages that the Cash Books, files, registers and all other records in the office of the Gram Panchayat (GP) are to be properly maintained by the Secretary of the GP for the purpose of the Act and the rules made there-under. ii) Rule 158 authorises the Gram Panchayat Extension Officer (GPEO) to scrutinise the accounts of the GP every month and bring to the notice of the proper authorities any discrepancy, irregularity, misappropriation or defalcation. iii) Rule 58 *ibid* provides that as soon as the advance is paid, the secretary shall enter it in the advance register. When advances are adjusted either in cash or by vouchers, necessary entries shall be made in this register. If a person had not delivered/ paid the record/ money after his removal/ suspension/ termination, under Section 121 (1 and 2) of Odisha Grama Panchayats Act, the Sub-Collector is empowered to give orders for recovery.

Rule 56 of Receipt and Payment Rules envisages that every payment should be supported by a voucher giving full and clear particulars of the claim.

As per Rule 16 of Madhu Babu Pension Yojana (MBPY) Rules 2008, the Executive Officer/ Extension Officer of the concerned GP/PS shall report every case of death of beneficiary immediately after occurrence to the Block Development Officer (BDO) and the Sub-Collector concerned. As per Rule 19 of MBPY and National Social Assistance Programme (NSAP) guidelines, the annual verification of beneficiaries shall be conducted by the competent authority during 1<sup>st</sup> week of April every year. Further, as per Rule 22 of MBPY, the pension shall cease to be payable from the date of disbursement following the death of the pensioner.

Audit scrutiny of records in 11 GPs and 14 Panchayat Samitis (PS) revealed that Government money of ₹ 10.12 lakh was misappropriated, as per the details furnished in *Table 3.2*.

*Table 3.2: Details of misappropriation cases*

Sl. No.	Name of the office	Amount misappropriated (₹ in lakh)	Brief subject that led to misappropriation	Reply of Audited units/Government
1	Rajagada GP under Mahakalapada PS	6.54	Non-adjustment/ recovery of outstanding advance and retention of cash at hand by Sri G C Sahoo, ex-PEO ( <i>Appendix 3.1</i> )	The BDO stated (June 2017) that since the payments were made at GP level, the PEO and Sarpanch were responsible for non-recovery of advance.
2	Asurabandha, Gazalbadi and Kulangi GP of Surada PS	0.18	Non-carry forward of closing balance (CB) of the cashbook to the next day of transaction as opening balance (OB)	The PEOs of the concerned three GPs confirmed (June to October 2016) the facts and figures and assured to take steps to recover the amount from the ex-PEOs.
3	Kolipur GP of Rajkanika PS, Kendrapara	0.20	Expenditure incurred on 7 April 2015 without requisite vouchers and without taking into cash book.	The PEO assured (August 2016) that notice would be issued to the Ex-PEO for depositing ₹ 20,000 as soon as possible.
4	Khalingi GP of Sanakhemundi Block, Ganjam	0.15	Exhibition of same expenditure twice in the cashbook on 7 June 2014	The PEO assured (June 2016) that notice would be issued to the ex-PEO for depositing the amount as soon as possible.
5	Five GPs <sup>4</sup>	1.29	Unauthorised retention of cash by the ex-PEO/ Sarpanchs	The PEOs of Alapaka, Bagalpur, Chamakhandi and Govindpur GP confirmed (June to October 2016) the facts and figures. They assured that the matter would be investigated for taking suitable action for recovery. No reply was received from the PEO of Gagua GP.
6	14 Panchayat Samitis	1.76	Disbursement of old age pension and arrear pension to 127 deceased beneficiaries of 26 GPs ( <i>Appendix 3.2</i> )	The Commissioner-cum-Secretary replied (April, May and July 2017) in his part compliances that the BDOs of Kantapada, Jharbandh, Malkangiri and Sanakhemundi had already recovered ₹ 36,500 from the PEOs concerned. However, the reply had no mention of any action taken against the defaulting PEOs.
<b>Total</b>		<b>10.12</b>		

(Source: Records of GPs and PSs)

<sup>4</sup> Alapaka (Lefripada PS), Bagalpur (Kantapada PS), Chamakhandi (Chhatrapur PS), Gagua (Mahakalapada PS) and Govindpur (Tangi-Choudwar PS)