

CHAPTER -VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

6.1 General

Autonomous bodies and authorities are set up, *inter alia* to discharge non-commercial functions of public utility services. These bodies/authorities, receive substantial financial assistance from the Government. Other institutions, such as those registered under the respective State Co-operative Societies Act, Companies Act, 1956 etc., also receive substantial grants to implement programmes of the State Government.

During 2002-2003, financial assistance of Rs 185.69 crore paid to various autonomous bodies and others is broadly grouped as under:

Table: 6.1

(Rupees in crore)

Sr. No.	Name of institutions	Amount of assistance paid
1.	University and Educational Institutions	78.44
2.	Municipal Corporations and Municipalities	45.15
3.	<i>Zila Parishads and Panchayati Raj</i> Institutions	42.87
4.	Development Agencies	10.45
5.	Hospital and other Charitable Institutions	0.05
5.	Other Institutions (including Statutory Bodies)	8.73
	Total	185.69

Delay in furnishing of utilisation certificates

Where grants are given for specific purposes, certificates of utilisation should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within one year from the date of sanction unless specified otherwise.

Out of 3943 utilisation certificates (UCs) in respect of grants and loans aggregating Rs 464.59 crore paid during the period 1992-2002 only 1289 UCs for Rs 161.22 crore had been furnished by 31 May 2003 and 2654 UCs for Rs 303.37 crore were in arrears. Department-wise breakup of outstanding UCs was as under:

Table: 6.2

(Rupees in crore)

Department	Number of UCs not furnished	Amount
Rural Development	1261	104.63
Education	320	95.98
Agriculture	48	36.47
Local Self Government/Urban Development	218	17.84
Horticulture	17	12.22
Industries	283	11.94
Animal Husbandry	19	8.72
Sports and Youth Services	157	6.22
Science and Technology	16	2.72
Tourism	19	2.34
Forest	5	1.56
Medical and Public Health	21	1.20
Co-operation	126	1.02
Art and Culture	133	0.27
Fisheries	10	0.19
Other Administrative Services	1	0.05
Total:	2654	303.37

The following table shows extent of delay in furnishing UCs.

Table: 6.3

(Rupees in crore)

	Number of Certificates	Amount
Upto three years	2292	276.45
More than three years but upto five years	235	19.35
More than five years, but upto ten years	127	7.57
More than ten years	--	--
Total:	2654	303.37

Due to non-receipt of UCs, it was not possible to ascertain whether the recipients had utilised the grants for the purpose(s) for which these were intended.

Delay in submission of accounts

To identify the institutions which attract audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (CAG's (DPC) Act), the Government is required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose for which assistance was sanctioned and the total expenditure of the institutions. On the basis of information available with Audit, 199 annual accounts of 71 bodies and authorities for 2002-2003 and earlier years had not been received as of June 2003 by the Accountant General as detailed in **Appendix-XVII**.

Audit arrangement

Audit of local bodies (*Zila Parishads, Nagar Palikas, Town Area/Notified Area Committees*), educational institutions and others is conducted by the Examiner, Local Fund Audit, Himachal Pradesh, Shimla. Audit of Cooperative Societies is conducted by the Registrar, Cooperative Societies, Himachal Pradesh, Shimla and the Audit of *Panchayati Raj* institutions is conducted by the Director, *Panchayati Raj*.

Of the 64 bodies/authorities, whose accounts were received upto June 2003, 29 bodies/authorities attracted audit under Section 14 of the CAG's (DPC), Act, 1971. Of this, audit of 28 bodies/authorities was completed by July 2003.

Interesting points arising out of audit are mentioned in the succeeding paragraphs.

Agriculture Department

6.2 Working of Chaudhry Sarwan Kumar Himachal Pradesh *Krishi Vishva Vidyalaya, Palampur*

Introduction

6.2.1 Himachal Pradesh *Krishi Vishva Vidyalaya* (HPKV), Palampur established in November 1978 was bifurcated into two independent universities viz Chaudhry Sarwan Kumar Himachal Pradesh *Krishi Vishva Vidyalaya, Palampur* and Dr. Y.S. Parmar University of Horticulture and Forestry, Nauni (Solan) by an enactment of 1987 for imparting education in the fields of Agriculture, Horticulture, Forestry and other allied branches of learning, etc.

The overall working of the HPKV is managed by the Senate, Board of Management (BOM), Finance Committee (FC), Academic Council, Research Council, Extension Council and Board of Studies and other faculties. The Vice Chancellor (VC) is the Principal executive, academic, administrative officer and Ex-officio Chairman of the BOM and various councils. In discharge of his duties the VC is assisted by Deans of five colleges¹, Directors of Research and Extension Education, Student Welfare Officer and Registrar, Comptroller of accounts and Estate Officer, etc.

The accounts and other relevant records for the period 1997-2002 including records for 2002-2003 of the HPKV were test-checked during February-April 2003. The main findings of audit are discussed in the succeeding paragraphs:

1 Deans College of Agriculture, College of Veterinary Science, College of Home Science, College of Post Graduate Studies and College of Basic Sciences.

Financial outlay and its management

6.2.2 The HPKV received grants-in-aid from various sources. The position of receipts and expenditure incurred during 1997-2002 was as under:

Table: 6.4

(Rupees in crore)

Particulars	1997-98	1998-99	1999-2000	2000-2001	2001-2002
Opening balance	1.00	5.44	4.10	7.35	2.62
Grant received					
State Government	19.24	18.51	18.43	21.44	26.05
Central Government/ICAR	4.77	6.24	13.86	9.17	12.52
Other International institutions	--	--	0.01	--	--
Receipts					
Domestic	0.70	0.82	1.00	1.19	1.08
Others	0.47	0.66	0.72	1.66	2.46
Total Receipt	26.18	31.67	38.12	40.81	44.73
Expenditure out of					
State grants	15.70	21.20	21.50	25.46	26.97
Other grants	5.04	6.37	9.27	12.73	15.62
Total Expenditure	20.74	27.57	30.77	38.19	42.59
Closing balance	5.44	4.10	7.35	2.62	2.14

Source: Annual accounts of the HPKV.

Analysis of details revealed:

6.2.3 The receipts of HPKV from the State Government including domestic receipts during 1998-2001 were Rs 61.39 crore whereas the expenditure incurred was Rs 68.16 crore. Extra expenditure of Rs 6.77 crore was met by diverting funds from Central/Indian Council of Agricultural Research (ICAR) grants for research work without approval of the funding agencies.

6.2.4 The overall increase in Grants-in-aid to HPKV by the State Government was 35 per cent whereas the increase in expenditure was 72 per cent during 1997-2002. To bridge the gap, the University unauthorisedly diverted funds received from ICAR/Tea Board/Central schemes/projects.

6.2.5 The expenditure on salaries of the employees under the State funded schemes had increased from 83 per cent in 1997-98 to 93 per cent in 2001-2002 leaving negligible (7 per cent) amount for developmental activities. The Assistant Registrar (AR) (Budget) admitted (April 2003) that development and research were badly affected for want of sufficient funds.

6.2.6 During 1999-2002, Rs 6.72 crore were diverted to non-plan schemes out of funds released by State Government for execution of plan schemes without the prior approval of the State Government.

The following points of overpayments, inadmissible payments of allowances, irregular expenditure and losses, etc., were noticed during test-check.

Inadmissible payment of secretariat allowance Rs 39.17 lakh

6.2.7 Secretariat allowance was admissible to the State Government employees working in Himachal Pradesh Secretariat, Shimla or its equivalent offices. It was, however, noticed that HPKV paid during February 1995 to March 2003, Rs 19.66 lakh as secretariat allowance to the *beldars*, medical attendants and workshop helpers which was not admissible to any of these categories in Himachal Pradesh Secretariat. Further, instead of granting this allowance to the staff posted in the administrative office only, the HPKV also paid Rs 19.51 lakh as secretariat allowance to other employees posted in the field offices. The injudicious payment of this allowance had resulted in out flow of Rs 39.17 lakh during 1994-2003.

The Assistant Registrar stated (April 2003) that FC/BOM are competent to grant such type of allowances. The reply is not acceptable as payment of secretariat allowance to various categories of staff was not admissible.

Inadmissible payment of non-practicing allowance Rs 19.68 lakh

6.2.8 The State Government decided (June 2002) that the non-practicing allowance (NPA) was not payable to the veterinary teachers/scientists and directed the HPKV to recover the allowance already paid to any Veterinary Teacher/Scientist. It was, however, noticed that the HPKV had made inadmissible payment of NPA of Rs 19.68 lakh between April 1997 to March 2003 to 56 veterinary teachers/scientists. Assistant Registrar (Budget) stated (April 2003) that the NPA was paid after approval by BOM/FC. The reply is not tenable as the payment of NPA was made contrary to the directions of the State Government.

Inadmissible payment of interest on GPF Rs 11.66 lakh

6.2.9 General Provident Fund (GPF) Rules as applicable to the HPKV employees provide that if the subscriber submits application for final payment after retirement, he is not entitled to any interest for the period of delay in submission of application. Test-check of final payments of GPF made during 1996-2003 revealed that inadmissible payment of interest amounting to Rs 11.66 lakh was made in 52 cases where the delay in claiming the final payment was attributable to the subscriber. The AR stated (April 2003) that the interest was paid as per statutes. The reply is not tenable as the interest was not admissible as per GPF rules in cases of delay attributable to subscriber.

Uneconomical working of printing press, loss of Rs 41.18 lakh

6.2.10 A printing press was established (1985) as service unit to provide efficient and timely services on no profit no loss basis. It was, however, noticed that the printing press suffered loss of Rs 41.18 lakh between 1997-2002.

The officer in charge of printing press stated (April 2003) that enhancement of wages/pay scales of daily waged and regular staff, non-availability of computer based technology and non-revision of printing rates were the main reasons for losses. Further, Rs 15 lakh sanctioned (July 2001) by ICAR for replacement of printing press were utilised by HPKV for providing EPBAX. The AR (Budget) stated (April 2003) that funds were utilised for installation

of EPBAX after approval of ICAR. The contention was not correct as the ICAR approved the utilisation of Rs 15 lakh out of “savings in respect of one time catch up grants” and not from modernisation of printing press component.

Seed multiplication unit, loss of Rs 49.30 lakh

6.2.11 Test-check of records of University Seed Multiplication Unit, Palampur revealed that production of nucleus seed, breeder seed and certified seed in the University farm measuring 23 hectares was much below the norms fixed. The farm incurred loss of Rs 49.30 lakh during 1999-2003 as detailed below:

Table: 6.5

Year	1999-2000		2000-2001		2001-2002		2002-2003		
	Rabi	Kharif	Rabi	Kharif	Rabi	Kharif	Rabi	Kharif	
1.	Area under cultivation (in hectares)	11.70	5.75	15.20	12.20	10.20	9.00	14.79	11.50
2.	Required production as per package of practice (in quintals)	291.20	88.75	379.00	338.00	272.00	263.00	410.78	415.00
3.	Actual production (in quintals)	23.95	33.56	56.57	112.75	91.00	34.02	40.95	124.92
4.	Shortfall in production (in quintals)	267.25	55.19	322.43	225.25	181.00	228.98	369.83	290.08
5.	Percentage shortfall	92	62	85	67	67	87	90	70
6.	Loss (Rs in lakh)	5.98	2.04	7.10	7.09	3.88	7.09	7.42	8.70

Despite application of latest technology, quality seed and sufficient inputs the shortfall in production ranged between 62 and 92 per cent. The Seed Production Scientist stated (April 2003) that poor production of crops was mainly due to non-availability of irrigation and due to financial crunch. The reply is not tenable as (i) check dams for irrigation were constructed to harvest rain water, and (ii) the crop was also poor in *Kharif* season when not much irrigation was required as the recommendations made in the package of practice released to farmers after intensive research were for land under rainfed area.

Irregular booking of expenditure to the Projects - Rs 11.82 lakh

6.2.12 Test-check of records of the Regional Research Station (RRS), Dhaulakuan disclosed that the expenditure of Rs 11.82 lakh on the pay and allowances of six employees for July 1999 to March 2003 was charged to the State schemes/projects being implemented by the RRS. However, these employees never performed duties on projects/schemes of RRS during this period. The Associate Director stated (March 2003) that this arrangement was made by the Registrar’s office who offered no comments in this regard.

Academic activities

Following points were noticed in respect of academic activities during test-check:

6.2.13 The University imparts education in 4 disciplines viz., Veterinary Science and Animal Husbandry, Agriculture, Basic Science, and Home Science at undergraduate, post graduate and Ph.D. level. It was noticed that the sanctioned seats in various courses were not filled to full strength during

* Loss has been worked out on sale rates.

1997-2002 as per details given in the **Appendix-XVIII**. It would be seen that the shortfall in Agriculture and Home Science ranged between 16 and 58 *per cent*. In B.Sc. (Home Science) there is a decreasing trend in admissions as it declined from 84 *per cent* in 1997-98 to 43 *per cent* in 2001-2002. In post graduate courses 4 to 57 *per cent* seats remained vacant in Agriculture and MV Sc. In Ph.D. courses 17 to 100 *per cent* seats remained vacant during 1997-98 to 2001-2002.

The Assistant Registrar (Academic) stated (August 2003) that the students generally leave studies for betterment of career.

6.2.14 The Students Counselling and Placement Cell (SCPC) was created (July 2000) with the objective to assist the students in finding employment by proper placement and to provide guidance for seeking higher education. The cell was to maintain complete bio-data, etc., of the students and procure details of industries and other openings for the students. The cell was also to impart pre-coaching to students for competitive examinations.

It was noticed in audit that 258 students passed out from different disciplines since inception of the SCPC but no assistance was provided to them in employment and guidance for seeking higher education as envisaged in the objectives. An expenditure of Rs 6.23 lakh was incurred for furnishing the accommodation for cell but no staff was provided to SCPC. Thus the objective of establishing SCPC has not been achieved thereby rendering the expenditure of Rs 6.23 lakh unfruitful. The Coordinator stated (April 2003) that no budget is being allotted to SCPC. Further there is no sanctioned staff for SCPC.

Programme Implementation

Development of mushroom cultivation in Kangra valley and adjoining area, unfruitful expenditure Rs 28.50 lakh

6.2.15 The Government of India sanctioned (June 1998) Rs 45 lakh (Rs 40 lakh for pasteurised compost spawn production unit and Rs 5 lakh for imparting training to farmers) under the Central Sector scheme for development of mushroom cultivation in Kangra Valley and adjoining areas during 1998-99. Of the said grant the State Government released (December 1998), Rs 28.50 lakh to HPKV for implementation of the scheme.

Scrutiny of records revealed that HPKV utilised Rs 19.36 lakh (building Rs 14 lakh; tractor: Rs 5.36 lakh) and balance Rs 9.14 lakh remained unspent as of March 2003. The scheme could not be completed by the University as the State Government had not released balance amount of Rs 16.50 lakh sanctioned by the Government of India. This has rendered the expenditure of Rs 19.36 lakh largely unfruitful and deprived the beneficiaries of the intended benefits.

Non-installation of tea processing unit – unfruitful expenditure Rs 27.31 lakh

6.2.16 The ICAR sanctioned (May 2001) the proposal for standardisation of tea processing technology in North West India for Rs 18.63 lakh. Amount of Rs 27.39 lakh was released during 2001-2003 to HPKV which included additional funds of Rs 12.05 lakh for purchase of tea roller and tea drier.

It was noticed that Rs 27.31 lakh were spent during 2001-2003 on civil works (Rs 5 lakh), equipment (Rs 17.60 lakh) and miscellaneous expenses (Rs 4.71 lakh). The HPKV further demanded (December 2002) Rs 30 lakh from ICAR for construction of building for installation of machinery for tea processing unit. However, ICAR refused (December 2002) to provide funds for civil works.

Thus, the expenditure of Rs 27.31 lakh including Rs 17.60 lakh incurred on purchase of machinery and equipment has remained unfruitful. Besides, the objective of standardizing the processing technology for manufacture of green and orthodox black tea, etc., remained unachieved.

Unauthorised expenditure of Rs 82.31 lakh

6.2.17 As per revised guidelines of ICAR, the revised staff strength of each *Krishi Vigyan Kendra* (KVK) has been reduced to 16 employees from April 1997. Contrary to these instructions the HPKV recruited eight employees in excess of sanctioned strength between September 1997 and June 2000 and deployed in five* KVKs. Thus the expenditure of Rs 18.38 lakh was incurred on their pay and allowances (September 1997 to March 2001) unauthorisedly and was not considered by the ICAR for reimbursement. The AR (Establishment) stated (April 2003) that the matter for the remittance of liability was taken up with the ICAR. The reply was not tenable as the HPKV recruited employees in excess of the revised guidelines.

6.2.18 As per ICAR guidelines, manpower, equipment, vehicles and buildings created under KVK projects should not be diverted without prior approval of ICAR. It was noticed that in three KVKs (Dhaulakuan, Mandi, Una) the pay of four persons has been charged between December 1999 and March 2003 to the KVK schemes whereas they have been deployed to carry out activities not related to implementation of KVK programmes. Thus Rs 10.65 lakh were irregularly charged to the KVK schemes. The AR (Establishment) stated (April 2003) that the services of the persons who were transferred from the KVKs were required at other schemes. The reply was not tenable as persons were not deployed as per ICAR guidelines.

6.2.19 Revised guidelines of ICAR applicable with effect from April 1997 prescribed specific pay scales for each post to be deployed in KVKs. Test-check of 5 KVKs revealed that staff working in higher scales were posted in KVK and their pay was being charged to the KVK schemes. This had resulted in avoidable extra expenditure of Rs 53.28 lakh during April 1997 to March 2002 on ICAR schemes. The AR (Establishment) stated (April 2003) that the posts with higher scales were created by the BOM in view of the Career Advancement Scheme. The reply was not tenable as the ICAR guidelines were not followed in posting the staff.

Non-refund of unspent balances Rs 14.07 lakh

6.2.20 Two projects implemented out of the grants released by ICAR were completed between March 1999 and March 2002 and Rs 14.07 lakh remained unspent were not refunded to the funding agency as of March 2003.

* Mandi, Bajaura, Una, Dhaulakuan and Hamirpur.

The Departments stated (April 2003) that the unspent balance will be refunded in due course.

Other topics of interest

Sale of milk of tuberculosis (TB) infected cows

6.2.21 Live stock farm at Palampur was taken over by the University during 1979-80 as research and development project. The farm was declared (December 1997) as service unit. The live stock was tested in April-May 2000 and August-September 2001 and 54 *per cent* were found serotested positive in tuberculin. No preventive as well as curative measures were taken to control the disease. The milk of live stock tested TB positive could cause tuberculosis to the consumers. Scrutiny of records further revealed that the University sold 7,69,491 liters of milk, which included milk from TB infected cows during 2000-2001 to 2002-2003 for public consumption.

Officer-in-charge, live stock farm stated (March 2003) that the milk of infected cows was fit for human consumption after boiling. The reply was not correct as the milk of diseased animal can be used only after pasteurisation.

Chapter II of Veterinary Jurisprudence further stipulates that animals health, state of pregnancy and freedom from disease should be certified before the sale of animals. It was, however, noticed that 16 tuberculosis positive cows were sold to local farmers. The officer-in-charge, Livestock Farm further admitted (March 2003) that animals tested positive to tuberculosis were not put to auction after receipt of guidelines from the Department of Veterinary Clinical Medicine, Ethics and Jurisprudence.

Non-completion of Working Women Hostel

6.2.22 Government of India approved (March 2001) the construction/expansion of hostel building for working women with day care centre for children at a cost of Rs 58.73 lakh on 75:25 basis (Central share: Rs 44.05 lakh and State share: Rs 14.68 lakh) with a stipulation to complete the work within 24 months from the date of receipt of first installment. The University received Rs 18.21 lakh (Rs 13.21 lakh in March 2001 first installment of Central share and Rs 5 lakh in November 2002 State Share). The work was started in October 2001 and further execution was stopped in February 2002 after incurring an expenditure of Rs 22.37 lakh as the subsequent installment of funds was not released by the Central/State Governments.

The Executive Engineer (Construction) stated (April 2003) that matter for the release of grant was under correspondence and the work would be got completed after the receipt of grant from the Central/State Government. The reply was not acceptable as the work has been stopped more than a year back which deprived the beneficiaries of intended benefit.

Non-adjustment of contingent advances Rs 128.66 lakh

6.2.23 The rules required that all advances should be got adjusted within a month of their drawal and as far as possible no advances should remain unsettled after the end of a financial year. It was noticed during test-check

that temporary advances amounting to Rs 1.29 crore granted between 1986-87 and 2001-2002 to various officers/officials for meeting emergent expenditure were lying outstanding (March 2002). The AR (stores) stated (April 2003) that most of the advances were lying unadjusted due to audit observations of their statutory auditors.

Non-preparation of Balance Sheet

6.2.24 Section 45 (2) of the University Act provides that the University shall prepare once in a year Annual Accounts and Balance Sheet of the University and shall be submitted by the VC through the BOM to Government.

Test-check of the records revealed that Balance sheets had not been prepared by the HPKV since inception, which was contrary to the provisions of the Act.

These points were referred to the Government in June 2003; their reply had not been received (August 2003).

6.3 Deficiencies in monitoring of grants and loans given by the department

Grants

The Agriculture Department sanctioned during 1998-2003 grants of Rs 85.69 crore to the Himachal Pradesh *Krishi Vishav Vidyalaya*, Palampur (HPKV) (Rs 83.78 crore), Himachal Pradesh Seed Certification Agency, Shimla (HPCAS) (Rs 1.13 crore) and the State Agriculture Management and Extension Training Institute (SAMETI), Mashobra (Rs 0.78 crore) for undertaking agriculture development activities. Long term loans of Rs 2.99 crore were also given during 2000-2001 to Himachal Pradesh General Industries Corporation for purchase of agriculture inputs.

Test-check of records of Sanctioning Authority revealed (March 2003) the following deficiencies:

HPKV, Palampur grant-in-aid (GIA) rules 1980 require that grants should be sanctioned to meet expenditure on specific objects viz; administrative staff, equipments, land and buildings required for agriculture activities. Contrary to the above provisions, grants of Rs 50.71 crore were sanctioned to HPKV, Palampur during 1998-2003 without indicating specific purposes.

The Director of Agriculture (DA) stated (March 2003) that the sanctions of GIA were accorded by the Government without indicating specific purpose. The reply is not tenable as the specific object of expenditure was required to be mentioned in GIA sanctions.

Financial rules provide that the departmental officer on whose signature or counter signature the bill was drawn should furnish utilisation certificate (UC) in prescribed form. It was, however, noticed that UCs for Rs 34.24 lakh in respect of grants sanctioned during 2001-02 due from the SAMETI between April 2002 and March 2003 were awaited (March 2003). Further, UCs for grant of Rs 62.23 crore sanctioned during 1998-2002 were accepted by the department from HPKV, Palampur which were not in prescribed form. DA

stated (March 2003) that audited UCs submitted by HPKVV, Palampur were checked with relation to GIA released and after verifying the correctness. The reply is not tenable as the UCs accepted by the Directorate were not in the prescribed form and as such the required checks could not be exercised.

GIA rules regulating the grants to HPSCA provide that the office and salary expenses of the Agency were to be met out of grants sanctioned annually for a period of five years from the date of issue/publication of the rules. After five years, no expenditure on office and salary expenses were to be incurred out of the grants. Contrary to above rules Rs 1.02 crore were utilised during 1998-2003 for office and salary expenses of the Agency.

Director HPSCA stated (March 2003) that the GIA had been utilised on salary of the staff as the income generated by the Agency from own resources was not sufficient and mainly depended on the assistance from the State Government. However, no reply was furnished by the DA, Shimla.

Once GIA is sanctioned, the grantee institution should prepare and submit the bill to the countersigning authority for signature and the Treasury Officer for payment. Contrary to these rules, the GIA bills of Rs 1.67 crore were prepared and drawn from the treasury by the DA during 1998-2003 and thereafter released to HPSCA and SAMETI.

Assets register of permanent and semi-permanent nature assets acquired out of Government grants were neither maintained nor copies there of were ever furnished annually by HPKVV to the sanctioning authority for permanent record, as required under financial rules. The department has also not devised any system to see as to what assets were created by the grantee institution and whether the assets so created by the grantee institution out of GIA were being utilised for the intended purpose. The DA stated (March 2003) that details of assets with copies of the assets register would be called for from grantee institution for record in the Directorate.

Financial rules require that the sanctioning authority should obtain an audited statement of the accounts of the body or institution in order to see that the GIA is justified by the financial position of the grantee and to ensure that previous grant was spent for the intended purpose. It was noticed that during 2002-2003 GIA of Rs 21.53 crore released to HPKVV, Palampur without obtaining the statements of audited accounts for 2001-02.

The DA stated (March 2003) that HPKVV, Palampur would be asked to furnish audited statement of accounts.

The matter was referred to the Government in May 2003; their reply had not been received (August 2003).

Rural Development Department

6.4 Deficiencies in monitoring of grants and subsidies given by the department

The Rural Development Department released during 1998-2003 grants of Rs 140.60 crore and subsidy of Rs 4.55 crore to District Rural Development Agencies (DRDAs) for implementation of various programmes.

Test-check of records of the Director and Special Secretary, Rural Development Department (RDD), Shimla revealed (March-April 2003) following deficiencies:

Financial rules require that the departmental officer on whose signature or counter signature the bill was drawn should furnish utilisation certificate (UC) in prescribed form. UCs for Rs 66.84 crore in respect of grants sanctioned during 1998-2002 due from the grantee institutions between April 1999 and March 2003 were awaited (April 2003). The Director, RDD stated (April 2003) that the UCs were being called for from the grantee institutions.

The registers of grants as required under the financial rules were not maintained in the prescribed form and did not contain complete information in regard to sanctions and utilisation certificates. The Director, RDD stated (April 2003) that in future grant-in-aid register would be prepared as prescribed under the financial rules.

Assets register of permanent and semi-permanent assets acquired out of Government grants were neither maintained nor copies thereof were furnished annually to the sanctioning authority by the grantee institutions, as required under the financial rules. The department had also not devised any system to see as to what assets were created by the grantee institutions and whether the assets so created out of grants were being utilised for the intended purpose. The Director, RDD stated (April 2003) that the programmes were being implemented by the DRDAs and record of assets was maintained at the DRDA level.

The contention is not tenable as copies of assets register were required to be furnished annually to the sanctioning authority by the grantee institution for record.

Financial rules require that in the case of non-recurring grants for specified objects, the order sanctioning the grant should also specify the time limit within which the grant was to be spent.

It was noticed that no time limit for utilisation of grants of Rs 140.60 crore was given in the sanctions issued during 1998-2003. The Director, RDD stated (April 2003) that these grants were being utilised as per the guidelines of the Government of India. The reply is not tenable as the time limit should have been specified in the sanction orders in order to ensure utilisation of funds by implementing agencies within specified period.

Financial rules provide that there should be no occasion for a rush of payment of grant in the month of March. It was noticed that the grants of

Rs 12.35 crore were sanctioned during 1998-2003 to DRDAs under various schemes in the month of March.

The matter was referred to the Government in May 2003; their reply had not been received (August 2003).

Urban Development Department

6.5 Irregularities in the execution of solid waste management plant

There were overpayments/irregular payments of Rs 26.63 lakh of excise duty/sales tax, non-recovery of lease money and royalty and non-levy of penalty of Rs 7.39 lakh for delay in completion of solid waste management plant.

The work for setting up of bio conversion municipal solid waste management plant capable of processing of 100 MT garbage at Darni ka-Bageecha, on turnkey basis, was awarded (March 1999) to a firm by Municipal Corporation, (MC) Shimla for Rs 3.22 crore. The work, stipulated to be completed in nine months, was started by the firm in March 2000. As per agreement, the MC shall lease out the plant for five years on payment of lease money of Rs 10 lakh annually by the firm. Further the firm shall pay royalty at the rate of 5 per cent ex-factory sale price of the finished manure produced payable quarterly to the MC.

Test-check (June-July 2001 and August 2002) of the records of the MC, Shimla revealed the following points:

Payment of Rs 25.63 lakh was made to the firm during 2000-2002 on account of Central excise duty (Rs 12.34 lakh) and sales tax (Rs 13.29 lakh) on the purchase of machinery without obtaining proof of payment for the same by the firm. On being pointed in audit that Central excise duty was exempted on the machinery supplied by the firm, the MC took up (May 2002) the matter for recovery with the firm. The recovery, however, had not been affected as of May 2003. Thus overpayment of Rs 12.34 lakh was made to the firm. The payment of Rs 13.29 lakh on account of sales tax without obtaining proof of payment was irregular.

The plant was commissioned on 12 December 2001. During 12 December 2001 to April 2003, 14,217 MT garbage was supplied to the plant out of which 10,863 MT has been processed and 78 MT manure has been produced out of which 48 MT had been sold. It was noticed that neither the lease money of Rs 10 lakh for the year 2002 nor the 5 per cent royalty on the sale of 48 MT manure had been received from the firm.

The project was to be completed by the firm by 31 May 2001. It was noticed that the project was commissioned on 12 December 2001 but the penalty of Rs 7.39 lakh leviable for delay in completion of the project had not been recovered from the firm by MC, Shimla.

The matter was referred to the Government in May 2003; their reply had not been received (August 2003).