

CHAPTER V

Financial assistance to authorities and bodies

Co-operation Department

5.1 Loss due to non-recovery of interest on delayed deposit of sale proceeds of fertilisers by District Co-operative Banks

Non-recovery of interest from District Co-operative Banks on delayed deposit by them of sale proceeds of fertilisers resulted in loss of Rs.3.78 crore to M.P. State Cooperative Marketing Federation.

Government introduced in March 1975 (with certain subsequent modifications made in April 1985) sale and distribution of fertilisers and pesticides through District Central Co-operative Banks (District Banks). The sale proceeds were to be deposited in the 'Sale Collection Account' of the M.P. State Cooperative Marketing Federation (Federation), within 7 days from the date of sale. For belated deposits, the banks were liable to pay interest at 16.5 per cent per annum.

Test-check of records of District Marketing Officers, Bhind, Sagar and Shahdol, during March and September 2001, revealed that the District Banks of all the three districts had failed to deposit the sale proceeds in time. Consequently these banks were liable to pay interest of Rs.3.78 crore (Bhind: Rs.0.67 crore; Sagar:Rs.1.96 crore and Shahdol: Rs.1.15 crore) on such belated deposits during the period 1992 to 2002.

While the District Marketing Officer, Bhind, confirmed (September 2001) the non-receipt of interest and stated that claims for Rs.0.67 crore for the period June 1996 to May 2002 had since been prepared and preferred on the banks, the District Marketing Officer, Sagar, stated (September 2001) that the matter has been reported to the Managing Director of the Federation at Bhopal. The District Marketing Officer, Shahdol, intimated (September 2001) that the claim was pending with Deputy Registrar, Co-operative Societies.

Thus non-pursuance of timely deposit of sale proceeds by the District Banks resulted in delay in credit of sale proceeds with consequential loss of interest of Rs.3.78 crore and undue favour to the banks. This was despite the fact that the President, State Board of Revenue, had upheld (February 1976) the right of the Federation to claim interest and the liability of the banks to pay it.

The matter was referred to Government in October 2001; reply had not been received (February 2003).

5.2 Idle investment on construction of cold storage

Construction of a cold storage and ice plant without completion of prerequisite conditions resulted in idle investment of Rs.1.13 crore

For providing cold storage facility to farmers for storing their agricultural produce, construction of a 6000 MT capacity cold storage (CS) and 15 MT capacity ice plant (IP) by the Shiv Shankar Patel Co-operative Cold Storage Society Limited, Mahugaon, Indore (Society) at an estimated cost of Rs.1.90 crore was sanctioned (October 1996) by the National Co-operative Development Corporation, New Delhi (NCDC). The State Government was required to pay to the Society 50 per cent of cost as share capital and 40 per cent as loan; the remaining 10 per cent was to be met by the Society from its own sources. Ninety per cent of the cost was to be reimbursed by NCDC as loan to the State Government.

As per conditions prescribed in NCDC sanction and also as per guidelines issued (August 1997) by the Commissioner, Co-operative Societies, Madhya Pradesh (Commissioner) for investment of government funds in co-operative societies, it was to be ensured that the land had been acquired and an assurance was obtained for regular and uninterrupted supply of electricity from the State Electricity Board. Besides, before establishment of any industry, it was mandatory to obtain consent of the State Pollution Control Board (SPCB).

Test-check (April 2002) of the records of the Joint Registrar, Co-operative Societies, Indore (JRCS) revealed that without proper land acquisition and NOC from PCB as well as an assurance for regular and un-interrupted electricity supply and despite a direction from the SPCB (February 1998) not to commence the work at the proposed site, JRCS released Rs.85 lakh (Rs.47 lakh as share capital and Rs.38 lakh as loan) to the society in March 1998 and further Rs.27.77 lakh as share capital during 1998-99.

The Commissioner further drew and deposited (March 1999) Rs.58.23 lakh in Civil Deposits in treasury. The amount was, however, not paid to Society and lapsed to Government in March 2002. Though the Society completed the construction of the building and installed the machinery, the CS and IP could not be commissioned for want of electric connection and consent from SPCB (April 2002).

Non-commissioning of CS and IP not only deprived the farmers of the cold storage facility for their agricultural produce but also blocked government funds of Rs.1.13 crore, besides a bridge loan of Rs.75 lakh obtained by the Society from

Indore Premier Co-operative Bank (IPC). The chances of recovery of government money were remote as the Society was running a loss of Rs.64 lakh besides carrying the liability of a bridge loan of Rs.75 lakh from the bank which had become overdue to the extent of Rs.1.20 crore, inclusive of interest thereon.

JRCS accepted (April 2002) that construction of the building was completed without ensuring land acquisition and a dispute over land was pending in a revenue court. Consent was not issued by PCB as the CS was established in a residential area and the ammonia gas used in the plant was hazardous to the surrounding population. He also stated that the Society had not even applied for electric connection adding that action would be taken to safeguard the government's investments, without however specifying the type of action proposed to be taken.

Government stated (February 2003) that though change in land use was obtained by the society in May 2000, yet the electricity connection was not obtained by it. The CS was therefore run by means of a generator, which was lying closed since February 2001. The reply was however, silent about failure to obtain consent of SPCB.

Thus, lapse on the part of JRCS to release government funds to the Society without first ensuring compliance of pre-requisite conditions like acquisition of land, consent from PCB and availability of electricity resulted in investment of government funds of Rs.1.13 crore proving to be idle at least for the last 2 years.

Panchayat and Rural Development Department

5.3 Diversion of DRDA (Administration) Scheme funds

Rupees 29.81 crore of Centrally sponsored scheme funds for strengthening of DRDA (Administration) were misutilised towards payment of salaries of State Government's own employees.

As per the DRDA (Administration) Scheme, the administrative costs of DRDAs were to be met with effect from April 1999, from out of a separate provision. The Scheme was funded on 75:25 basis by Central and State Governments. To improve the effectiveness of DRDAs, the following staffing pattern was also sanctioned for their various wings:

(Number of personnel)

		Category-A DRDA	Category-B DRDA	Category-C DRDA	Category-D DRDA
1	Self-employment wing	7	7	10	10
2	Women's Wing	3	3	3	3
3	Wage employment Wing	3	4	5	5
4	Water shed Wing	3	3	3	3
5	Engineering Wing	3	5	5	5
6	Accounts Wing	6	8	9	10
7	Monitoring and Evaluation Wing	3	4	4	4
8	General Administration Wing	8	12	14	16
Total		36	46	53	56

The qualifications, age, period of appointment, terms and conditions of service etc. of the persons to be posted were also prescribed by Government of India (GOI). The ceiling on administrative costs was fixed as Rs.46 lakh, Rs.57 lakh, Rs.65 lakh and Rs.67 lakh per year for A,B,C and D categories of DRDAs respectively, based on number of blocks in each DRDA.

The State Government, instead of posting the staff according to the staffing pattern approved by GOI, issued orders (September 1999) for payment of salaries to State Government employees working in the Rural Engineering Services (RES) Divisions and in block level offices from DRDA funds. The salaries so charged to DRDA funds during April 1999 to February 2003 in respect of 963 State Government employees (over and above the DRDA employees) amounted to Rs.29.81 crore (computed on the minimum of respective scales of pay) as detailed below:

		No. of posts	Amount (Rupees in lakhs)
1	Accountant working in Blocks	359	1032.36
2	Upper Division Clerk	38	
3	Lower Division Clerk	38	75.35
4	Development Extension Officer	321	834.73
5	Executive Engineer, RES	39	253.54
6	Assistant Engineer, RES	78	405.66
7	Sub-Engineer, RES	90	380.31
Total		963	2981.95

The action of State Government to charge the salaries of its own staff not covered under the approved staffing pattern and not even posted in DRDAs was not only

irregular and defeated the very purpose of introducing the DRDA (Administration) Scheme by GOI.

The matter was referred to the Government in October 2001; reply had not been received (February 2003).

Gwalior
The

(SURINDER PAL)
Principal Accountant General (Audit)-I,
Madhya Pradesh

Countersigned

New Delhi
The

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India