

CHAPTER - V

**FINANCIAL ASSISTANCE TO
LOCAL BODIES AND OTHERS**

SECTION - B

FINANCE DEPARTMENT

5.1 General

5.1.1 Financial Assistance

(I) In 2000-2001, Government provided financial assistance of Rs.1229.93 crore by way of grants and loans to various non-government bodies/ institutions. Category-wise details are given below:

Sl. No.	Category of bodies/institutions	Amount of assistance paid (Rs. in crore)
1.	Educational institutions (Aided schools, Private colleges, Universities etc.).	190.44
2.	District Rural Development Agencies (DRDAs)	194.64
3.	Municipalities, Corporations, District Councils, Development Authorities etc.	56.42
4.	Panchayati Raj Institutions viz., Panchayat Samities, Zilla Parishads & Gram Panchayats.	114.64
5.	Command Area Development Authorities.	10.69
6.	Co-operative Societies & Institutions	8.09
7.	Integrated Tribal Development Agencies.	58.05
8.	Non-Government Organisations.	6.75
9.	GRID Corporation of Orissa Ltd.	204.25
10.	Central Electricity Supply Company	15.87
11.	Northern Electricity Supply Company	17.00
12.	Southern Electricity Supply Company	13.00
13.	Western Orissa Development Council	30.00
14.	Industrial Financial Institutions	53.45
15.	Others	256.64
	Total	1229.93

The financial assistance of Rs.1229.93 crore provided during the year 2000-2001 formed 14 *per cent* of revenue expenditure (Rs.8833.99 crore) of Government. The corresponding figures of previous four years (1996-2000) are indicated in Chapter –I.

(II) Outstanding Utilisation Certificates

Under the Financial Rules, in all cases in which conditions are attached to grants, Utilisation Certificates (UCs) showing that the grants have been utilised for the purpose for which they are given are required to be furnished by the departmental officers to the Accountant General within a reasonable time as prescribed in the orders of sanction to grants-in-aid.

UCs for an amount of Rs. 502.90 crore relating to 113 units, (98 P.S.: Rs.326.73 crore, 8 DRDAs: Rs.165.99 crore, 2 ITDAs Rs.7.73 crore and 5 others Rs. 2.45 crore) were outstanding vide Appendix-LI. This included Rs.272.62 crore for which year-wise details were not available.

The huge pendency was mainly on account of absence of suitable mechanism for watching timely receipt of UCs by the departmental officers and further release of grants as a matter of routine without insisting on furnishing of UCs for earlier grants according to the stipulation in the sanction orders.

(III) Delay in submission of accounts

Mention was made in para 6.1.1(iii) of the Report (Civil) of the Comptroller and Auditor General of India for 1999-2000 about non-receipt of information from departments regarding grants and loans given to various bodies/authorities so that the applicability of Section 14 of the Comptroller and Auditor General's (Duties, Powers & Conditions of Service) Act, 1971 could be decided. Even though the Finance Department was required to furnish such details by end of June each year, no information was received as of August 2001.

5.1.2 Audit of Autonomous Bodies

During the year ended 31 March 2001, audit of accounts of 113 autonomous bodies of the Departments of Panchayati Raj (106), School and Mass Education (3), Scheduled Tribes and Scheduled Castes Development (2), Forest, Fisheries and Animal Resources Development (1) and Agriculture (1) was conducted under Section 14 of the Comptroller and Auditor General of India's (DPC), Act, 1971. During the periods covered by audit, the bodies received financial assistance of Rs.967.45 crore. Important points noticed during audit are brought out in the following paragraphs.

(i) Unspent balance of grants

Financial rules of Government required that the grants should be utilised within the financial year during which they were sanctioned or within one year from the date of sanction. Unspent balances were to be refunded to Government immediately thereafter unless permitted by Government for

utilisation in subsequent years. These provisions were not followed by the bodies and the unspent balances were being carried over to subsequent years as a matter of routine. The unspent balances of Rs.171.11 crore in respect of 113 bodies at the end of the year for which audit was conducted were as follows.

Sl. No.	Name of the Body	No. of the Bodies	Year upto which audited	Unspent balance as on 31st March of the year covered in audit (Rs. in lakh)
1.	Panchayat Samities	2	1993-94	66.51
		1	1994-95	86.94
		1	1995-96	44.88
		2	1996-97	110.68
		43	1997-98	2308.54
		45	1998-99	2890.32
		4	1999-2000	28.35
2.	DRDAs	4	1998-99	633.67
		4	1999-2000	10273.99
3.	ITDAs	2	1999-2000	454.43
4.	CADA	1	1998-99	211.11
5. Other Bodies				
i)	ZSS	1	1999-2000	0.76
ii)	SIET	1	1999-2000	-
iii)	State Resources Centre	1	1999-2000	0.43
iv)	Utkal Gomangal Samiti	1	1998-99	-
Total		113		17110.61

It was noticed that the above institutions were not maintaining the prescribed Register of Grants-in-aid to record expenditure incurred sanction-wise and scheme-wise for each year against the funds received. As a result, the periods to which the unspent balances related and reasons for non-utilisation were not available with the bodies/authorities.

(ii) Outstanding Advances

According to Orissa Zilla Parishad & Panchayat Samiti Accounting Procedure Rules, 1961, payment of advances was generally prohibited except in case of works expenditure and amounts so advanced were to be regularly and promptly adjusted.

However, advances aggregating to Rs.259.40 crore were outstanding in the accounts audited (98 Panchayat Samities:Rs.28.99 crore¹ and 15 other bodies/authorities:Rs.230.41crore). Stringent measures were called for either to adjust or recover these amounts in order to avert possible loss with lapse of time.

¹ Up to 1993-94(2), 1994-95 (1), 1995-96 (1), 1996-97 (2), 1997-98 (43), 1998-99 (45) and 1999-2000 (4) were Rs.20.68 lakh, Rs.35.31 lakh, Rs.19.67 lakh, Rs.96.24 lakh, Rs.1426.79 lakh, Rs.1209.88 lakh and Rs.90.07 lakh respectively.

FOREST AND ENVIRONMENT DEPARTMENT

5.2 Unauthorised diversion of funds

Funds provided in the approved consolidated plan of action for preservation of Chilika lake were diverted to the extent of Rs.4.40 crore for improvement of road network without approval of Inter-ministerial Empowered Committee.

The Tenth Finance Commission (TFC) was concerned about the preservation of Chilika lake and restoration of its eco-system and they were concerned about area shrinkage, siltation, pollution and weed infestation. Accordingly, special problem grant of Rs.27 crore was received from the Government of India during 1996-97 to 1999-2000 for preservation of Chilika lake as recommended by the TFC. As per the guidelines (February 1996) of the Government of India (GOI), consolidated plan covering all the sectors for the entire four years (1996-2000) would be forwarded by the State Level Empowered Committee (SLEC) to the Inter-ministerial Empowered Committee (IMEC) for approval and transfer of grants from one scheme to another within the same sector would be referred to IMEC for prior approval before implementation.

Check of records (May 2000) of the Chief Executive (CE), Chilika Development Authority (CDA) revealed that Rs.30 lakh were provided in the approved consolidated plan of action for Chilika lake for improvement of road network. The Governing Body (GB) of CDA increased (August 1999) this amount to Rs.4.70 crore for improvement of Road network by diverting amounts meant for activities directly related to preservation measures such as control of silt load, weed management, fishery development, restoration of eco system etc. The revised action plan was approved by the SLEC in February 2000. However, approval of IMEC to the revised action plan was not taken before implementation as required under the TFC guidelines.

Further, it was found that Rs.4.70 crore reportedly spent included a sum of Rs.0.85 crore lying unspent in PW Deposit Account of Khurda R&B Division to whom Rs.2.00 crore were released for road work.

Thus, the funds of Rs.4.40 crore were diverted irregularly from one programme to another without approval of competent authority thereby defeating the main objective of the TFC to preserve the Chilika lake from area shrinkage, siltation and weed infestation.

Government stated (August 2001) that the diversion had been approved by the Governing Body of CDA/the SLEC and the Government of India was moved (March/June 2000) for ex-post-facto approval of IMEC which was awaited as

of August 2001. The reply was not acceptable since prior approval of IMEC was necessary before execution of a revised action plan.

INDUSTRIES DEPARTMENT

5.3 Avoidable loss due to execution of work in excess over deposits

IIDCO executed work in excess over deposits but could not recover balance dues from the client organisation and ultimately the amount was written off which led to loss of Rs.1.37 crore.

Construction of civil works of Nayagarh Co-operative Sugar Factory (NCSF) was taken up by the Orissa Industrial Infrastructure Development Corporation (IIDCO), a Government of Orissa Undertaking, as deposit work and completed with expenditure of Rs.5.08 crore by 1992-93. No administrative approval or technical sanction to the estimate by the competent authority was on record. Further, as per the codal provisions, the amount should be realised before any liability is incurred on account of deposit work.

Check of records (June 1998) of IIDCO and further information collected subsequently (May 2001) revealed that NCSF deposited Rs.3.71 crore with IIDCO between 1984-85 and 1990-91 in shape of cash (Rs.3.64 crore) and material (Rs.0.07 crore) against the expenditure of Rs.5.08 crore. The excess expenditure of Rs.1.37 crore over deposit could not be recovered from NCSF and was ultimately written off by the Chairman-cum-Managing Director, IIDCO in the accounts of 1993-94 and was ratified by the Board of Directors in March 1995.

Thus, execution of work in excess over deposits resulted in loss of Rs.1.37 crore.

On being pointed out in audit, the General Manager (Finance), IIDCO stated (March/May 2001) that the write off was done without prejudice to the right of IIDCO to recover the amount from the concerned authority at a later date. The reply was not tenable since the amount was not recovered even after lapse of 8 years.

Government, however, stated (September 2001) that the write off proposal should have been vetted and approved by it before writing off the amount from the Book of Accounts.

PANCHAYATI RAJ DEPARTMENT

5.4 Diversion of funds under various schemes

EAS/JRY/RCP funds of Rs.3.93 crore were spent for repair/renovation works, purchase of Jeeps and construction of staff quarters in violation of scheme guidelines leading to diversion of scheme funds.

In violation of Government of India guidelines, an amount of Rs.3.93 crore was diverted by various implementing agencies from the funds released under Employment Assurance Scheme (EAS)/Jawahar Rozgar Yojana (JRY)/Rural Connectivity Programme (RCP) during 1996-2000 as detailed below:

Sl. No	Name of the scheme	Particulars	Amount (Rs in Crore)	Remarks
1.	EAS	Repair/renovation/improvement of existing Minor Irrigation Projects, Canals, Gherry bundh, Residential quarters and construction of godown, rest shed, milk producers co-operative society building, Compound walls of office and residential complex which were not permissible under the scheme guidelines, were executed by BDO, Puri Sadar/ Astaranga/ Nimapara/ EEs, Rural Works Puri/ Puri Irrigation/ Nimapara Irrigation under DRDA Puri and M.I. Division-II, Ganjam, BDO, Digapahandi/Aska under DRDA, Ganjam.	2.50	Government stated (June 2001) that certified ayacuts of existing MIPs lost due to flood damage/siltation could be restored after repair/renovation, milk producers co-operative society was a community project and other works of felt need programme were taken up as per annual plan approved by General Body (GB) of DRDA. This was not tenable since repair/renovation/improvement of existing projects for restoration of their original ayacuts and other construction works were not covered under EAS and the GB of DRDA was not competent to deviate from guidelines.
2.	JRY	Thirty Jeeps were purchased at a cost of Rs.96.70 lakh released (November 1997) by the Panchayati Raj Department out of administrative charges component of JRY for use by the BDOs though Government of India (GOI) had prohibited (December 1989) purchase of vehicles with the JRY resources including administrative charges component.	0.97	Government stated (September 2001) that vehicles were purchased out of administrative contingency. This was not tenable in view of GOI restrictions.
3.	RCP	PA, ITDA Nabarangpur spent Rs.45.59 lakh from RCP funds released by the PD,DRDA, Nabarangpur for construction of staff quarters, tube wells/overhead tank/ boundary wall in the staff colony.	0.46	Government stated (August 2001) that RCP funds utilised for staff quarters were recouped from interest money. The reply was not tenable since interest earnings of DRDA were to be utilised for augmenting programme resources.

5.5 Wanton violation of provision of generation of employment under Employment Assurance Scheme (EAS)

In 79 works under EAS, the labour component was only 9 to 31 per cent while 60 per cent was the minimum requirement, due to excess expenditure of Rs.79.81 lakh on material. This resulted in denial of employment opportunity to the extent of 2.53 lakh mandays.

Mention was made in para 6.3 and para 3.3.6 (h) of Audit Reports (Civil) for the years ended 31 March 1997 and 31 March 1999 respectively regarding excess material component and shortfall in employment opportunity under Employment Assurance Scheme (EAS).

Test check of the records (between December 1999 and December 2000) of the Project Director (PD), District Rural Development Agency (DRDA), Sonapur, the Executive Engineer (EE), Orissa Lift Irrigation Corporation (OLIC) Division, Bolangir, the EE, Puri Irrigation Division (PID), the Block Development Officers (BDOs), Nimapara/Puri Sadar revealed that 79 works were executed by EEs & BDOs during 1996-2000 at a cost of Rs.1.84 crore under EAS. Out of this expenditure, Rs.1.53 crore represented expenditure on material component of the works as against Rs.0.73 crore (40 per cent of cost) admissible under the scheme. The expenditure against wage component ranged between only 9 to 31 per cent as against the scheme stipulation of minimum 60 per cent. This resulted in denial of employment opportunity to the extent of 2.53 lakh mandays to the rural poor while Rs.79.81 lakh were spent on material in excess.

PD, DRDA, Sonapur and the EE, OLIC Division, Bolangir stated (January/February 2000) that the works were executed as per the action plan approved by the Governing Body of the DRDA. The EE, PID, Puri stated (December 2000) that the works of durable nature like culverts and roads were executed as per the norms and technical specification fixed by the Government. BDO, Puri Sadar accepted (December 2000) non-adherence to the ratio between wage and material components, whereas the BDO, Nimapara stated (December 2000) that the ratio was maintained for the Block as a whole. The replies were not tenable and indicated wanton violation of the provision of wage component of the scheme and denial of employment.

The matter was demi-officially referred to the Commissioner-cum-Secretary to Government in May 2001 for reply within six weeks followed by a reminder in June 2001. No reply was received from the Secretary (October 2001).

5.6 Inadmissible expenditure

Total expenditure of Rs.81.90 lakh on 15 Community Lift Irrigation Projects was met from IRDP/SGSY funds against scheme provision of 50 per cent, resulting in inadmissible expenditure of Rs.40.95 lakh.

Guidelines under the Integrated Rural Development Programme (IRDP) envisaged 50 per cent subsidy of the total cost of the project under community minor irrigation without any monetary ceiling leaving the balance amount to be contributed by the beneficiary out of his own resources or through bank credit. IRDP was merged with the Swarnajayanti Gram Swarozgar Yojana (SGSY), a newly launched scheme from April 1999. Under SGSY also subsidy would be 50 per cent of the cost of the scheme with no monetary limit.

Scrutiny of the records (between December 2000 and May 2001) of the Project Director (PD), District Rural Development Agency (DRDA), Puri revealed that Rs.57.69 lakh were released by PD, DRDA, Puri during 1998-99 under IRDP in favour of Executive Engineer (EE), OLIC Ltd., Bhubaneswar for execution of ten Community Lift Irrigation Projects (LIPs). The LIPs were completed between March and October 1999 (except two LIPs awaiting energisation as of May 2001) with expenditure of Rs.54.77 lakh (February 2001). However, the Collector and Chief Executive Officer (CEO), DRDA, Puri requested (January 2000) the Government to allow release of Rs.28.62 lakh from out of SGSY funds for completion of the ongoing LIPs taken up with the funds of Rs.57.69 lakh released under IRDP and this was agreed to (February 2000) by the Government as a special case. It was, however, seen in audit that the PD, DRDA, Puri released (February 2000) the amount of Rs.28.62 lakh in favour of EE, OLIC Ltd., Bhubaneswar for 5 new LIPs against which the EE incurred expenditure of Rs.27.13 lakh as of December 2000.

Thus, against total expenditure of Rs.81.90 lakh (Rs.54.77 lakh + Rs.27.13 lakh) for 15 community LIPs, only Rs.40.95 lakh (50 per cent of the cost) was admissible under IRDP/SGSY and balance amount was to be borne by the beneficiaries whereas the entire expenditure was met from IRDP/SGSY funds resulting in inadmissible expenditure of Rs.40.95 lakh.

Government stated (June 2001) that DRDA, Puri had released Rs.86.31 lakh for 15 community LIPs approved by the Governing Body of DRDA at the estimated cost of Rs.112.55 lakh against which Rs.56.28 lakh was admissible towards subsidy component and the MD, OLIC had been requested to refund Rs.30.03 lakh.

The reply was not tenable since the State Government/PD, DRDA had no power to deviate from GOI terms of IRDP schemes or to divert SGSY Fund.

Further, the estimated cost of the approved projects were Rs.86.30 lakh as intimated (January 2000) by the Collector, Puri and not Rs.112.55 lakh as indicated by the Government.

5.7 Unauthorised expenditure

Rs.25.65 lakh of KKK scheme were unauthorisedly diverted for other ineligible purposes.

With a view to encouraging individual initiative and improving agricultural productivity, Government of Orissa launched (June 1994) a scheme namely "Assistance to Farmers for exploitation of ground water" (Krushak Kalyan Karyakram) (KKK) envisaging installation of tube wells/bore wells in the lands of beneficiaries. According to the scheme guidelines, the interested farmer could apply to the Project Director (PD), District Rural Development Agency (DRDA) for ground water sounding in his holding subject to adjustment of sounding charges from the subsidy component for the bore well. Such soundings were to be got done through ground water wing of Orissa Lift Irrigation Corporation (OLIC) and drilling of bore wells to be got done by DRDA through tender in co-ordination with OLIC.

Check of records of DRDA, Nabarangpur revealed (November 2000) that the PD, DRDA released (1995-97) a total amount of Rs.25.65 lakh to (i) EE, OLIC, Koraput (Rs.19.85 lakh) for revival of 23 defunct LI projects, (ii) MD, Orissa Agro Industries Corporation (OAIC), Bhubaneswar (Rs.5 lakh) as revolving fund and (iii) the District Manager (DM), OAIC, Nabarangpur (Rs.0.80 lakh) towards sounding charges.

Expenditure on revival of defunct LI projects and for revolving fund was not admissible under the scheme. Similarly, the scheme did not provide for release of funds to OAIC towards sounding test.

Thus, the expenditure of Rs.25.65 lakh was unauthorised and amounted to diversion of KKK funds.

Government stated (June 2001) that funds of Rs.0.80 lakh were released to the DM, OAIC, Nabarangpur for sounding test as per the guideline while no specific reply was given regarding release of the amounts for revival of defunct LIPs and for revolving fund of OAIC. The contention of the Government regarding payment towards sounding test to OAIC was not acceptable as this work was to be got done by the ground water wing of OLIC as per the scheme guidelines.

5.8 Diversion of fund

Excess expenditure of Rs.26.78 lakh on EAS was met by diverting funds from other scheme funds.

Guidelines for poverty alleviation programmes sponsored by Government of India do not permit diversion of funds from one scheme to the other.

Test check of records (March 2001) of the Project Director (PD), District Rural Development Agency (DRDA), Kalahandi revealed that the PD released under Employment Assurance Scheme (EAS) Rs.72.28 lakh to the Divisional Forest Officer (DFO), Territorial (T), Kalahandi division during 1996-97 and 1997-98 apart from opening cash balance of Rs.6.34 lakh which was with the DFO, for plantation over 3060 hectares, raising of 25.77 lakh seedlings and their maintenance. However, the DFO incurred expenditure of Rs.105.40 lakh during 1996-97 to 1998-99 for the purpose debiting the excess expenditure of Rs.26.78 lakh to other schemes viz. Jawahar Rozgar Yojana (JRY) (Rs.15.43 lakh), Drought Prone Area Programme (DPAP) (Rs.9.70 lakh) and Integrated Water Land Development Programme (IWDP) (Rs.1.65 lakh). Since diversion of funds from one scheme to another was not permissible, Rs.26.78 lakh spent under EAS out of funds under other schemes amounted to unauthorised diversion of funds. The amount was not recouped as of April 2001.

PD stated (March 2001) that the diversion of funds was not approved by the agency and the DFO (T) would be held responsible for failure to comply with instruction.

Government, however, justified (September 2001) the diversion on grounds of necessity for completing targeted plantations and non-availability of sufficient funds. The reply was not tenable since the action plan should have taken into account both availability of funds and targets.

**SCHEDULED TRIBES AND SCHEDULED CASTES
DEVELOPMENT DEPARTMENT AND MINORITIES
AND OTHER BACKWARD CLASSES DEVELOPMENT
DEPARTMENT**

5.9 Misutilisation of Special Central Assistance meant for rural poor in tribal areas

Special Central Assistance of Rs.49.10 lakh was utilised for construction/repair of school building, staff quarters and other inadmissible works in violation of guidelines amounting to misutilisation.

Special Central Assistance (SCA) is provided for implementation of beneficiary-oriented income generating schemes and infrastructural development incidental to such schemes in order to deliver direct benefits to the rural poor in tribal areas. The Government of Orissa in Tribal Welfare Department specified (May 1993) that infrastructure development should create permanent assets and would include cross drainage works on the tribal village link roads, construction/reconstruction of drinking water facilities for tribal schools/hostels, compound walls and sanitary latrines in Kanyashrams/Girls High Schools etc. It was further stipulated that deviation could not be justified on the basis of resolutions passed or approvals accorded by Project Level Committee (PLC)/Governing Bodies of Integrated Tribal Development Agency (ITDA).

Scrutiny of records of the Project Administrator (PA), ITDA, Rayagada revealed (March 2001) that SCA funds of Rs.49.10 lakh were spent during 1997-98 to 1998-2000 on construction of staff quarters, rest shed, ancillary works relating to office buildings, staff quarters, General college, hospital and repair works of school buildings and staff quarters, in violation of the SCA guidelines. Due to such misutilisation of SCA, the programmes for tribal welfare were affected. The amounts are required to be returned to SCA fund.

On this being pointed out in audit, the PA, ITDA, Rayagada stated (March 2001) that the works were undertaken as per the decision of the PLC. The reply was not tenable since the PLC had no power to deviate from the SCA guidelines.

The matter was referred demi-officially to the Commissioner-cum-Secretary, ST&SC Development Department in May 2001 followed by a reminder in July 2001. No reply was received (October 2001).

WATER RESOURCES DEPARTMENT

5.10 Idle investment

Expenditure of Rs.27.83 lakh incurred on auditorium remained idle due to non-completion of electrification, furnishing fixture and furniture.

With a view to providing in-service training to engineers of Irrigation and Agriculture Department, Director, Water and Land Management Institute (WALMI) sanctioned (July 1988) an estimate for Rs.31.44 lakh for construction of Auditorium. Civil works of the Auditorium Complex were completed (February 1992) at a cost of Rs.24.20 lakh and further expenditure of Rs.3.63 lakh was incurred upto January 1995 on partial electrical and acoustical works.

Though expenditure of Rs.27.83 lakh was incurred for the Auditorium Complex, the same could not be put to use for the last 9 years as electrification work was not completed and furniture, fixture and audio equipment could not be provided by WALMI due to paucity of funds.

Commissioner-cum-Secretary to Government stated (May 2001) that a sum of Rs.20 lakh would be needed to make the auditorium functional.