

CHAPTER V
FINANCIAL ASSISTANCE TO
LOCAL BODIES AND OTHERS

SECTION – A
AUDIT REVIEW

5.1 Urban Employment Generation Programme (Local Administration and Industries Departments)

Highlights

Poor performance under Nehru Rozgar Yojana, Prime Minister's Integrated Urban Poverty Eradication Programme and Swarna Jayanthi Shahari Rozgar Yojana led to a huge unutilised cash balance. The high level of literacy and the higher wages available in private sector have rendered the implementation of these schemes superfluous. Though the targets for loan sanction under Prime Minister's Rozgar Yojana have been achieved, there was shortfall in disbursement. Due to lack of follow up action the impact of the scheme in alleviating urban poverty could not be assessed.

The significant points noticed are:

- Poor performance under Nehru Rozgar Yojana, Prime Minister's Integrated Urban Poverty Eradication Programme and Swarna Jayanthi Shahari Rozgar Yojana resulted in unutilised balance of over Rs 3.55 crore as of 1999-2000.

(Paragraph 5.1.4(iii))

- Scheme-wise cash book was not maintained in any of the Urban Local Bodies.

(Paragraph 5.1.4 (iv))

- Only 83 per cent of the expenditure was incurred to achieve the objective of the schemes.

(Paragraph 5.1.4(x))

- Community Organisations were not involved in the implementation of the scheme.

(Paragraph 5.1.5 (i))

- Project profiles/shelf of projects contemplated in the guidelines were not prepared.

(Paragraph 5.1.5 (iii))

- Delay in payment of wages ranging from 15 to 89 days were noticed in 12 instances in three Municipalities.

(Paragraph 5.1.7.1 (c))

Abbreviations used in this review are listed in the Glossary at Appendix 49 (Page 224)

- **No follow up action was taken to ensure that the beneficiaries under self-employment actually benefitted from the scheme and crossed the poverty line.**

(Paragraph 5.1.7.2 (ii))

- **Due to delay in formation of Pondicherry Urban Development Agency, monitoring of the schemes had not been taken up.**

(Paragraph 5.1.8(i))

5.1.1 Introduction

In order to provide employment potential as a means for poverty alleviation, which is one of the major goals of Indian economic planning, Government of India (GOI) launched various schemes. Nehru Rozgar Yojana (NRY) with three sub-schemes, Urban Basic Services for the Poor (UBSP) and the Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP) were launched in 1989, 1990 and 1995 respectively. These schemes were merged to form a new scheme Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) in December 1997. These schemes aimed at providing assistance for setting up of urban micro-enterprises, creation of wage employment besides training and development of women and children in urban areas. The targeted group were urban poor, women beneficiaries and beneficiaries belonging to Scheduled Castes (SC)/Scheduled Tribes (ST).

The Prime Minister's Rozgar Yojana (PMRY), introduced in 1993, aimed at providing employment through setting up of micro-enterprises by educated youth, through industry, service and business routes. The scheme, which was implemented in urban areas till 1993-94, was extended to rural areas also. In order to avoid overlapping, SJSRY provided assistance to youth educated upto IX standard while PMRY provided assistance to others having higher education. Under NRY and SJSRY urban poor was defined as having a family income below Rs 11,850 per annum (p.a.) while under PMRY the income limit was Rs 24,000 p.a. The various components of each scheme, the objectives and the activities proposed to be taken up are given in Appendix 26.

5.1.2 Organisational set up

The schemes NRY, PMIUPEP and SJSRY were implemented by Director, Local Administration Department (LAD) upto July 1998 and by Pondicherry Urban Development Agency (PUDA) from August 1998 through five Urban Local Bodies (ULBs) Pondicherry, Oulgaret, Karaikal, Mahe and Yanam (NRY in 2 ULBs; PMIUPEP in 1 ULB; and SJSRY in 5 ULBs). The Secretary, LAD is the administrative head. PMRY was

implemented by the Director of Industries through Manager, District Industries Centre (DIC), Pondicherry.

5.1.3 Audit coverage

The implementation of the schemes during 1995-96 to 1999-2000 was reviewed during November 1999 to February 2000 in the offices of the Director, LAD, DIC, four out of five ULBs (*viz.*, Pondicherry, Oulgaret, Karaikal and Yanam), Indian Bank, Pondicherry, which is the lead bank for the institutional finance and seven branches of participating banks.

5.1.4 Resource allocation

The pattern of funding for various schemes is as under:

Name of the scheme	Pattern of funding	Release of funds
NRY	Shared between GOI and UT Government in the prescribed pattern for each component.	Funds from GOI received directly by Director, LAD. Funds from UT Government received through budget.
PMIUPEP	Shared between GOI and UT Government in the prescribed pattern for each component.	GOI released funds to the Union Territory Government. Union Territory Government released it along with its share through budget to Director, LAD.
SJSRY	75 <i>per cent</i> central assistance and the balance 25 <i>per cent</i> from UT Government.	GOI and UT Government released funds to PUDA.
PMRY	(i) Training and other components : 100 <i>per cent</i> central assistance.	GOI released funds to UT Government which was released to Director of Industries through budget.
	(ii) Subsidy : 100 <i>per cent</i> central assistance.	GOI released funds directly to banks through Reserve Bank of India (RBI).

The total funds received by Director, LAD and Director of Industries, and expenditure incurred by ULBs and DIC in respect of the four Urban Employment Generation Programmes during 1999-2000 are given in Appendix 27.

The following audit points are observed:

Excess release of Union Territory Share

(i) Based on the pattern of assistance, the UT Government had to release only Rs 41.30 lakh as its share during 1995-98 under NRY. However, the UT Government released Rs 47.78 lakh, an excess of Rs 6.48 lakh. Similarly, Rs 16.25 lakh was released by the UT Government in excess of the prescribed pattern under SJSRY during 1997-2000. Government stated (February 2001) that the excess release of its share was unavoidable as the release was based on allocation of funds by GOI but cuts were imposed at the fag end of the year by GOI.

Unnecessary release of funds by GOI

(ii) While introducing SJSRY, GOI instructed that the balance of funds available in NRY, PMIUPEP and UBSP were to be carried over to SJSRY as opening balance. The UT Government had a balance of Rs 2.70 crore being unspent balance of these schemes. In view of this, release of Rs 1.09 crore by GOI for SJSRY during 1997-98 to 1999-2000 was unnecessary and had contributed to increase in the closing balance and blocking of capital. The Deputy Director (Local Administration) (DD) stated that GOI released the funds without obtaining the requirement from the UT Government. Government stated (February 2001) that efforts would be made to utilise the unspent balance.

Poor performance under NRY, PMIUPEP and SJSRY

(iii) Due to poor utilisation of funds under NRY, PMIUPEP and SJSRY Rs 3.55 crore were lying unutilised in the Bank Account of PUDA. The poor financial performance under NRY, PMIUPEP and SJSRY was attributed by the Project Director, PUDA (April 2000) to difficulty in identifying beneficiaries who could repay the loan and who had not obtained any loan from banks previously under other schemes. Further, Pondicherry being 100 *per cent* literate, most of the persons were found to be educated above X standard and were, therefore, ineligible for assistance under these schemes. As regards wage employment, there was poor response as the wages paid by private agencies were higher than the wages paid under these programmes. In view of these reasons, there was huge closing balance under these schemes. The UT Government, however, failed to inform GOI the above constraints. Government stated (February 2001) that the practical problems faced by the States were discussed at GOI level and GOI issued instructions to coordinating agencies. The Government also claimed better performance during 2000-2001. Audit observes that better performance clearly indicates that the difficulties expressed by the Department were not real.

Scheme-wise cash book not maintained

(iv) Scheme-wise cash book was not maintained in any of the ULBs test-checked. Consequently, the funds received, interest earned, payments made and the balance available could not be ascertained by Audit from one source. Government stated (February 2001) that instructions were issued to all Commissioners to open and maintain separate cash book for each component of SJSRY.

Retention of money in fixed deposits and utilisation of interest receipts for expenses by ULBs

(v) The scheme guidelines provided for keeping the funds received in savings bank account only. However, the Municipalities of Pondicherry, Karaikal and Oulgaret had kept funds in fixed deposits and current accounts for varying periods. Funds kept in fixed deposits and interest earned thereon were as under:

(Rupees in lakh)

Name of the Municipality	Investment made during	Amount invested in Fixed Deposits	Interest
Karaikal	1992-98	45.08	15.16
Pondicherry	1995-98	44.75	14.27

Interest earned on fixed deposits by Karaikal Municipality amounting to Rs 15.16 lakh was credited to the Municipal Fund Account and utilised for the expenses of Municipality. Government stated that the Karaikal Municipality has been instructed to refund the amount of interest utilised by them.

Diversion of Funds

(vi) The Municipalities diverted Rs 12.17 lakh during 1998-2000 for supply of newspapers to reading rooms, payment of salary to teachers in tuition centres, provision of health facilities to women and children and supply of eggs to nutrition centres under SJSRY though such activities were not envisaged in the scheme. The Government contended that the works were envisaged in the old poverty alleviation programmes and stated that such diversion would be avoided in future.

27 works of maintenance were undertaken contrary to guidelines

(vii) Though the guidelines under NRY and SJSRY provide for taking up works under wage employment for creation of assets, it was seen in the sample Municipalities that 27 works of desilting of tanks, drains, etc., which were not for asset creation were undertaken at a cost of Rs 18.91 lakh during the period 1995-96 to 1999-2000. Government stated that the desilting works were taken up to provide drinking water supply to Karaikal, which is contrary to guidelines.

Details of subsidy claimed and received from RBI not available

(viii) Though the banks furnished the details of beneficiaries and loan sanctioned and paid under PMRY to DIC and to the lead bank, the details of subsidy claimed by them from RBI and actual subsidy received were not furnished to the lead bank and DIC. Consequently, the data on subsidy released to the beneficiaries was not available either in DIC or in the lead bank.

Difference in actual expenditure and reported figure

(ix) For implementing PMRY (except subsidy portion), GOI released the funds to UT Government and UT Government released the funds to DIC through budget. According to Government Account, Rs 21.43 lakh was received for the scheme during 1995-2000 and Rs 18.52 lakh was released to DIC during the period. However, the records of DIC revealed only a receipt of Rs 16 lakh from the UT Government. The difference had not been reconciled (March 2000).

(x) Only 83 *per cent* of the expenditure was incurred for achieving the objectives of the four schemes *vide* Appendix 28.

5.1.5 Planning

Non-involvement of community organisations in the scheme

(i) SJSRY relies on establishing and promoting community organisations and structures for planning, implementing and monitoring the employment programme. Towards this end, Neighbourhood Groups (NHG), Neighbourhood Committees (NHC) and Community Development Societies (CDS) were to be set up in urban areas. Though 1553 NHGs, 210 NHCs and 4 CDSs were formed in the urban areas of the UT, they were not involved in any of the activities such as selection of beneficiaries, identifying training programme, preparation of community plans as envisaged under SJSRY. As such, the objective of promoting community organisations and structures to provide supporting and facilitating mechanism for local development was not achieved. Government stated that the failure was due to practical difficulties in convincing people.

(ii) According to the guidelines issued by GOI, 'Below poverty line' households having an annual income of less than Rs 11,850 at 1991-92 prices and urban poor satisfying other prescribed non-economic parameters were eligible for the benefits under NRY, PMIUPEP and SJSRY. The beneficiaries were to be identified by conducting survey with the assistance from NHCs, Non-Government Organisations (NGOs), etc. Government of India, in December 1998, prescribed the income limit of Rs 21,206 at 1996-97 prices as notified by the Planning Commission for selection of beneficiaries.

Prescribed income limit for below poverty line not adopted for selection of beneficiaries

Pondicherry and Karaikal Municipalities which implemented NRY and PMIUPEP upto 1997-98, selected the beneficiaries adopting the income limit as Rs 11,850 by calling for application through newspaper advertisements and also conducted surveys in 1995-96 without the assistance of community organisations. However, no re-survey based on the revised income limit was conducted for implementing SJSRY during 1999-2000. The Project Director, PUDA stated (April 2000) that the order of December 1998 was not received by the Agency. As regards Oulgaret, Mahe and Yanam Municipalities where SJSRY was implemented from 1998-99, no survey was conducted and the municipalities were instructed (during review meeting) to adopt the survey conducted by District Rural Development Agency (DRDA) in September 1992 to identify below poverty line families for selection of beneficiaries. In this connection, it was observed that adoption of the list prepared by DRDA for implementing rural schemes based on the income limit of Rs 11,000 resulted in leaving out beneficiaries whose income was between Rs 11,000 and Rs 21,206. Government stated that fresh survey based on the observation of audit would be taken up.

Project profiles/shelf of projects not prepared

(iii) Government of India guidelines provided that each town had to develop a compendium of projects, keeping in view cost, marketability, economic viability, etc., to facilitate obtaining of loans by the urban poor from banks under SJSRY. However, no such compendium was prepared by the municipalities so far. The Secretary, LAD in the review meeting in October 1999 requested the municipalities to identify and prepare the project profiles. Government stated (February 2001) that the project profiles were not prepared as banks did not sanction loan for the maximum amount of Rs 50,000 but only Rs 5000 to Rs 10,000. Government, however assured to instruct the Commissioners to prepare project profiles as per the guidelines.

Groups for development of women were not formed

(iv) As per the guidelines for SJSRY, groups for 'Development of Women and Children in Urban Areas' (DWCUA) were to be formed in each municipality and they were to be provided subsidy of Rs 1.25 lakh or 50 *per cent* of the project cost for undertaking self-employment ventures. During the last quarter of 1999-2000, 19 DWCUA groups were formed but no project was taken up so far (March 2000). Government stated (February 2001) that the involvement of women folk is gaining momentum.

5.1.6 Programme output

The physical targets set up by the Government in Action plans *vis-a-vis* the achievement during the years 1995-96 to 1999-2000 are given in Appendix 29.

The following points were noticed:

Poor achievement under NRY

(i) **NRY:** NRY was implemented in Pondicherry and Karaikal Municipalities only. Under the Scheme of Urban Micro-enterprises, the achievement was 1142 against the target of 1560 during 1995-98. The Project Director, PUDA stated in April 2000 that the shortfall in physical achievement was due to difficulty in selecting beneficiaries under the scheme. Under the Scheme of Urban Wage Employment, target for number of works was fixed without indicating the mandays to be generated. Under the Scheme of Housing and Shelter Upgradation (SHASU), no subsidy for shelter upgradation was given during these years, but training was imparted to 195 persons. Government stated (February 2001) that SHASU was not implemented on account of (i) insistence of counter guarantee by Housing and Urban Development Corporation Limited to grant loan and subsidy to the beneficiaries, (ii) inability of municipalities to hypothecate property or secure bank guarantee for the loan, (iii) most of the beneficiaries did not have title or patta to the property and (iv) subsidy was too low.

Non-implementation of the scheme due to delay in receipt of funds and approval of action plans

(ii) **PMIUPEP:** Though funds were released by GOI in April 1996, the scheme was implemented in Karaikal for 8 months only during 1997-98, when it was merged with NRY and UBSP to form the new scheme of SJSRY in December 1997. Government stated (February 2001)

that funds were released by the UT Government for PMIUPEP only in December 1996 and the action plan was approved in April 1997.

Difficulty in selection of beneficiaries and higher wage in private sector hindered implementation of the scheme

(iii) **SJSRY:** The scheme was implemented from 1998-99. There was shortfall in achievement under all components. The shortfall under the Scheme of Urban Micro-enterprises was attributed in April 2000 by the Project Director, PUDA to difficulty in selecting beneficiaries. No training was imparted in Karaikal, Mahe and Yanam Municipalities. The Commissioner of Municipalities attributed (May 2000), the shortfall in providing training to low stipend and stated that beneficiaries prefer training given by other agencies. Assistance contemplated under the scheme for development of women was not provided as DWCUA groups were formed only during the fag end of 1999-2000. Under wage employment component, only 14,695 mandays were generated against the target of 1.04 lakh. Government in February 2001 attributed the shortfall to availability of employment under private sector at higher wages.

(iv) **PMRY:** PMRY is implemented in both rural and urban areas from 1994-95 onwards. The Manager, DIC could not furnish the target and achievement in sanction of loan in respect of urban areas and stated (October 2000) that area-wise figures were not available.

Shortfall in release of loans

(a) Though the physical targets were achieved to the extent of 87 *per cent* in sanctioning loans, there was shortfall in actual release of loans. Against Rs 8.87 crore sanctioned to 2080 beneficiaries during 1995-99, only Rs 6.20 crore was released to 1429 persons. The shortfall was due to difficulty in fixing up the premises for undertaking the proposed activity, reluctance of the beneficiaries in availing loan due to taking up Government/private job, etc.

Variations between figures reported by the banks to RBI and DIC

(b) The Public Sector Banks releasing loans to PMRY beneficiaries furnished details of loan sanctioned and disbursed to DIC and the lead bank periodically. When the achievement reported by DIC was compared by GOI with the reported achievement record from the banks through RBI, large variation was found (*vide* Appendix 30). In May 1999, GOI ordered DIC to reconcile the achievement figures reported for the years from 1993-94 to 1998-99 and instructed that the bank branches had to prepare monthly progress report in quadruplicate from 1999-2000 so that there may not be any difference in achievement reported to DIC and their controlling authorities. The reconciliation was not completed as of March 2000. The Manager, DIC stated that the details from 25 out of 60 banks were received as of October 2000.

Shortfall in achievement and target under SC/ST

(c) Though GOI guidelines provide that 22.5 *per cent* of total beneficiaries under PMRY should be from SC/ST population, there was shortfall in actual achievement as under:

Year	Total number of beneficiaries sanctioned loan	Number of SC/ST beneficiaries	Percentage	Total beneficiaries who availed loan	Number of SC/ST beneficiaries	Percentage
1995-96	513	64	12	387	48	12
1996-97	502	64	13	376	44	12
1997-98	505	49	10	329	31	9
1998-99	560	52	9	337	27	8

The Manager, DIC attributed the shortfall to dearth of applicants.

5.1.7. Deficiency in implementation

5.1.7.1 Wage employment schemes

Muster roll had no reference to list of beneficiaries

The scheme of NRY and SJSRY provided for wage employment for creating socially and economically useful assets.

(a) A scrutiny of the muster rolls relating to NRY and SJSRY revealed that the following information which was required to be given was not available in the muster rolls.

(i) address of the labourer, name of the village/ward to which the beneficiary belonged.

(ii) reference to their serial number in the list of beneficiaries in the survey list prepared by the Municipality.

(iii) whether they belong to SC/ST or others.

In the absence of this information, Audit could not verify whether the labourers engaged actually belonged to the targeted group. Further, it was also not possible to ascertain the number of mandays provided per beneficiary during the period. Action plans also did not envisage the number of mandays to be provided to a beneficiary. Government in February 2001 accepted the failure and stated that instructions were given to the Commissioners in this regard.

(b) As per NRY and SJSRY guidelines, the material-labour ratio of 60:40 was to be followed in respect of works undertaken under wage employment component. However, it was noticed in audit that in 5 out of 24 works executed under NRY in Karaikal during 1995-96 and 1996-97 and in 4 out of 8 works executed under SJSRY in Oulgaret during 1999-2000, the ratio was not maintained and the ratio ranged from 75:25 to 91:9 as detailed in Appendix 31. Government in February 2001 accepted the failure and stated that instructions were given to the Commissioners in this regard.

Delay in payment of wages under NRY and SJSRY

(c) According to the guidelines, wages to labourers engaged in wage employment were to be paid fortnightly and payment was not to be delayed. However, delay in payment of wages ranging for 15 to 89 days in 12 instances was noticed in Karaikal, Yanam and Oulgaret Municipalities under NRY and SJSRY during the period from 1997-98 to 1998-99 *vide* Appendix 32. The Municipalities attributed administrative reasons for the delay. Government in February 2001 accepted the failure and stated that instructions were given to the Commissioners in this regard.

Contrary to guidelines, works were executed through contractors

(d) As per PMIUPEP guidelines, no contractor/middleman was to be engaged in execution of civil works and all works were to be executed departmentally engaging labourers from among the targeted groups of urban poor. However, it was seen that two works were executed during 1996-97 in Karaikal engaging contractor at a cost of Rs 1.55 lakh. Government in February 2001 accepted the failure and stated that instructions were given to the Commissioners in this regard.

Completion report not prepared and assets register not maintained

(e) In the sample Municipalities, completion reports were not prepared and sent to LAD in respect of works undertaken and completed under wage employment component under NRY and SJSRY despite instructions issued in this regard by Government in 1990. Assets Register indicating the name of the work, estimate, date of commencement and completion, nature of asset created, mandays generated was also not maintained by the LAD. Physical verification of assets created under the programme was also not done. Government in February 2001 accepted the failure and stated that instructions were given to the Commissioners in this regard.

5.1.7.2 Self-employment schemes

The scheme of NRY was implemented in Pondicherry and Karaikal Municipality while SJSRY was extended to all the Municipalities.

(i) The records maintained in Pondicherry and Karaikal Municipalities did not contain details regarding the actual amount of loans released by bank, date of release, the nature of enterprise for which the loan was released, etc. Consequently, Audit could not ascertain whether there was any delay in release of funds. Government stated that instructions would be issued to Commissioners to maintain records properly.

(ii) No follow up action was taken up in Pondicherry Municipality to verify whether the micro-enterprises set up had actually helped the beneficiaries to cross the poverty line by providing sustained income. Though Karaikal Municipality claimed to have made an impact assessment for 1998-99, the benefits that had accrued to the beneficiaries on account of the scheme to cross the poverty line was not brought out. The DD stated that guidelines would be followed in future.

(iii) Test-check conducted in seven branches of banks in Pondicherry region on the implementation of PMRY revealed that initial moratorium of

one to three months was allowed for repayment of loans as against six to 18 months prescribed. According to RBI guidelines, no interest was to be charged for the subsidy portion of loan and no interest was to be allowed for the subsidy kept by the bank in fixed deposit in the name of the beneficiary. Contrary to RBI guidelines, interest was given for subsidy kept in fixed deposits and also charged on subsidy portion of loan. The system of charging higher rate of interest on subsidy portion of the loan and allowing lower rate on the fixed deposit would give unintended benefit to the banks. In 5 cases, loan was released to persons whose family income exceeded Rs 24,000 and in one case loan was sanctioned without obtaining income certificate. In one case, loan was sanctioned to the same person in 1994 and 1997-98. The Manager, DIC stated that banks would be advised to strictly follow the guidelines of GOI.

Poor recovery of loans released

(iv) It was seen from the review meeting conducted by the lead bank in November 1996 and July 1997, the recovery position of loans given under NRY and PMRY were 14 *per cent* and 25 to 37 *per cent* of the demand respectively. However, the reasons for poor recovery were not analysed nor adequate action taken to improve the recovery.

The Manager, DIC stated (October 2000) that the following steps were taken to recover the loans:

- (a) periodical Joint Recovery Camps are conducted,
- (b) Revenue Department has been approached to amend Revenue Recovery Act to enable the recovery of PMRY loan dues,
- (c) steps taken to frame separate rules and regulations and
- (d) all Station House Officers have been requested to file FIRs in respect of PMRY dues.

5.1.8 Monitoring and Evaluation

Monitoring not effective

(i) In accordance with guidelines for NRY as well as SJSRY, a State Urban Development Authority headed by a senior officer should be set up to monitor the programme. Though the UT Government issued orders for the constitution of PUDA as a society in 1991 itself, the society was constituted only in August 1998. The town poverty eradication cells to be created at the field level were not constituted in Mahe and Yanam Municipalities. Further, as against the norm of creating 18 posts of Community Organisers for assisting the implementation and monitoring of various schemes, only 10 posts were sanctioned out of which 5 were filled up.

The Project Director, PUDA stated (April 2000) that though PUDA was ordered to be constituted in 1991 itself, there was rethinking on the need for such agency in view of the small area of the UT and later based on GOI

insistence, the matter was taken up again in 1997 and PUDA was established in 1998. Further, he stated that it was originally proposed to manage the monitoring with existing staff and therefore monitoring of these schemes as contemplated under the guidelines was not followed. Government stated that the strengthening of PUDA was under consideration and necessary action would be taken for additional staff structure.

(ii) PMRY scheme was to be monitored by PMRY Committee and District Committees. Though the Committees were formed for four regions, no meetings were conducted so far. The Manager, DIC assured to take urgent steps to conduct meetings of the Committees.

(iii) As per GOI guidelines concurrent evaluation of PMRY was to be done on regular basis. However, no such concurrent evaluation was done during the period from 1995-96 to 1998-99.

The matter was referred to Government in July 2000; reply in respect of observations on PMRY had not been received (February 2001).

SECTION – B
AUDIT PARAGRAPHS

5.2 Financial assistance to local bodies and others

5.2.1 General

Autonomous bodies and authorities receive substantial financial assistance by way of loans and grants from Government. Government also provides substantial financial assistance to other institutions, registered under the respective State Co-operative Societies Act, Companies Act, 1956, etc., to implement certain programmes of the State/Union Territory Government. The financial assistance to autonomous bodies and authorities is intended essentially for maintenance of schools and hospital buildings, improvement of roads and other communication facilities under Municipalities and Local Bodies.

During 1999-2000, financial assistance of Rs 79.10 crore was paid to various autonomous bodies and others broadly grouped as under:

Serial number	Name of institutions	Amount of assistance paid (Rupees in crore)		
		Grant	Loan	Total
1.	Private educational institutions	6.58	--	6.58
2.	Municipalities	11.41	0.10	11.51
3.	Commune panchayats	8.43	0.07	8.50
4.	Statutory boards/authorities	39.55	--	39.55
5.	Other institutions			
	(i) Welfare societies	0.57	--	0.57
	(ii) Hindu religious institutions	0.99	--	0.99
	(iii) Co-operative institutions	11.13	0.27	11.40
	Total	78.66	0.44	79.10

5.2.2 Delay in furnishing utilisation certificates

The financial rules of Government require that 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 Director of Accounts and Treasuries within 18 months from the date of sanction, unless specified otherwise.

Of the 1732 utilisation certificates due in respect of grants and loans aggregating Rs 59.20 crore paid upto September 1998, only 337 utilisation certificates for Rs 11.99 crore had been furnished by 31 March 2000 and 1395 certificates for an aggregate amount of Rs 47.21 crore were in arrears. Out of this, 691 utilisation certificates for Rs 18.57 crore relate to grants and loans given during 1995-96 and earlier years. Department-wise break-up of outstanding utilisation certificates are given in Appendix 33.

5.2.3 Delay in submission of accounts

In order to identify the institutions which attract audit under Section 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the details of financial assistance released to local bodies and others are collected from the Director of Accounts and Treasuries and the accounts are called for from the respective grantees every year. The accounts for the year 1999-2000 were awaited as of July 2000 from 32 grantees. The defaulting grantees who had not furnished accounts for earlier years also were indicated in Appendix 34.

5.2.4 Audit arrangement

The primary audit of local bodies, educational institutions and others is conducted by the Director of Accounts and Treasuries and audit of Co-operative Societies by the Registrar of Co-operative Societies. The accounts of the institutions registered under Companies Act, 1956 are audited by Chartered Accountants.

Accounts of 25 units received during 1999-2000 attracted audit under Section 14. Of these, 18 units, and one unit for which audit was in arrears during 1998-99, were audited during 1999-2000.

AGRICULTURE DEPARTMENT
PANDIT JAWAHARLAL NEHRU COLLEGE OF
AGRICULTURE

5.3 Blocking of capital due to construction of hostel rooms in excess of requirement

The construction of hostel rooms far in excess of requirement resulted in blocking of funds to the tune of Rs 1.74 crore.

The Governing Body of Pandit Jawaharlal Nehru College of Agriculture, Karaikal (PAJANCOA), approved (October 1990) the construction of boys and girls hostels for 100 and 60 inmates respectively at an estimated cost of Rs 38.40 lakh. The student strength was increased to 240 in 1992 and in September 1994, the Dean of the college (anticipating future expansion) estimated that hostel facility is required for 205 girl students and 300 boy students. The Executive Engineer, Engineering Cell of the College (EE) prepared estimates for construction of boys hostel for 244 students for Rs 3.42 crore and for girls hostel for 208 students for Rs 3.40 crore in April 1995 and April 1996 respectively. After approval by Building Committee, the civil works were awarded through tender in February and July 1996. The boys hostel was completed in September 1999 and the girls hostel was in finishing stage as of May 2000. The total expenditure incurred so far was Rs 5.16 crore.

On asking for reasons for construction of hostel for 452 inmates, the EE stated in May 2000 that the requirement was finalised based on anticipated strength of 540 students (B. Sc. (Agriculture) : 240; B. Sc. (Horticulture): 80 and M. Sc. (Agriculture): 220) and allowing 10 *per cent* each for day scholars and dropouts. This contention was not tenable as the college proposed to start Post Graduate (PG) course with only 40 students and the requirement should have been based on the strength of 360 students (240 + 80 + 40). The hostel capacity should have been restricted to 300 inmates with facility for future expansion. Further, the college had a proposal for a separate hostel for PG students.

Thus, construction of hostel for 452 inmates when the requirement was for only 300, resulted in blocking of Government grants to the extent of Rs 1.74 crore.

Government stated in September 2000 that the construction of hostel building to accommodate 452 students was taken up based on the anticipated student strength of 540 when the institution reaches full capacity and the proposal for construction of hostel for PG students would be deferred till the entire available accommodation is fully utilised. The

contention of Government is not tenable as the actual student strength was between 209 and 217 during 1994-95 to 1998-99, 214 in 1999-2000 and 199 in 2000-2001, eventhough the PG course commenced from 1999-2000. The number of students in hostel which was 189 in 1995-96 also declined to 169 in 2000-2001. Hence, the possibility of utilising the created hostel facility in full in the near future is remote.

EDUCATION DEPARTMENT

PONDICHERRY INSTITUTE OF POST MATRIC TECHNICAL EDUCATION

5.4 Extra expenditure due to poor investigation

Failure of the Pondicherry Institute of Post Matric Technical Education to undertake proper investigation of the site before taking up the work of construction of Polytechnic building resulted in extra expenditure of Rs 48.53 lakh.

The Pondicherry Institute of Post Matric Technical Education (PIPMATE) entrusted (May 1996) the work of construction of four buildings for Polytechnic at Karaikal to a firm for Rs 2.91 crore. The work was to be completed by September 1997.

When the work was under progress, the Executive Engineer, PIPMATE (EE) ordered (November 1996) to fill up the work-site with earth for a height of about 1.2 to 1.5 metres to be on level with the road. The firm took up the extra item of work which was not contemplated in the contract but stopped it as the rate offered by the EE (Rs 132.53 per cubic metre (cu.m.)) for this work was considered low. Consequently, the EE engaged (August 1997) another contractor by calling for tender, to do the work at Rs 145.00 per cu.m. The earth filling work was completed only by September 1997 and the firm demanded increase in the contract value by 30 *per cent* for completing the construction work. As the request was not accepted by the EE, the firm requested (February 1998) for foreclosure of the contract without risk and cost. The EE, however, foreclosed the work in March 1998 with risk and cost of the contractor. The balance work (Rs 2.28 crore) was split up into four works (building-wise) for speedy execution and entrusted for Rs 3.39 crore to two contractors in October 1998 and the works were under progress as of April 2000.

The firm objected to the foreclosure of the contract with risk and cost and requested (May 1999) for appointment of arbitrator. The arbitrator held (March 2000) that the termination of the contract was not valid as it was not

issued by the Member Secretary, PIPMATE who was the employer as per the agreement. The firm was allowed Rs 5.62 lakh towards escalation charges admissible as per the agreement. The Law Department opined that the case was not fit for appeal.

Thus, poor investigation leading to taking up of work not contemplated in the agreement and entrustment of the additional work which is contiguous to the original work to another contractor resulted in the foreclosure of the main contract for construction. Failure of the PIPMATE to terminate the contract by the competent authority resulted in non-recovery of Rs 48.53 lakh (Rs 68.87 lakh being the loss sustained due to the termination of original contract less the proportionate escalation charges of Rs 20.34 lakh admissible if these items of work were got executed through the original contractor) from the original contractor.

When the matter was referred to Government in June 2000, Government, in January 2001, stated that preliminary investigations were conducted by Public Works Department which was the consulting agency for preparation of detailed plan, and the deviations were contemplated based on the inspection by Chairman, PIPMATE in June 1996. The reply is not acceptable as the failure of the Engineering wing of PIPMATE, which is the executing agency, in not verifying the plan with reference to site condition resulted in extra expenditure to PIPMATE.

LOCAL ADMINISTRATOR AND PUBLIC WORKS DEPARTMENTS

MAHE MUNICIPALITY

5.5 Additional liability due to delay in finalising the design

The avoidable delay in furnishing designs and detailed estimate on the part of the Superintending Engineer, Public Works Department and the failure of the Commissioner, Mahe Municipality in not considering the claim for escalation resulted in non-completion of the shopping complex besides additional liability of Rs 13.75 lakh to the Municipality.

Government, in March 1988, released Rs 15 lakh to Mahe Municipality for construction of a shopping complex under the Centrally Sponsored Scheme "Integrated Development of Small and Medium Town Project". After the preliminary works of acquiring the site, preparation of estimate, etc., the

Director, Local Administration Department accorded (September 1991) administrative approval for Rs 22.85 lakh. The Commissioner, Mahe Municipality obtained the technical sanction from the Superintending Engineer, Buildings and Roads Circle II, Public Works Department, Pondicherry (SE) for Rs 20 lakh and awarded the work (April 1993) for Rs 23.07 lakh.

The work could not be commenced till November 1994 for want of design details for foundation and approval for alteration in the size of the steel to be used, which were to be finalised by the SE. After completing the work upto plinth level (by April 1995), it was again held up for want of detailed design. Instead of furnishing the design, SE, in November 1995, modified the plan for the construction, which was not acceptable to the Municipality as it would entail fresh sanction from Planning Authority and additional expenditure. The SE finally furnished the details of design in December 1995.

The Municipality which had been granting extension of time till then, levied 0.5 *per cent* compensation while granting extension of time till 30 March 1996. As levy of compensation would result in rejection of escalation claim, the contractor sought for arbitration (April 1996) and the award passed (August 1996) cancelled the compensation on the ground that there was inordinate delay of more than 3 years in furnishing design details at the foundation level as well as the lintel level. The contractor then resumed the work in August 1996.

In February 1997, the contractor sought payment of escalation charges as per the conditions of agreement as the work was badly delayed for want of design. As this demand was not met, he abandoned the work in August 1997 after completing the work upto roof level for six bays and upto beam level for the remaining bays. The Municipality terminated the contract in May 1998 and the balance work for Rs 9.02 lakh (Rs 23.07 lakh – Rs 14.05 lakh) was awarded to another agency, for an amount of Rs 22.77 lakh in October 1999. The work was under progress.

Thus, the failure of the SE in issuing technical sanction without finalising detailed design and that of the Commissioner, Mahe Municipality in floating the tender before finalising the design and in not considering the valid escalation claim of the contractor resulted in non-achievement of the objective of the scheme for over a decade besides causing additional liability of Rs 13.75 lakh (Rs 22.77 lakh – Rs 9.02 lakh) to the Municipality.

The matter was referred to Government in June 2000; while the Secretary, Public Works Department had not furnished his remarks, the Secretary, Local Administration Department attributed the delay mainly to non-furnishing of design by the SE and stated (July 2000) that the contractor had abandoned the work eventhough action was taken to cut the levy of compensation and pass escalation charges claimed by him. This contention

was not tenable as the contractor withdrew mainly due to non-payment of escalation charges due to him.

RURAL DEVELOPMENT DEPARTMENT
DISTRICT RURAL DEVELOPMENT AGENCY

5.6 Indira Awaas Yojana

The Project Director, District Rural Development Agency, who implemented the Centrally Sponsored Scheme had not followed the guidelines issued by Government of India regarding selection of beneficiaries and construction of houses. Consequently, the funds released to provide dwelling units at a cost of Rs 20,000 to shelterless rural poor was utilised to benefit urban people and to assist those who proposed to construct large houses at high cost.

With a view to providing grants-in-aid to people below poverty line living in rural areas for construction of dwelling units, Government of India (GOI) implemented the scheme “Indira Awaas Yojana” as a component of Jawahar Rozgar Yojana. The scheme was made independent from January 1996. The scheme, which was to benefit only Scheduled Caste/Scheduled Tribes (SC/ST) and freed bonded labourers, was extended to cover population other than SC/ST categories from 1993-94 and expanded (April 1999) to provide assistance for upgrading unserviceable kutcha houses in rural areas. Under the scheme, subsidy of Rs 14,000 (increased to Rs 20,000 from August 1996) was provided for new constructions and Rs 10,000 was provided for upgradation of unserviceable kutcha houses. Subsidy was to be released on staggered basis depending on the progress of work.

In the Union Territory (UT) of Pondicherry, the scheme was implemented by Project Director (PD), District Rural Development Agency (DRDA), Pondicherry with the assistance of five Block Development Officers (BDOs). During 1996-97 to 1999-2000, GOI released Rs 2.95 crore and to supplement the subsidy provided by GOI under the scheme, funds were released by Adi-dravidar Welfare Department which implemented a similar scheme for SCs/STs and from Chief Minister’s Relief Fund. The amounts received from various sources were merged and utilised by the PD for implementing the scheme. Of Rs 3.59 crore (excludes Rs 47.25 lakh released by Adi-dravidar Welfare Department to Yanam region) received from various sources including interest earned, the PD spent Rs 3.19 crore

during 1996-2000. Against the target of 823 beneficiaries for release of subsidy set by GOI, the PD reported an achievement of 617 (excluding the beneficiaries of Yanam).

The implementation of the scheme during 1996-2000 was reviewed in the offices of PD and three BDOs (Ariyankuppam, Villianur and Karaikal) and the points noticed are discussed below:

Vouchers for expenditure were not verified

(i) The BDOs reported expenditure to the PD but retained the related vouchers with them. The vouchers were verified by PD during inspection. As of January 2000, vouchers for expenditure amounting to Rs 1.28 crore incurred in five blocks during 1998-99 and 1999-2000 had not been verified. The Government stated (September 2000) that the vouchers would be verified shortly.

Implementation of the scheme in urban areas

(ii) Though the scheme was to be implemented only to assist rural poor, the PD implemented it in Oulgaret and Yanam which are urban areas. The amount of Rs 1.97 crore spent in these areas during 1996-99 was, therefore, outside the scope of the scheme. The PD stated (May 2000) that closure of the scheme in Yanam was under consideration. Government stated that the demarcation of Oulgaret Municipal area was under process and would be completed only after March 2000.

Gram Sabha/ Panchayats were not involved in the implementation

(iii) The scheme contemplates preparation of the list of beneficiaries by Gram Sabha and approval of list by Panchayat Societies so that the selection process would be transparent. This procedure was not followed by the PD as Village Panchayat elections were not held and even the commune panchayats which were in existence in the UT were not involved in the implementation of the scheme. The PD stated (May 2000) that the selection was made on the advice of BDOs. Government had not furnished any reason for non-involvement of commune panchayats.

(iv) The PD had not followed the cluster or micro-habitat approach and released subsidy only to individuals. Government stated that beneficiaries were mainly those provided with free house-sites and the houses were constructed in cluster. The reply was not acceptable as the scheme provided for developing common infrastructure and this was not taken up by Government.

High cost of construction and defective selection of beneficiaries

(v) The scheme encouraged utilisation of local materials and cost-effective technologies developed by various institutions and discouraged technologies using bricks, cement and steel on a large scale. However, no effort was made to educate the beneficiaries on these technologies. Consequently, the cost of houses proposed to be constructed by the beneficiaries exceeded the limit of Rs 20,000 prescribed by GOI. The PD stated (May 2000) that the beneficiaries opted for using bricks, cement and steel considering their durability and they would be guided in future to use cost-effective technologies. Seven beneficiaries in Ariyankuppam and Villianur blocks who were paid subsidy during 1992-93 to 1997-98

purchased land costing more than Rs 15,000 indicating that they were not poor and were not eligible to get the benefit from the scheme. The PD stated (May 2000) that the beneficiaries were selected from the Below Poverty Line survey conducted in 1992. Government contended that there was no ceiling on construction cost. This view was contrary to the GOI guidelines.

(vi) The scheme prescribed that the plinth area of houses should not be less than 200 square feet (sq.ft.) but did not prescribe any upper limit. Though the cost limit of Rs 20,000 was prescribed, the BDOs selected beneficiaries who constructed houses with an area upto 800 sq.ft. Test-check in 3 blocks revealed that 55 *per cent* of the houses constructed during 1996-99 were above 300 sq.ft. as detailed below:

Area of houses proposed for construction (range in sq.ft)	Number of houses
200 to 250	177
251 to 300	96
301 to 500	278
501 to 800	45
Above 800	4
Total	600

Consequently, the cost of the houses constructed under the scheme exceeded Rs 20,000 and was as high as Rupees one lakh for 243 sq.ft. The beneficiaries proposed to meet the difference by selling jewellery, raising loans, etc. The Government stated (September 2000) that the beneficiaries constructed houses according to their requirement and upper limit for area was not prescribed in the scheme. Thus, the objective of the scheme to provide shelter to shelterless rural poor was not achieved as subsidy was provided for acquisition of dwelling units at a cost much higher than the prescribed limit.

Non-completion of construction

(vii) The scheme provided for release of subsidy on staggered basis depending on the progress of work. In the test-checked blocks, 323 out of 537 beneficiaries who had received Rs 47.90 lakh as part subsidy during 1996-99, had not completed the construction as of March 2000. Thus, the desired objective of providing shelter to the beneficiaries had not been achieved. The PD stated (May 2000) that the houses were not completed as the beneficiaries increased the plinth area after receiving the subsidy without the knowledge of the Department and assured that the houses would be completed early. The contention of the PD was not tenable as plinth area could not be increased after laying foundations and non-completion of 60 *per cent* of houses was mainly due to lack of supervision by the BDOs. Government stated that efforts would be taken to complete the construction early.

**Smokeless chulhas
not provided**

(viii) Smokeless chulhas, which were required to be compulsorily provided in the houses constructed under the scheme, were not provided in any of the houses. The PD stated (May 2000) that as the beneficiaries constructed Reinforced Cement Concrete houses, it was not possible to install chulhas but assured that chulhas would be supplied to beneficiaries while releasing the last instalment.

(ix) Though construction of sanitary latrine formed an integral part of the scheme, this facility was not made in a large number of cases. The Deputy Director, DRDA (October 1999) stated that the beneficiaries were hesitant to provide sanitary latrine because of lack of water facilities. As the scheme was not implemented on cluster approach, the infrastructure and common facilities planned under the scheme could not be provided. Government assured that the sanitary facilities would be provided.

**No evaluation was
conducted**

(x) The scheme provided for conducting concurrent evaluation studies by the DRDA. On issues thrown up by concurrent evaluation, studies should be conducted by reputed institutions/organisations. No such evaluation study was conducted by DRDA. Government assured to take steps for evaluation.