

## **CHAPTER VII**

### **FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS**

<b>Paragraph</b>	<b>Particulars</b>	<b>Page</b>
7.1	<i>Introduction</i>	177
7.2	<i>Delay in furnishing utilisation certificates</i>	177
7.3	<i>Delay in submission of accounts</i>	178
7.4	<i>Audit arrangement</i>	178
	<b><i>Sikkim Co-operative Milk Producers Union Ltd.</i></b>	
7.5	<i>Loss on supply of milk</i>	179
7.6	<i>Improper implementation of scheme</i>	180

## CHAPTER –VII FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

### 7.1 Introduction

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies / authorities by and large receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the Sikkim State Co-operative Societies Act, Registration of Companies Act, Sikkim, 1961, etc. to implement certain programmes of the State Government. The grants are intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and 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 11.90 crore was released to various autonomous bodies and others, broadly grouped as under:

Sl. No.	Name of institutions	Amount of assistance paid (Rupees in crore)
1	Universities and Educational Institutions.	1.49
2	Zilla Parishads and Panchayati Raj Institutions. :	0.65
3	Development Agencies :	8.79
4	Hospitals and other Charitable Institutions. :	0.18
5	Other Institutions :	0.79
	<b>Total</b>	<b>11.90</b>

\* The figure of Rs 11.90 crore is based on departmental figures. It differs with figure of Rs 3.89 crore shown in the Finance Accounts 1999-2000

### 7.2 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 offices from the grantees and after verification, these should be forwarded to Accountant General within one year from the date of sanction unless specified otherwise.

Of the 158 utilisation certificates due in respect of grants and loans aggregating Rs 11.90 crore paid during the period 1999-2000, only 74 utilisation certificates for Rs 6.83 crore had been received by the grant

### *Audit Report for the year ended 31 March 2000*

releasing departments by 30th September 2000 and 84 certificates for an aggregate amount of Rs. 5.07 crore were in arrears. Department-wise break-up of outstanding utilisation certificates was as follows:

Department	Number of certificates	Amount (Rupees in lakh)
AHVS	4	129.73
Rural Development Department	20	216.58
Ecclesiastical	10	29.51*
Sports and Youth Affairs	16	5.40
Culture	13	17.20
Tourism	10	41.00
Co-operation	8	17.15
Science and Technology	2	50.00
Women & Child Welfare	1	0.22
<b>Total</b>	<b>84</b>	<b>506.79</b>

\* **Ecclesiastical Department**

1. Includes outstanding utilisation certificates for Rs 9.31 lakh in respect of grants of Rs 11.71 lakh released to Duchi/committees of monasteries, mandirs, churches and masjid, West District.
2. Includes outstanding utilisation certificates of Rs 5.90 lakh in respect of Grants of Rs 5.99 lakh released to Duchi /committees of monasteries, mandirs, churches and masjid, South District.

### **7.3 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 (DPC) Act 1971, Government / Head of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which the assistance was sanctioned and the total expenditure of the institutions. No such information was furnished by the Departments.

### **7.4 Audit arrangement**

The Audit of accounts of the following bodies had been entrusted to the Comptroller and Auditor General of India for a period of five years as detailed below:

Sl. No	Name of body	Period of entrustment	Date of entrustment
1	Sikkim Khadi and Village Industries Board	1995-96 to 1999-2000	4 July 1995
2.	Sikkim Co-operative Milk Producers' Union Limited	1998-99 to 2002-2003	17 September 1998

The primary audit of local bodies (Zilla Parishad, Panchayat Raj Institutions), educational institutions and others is conducted by State Government. The audit of Co-operative Societies is also conducted by the State Government. Only 2 bodies / authorities attracted Audit under Section 20 (1) of the Comptroller and Auditor General's (DPCS) Act 1971 as below:

**Chapter VII- Financial Assistance to Local Bodies and Others**

Sl. No.	Name of body	Annual accounts received upto	Annual accounts audited upto
1	Sikkim Khadi and Village Industries Board	1994-95	1994-95
2	Sikkim Co-operative Milk Producers' Union Limited.	1998-99	1997-98

Against 4 institutions which attracted Audit under Section 14 of the Comptroller and Auditor General's (DPCS) Act 1971, accounts of three institutions were audited upto 1998-99 as below:

Sl. No	Name of Body	Annual accounts finalised upto	Annual accounts audited
1	Tashi Namgyal Academy	1998-99	1998-99
2	Paljor Namgyal Girls Senior Secondary School	1998-99	1998-99
3	Sikkim Rural Development Agency	1998-99	1998-99
4	Sikkim Research Institute of Tibetology	1996-97	1996-97

**SIKKIM CO-OPERATIVE MILK PRODUCERS UNION LIMITED**

**7.5 Loss on supply of milk**

**Failure on the part of Sikkim Milk Union to execute agreement and to improve its milk quality led to the loss of Rs 11.49 lakh**

The Sikkim Co-operative Milk Producers Union Limited (SCMPUL) is engaged in procurement of milk, processing of milk products and marketing of milk/milk products in the local markets as well as supply to the Government Hospitals and the Military Farm Depot (MFD).

Scrutiny (December 1999) of records of SCMPUL revealed that the Union has been supplying milk to the MFD since September 1980. For milk supplied by the Union during the period 1992-93 to 1997-98 (upto May 1997), the MFD deducted (July 1992 to May 1997) an amount of Rs 11.49 lakh from the payment due to the Union on the plea that the milk supplied was below specification in respect of fat content and specific gravity. In spite of the fact that the MFD complained about the quality of milk time and again, the Union failed to make any improvement. It was also seen that there was variation in the result of testing of milk conducted by the Union and the MFD at their respective premises. It was further seen that there were differences in the quality of milk between the demand of MFD and supply by SCMPUL. The Union wrote (April 1996, March 1997, May 1997) to the MFD for joint testing of milk in the premises failing which it would stop the supply of milk. Despite the fact that the MFD failed to comply with the proposal of joint testing, the

*Audit Report for the year ended 31 March 2000*

Union continued the supply of milk. Further, no agreement specifying the terms and conditions of supply was ever executed by the Union with the MFD.

Thus, due to failure to execute any specific terms and conditions of supply of milk and to improve its quality, the Union suffered a loss of Rs 11.49 lakh on sale of milk to the MFD. Besides, the Union wrote off the deducted amount of Rs 11.49 lakh without the specific approval of the Board.

The SCMPUL accepted (June 2000) the above facts.

## **7.6 Improper implementation of scheme**

**In total disregard of the conditions laid down in the scheme, 1125 milch cows at a cost of Rs 56.50 lakh were stated to have been purchased and distributed without ascertaining the quality of the breeds and obtaining acknowledgement of receipt from the beneficiaries. Against Rs 20.10 lakh paid between October 1996 and October 1997, no supply has yet been received**

As part of an economic package aimed at improving the socio-economic condition of rural farmers below the poverty line, the State Government launched a scheme for procurement of milch cattle/heifers from reliable suppliers/firms/Central Government firms and their distribution to the beneficiaries free of cost. To facilitate the selection of beneficiaries and also to coordinate in arranging the milch cattle/heifers, Committees under the Chairmanship of the District Collectors and comprising the District Development Officers, Welfare Officers and the Deputy Directors of Animal Husbandry and Veterinary Services Department (AHVSD) would assist the public representatives in the selection and distribution process. The scheme was approved in March 1996 and Rs 75 lakh was sanctioned by the Chief Minister for the purpose in March 1996.

Test check of records (May 2000) of AHVSD revealed that the Sikkim Co-operative Milk Producers Union Limited (SCMPUL) received Rs 75 lakh in May 1996 from AHVSD to implement the above scheme. While assigning the fund, the AHVSD stipulated that SCMPUL should procure and distribute the cattle in consultation with them and payment to suppliers by the latter would be made only with prior approval of the Commissioner-cum-Secretary, AHVSD.

It was observed in audit (August 1999) that SCMPUL procured animals from individual suppliers/persons in Sikkim nominated/selected on the basis of recommendations of the area MLAs and Ministers and not from reliable suppliers/firms/Central Government farms as envisaged in the scheme. The SCMPUL likewise distributed the cattle to beneficiaries identified by the area MLAs. At no stage in the procurement or distribution process were the AHVSD or the Committees involved. Under these circumstances, the

*Chapter VII- Financial Assistance to Local Bodies and Others*

objective of procuring quality breed of animals and their distribution to really deserving beneficiaries cannot be vouched for.

The SCMPUL stated (September 2000) that quality of cows procured was ensured by involving District Departmental Officers and MLAs and where quality was not found commensurate with the price, suppliers were paid to the extent of quality of animals supplied. Distribution of cows to deserving beneficiaries was ensured by making the distribution to the persons identified by Panchayat members and area MLAs from amongst the rural population below poverty line and desirous of rearing cattle. Reply is not acceptable as the SCMPUL could not produce records in support of its contention and the method of implementation was against the stipulation envisaged under the scheme.

By June 1996, the SCMPUL had incurred a liability of Rs 27.50 lakh without consultation and authorisation of AHVSD. The Department granted post-facto authorisation in June 1996 for the amount so spent. The SCMPUL however continued to unauthorisedly release payments to suppliers without the approval of AHVSD. It released Rs 29 lakh to 6 suppliers between November 1996 and October 1997. A further sum of Rs 20.10 lakh was released to 8 suppliers between October 1996 and October 1997 against which supplies had not been made. The SCMPUL (May 2000) had not initiated any action for recovery of the outstanding amount. Of these 8 suppliers, one was an employee of the AHVSD and another, the Personal Secretary to the Hon'ble Minister of AHVSD to whom Rs 7.50 lakh and Rs 2.50 lakh were paid respectively. By May 2000, 1125 milch cows were stated to have been purchased and distributed to beneficiaries, one each. However, no acknowledgement against the distribution could be furnished to audit.

In reply the AHVS Department stated (June 2000) that the concerned Government Employee has been suspended from service and the Department had conducted an enquiry into the matter and detailed report has been submitted to the Minister of AHVS (October 1999). It was further stated that the SCMPUL has been instructed to take suitable steps to recover the amount from the suppliers if they have not supplied the cows.

The SCMPUL also stated (September 2000) that the suppliers have been instructed to expedite the supply and submit the final bill for settlement.