CHAPTER II
COMPLIANCE AUDIT

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PANCHAYATI RAJ DEPARTMENT

2.1 Implementation of Targeted Rural Initiatives for Poverty Termination and Infrastructure

2.1.1 Introduction

Targeted Rural Initiatives for Poverty Termination and Infrastructure (TRIPTI) is a livelihood project implemented in Odisha with a loan of ₹ 514 crore from the World Bank. The project period was from March 2009 to March 2014 which was extended up to June 2015. The Financing Agreement was signed between Government of India (GoI) and International Development Association (IDA) and the Project Agreement was signed between Government of Odisha (GoO) and IDA in January 2009. As per Financing Agreement, 90 *per cent* of total expenditure was to be financed by World Bank and 10 *per cent was* to be borne by GoO.

The objective of the project was to enhance the socio-economic status of the poor, especially poor women and disadvantaged groups in selected districts. The project consisted of four components: (1) Institution Building and Strengthening, (2) Community Investment Fund (CIF), (3) Livelihood Fund (LF) and (4) Project Management, Knowledge Management and Replication. The project was implemented in 38 blocks of 10 coastal districts[1] of Odisha. Orissa Poverty Reduction Mission (OPRM), a society registered under Societies Registration Act 1860, was responsible for management of TRIPTI. OPRM was renamed as Odisha Livelihood Mission (OLM) with effect from 21 April 2012. The State Project Monitoring Unit (SPMU) was responsible for implementation of the project at state level with assistance of District Project Monitoring Unit (DPMU) at district level and Block Project Facilitation Team (BPFT) at block level.

Audit of TRIPTI was conducted between May and August 2016, covering the period 2009-10 to 2015-16 (up to June 2015)[2]. Audit test checked records of SPMU at State Level and DPMUs of three districts[3], 12 BPFTs[4], 48 Gram Panchayat Level Federations (GPLFs) and 96 Self Help Groups (SHGs) there under. The names of the GPLFs and SHGs test checked are given in ***Appendix-2.1.*** The audit findings are discussed below.

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[1] Angul, Balasore, Bhadrak, Cuttack, Kendrapara, Khurda, Jagatsinghpur, Jajpur, Nayagarh and Puri

[2] TRIPTI project was closed on 30 June 2015

[3] Angul, Balasore and Kendrapara

[4] Angul, Atthamalik, Chendipada, Pallahara, Balasore, Bhograi, Jaleswar, Khaira, Kendrapara, Rajnagar, Pattamunadai and Mahakalpara.

Audit findings

2.1.2 Non adherence to bottom up approach in the planning process

Paragraph 8.6 of Project Implementation Plan (PIP) of TRIPTI stipulates that the project's planning process will follow a "bottom-up" approach i.e. the Annual Work Plan (AWP) is to be prepared at Block level considering the GPLF/ village level plans and get consolidated at District/State level.

Scrutiny of records of SPMU, three DPMUs, 12 BPFTs and 48 GPLFs showed that except in Kendrapara Block for 2010-11, the AWPs were prepared at SPMU level. Instead of consolidation and approval at the DPMU/SPMU, these were communicated to the DPMUs and BPFTs for implementation. This indicated that the "bottom-up" approach was not followed in project planning process. Top down planning prevented participation of the Community Based Organisations (CBOs) at the lowest level.

2.1.3 Financial Management

The OPRM had received ₹ 439.52 crore under TRIPTI during 2006-07[5] to 2015-16 from GoO and spent ₹ 432.94 crore (98 *per cent*). The year-wise receipt and utilisation of funds under TRIPTI during 2006-07 to 2015-16 (June 2015) are given below in ***Table 1***.

Table No.1: Receipt and utilisation of fund under TRIPTI ***(₹in crore)***

Year	Fund received	Interest	Total fund	Expenditure	Reimbursed by World Bank
2006-07	1.00	0.00	1.00	0.00	0.00
2007-08	0.00	0.04	0.04	0.21	0.00
2008-09	40.00	0.02	40.02	0.27	0.55
2009-10	0.00	0.96	0.96	4.83	4.47
2010-11	0.00	1.04	1.04	8.10	7.03
2011-12	26.19	1.22	27.41	48.05	43.23
2012-13	120.00	0.92	120.92	115.81	103.97
2013-14	192.33	0.75	193.08	138.67	125.08
2014-15	60.00	2.15	62.15	121.35	109.61
2015-16	0.00	0.12	0.12	-4.35*	9.09
Total	**439.52**	**7.22**	**446.74**	**432.94**	**403.03**

Source: information received from SPMU
****Total expenditure during the year was ₹8.70 crore and unutilised amount of ₹13.05 crore was received back from CBOs***

The expenditure figure of ₹ 432.94 crore shown by SPMU was not final as it included the unutilised amounts lying with different implementing agencies e.g. DPMUs, BPMUs and GPLFs. As the cash book of SPMU (TRIPTI) was not updated since November 2015, the exact unspent balance lying with the SPMU could not be ascertained in audit. The major findings on financial management of the project are discussed below.

2.1.3.1 Liability of commitment charges

As per the Financing Agreement, the maximum commitment charge payable by the recipient on the amount not withdrawn till the end of the project was 0.5 *per cent* per annum. Out of the total credit of ₹ 514 crore committed by the IDA for TRIPTI project, the mission utilised ₹ 389.65 crore during 2008-16. Since the

[5] GoO provided fund from its own budget during 2006-07 and 2008-09 to OPRM before Financing Agreement was signed (January 2009) with IDA.

State Government had failed to draw the remaining loan amount of ₹ 124.35 crore, it was liable to pay commitment charges of ₹ 4.35 crore[6] at the rate of 0.5 *per cent* per annum on the said amount with effect from 28 March 2009.

2.1.3.2 Non-refund of unutilised balance

Panchayati Raj Department, GoO had instructed (October 2015) the Districts to refund the unutilised balance to the State TRIPTI Account immediately after closure of the project, except Community Investment Fund lying with GPLFs as of June 2015.

Test check of records of 12 Blocks showed that an amount of ₹ 5.32 crore was still lying with 184 GPLFs as on the date of audit, deviating from the instructions of PR Department (***Appendix-2.2***). Similarly, the unutilised balance of ₹ 13.80 crore[7] lying with the project account of OLM was not refunded to GoO, despite closure of the project in June 2015.

2.1.4 Implementation

Test check of records of 12 BPFTs, 48 GPLFs and 96 SHGs showed the following deficiencies in implementation of the project.

Management of Community Investment Fund (CIF)

As per paragraph 5.2 of Project Implementation Plan (PIP) of TRIPTI, the Community Investment Fund is a grant given to GPLFs for disbursement to SHGs as a loan for implementing micro plans. It is essentially designed to reach the poor only and acts as a medium to help poor households to get credit for small investments. Each GPLF is provided with CIF ranging from ₹ 5 lakh to ₹ 25 lakh for micro-finance services. Government had increased (December 2014) the minimum entitlement of CIF from ₹ 5 lakh to ₹15 lakh. Test check of records at different levels showed the following deficiencies.

Non-formation of additional GPLFs led to provision of less CIF to the SHGs: Paragraph 5.1.2.1 of Project Implementation Plan (PIP) of TRIPTI stipulates that GPLF would comprise 25 to 40 SHGs functioning within a GP. In case, there were more than 40 SHGs in one GP, two federations within the GP would be promoted, based on geographical coverage and functional effectiveness of GPLFs. PR Department had instructed in December 2014 that a GPLF would get minimum CIF of ₹ 15 lakh.

Scrutiny of Monthly Progress Report and information furnished to Audit showed that 1010 GPLFs in the State and 325 GPLFs in the three test checked districts were formed during the TRIPTI period. The number of GPLFs in the State[8] and in the test checked three districts[9] was required to be 1855 and 649 respectively. However, neither the SPMU nor the DPMU had taken any steps to form prescribed number of GPLFs. Non-formation of 845 GPLFs in the state and 324 GPLFs in the three test checked districts resulted in less flow of CIF of

[6] Half *per cent* of ₹ 124.35 crore per annum = ₹ 0.62 crore for seven years
[7] Total fund ₹ 446.74 crore - total expenditure ₹ 432.94 crore = ₹ 13.80 crore
[8] 74198 SHGs in the State/40 = 1855 GPLFs
[9] 25945 SHGs in three test checked districts/40 = 649 GPLFs

₹ 85.52 crore to the SHGs in the State and ₹ 32.82 crore to the SHGs in the test checked districts.

Inadequate provision of CIF: Government had increased (December 2014) the minimum entitlement of CIF from ₹ 5 lakh to ₹15 lakh for self-sufficiency and survival of the GPLF. Subsequently, Government had instructed all PDs to disburse the balance CIF entitlement at their level, without sending the proposals to State Mission Management Unit (SPMU was renamed as SMMU under OLM).

Scrutiny of records of 12 BPFTs showed that 39 out of 325 GPLFs had received CIF ranging from ₹ 7.32 lakh to ₹ 14.84 lakh against their minimum entitlement of ₹ 15 lakh per GPLF (***Appendix-2.3).*** The district authorities did not take any steps to enforce Government orders and revised guidelines. Non-provision of minimum amount of CIF restricted lending capability of GPLFs.

Misappropriation of CIF fund: On scrutiny of Executive Committee Resolution Book, Bank Pass Book, CIF Cash Book and Cheque Issue Register of Kalyani Panchayatstariya Nari Sangh GPLF, Putina GP of Bhogarai Block under Balasore District, Audit observed that the President/Secretary of the GPLF had misappropriated ₹ 4.73 lakh by withdrawing money from Saving Bank Account on different dates as detailed below.

Sl. No.	Amount of CIF (₹ in lakh)	Misappropriated by	Remarks
1.	1.85	President	Amount sanctioned in Resolution Register for six SHGs but paid in the name of President of the GPLF on different dates during August 2012 to September 2015
2.	0.35	-do-	Amount withdrawn (June/July 2013) from bank without any resolution and entry in the Cash Book
3.	0.05	Secretary	The Secretary withdrew (February 2016) the amount for purchase of gold ring and sweet packets for marriage of son of the president
4.	2.48	President/Secretary	An amount of ₹ 2.03 lakh was paid (August 2012 to June 2013) to nine outsiders without any resolution and ₹ 45,000 was transferred (January 2013) to two non-SHG accounts without knowledge of Executive Committee (EC) and without any resolution
Total	**4.73**		

The BDO stated (June 2016) that payment of CIF fund to outsiders in their personal capacity was irregular and their recovery with interest/penalty would be made from the President and Secretary of the GPLF.

Less coverage of SHGs in provision of CIF loan: As per Paragraph 5.2 of PIP, the CIF is essentially designed to reach the poor and Extremely Poor and Vulnerable Groups (EPVGs) only.

Scrutiny of records of 48 test checked GPLFs showed that there were 4906 SHGs, out of which 3623 SHGs were provided with CIF loan and 1283 SHGs were left out. Thus, poor and EPVG members belonging to those 1283 SHGs were deprived of CIF fund. It was further observed that 534 out of 3623 SHGs were provided with CIF loan more than once. Out of the remaining 1283 SHGs, 44 SHGs were not sanctioned any CIF loan, despite submission of Micro Investment Plan (MIP). This showed that there was no consistency and equity in sanction of loan among the member SHGs by the GPLFs (***Appendix-2.4***). Audit observed that for sanction of CIF loan, the repaying capacity of SHGs was considered, which was against the norms of the guidelines.

Repayment of CIF loan by SHGs: As per paragraph 3.6.3 of GPLF Operational Manual, the Finance and Fund Management Committee (FFMC) of the GPLF is required to monitor the performance of repayment by SHGs to the GPLFs and banks and recommend necessary action against the defaulters. Community Operational Manual of TRIPTI envisaged that GPLFs were to be registered under any of the most appropriate Acts viz. Societies Registration Act 1860, Odisha Self Help Cooperative Act 2001, Cooperative Act 1962 and Company Act 1956 etc. for accountability.

Audit observed that 228 SHGs had discontinued repayment of loan for the last 1 to 41 months as of March 2016, though CIF loans and interest amounting to ₹ 92.43 lakh were lying outstanding against them ***(Appendix-2.5)***. This resulted in non-rotation of CIF money among member SHGs and blocking of CIF fund. Loans were not recovered as FFMCs, who had to monitor repayment performance, did not function and the GPLFs were not registered under any of the above Acts. The BDOs assured (June/July/August 2016) that the amount would be recovered with interest.

Non-leveraging of external funds: As per paragraph 5.2.4 of PIP, the project was to facilitate the SHGs and GPLFs to leverage funds from banks and other external sources. The MIPs were to be funded both by project funds and funds from external sources. CIF was to be ideally used as a bridging finance by GPLFs. The FFMC of the GPLF was to ensure the leverage of external funds.

Scrutiny of MIPs of 169 SHGs in 37 GPLFs showed that MIPs totalling ₹3.57 crore were submitted by these SHGs to GPLF against which loans totalling ₹ 82.19 lakh (***Appendix-2.6***) were sanctioned out of CIF, without attempting to leverage external funds (linkage with banks) for the MIPs. Since the GPLFs paid a part of the MIP amount, the SHGs could not take up the intended activities.

Irregular sanction of CIF loan to GPLF: Every SHG was required to prepare and submit a MIP for mobilising CIF loan. All the loan proposals/MIPs of SHGs were required to be appraised by the FFMC of a GPLF before approval of its Executive Committee (EC). On scrutiny of records of 48 test-checked GPLFs, Audit observed that:

- **Sanction of loan without MIP-** In Mahakalpada Block, two SHGs (Parbati and Satyaban) and in Rajnagar block 10 SHGs[10] were sanctioned CIF loan of ₹ 0.60 lakh and ₹ 10.42 lakh respectively, although these SHGs did not submit any MIP.
- **Sanction of loan without resolution:** In four Blocks[11] (11 GPLFs), 53 SHGs were given CIF loan of ₹ 19.80 lakh without approval of EC members, deviating from the provisions of GPLF Manual.
- **Unauthorised payment of CIF loan:** As per Paragraph 6.9.3 of GPLF operational manual, office bearers are not entitled to get any loan

[10] Maa Kanasara, Maa Santoshi, Budhijagulai, Jay Hanuman, Omm Sairam, Siba baba, Basudev, Maa Tarini, Basudev and Tarini

[11] Mahakalpada, Bhogarai, Jaleswar, Athmallik

directly from GPLF. In Jaleswar block, 18 office bearers[12] in two GPLFs took loan of ₹ 6.95 lakh unauthorisedly.

2.1.4.1 Release of Pro Poor Inclusion Fund

Under the Pro Poor Inclusion Fund (PPIF), EPVGs were to be identified and their productive capacity enhanced through release of seed capital on periodic repayment basis. An amount of ₹ 15,000 per SHG was to be provided to SHGs graded 'A' or 'B'[13]. If one SHG received ₹5000 from any other government scheme, then that SHG was to get balance amount of ₹10,000. Audit of Pro poor Inclusion Fund showed the following deficiencies.

Non-provision of PPIF to eligible SHGs: Out of 50,846 'A' or 'B' graded SHGs in the State (as of June 2015), only 39,993 SHGs were sanctioned PPIF of ₹ 49.90 crore[14], leaving out 10,853 SHGs during the period of intervention.

In three test checked districts, out of 15,052 'A' or 'B' graded SHGs, only 9897 SHGs were provided with PPIF, depriving 5155 SHGs of PPIF (MPR June 2015). Similarly, 10,853 SHGs were deprived of the PPIF in the State due to such increase of total share. Non-provision of PPIF to these SHGs was mainly due to non-preparation of the annual work plan at BPFT level during implementation of TRIPTI which led to BPFT's failure to place the demand for their requirement.

Director, OLM stated (September 2016) that the World Bank recommended to increase total share of PPIF to 20 *per cent* from 10 *per cent* due to huge demand of PPIF. As such, PPIF was released according to the funds available with the project.

Delay in release of PPIF Funds: Odisha Livelihood Mission had directed (April 2015) all District Project Monitoring Units (DPMU) not to transfer PPIF and CIF Funds to Community Institutions after 15 April 2015.

Scrutiny of records showed that DPMU Kendrapara released ₹ 67.50 lakh to Pattamundai Block in May 2015. The proposal for PPIF was sent to District Appraisal Committee (DAC) in December 2014 which approved it in April 2015. Due to further delay in release of funds by DPMU, PPIF was not utilised and was refunded to State Headquarters (October 2015) depriving 499 eligible SHGs of PPIF.

Fraudulent payment of PPIF: OPRM (TRIPTI) had instructed (July 2012) BPFT Jaleswar to transfer funds to SHGs through account payee cheques in the name of SHGs. State Bank of India (SBI), Jaleswar detected (July 2013) five cheques tampered with for diverting PPIF of five SHGs to BPFT leader's own account and subsequently stopped payment of PPIF, besides lodging FIR. During the course of audit, 184 cheques issued by BPFT, Jaleswar towards

[12] Two Presidents, two Master Book Keepers and 14 Community Resource Persons (CRPs) in Chamargaon and Sikharpur GPLFs

[13] Grade A- Those who have secured marks above 80 *per cent* and Grade B- those who have secured marks between 60 and 80 *per cent*

[14] PPIF received from other scheme is deducted from the total entitlement of ₹ 15,000

release of PPIF during 2011-14 were cross checked with the bank records and it was found that against 63 cheques for ₹ 7.65 lakh issued to the SHGs, payments were made to unauthorised persons (***Appendix-2.7)***. Scrutiny of scanned copies of the cheques available with SBI, Jaleswar showed that all these cheques were self/bearer cheques issued with joint signatures of BPFT leader and Management Information System (MIS) Officer.

The BDO stated that the BPFT leader had manipulated the cheques secretly without the knowledge of the MIS Officer by using chemicals to erase the names of SHGs. The BDO did not take any action to recover the amount.

Misutilisation of PPIF: In three SHGs[15] of Mahakalapada, Kendrapara and Jaleswar Blocks, the members had distributed the PPIF of ₹ 20,000 among themselves without using it as seed money loan to needy people of the SHGs on repayment basis, deviating from the provisions of PPIF guidelines. It was observed that the Secretary of Matrushakti SHG of Sultanpur GPLF of Bhogarai Block had invested ₹ 25,000 with a non-banking institution (out of PPIF fund ₹ 15,000 and own fund ₹ 10,000), as observed from the inquiry report of BPFT leader. The BDOs stated that the amount would be recovered from the persons concerned.

2.1.5 Institution Building and strengthening

As per Paragraph 5.1.1 of PIP, one of the objectives of TRIPTI is to build and strengthen client owned, managed and controlled sustainable community based institutions of SHGs, their federations and producer organisations. From scrutiny of records, Audit made the following observations:

2.1.5.1 Poor social inclusion

Situational Analysis (SA) was to be conducted to identify households especially 'left out poor', 'EPVG' in the society, those who were not a part of any SHG/ other Community Based Organisations (CBOs) and to ensure their participation in different community based organisations (SHGs, GPLFs).

Scrutiny of Monthly Progress Reports of the SPMU for June 2015 (end of project period) showed that out of 7.62 lakh poor and EPVGs households[16] identified in the TRIPTI districts, 3.72 lakh households[17] were already included in SHG-fold prior to commencement of TRIPTI. So, only 3.89 lakh households[18] were to be included during TRIPTI period. However, the achievement was not satisfactory as only 2.28 lakh (66 *per cent*) poor and 25,618 (59 *per cent*) EPVG households could be included in SHG-fold as shown in ***Table 2*** below.

Table No.2 Achievement in inclusion of households in SHG-fold

Category	HH identified in SA process	Included in SHG fold before TRIPTI	Available HH for inclusion in SHG fold	HH included in SHG fold under TRIPTI	Left Out	Percentage of Achievement
Well off	141504	43112	98392	23914	74478	24
Manageable	380157	159345	220812	89586	131226	41

[15] Maa Tarini- ₹ 10000, Maa Kali- ₹ 5000 and Om Shanti- ₹ 5000

[16] Poor= 688742 and EPVG=72865

[17] Poor= 342697 and EPVG=29657

[18] Poor= 346045 and EPVG=43208

Category	HH identified in SA process	Included in SHG fold before TRIPTI	Available HH for inclusion in SHG fold	HH included in SHG fold under TRIPTI	Left Out	Percentage of Achievement
Poor	688742	342417	346325	227276	119049	66
EPVG	72865	29652	43213	25618	17595	59
Total HH	**1283268**	**574526**	**708742**	**366394**	**342348**	**52**

Source: TRIPTI MPR of the State for June 2016

In test-checked districts, social inclusion of poor households ranged between 58 (Kendrapara) and 76 *per cent* (Balasore). Similarly, percentage of inclusion of EPVG households ranged between 38 (Angul) and 74 (Balasore). While Balasore district registered the highest achievement in both poor and EPVG categories, Kendrapara district registered the lowest achievement in inclusion of poor households and Angul was the lowest in inclusion of EPVG households. Though the BPFT staff and Cluster Co-ordinators had conducted the Situational Analysis, they could not include 1,36,644 (49 *per cent*) poor and EPVG households into SHG-fold due to inadequate monitoring. This deprived the intended households from availing of the benefits extended under CIF and livelihood initiatives under the project.

2.1.5.2 Misappropriation of Institution Building (IB) fund

In Jagruti GPLF, Nayakhandi GP of Khaira Block, IB fund of ₹ 0.69 lakh was misappropriated by Cluster Coordinator concerned, as pointed out by the respective BPFTs to the BDO in June 2013. BDO, Khaira had lodged FIR against the Cluster Coordinator during February 2014. The misappropriation was attributed to ineffective monitoring by the BPFT leaders and non-functioning of FFMC of GPLFs. Audit observed that neither the amount was recovered from the Cluster Coordinator nor any action was initiated against him.

2.1.6 Livelihood Promotion

Under TRIPTI, livelihood promotional activities like formation of Non-farm Producer group, System of Rice Intensification (SRI), Mo-Badi, Seed Village, Backyard Poultry etc. were promoted. In this connection, Audit observed the following:

2.1.6.1 Delay in release of assistance to Non-farm Producer Group

Funds to Non-farm Producer Groups (Non-Farm PG) were provided under three heads i.e. Institution Building, Capacity Building and Working Capital. Funds of ₹ 2.54 crore were provided to District Mission Management Unit[19] (DMMUs) of 10 districts for release to the GPLFs and onward transfer to the PGs. As per Standard Operating Protocol (SOP), the PGs are required to submit monthly physical and financial progress report to GPLF. Assistance of ₹ 68.88 lakh[20] was provided to the Non-farm Producer Groups in the three test checked districts.

Scrutiny of records of nine out of 24 Non-farm Producer Groups in three sampled districts showed that although the Detail Project Reports (DPRs) of the PGs were prepared for three years i.e. April 2012 to March 2015, the release of

[19] DPMU was renamed as DMMU under OLM

[20] Angul ₹22.90 lakh, Balasore ₹14.92 lakh and Kendrapara ₹31.06 lakh

funds from SPMU to the districts started from 20 November 2013 i.e. after half of the project period was over. Neither the PGs submitted their monthly physical and financial progress reports as envisaged in the SOP nor did the GPLFs monitor the activities of PGs.

2.1.6.2 Implementation of System of Rice Intensification (SRI)

System of Rice Intensification (SRI) is a livelihood intervention for improvement of paddy productivity through engagement of small and marginal farmers under poor and EPVG category to enable the farmers to adopt new technology and improved package of practices and to replicate the farming practices and technology of SRI with other farmers which would be self-sustainable after withdrawal of the project.

The SRI intervention started from 2014-15 in which OLM released ₹ 8.62 crore, covering 74,637 households. From test check of records at SPMU, three DPMUs and 12 BPMUs, Audit observed the following.

i. Funds of ₹ 2.16 crore [21] for Kharif 2014 season (June 2014 till October 2014) were released in September 2014 by SPMU to Angul and Kendrapara DPMUs, out of which DPMUs released ₹ 2.10 crore to the BPFTs in February 2015 i.e., after the Kharif season. Thus, 16 out of 23 test checked GPLFs in these two districts in which SRI was implemented could not utilise ₹ 31.82 lakh (out of ₹ 95.57 lakh received) due to delay in release of funds.

ii. Against requirement of ₹ 1.46 crore for 8446 beneficiaries under SRI, only ₹ 62.56 lakh was released to Balasore District.

iii. Due to non-release of funds (2nd phase - 50 *per cent*) to Balasore and delay in release of funds to Angul, essential training programme to farmers' on Field Level Demonstration, Field Farmers' School and Demonstration Plots could not be organised.

2.*1.7 Functioning of GPLF*

A GPLF is a Community Based Organisation functioning at GP level, comprising representatives of all Cluster Level Forum (CLFs) at GP Level. The GPLF comprises 25-40 SHGs functional within a GP and can guide and monitor the functioning of SHGs in a CLF and train them on various operational areas for their sustainability. The day to day works of a GPLF were managed by the Executive Committee with the help of six mandatory sub-committees.

GPLF taking vital policy decisions without quorum: As per Paragraph 3.3.2 of the GPLF Manual, the Executive Committee (EC) of a GPLF is to take decisions with required quorum (2/3rd of Executive Members). Test check of GPLF resolutions showed that in all test checked GPLFs, the EC took vital financial decisions like sanction of loan, approval of expenditure of ₹1.08 crore in meetings, without required quorum.

[21] Angul ₹1.30 crore and Kendrapara ₹0.86 crore

Non-functional sub-committees: Six mandatory committees[22] formed in test checked GPLFs did not meet every month to ensure social inclusion, monitor repayment performance by SHGs and prepare annual procurement plan etc. as was seen from their resolutions. Due to non-functioning of the mandatory committees, the left out poor could not be included in SHGs, annual budget of the GPLFs were not prepared and repayment performance of the SHGs was not monitored.

Poor functioning of Self Help Groups: From scrutiny of records of 96 SHGs in three test checked districts, Audit made the following observations:

- ***Non-rotation of leadership:*** As per Paragraph 1.3.7 of SHG Operational Manual, SHGs were to practise rotation of leadership, on a regular basis, through election. Audit observed that leadership was not rotated on a regular basis after two years in respect of 18 out of 96 test checked SHGs as the President and/or Secretary continued to officiate for a period of three to 10 years. Non-rotation of leadership of SHGs failed to create leadership qualities among other members. As a result, in 18 SHGs, the Presidents/Secretaries of the SHGs availed of loan of ₹ 8.74 lakh sanctioned for other members (***Appendix-2.8***).

- ***Disbursement of loan without proper record keeping:*** All the decisions taken in the SHG meetings were required to be properly recorded in the Resolution Book and all financial transactions were required to be updated and recorded correctly in their respective transaction heads. Scrutiny of Resolution books and cash books showed that 59 financial transactions amounting to ₹ 19.21 lakh were not recorded in the Loan Register and Resolution Books against 31 SHGs as detailed in ***Appendix-2.9.*** Due to this, the members were not aware of financial position of the SHGs which may lead to improper disbursement and poor repayment of loans.

- ***Doubtful transaction at SHG level:*** As per Para 6.2.7 of SHG Operational Manual, withdrawal of money from SHG account requires approval of SHG members in meeting and noting thereof should be made in the Minutes Book. All such transactions should be entered in books of accounts of the SHG. In 12 out of 96 SHGs test checked, Audit cross checked the Cash Books, Bank Pass Books and Minutes Books and found that there was no account of ₹ 1.42 lakh. The amounts were withdrawn from SHG accounts either without approval of SHG members or without proper record keeping (***Appendix-2.10***). The Community Resource Persons who had to write the records, were responsible for such accounting lapses.

2.1.8 Non-functional Centre of Excellence (CoE)

Government had decided to develop 15 best performing GPLFs as Centres of Excellence under TRIPTI to act as demonstration models in social inclusion, financial inclusion, economic inclusion, an immersion (training) centre to

[22] (a) Social Service Committee (b) Finance and Fund Management Committee (c) Procurement and Purchase Committee (d) Participatory Monitoring Committee (e) Utilisation Verification Committee and (f) Livelihoods Promotion Committee

provide training to Community Resource Persons, community staff and other community institutions. An amount of ₹ 1.70 crore (₹ 11.36 lakh X 15 CoEs) was released (March 2014) to 15 CoEs of 10 districts for establishment of CoEs.

On scrutiny of records of three CoEs, it was observed that none of the COEs was functional as on the date of audit. While Meerabai GPLF in Balasore Block refunded the entire amount, Kumursingha GPLF of Angul Block retained the amount without utilisation as on the date of audit. Teragaon GPLF of Mahakalpada Block was also lying defunct after incurring an expenditure of ₹ 7.82 lakh since June 2015.

BDO, Mahakalpada stated that since no instructions were issued for training, the CoE was lying idle. BDO, Angul stated that no instruction was received from the SMMU for formation of the CoE.

2.1.9 Conclusion

The objective of TRIPTI to enhance the socio-economic status of the poor and disadvantaged groups was not fully achieved. “Bottom-up” approach was not followed in project planning process. Top down planning prevented participation of the Community Based Organisations at the lowest level. As the State could not spend the entire credit, it was liable to pay commitment charges to the IDA. Even after closure of the project in June 2015, substantial amounts remained unutilised at SPMU and GPLF levels. Adequate number of GPLFs was not created and minimum requirement of CIF fund was not provided to the GPLFs, restricting micro-finance to rural poor. Due to non-functioning of six mandatory committees in GPLFs, misappropriation of CIF, PPIF and IB funds were observed. None of the GPLFs were registered under appropriate Acts, due to which loans remained unrecovered from the SHGs. Achievements under different livelihood programmes were poor due to delayed release of funds and inadequate monitoring.

2.2 Audit of Thirteenth Finance Commission Award (2010-11 to 2014-15)

2.2.1 Introduction

Government of India had constituted 13th Finance Commission (13th FC) in November 2007 and its recommendations were effective for the period 2010-15. Government of Odisha received a sum of ₹ 2107.16 crore under 13th Finance Commission for utilisation by Panchayati Raj Institutions (PRIs) on four components[23].

Audit of 13th Finance Commission Awards was conducted in nine Blocks[24] of three districts (Khurda, Ganjam and Sundergarh) selected through random sampling during April to August 2016. In each block, four Gram Panchayats

[23] Drinking Water Supply, Sewerage/Solid Waste Management (Rural Sanitation), Operational Expenses and Maintenance of Roads and Bridges

[24] Balianta, Begunia and Chilika; Ganjam, Sanakhemundi and Surada and Hemgiri, Lefripada and Subdega

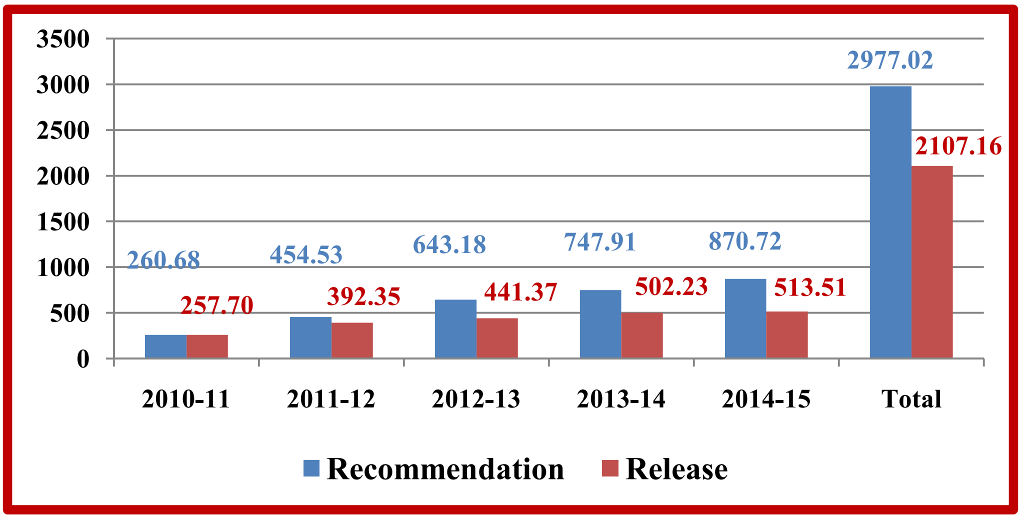
(***Appendix-2.11)*** were selected for checking the execution of works at grass-root level and the audit findings are discussed below.

2.2.2 Financial Management

PRIs received funds under 13th FC as Basic Grant (BG), Performance Grant (PG) and Special Area Grant (SAG). While all States were given Basic Grant and Special Area Grant from 2010-11, Performance Grant was released to States from 2011-12 on fulfillment of nine conditions stipulated by 13th FC. The Special Area Grant (basic and performance) was given to meet some of the developmental works against needs of these areas.

During 2010-15, PRIs of the State received ₹ 2107.16 crore[25] against the recommendation of ₹ 2977.02 crore by 13th FC. The year-wise recommendations and receipts are exhibited in the following chart.

Chart-1: Year-wise recommendation and receipt of grants by PRIs (₹ in crore)



Audit observed the following deficiencies in availing of and utilising the 13th FC Grants.

2.2.2.3 Loss of Performance Grant of ₹ 892.15 crore

The Performance Grant was released to States from 2011-12. The Commission had recommended ₹ 964.87 crore for Government of Odisha. However, the State Government had fulfilled only six out of nine conditions, due to which the PG was not released. Instead, ₹ 72.72 crore was recouped as the share from Forfeited Performance Grant. The balance amount of ₹ 892.15 crore was not released to the State Government.

2.2.2.4 Inadequate utilisation of fund

In addition to ₹ 1886.17 crore received under the components General Area Basic Grant and Special Area Basic Grant of 13th FC, the PR Department also received ₹ 221 crore from the Rural Development Department of the State Government for 'Maintenance of roads and bridges'. The Department allotted the whole amount to 30 District Rural Development Agencies (DRDAs) for

[25] BG:₹ 1716.50 crore, SAG:₹ 96.95 crore, FPG:₹ 72.72 crore and Maintenance of Road & Bridges:₹ 221 crore

utilisation in core service activities like drinking water, sewerage, solid waste management (rural sanitation), operational expenses and maintenance of roads and bridges.

Audit observed that DRDAs of the three test-checked districts (Ganjam, Khurda and Sundergarh) had received ₹ 311.11 crore from 13th FC and released ₹ 308.53 crore (99.17 *per cent*) to blocks. However, DRDA, Sundergarh did not release the amount of ₹ 2.58 crore to blocks received under the component 'Maintenance of roads and bridges' for the year 2014-15.

Nine test-checked blocks had received ₹ 55.44 crore during the grant period and spent ₹ 38.50 crore (69 *per cent*). The percentage of utilisation ranged between 49 and 85 while ₹ 16.94 crore remained unspent as of March 2015. As the test-checked blocks did not maintain component-wise utilisation, Audit could not analyse the reasons for short-utilisation of funds at GP and block level.

2.2.2.5 Delayed release of Grants

As per sub-para 4.2 of 13th FC guidelines issued by the GoI, funds must be transferred to the concerned local body within five days of receipt from the GoI.

Audit observed that PR Department had released ₹ 310.77 crore within five days to the test checked DRDAs during the period 2010-15. However, these DRDAs released ₹ 237.01 crore to the blocks with delays of 3 to 145 days[26] in 40 cases as detailed at ***Appendix-2.12.***

Delay in release of funds by DRDAs impacted further release of funds by test checked blocks to Gram Panchayats (GPs) for Rural Sanitation. In Chilika, Balianta, Surada and Hemgiri blocks, the actual amount released to GPs was not available. In the remaining five blocks, in 26 out of 33 cases, there was delay of more than 30 days (ranging between 28 and 1677 days) while in the remaining seven cases, the delay was within 30 days. The total amount involved in all these cases was ₹ 6.84 crore. In Lefripada, an amount of ₹ 80 lakh received in December 2012 was not transferred to GPs till the date of audit, due to which the GPs could not take up the projects.

While PD, DRDA, Ganjam stated (June 2016) that the delay was due to imposition of Model Code of Conduct during the elections, PD, DRDA, Sundergarh attributed (July 2016) the delay to late receipt of sanction orders and funds.

The reply is not acceptable as Model Code of Conduct was in operation only in early 2014. Further, the funds were released simultaneously to all DRDAs.

Planning and implementation

2.2.3 Drinking Water Supply

The Operation and Maintenance (O&M) of drinking water supply system including hand pumps and Village Piped Water Supply (PWS) projects was

[26] Khurda: 4 to 82 days in 12 cases, Ganjam: 3 to 91 days in 16 cases and Sundergarh: 30 to 145 days in 12 cases

being directly managed by the GPs. The O&M cost of these projects was to be met out of these funds provided to GPs. The expenditure by GPs included the payment on energy charges, procurement of spare parts, deployment of mobile vans for repair of PWS and salary of Rural Water Supply and Sanitation (RWS&S) employees deployed at GPs.

2.2.3.1 Non maintenance of updated data base

As per the operational guidelines issued by Government of Odisha on 'Operation and Maintenance System of Rural Drinking Water Supply Assets in Odisha', Junior Engineer (JE)-II, RWS&S is to keep record of all hand pump, tube wells, location of tube wells with an identification number, data of operational and non-operational tube wells etc.

Scrutiny of records of the JE-II, RWS&S of nine blocks showed that all the JEs maintained lists of tube wells without recording details like date of installation, location, identification number, operational status, etc. As proper database was not maintained, micro plan could not be prepared for undertaking proper maintenance.

2.2.3.2 Non-handing over of Drinking Water Projects to Gram Panchayats

The guidelines for repair of tube wells state that the list of Drinking Water Projects along with location and details of history sheets, completion plan and salient features shall be handed over to GP/Block by the JE-I, RWS&S. The GP is to take charge of the projects for repair/maintenance.

Audit found that 324 PWS and 10,815 tube wells operating in nine test checked blocks were not handed over to the GPs. As such, immediate repair/ maintenance was not possible and registration of complaints by the villagers was not convenient.

Audit further found that due to non-handing over of assets, there was no scope for preparation of micro plan by the GPs for O&M of assets. So, grass-root level planning was missing.

While accepting the Audit observation, the BDO stated (May-August 2016) that handing over was done in 14th FC period.

2.2.3.3 Non-disbursement of grants to GPs

Sub-para 11 of the General Guidelines envisages that 92 *per cent* of 13th FC Grants were to be released directly to GPs for basic services under drinking water, rural sanitation etc., in order to strengthen the GPs. The O&M of Drinking Water Supply System, including hand pumps and village piped water projects, was being directly managed by the GPs out of the grants. The balance amount i.e. eight *per cent* was to be released to blocks for maintenance of accounts and database, regular audit of accounts, for meeting remuneration of Computer Programmers and Maintenance of Local Area Network.

Audit observed that funds under the above mentioned components were not directly released to GPs; rather they were routed through the respective blocks. Further, the blocks and GPs, after receiving the funds from DRDAs, had not maintained the cash books component-wise, as a result of which it was not possible to ascertain the details of utilisation in blocks and GPs.

As per information received from DRDAs of Khurda and Ganjam, six test checked blocks[27] had received ₹ 15.99 crore, ₹ 14.75 crore and ₹ 1.71 crore under the components Drinking Water Supply, Rural Sanitation and Operational Expenses respectively, during 2010-11 to 2014-15. In Sundergarh, district, three blocks received funds of ₹ 17.51 crore (Hemgiri: ₹ 6.55 crore, Lefripada: ₹ 5.96 crore and Subdega: ₹ 5 crore) from the DRDA and these were to be disbursed to the GPs. However, DRDA had not released the funds component-wise due to which it was not possible to segregate the funds received under each component.

Audit could not ascertain the amount disbursed to 160 GPs of nine blocks due to improper maintenance of records from 2010-11 to 2014-15. The Gram Panchayat Extension Officer (GPEO) and JE-II, RWS&S of nine blocks informed Audit that the allotment for O&M of tube wells and PWSs was totally retained at block level. Procurement was done by Block Level Purchase Committee (BLPC) and the block directly handled O&M of Tube Wells and PWS. During joint physical inspection conducted with Block officials, it was found that 18 Tube Wells and PWS stand posts had been dysfunctional for the last four to five years. However, the JE-II, RWS&S had no record of the defunct stand posts.

The BDOs stated (August 2016) that due to non-receipt of specific instruction from PR Department, they had not transferred the grants to GPs.

2.2.3.4 Purchase of spare parts without assessment

As per operational guidelines, a GP level Purchase Committee headed by the BDO is to be formed with Assistant Engineer and Junior Engineer, RWS&S as other members for procurement of materials for repair/rejuvenation of Water Supply System (hand pump, tube wells and PWS). The requirement of spare parts for this purpose is to be assessed by the JE-II, RWS&S.

JE-II, RWS&S of three Blocks (Chilika, Hemgiri and Surada) had submitted requirement of spare parts for O&M of tube wells, hand pumps and PWS to the Block Level Purchase Committee (BLPC) which was approved by the AEs (RWS&S). On the basis of this assessment, BLPC purchased the required materials.

Audit observed that the assessment was improper as the stock registers showed 111 items remaining idle in block stores since April 2015. Since 13th FC closed in March 2015 and spare parts were purchased under 14th FC at GP level, there was no scope for use of this additional stock worth ₹ 38.05 lakh since April 2015. This indicated that the requirement was not properly assessed by JE-II, RWS&S.

[27] Chilika, Begunia, Balianta (Khurda) and Ganjam, Sanakhemundi, Surada (Ganjam)

In Begunia, spare parts worth ₹ 38.44 lakh were purchased during 2012-13 to 2014-15. However, there was no record regarding their utilisation. Further, no indent was received from the GPs.

BDO, Begunia stated (May 2016) that purchases were made as per annual requirement and BDO, Chilika stated (May 2016) that the materials were kept in store for emergency requirement. However, idling of stock even after closure of the scheme is indicative of procurement of stock without any assessment.

2.2.3.5 Purchase and utilisation of spare parts

(i) Doubtful payment of ₹ 5.41 lakh by RWS&S wing

As per Orissa General Financial Rules (OGFR) (Vol-I), a muster roll in C.P.W.A Form 21 should be prepared for works done by daily labour. When a work is executed departmentally, muster roll is to be maintained for the labourers on which their thumb impression or acknowledgment is to be taken in token of receipt of wages.

During test check of records of RWS&S at Chilika block, Audit observed that payment of ₹ 5.41 lakh was made on daily labour without muster roll, hire charges of vehicle, repair of tube wells and purchase of spares without bill. Though the JE-II showed the muster roll in support of the payment, the same was, however, just an attendance sheet where item of work, rate or amount of payment was not mentioned.

The BDO replied that a muster roll was maintained. The reply was not acceptable as the muster roll was only one attendance sheet. Further, the reply was silent on hire charges of vehicles.

(ii) Non maintenance of records and discrepancy in utilisation of spare parts (RWS&S)

As per operational guidelines, the JE-II, RWS&S of block is to look after maintenance of the assets created. Further, the spare parts procured are to be kept by JE-II, RWS&S in his custody who deploys a mobile team immediately for attending to the complaints with spare parts. On attending the complaints, the mobile team is to obtain signature of an adult member of the habitation as a token of repair work done and, after return to block, the team is to record the type of repair done for each tube well and spare parts used.

Scrutiny of records showed that account of the spare parts replaced had not been maintained. There was only Issue Register and Register of use of spare parts was not maintained. The spare parts issued to the mobile team were never returned, which meant that the spares issued were fully utilised. The exact quantity and type of materials issued was not recorded. Further, the mobile team never obtained signature of any member of the habitation and never recorded the type of repair done for each tube well and spare parts used.

The BDO stated that the spares were actually used and replaced spares were also in the store but due to improper stock-taking, these parts might not have been taken into account. The reply was not acceptable as valuable articles were not found in the stock during Joint Physical Inspection (JPI).

Test check of stock registers in nine blocks showed that in Chilika, Subdega and Surada, there was a difference between quantity of items issued and old items returned. In Surada, there was no acknowledgement of Self Employed Mechanics (SEMs)/ khalasis to the stock received for replacement and no attestation of JE-II on the issue of stores. The value of differential items was ₹ 73.66 lakh which is detailed in ***Appendix-2.13***.

2.2.3.6 Non-maintenance of Complaint Register

As per operational guidelines, JE-II, RWS&S is to keep and maintain properly a complaint register with him at block level to receive the complaint on repair of tube wells. The register was to be updated regularly.

Audit observed that out of nine blocks, Balianta had not maintained complaint register. In the remaining blocks, complaint registers were not updated after repair of tube wells and PWS. The JE-II, Chilika stated that the tube wells were repaired but date of repair was not noted in register. However, due to improper maintenance of register, Audit could not ascertain whether the repair of such tube wells and PWS were done in time.

2.2.3.7 Non-conduct of physical verification of spare parts purchased

As per operational guidelines, the AE, RWS&S is to verify the stock of spare parts every six months. As per Rule 111 of OGFR, physical verification of all stores is to be made at least once in every year by the Head of Office or any authorised officer. Scrutiny of stock records at nine test checked blocks showed that the stock of spares at blocks had not been verified by the AE, RWS&S or the head of the Office, which led to deficiency of stock materials as described below.

Shortage of RWS&S stock

Rule 100 of OGFR provides that all stores received are to be examined, counted, measured or weighed when delivery is taken. The store-in-charge is required to give a certificate that he has actually received the materials and recorded them in the stock register. Further, as per Rule 101, the store-in-charge should see that an indent in the prescribed form is made by an authorised person when materials are issued from the stock.

On scrutiny of the stock and issue registers (spare parts of tube well) in Chilika and Subdega blocks, Audit found that the stock registers were not in proper form, annual assessment was not made and there was no system of indenting. The spare parts of tube wells were issued to the mobile team who never returned unused materials. Test check of stock and issue register of spare parts of tube well materials from March to May 2014 and April 2015 and JPI of stock with reference to stock register showed that there were discrepancies in opening and closing balances of spare parts of tube wells and shortages of stock valued at ₹ 9.26 lakh in Chilika and Subdega blocks. This included discrepancy of ₹ 8.98 lakh observed during JPI of stock of spare parts for O&M of tube well and PWS conducted in presence of JEs-II (RWS&S) (***Appendix-2.14***).

Neither the AE, RWS&S had verified the stock register not had the BDO conducted the physical verification of stock every year. However, neither the shortages of stock of ₹ 9.26 lakh were made good nor any action was taken against the delinquent officials.

The BDOs stated (May-August 2016) that the stock and store registers were updated. However, Audit observed that the shortage/discrepancy still persisted (September 2016).

2.2.3.8 Joint Physical Inspection of Drinking Water Supply assets

As per the mechanism envisaged in operational guidelines for timely repair of assets, Self Employed Mechanics (SEMs) are deployed at GP level for minor repair and maintenance. SEMs report the major complaints to GP office that are beyond their reach. A maintenance crew consisting of four staff members headed by fitter *Mistry* was placed at block level to attend the major repairs.

The operational status of TWs/PWS observed in JPI by Audit team and Panchayat level officials and statement of 178 beneficiaries interviewed in 36 selected GPs (***Appendix-2.15***) showed the following:

- Out of 178 beneficiaries interviewed, 125 had been using tube well water and only 53 beneficiaries used PWS water.
- Twenty-four beneficiaries in Balianta, Surada and Lefripada blocks complained of iron content and 31 reported unclear tube well water.
- Six tube wells were defunct in four blocks and 12 stand posts were defunct in three blocks.

Audit observed that though the blocks purchased spare parts at their level, TWs/PWS were, however, not repaired timely. So, due to inadequate action of Designated Officer and Revisional Authority (BDO), the objective of mitigating scarcity of drinking water in rural areas could not be fully achieved.

2.2.4 Sewerage and Solid Waste Management (Rural Sanitation)

2.2.4.1 Non-preparation of Perspective Plan and Annual Action Plan

As per Clause 16 of General Guidelines of 13th FC issued (August 2010) by Government of Odisha, for successful implementation of projects under Rural Sanitation, there was to be a five year Action Plan based on the prescribed parameters from which the Annual Action Plan (AAP) was to be prepared. The Palli Sabhas and Gram Sabhas being at the bottom level were to recommend the projects to be undertaken. The consolidated Perspective Action Plan (PAP) was to be duly approved by the Palli Sabha/Gram Sabha.

Scrutiny of records in all test checked blocks showed that Five Year Action Plans were prepared for Rural Sanitation by the three test checked DRDAs. In Ganjam and Sundergarh, there was no recorded evidence that the projects were mooted by Palli Sabhas/Gram Sabhas before their inclusion in the PAP or the AAP. In Chilika, when compared with Gram Sabha proceedings of three GPs (Singeswar, Hatabaradiha and Biribadi) for the year 2014-15, Audit found that none of the projects matched with PAP.

2.2.4.2 Non-execution of sewerage and SWM activities and misrepresentation of guidelines

The core service sectors defined by the Government of India while allocating funds to PRIs under 13th FC were drinking water supply, sewerage and solid waste management. However, Government of Odisha, after receipt of funds, issued general guidelines wherein it termed the component as Sewerage/Solid Waste Management (Rural Sanitation) and instructed the Collectors to take up CC Roads with drains inside the villages/habitations of the GPs on priority. Further, GPs were allotted funds on the basis of their population.

Accordingly, CC roads with drains were planned in every GP and executed, wherever possible. However, no sewerage and SWM activity was planned or taken up in the rural areas under 13th FC. It may be mentioned here that CC roads had been executed in the rural areas under several flagship schemes[28] of both Central and State Government. So when the GPs were unable to spend the allotted funds (an amount of ₹ 1.90 crore lying unspent in 36 GPs of nine test checked blocks), a part of the allotted amount could have been spent towards sewerage and SWM activities like street sweeping, awareness campaign etc. During JPI, in two (Kalkaleswar in Chilika Block and Jhintisasan in Balianta Block) out of 36 GPs test-checked, Audit found construction of only drains. In the remaining GPs, there were either CC roads with drains or only CC roads. Such deviation from the guidelines deprived the rural people of the benefits of sewerage system, solid waste management and sanitation in their area.

2.2.4.3 Non-execution of drains alongwith CC roads

In four[29] out of nine test checked blocks, five year Action Plans were prepared for execution of Rural Sanitation (CC Road with drain or only drain) projects. Audit found that 1036 projects with drain component were planned, out of which drain was included in the estimate of 748 projects.

However, the actual execution of the Rural Sanitation component in field was different as found in JPI. Out of 107 roads inspected, in 24 projects, drain was included in the estimate. However, the drain was executed in five cases only. In 19 cases, there was no drain, the percentage of deviation being 79 *per cent*. Though the projects were approved by DRDAs with the nomenclature 'road with drain' and the project estimates had the provision for drains, in 21 *per cent* cases, only drains were constructed. DRDAs had never monitored this aspect. Thus, State Government's decision to build CC roads excluding the SWM and sewerage facilities defeated the objective of the component.

Commissioner-cum-Secretary, PR Department accepted (September 2016) that misrepresentation had occurred in some places of Chilika and Balianta blocks of Khurda district. However, he assured of giving the factual report after due verification and collection of information from district authorities.

[28] PMGSY-Pradhan Mantri Gram Sadak Yojana, MPLAD-Member of Parliament Local Area Development, MLALAD-Member of Legislative Assembly Local Area Development, CC Road-Cement Concrete Road, GGY-Gopabandhu Grameen Yojana, IAP-Integrated Action Plan, BRGF-Backward Region Grant Fund, 3rd SFC-Third State Finance Commission

[29] Chilika, Balianta, Begunia and Surada

2.2.5 Taking up new construction in lieu of repair and maintenance works under the component 'Maintenance of Roads and Bridges'

The State Government had issued (June 2011) guidelines for another 13th FC component 'Maintenance of Roads and Bridges' wherein maintenance of existing roads and bridges was envisaged. However, the blocks carried out only new constructions and the DRDAs, while approving their plans, did not use the funds for repair/maintenance works. As a result, an amount of ₹ 5.66 crore allotted to nine blocks was spent on new construction of roads and bridges.

Audit observed that the component was only used for construction of internal CC roads in villages. During JPI, it was found that 15 out of 124 CC roads[30] were damaged and needed repair. However, instead of taking care of existing roads to enhance their design life, new assets were created. The prescribed priorities for selection of CC Road projects were also not observed as funds were distributed equally among the blocks.

Commissioner-cum-Secretary, PR Department stated (September 2016) that the guidelines were self-explanatory and, wherever necessary, clarifications were issued.

The reply was not acceptable as the Government had also the responsibility to enforce the guidelines through agencies like DRDA with suitable monitoring mechanism.

2.2.6 Execution of inadmissible works

Check of records and JPI of projects in nine blocks showed that 33 projects executed were inadmissible under the scheme on which ₹ 87.84 lakh was spent. The details are given in ***Appendix-2.16***.

2.2.7 Execution of projects with estimated cost below ₹3 lakh

The guidelines issued by PR Department, which were relevant up to October 2014, stipulated that no project under Maintenance of Roads and Bridges should be executed with estimated cost below ₹ 3 lakh. However, it was found that 15 projects in four blocks with individual estimated cost below ₹ 3 lakh were executed between 2012 and 2014 as shown in ***Appendix-2.17***. All the projects were new constructions.

2.2.8 Other points of interest

(i) Deficiencies in execution of roads constructed under the scheme

PR Department had specified[31] in guidelines of schemes like CC Road and GGY the non-negotiable items which were to be adopted during execution of CC Roads. The items *inter alia* included provision of appropriate thickness, proportion of concrete mix, proper compaction, maintaining 3 to 3.5 metre

[30] In Chilika, Ganjam and Subdega blocks, six out of 17 roads constructed under different schemes were found damaged in JPI of compliance audit and in nine test checked blocks, nine out of 107 GP roads constructed under 13th FC were damaged as witnessed in JPI

[31] CC Road guidelines-September 2010 and February 2013, GGY guidelines 2006, February 2013 and May 2013 supplemented by Ministry of Road Transport and Highways, Government of India (MORTH) specifications

breadth and provision of cut off etc. The JPI team verified 77 CC roads in six test checked blocks and found that 14 of these roads did not meet the prescribed thickness. In JPI, Audit found that length and breadth had been compromised in respect of 34 roads. JPI team further found that nine roads were cracked and damaged due to improper execution and inadequate provision in estimates, such as non-execution of cut off in ordinary and black cotton soil, short execution of thickness etc. and five roads had not achieved connectivity. One road in Damkuda GP of Subdega block led to only two houses of the Sarpanch and Vice-Chairman of the block and ended with the Sarpanch's house who had also constructed a portion of her house on the road. Seven out of 77 roads led to temples, monasteries, ponds or agricultural fields.

(ii) Avoidable expenditure due to excess deployment of khalasis

The operational guidelines envisaged that a maintenance crew consisting of four staff members headed by fitter *Mistry* was to be placed at block level to attend the major repairs of hand pump tube well. Payment of salary/wages of the RWS&S employees deployed at PSs/GPs including SEMs was to be met out of 13th FC Award. Government instructed (November 2010) that in those blocks, where there were more RWS&S employees than the requirement, proposals should be sent for rationalisation of these employees to some other blocks.

Audit observed that four Nominal Muster Roll (NMR) staffs of RWS&S had been engaged at Ganjam Block for repair and maintenance purpose and were paid ₹ 11.10 lakh **(*Appendix-2.18)*** for the period from April 2010 to September 2015 out of Drinking Water Supply component of 13th FC grants. However, besides engagement of NMR staff, eight regular *khalasis* were paid for the period from April 2010 to March 2012, seven *khalasis* from April to August 2012, six *khalasis* from September 2012 to March 2014 and five *khalasis* from April 2014 to September 2015 for repair and maintenance work. A sum of ₹ 58.65 lakh was paid to these staff members out of the same component **(*Appendix-2.19)***. This payment was also over and above the honorarium of 14 SEMs engaged in 14 GPs. As only one mobile van was engaged for repair and maintenance and there were four NMRs who were doing the job since long, the expenditure of ₹ 58.65 lakh on additional *khalasis* was avoidable.

The BDO stated (June 2016) that the *khalasis* were engaged as per the sanctioned strength, and they had already been repatriated to their parent departments.

2.2.9 Conclusion

Component-wise utilisation of funds was not available at blocks and GPs. The test checked blocks did not transfer funds meant for Drinking Water Supply to GPs and failed to manage the RWS&S stores at block level. Tube wells and PWS were not repaired in time. Instead of promoting sewerage and SWM services in villages, the funds allotted for Rural Sanitation were utilised for construction of CC roads. Under Maintenance of Roads and Bridges, new constructions were made in lieu of maintenance works, violating the guidelines. The roads constructed in GPs and blocks did not meet the prescribed specifications as deficiencies in measurements were found in 34 out of 77 roads inspected.

2.3 Misappropriation of Old Age Pension Funds

Misappropriation of Old Age Pension funds by tampering with the official cheque and non-deposit of undisbursed OAP money- ₹ 15.02 lakh

As per Rule 10(1) of Orissa Panchayat Samiti Accounting Procedure (OPSAP) Rules 2002, funds shall not be diverted from one scheme to another scheme without approval of the Government. Sub-rule 3 of Rule 36 of OPSAP Rules stipulates that the BDO should personally satisfy himself that all cheques and bank drafts signed by him for drawal are presented into the Bank and amount received is correctly accounted for in the Personal Ledger Account/Panchayat Samiti/other relevant Cash Books. He should also see that the payments from the fund through cheques, bank drafts and cash are correctly noted in the Cash Book.

On scrutiny of Old Age Pension (OAP) files in Brahmagiri Panchayat Samiti in January 2016, Audit observed that a sum of ₹ 12.00 lakh was diverted from IAY account to OAP account, contravening the OPSAP rules to cater to the payment of OAP for the month of December 2011 due to insufficient balances in the OAP Account. On receipt of grants under OAP, to recoup the funds diverted from IAY Account, the Additional Block Development Officer-cum-Accounts Officer (ABDO) in-charge of BDO, issued a cheque for ₹ 12.00 lakh on 30 June 2012 and asked the then Senior Clerk-cum-Cashier to deposit the same to OAP account of the Block. The cheque carried the signature and seal of the ABDO. Instead of depositing the entire amount in the OAP Account of the Block, the then Senior Clerk-cum-Cashier mentioned deposit of ₹ 2 lakh in the OAP Account and balance of ₹ 10 lakh in his own account in the endorsement to the bank and managed to get the same signed by the ABDO. As a result, only ₹ 2 lakh was deposited in the OAP Account against ₹ 12 lakh and ₹ 10 lakh was misappropriated by him.

Further, the then Senior Clerk-cum-Cashier also received undisbursed OAP money of ₹ 5.02 lakh (₹ 4.79 lakh OAP fund and ₹ 0.23 lakh Miscellaneous Fund in 2011-12) from the staff and accounted it in the cash book without making any deposit in the concerned bank account. The ABDO officiating as BDO did not verify and reconcile the cash book with that of bank pass book to ensure the deposit of money in the OAP bank account. Thus, ₹ 15.02 lakh was misappropriated by the then Senior Clerk-cum-Cashier.

The misappropriation was detected in July 2012 and the official was arrested and placed under suspension in August 2012. The Collector, Puri initiated (May 2013) Departmental Inquiry with an order to complete the inquiry within three months. However, no steps were taken for recovery of the misappropriated amount from the then Senior Clerk-cum-Cashier and the Collector, Puri subsequently reinstated (January 2014) him while the inquiry was going on.

The Department accepted the fact and stated (April 2016) that departmental proceedings were initiated for misappropriation of ₹ 10 lakh and a vigilance case was initiated for misappropriation of ₹ 5.02 lakh. The department assured that due action would be taken in the matter on receipt of final reports.

The reply was not acceptable as the District Administration did not take proper follow up action to recover the misappropriated amount on priority and permitted a loss of ₹ 15.02 lakh to the Government.

2.4 Misappropriation of Government money of ₹ 14.01 lakh in Puri Sadar Panchayat Samiti

2.4.1 Double payment and drawal of self-cheque without cash book entry

As per provisions of Rule 18(4) of Orissa Panchayat Samiti Accounting Procedure Rules (OPSAPR) 2002, all work and supply orders are to be serially marked and a copy thereof is to be kept in a separate guard file. Reference to payments is to be noted on the orders as and when bills are passed for payment and duly attested by the Block Development Officer (BDO) to avoid double claims. Further, Rule 26 ibid provides that no cheque is to be signed unless required for immediate delivery to the person to whom the money is to be paid and until the bill, which it will discharge, has been presented in a complete form, examined and passed for payment and stamped as 'paid' by putting cheque number.

(i) Scrutiny (January 2016) of 12 works bills and related vouchers, Cash Books and Bank Pass Books at Puri Sadar Panchayat Samiti (PS) for the period 2010-12 showed that 12 bills amounting to ₹ 5.02 lakh[32] were passed for payment by the BDO during May 2011 to March 2012 and the payments were made in cash. Further scrutiny of cheque issue register showed that the same amount of ₹ 5.02 lakh was paid to the said executants in the shape of cheques by diverting the funds from Old Age Pension (OAP)/Orissa Disability Pension (ODP) schemes during May 2011 to April 2012 without making any entry in Cash Book and being supported by vouchers. The BDO signed the cheques without checking the bills passed for payment and stamped with 'paid by cheque number --'. The payee had not signed the bills as a mark of acknowledgement. The cheque payment was not shown in the Cash Book. On subsequent dates, the same bills were shown as paid in cash by entering the voucher numbers in Miscellaneous Cash Book during November 2011 to May 2012 (four to nine months after passing of the bill) though the payments were not related to it. This led to double payment of ₹ 5.02 lakh (***Appendix-2.20***), which amounts to misappropriation of Government money in the name of payment to executants.

(ii) Scrutiny of Pass Books of three Bank Accounts and related Cash Books for the period 2011-12 showed that two self-cheques and one bearer cheque for ₹ 2.42 lakh were encashed and were not reflected in the respective Scheme Cash Books. The purpose for issue of the cheques was not recorded and

[32]Net amount of ₹ 4.49 lakh (after deduction of VAT, Royalty and Cess) in nine bills and refund of security deposit of ₹ 0.53 lakh in three bills

vouchers/claims were not entered in the Cash Book which showed that the amount was misappropriated.

2.4.2 Double payment of Disabled Pension under Madhu Babu Pension Yojana (MBPY)

Sub-Collector, Puri had sanctioned (June 2008 and September 2008) pension in favour of 250 disabled beneficiaries of 26 Gram Panchayats of Puri Sadar PS under MBPY at the rate of ₹ 200 per month per beneficiary from January 2008 for life or until cessation of any of the eligibility criteria.

The BDO had opened a new acquittance register and paid (August 2009) ₹ 8.06 lakh[33] to 212 beneficiaries towards the first arrear payment for 19 months (January 2008 to July 2009). Payment to other 38 beneficiaries was not made, as they were absent.

Audit observed (January 2016) that instead of continuing the same acquittance register, the BDO had opened another acquittance register in 2011-12 for all the 250 beneficiaries and obtained signature/thumb impression of 216 beneficiaries as proof of payment of pension of ₹ 8.27 lakh for the same period (January 2008 to July 2009). Scrutiny of Cash Book along with the acquittance register showed that the BDO had shown payment of ₹ 6.57 lakh[34] to 173 beneficiaries towards 1st arrear payment for 19 months (January 2008 to July 2009), who were already paid arrears for the same period and had been receiving regular pension (***Appendix-2.21***). Thus, there was a double payment of ₹ 6.57 lakh.

In all the above cases, misappropriation was possible due to lack of supervisory controls, which were to be exercised by the Head Clerk and the BDO as per the OPSAP rules. Incidentally, the Cashier played a dual role as the Head Clerk during the period, which enabled him to misappropriate the Government money.

The Commissioner-cum-Secretary, Panchayati Raj Department accepted (April 2016) the fact of misappropriation by the ex-Head Clerk, Puri Sadar PS and stated that both departmental and criminal proceedings had been initiated against the said official and he had deposited an amount of ₹ 3,13,720 in June and August 2013. The ex-Head Clerk expired in February 2015.

The reply was not acceptable as the departmental and criminal proceedings are yet to be finalised and the Government money was not fully recovered from the ex-Head Clerk when he was alive. Further, the Government has not taken any action against those responsible for failure of the control measures and violation of prescribed rules of Accounting.

[33] 212 X 19 X ₹ 200 = ₹ 8.06 lakh
[34] 173 beneficiaries paid at ₹ 200 per month for 19 months

2.5 Disbursement of Old Age Pension against deceased beneficiaries

Misappropriation of ₹ 1.12 lakh (in disbursement of Old Age Pension) in eight Panchayat Samitis

As per provisions of Rule 19 of Madhu Babu Pension Yojana (MBPY) Rules 2008 and National Social Assistance Programme (NSAP) guidelines, the annual verification of beneficiaries is to be conducted by the competent authority during 1st week of April every year. Further, as per Rule 22 of MBPY Rules, the pension ceases to be payable from the date of disbursement following the death of the pensioner.

Scrutiny (February 2016) of disbursement registers and Cash Books for the years 2009-10 to 2014-15 in eight[35] Panchayat Samitis (PSs) showed that ₹ 1.12 lakh was paid as pension and arrears of pension to 113 beneficiaries of 24 Gram Panchayats who, as per 'Register of Death' of Community Health Centres (CHCs), were found to be dead one to 19 months back. The Disbursing Officers (DOs) did not verify the exact date of death from CHCs and continued to make the payments by noting the date of death wrongly in the disbursement register. The actual date of death was confirmed by Audit from the CHCs concerned. The DOs made disbursement of pension after death of the pensioner, using false thumb impressions in the Acquittance Roll. BDO, Gurundia recovered the amount in full (₹ 9300) immediately after audit objection. The PS-wise payment of pension to deceased beneficiaries are detailed in ***Appendix-2.22***.

The misappropriations are attributable to non-conduct of annual verification and lack of monitoring and control over the DOs by the Block Development Officers (BDOs).

The Commissioner-cum-Secretary, Panchayati Raj Department stated (March 2016) that ₹ 21,000 had been realised from the persons concerned of four PSs (Bhatli, Bangiriposi, Lahunipara and Rajborasambar). However, ₹ 81,600 was yet to be recovered. The reply is silent about the penal action taken against the officials/BDOs for their failure to conduct annual verification.

2.6 Payment of widow pension to ineligible beneficiaries

Payment of widow pension to 13 ineligible beneficiaries (non-widows) amounting to ₹ 0.77 lakh under Madhu Babu Pension Yojana.

As per Rule 9 of Madhu Babu Pension Yojana (MBPY)[36] Rules 2008, on receipt of application with required documents, the Block Development Officer (BDO) is to make an enquiry through the Extension Officer (EO) of the Block to ensure the eligibility of the applicants. The EO shall scrutinise the documents thoroughly with personal contact with Certifying Officer and record his findings on the body of the applications and forward the same to the BDO within 15 days. Further, Rule 10 stipulates that the BDO is to recommend the

[35] Bhatli, Bangiriposi, Lahunipara, Rajborsambar, Balisankara, Gurundia, Dharmagarh and Joda

[36] MBPY is a State pension scheme which holds similarity to the National Old Age Pension scheme of Government of India

application within a period of 15 days to the Sub-Collector for sanction of pension.

In Lahunipara Panchayat Samiti (PS), there was a public complaint on payment of Widow Pension (WP) to 338 (109+229) beneficiaries under MBPY with effect from October 2011 and October 2012. The BDO conducted (December 2013) an enquiry through the Panchayat Executive Officer (PEO), Kudeikala Gram Panchayat, who had reported (January 2014) about payment of WP to 13 ineligible beneficiaries of different villages, who were not widows. During audit of accounts of the PS in February 2016, it was observed that the BDO had stopped further payment to these ineligible beneficiaries but had not taken any action to recover the amount already paid. Audit verified the Acquittance Register of the concerned GP and found that the said beneficiaries were paid WP amounting to ₹ 76,800 (***Appendix-2.23***) up to November 2013.

Audit observed that the BDO did not conduct inquiry through the EO to ensure the eligibility of the applicants and both the BDO and the EO did not make a thorough check of the documents as required under the Rules. Further, the BDO did not review the applications before making recommendation to the Sub-Collector. This led to irregular payment of pension.

When the matter was referred (March 2016) to the Government, it was stated (September 2016) that out of the payments of ₹ 76,800, an amount of ₹ 58,000 was recovered from the ineligible beneficiaries and recovery of the balance amount was in process.

2.7 Misappropriation of Government Money

Misappropriation of ₹ 0.30 lakh from the receipts of the Panchayat Samiti

As per Rule 35 of Orissa Panchayat Samiti Accounting Procedure (OPSAP) Rules 2002, all cash transactions shall be entered in the cash book. Further, Rule 36 ibid stipulates that (1) the Cashier shall make entries in the Cash Book with reference to supporting documents and registers; the Accountant/Auditor shall check the recording of opening balance, entries in the receipt and payment side, closing balance and analysis of closing balance on the basis of supporting documents and registers; and (2) the Block Development Officer shall attest each entry in the receipt side and payment side after being satisfied about correctness of the entry with reference to supporting documents and registers.

Scrutiny (February 2016) of cash book with reference to Miscellaneous Receipt books for the period 2012-14 in Boipariguda Panchayat Samiti (PS) showed that the daily receipt of ₹ 30,470 towards house rent, security deposit and stall rent collected by the ex-Cashier on various dates between April 2012 and April 2013 were not recorded in the cash book as per the details given in the following table. Besides, the amounts received were not credited into the Bank account of the PS.

Table 1: Details of receipts not taken into account

Date	Particulars of receipt	Amount (₹)
April 2012	House rent	2510
July 2012	House rent	600

Date	Particulars of receipt	Amount (₹)
August 2012	House rent	1160
January 2013	Stall rent	5000
March 2013	Security Deposit, House rent and Stall rent	20600
April 2013	House rent	600
Total		**30470**

(Source- Cash Book and Miscellaneous Receipt Books of Boipariguda PS)

It was observed that the Accountant as well as the BDO had not checked the cash book entries with reference to Miscellaneous Receipts and failed to adhere to the provisions of OPSAP Rules, which resulted in misappropriation of ₹ 30,470 by the cashier.

The BDO, Boipariguda PS accepted (February 2016) the audit observation. The matter was referred (May 2016) demi-officially to the Commissioner-cum-Secretary, Panchayati Raj Department; reply is awaited (November 2016).

2.8 Misappropriation of GP Fund

Misappropriation of ₹ 0.23 lakh in Babuchhipidihi GP of Laikera Panchayat Samiti

As per Rule 73 of Odisha Gram Panchayat Rules 2014, all moneys received by the Sarpanch or the Panchayat Executive Officer (PEO) of the Gram Panchayat (GP) shall be brought into account as soon as these are received and credited into the Grama Fund daily. Further, as per Rule 93(2) of the said Rules, the PEO/Sarpanch of the GP is to record all transactions in the cash book on the same day on which money is received or paid. At the closure of the day of transaction, an analysis of the closing balances is to be made and the cash book signed by the PEO and the Sarpanch. As per Rule 93(4), the Gram Panchayat Extension Officer (GPEO) is competent to verify the cash book and the cash in hand, at least once in a month.

Scrutiny (February 2016) of cash books and bank pass books of Babuchhidihi GP under Laikera Panchayat Samiti showed that an amount of ₹ 23,000 was withdrawn from the GP Fund Account at Utkal Grameen Bank bearing A/c No.12045077188 vide cheque No.0197013 dated 07.10.2013. The cash was shown transferred (October 2013) from GP Fund cash book to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) cash book. However, analysis of closing balance showed that this diversion was not mentioned in the cash book. Similarly, cross verification of MGNREGA cash book with the concerned bank pass books showed that the amount was neither entered in MGNREGA cash book nor deposited in the concerned bank account. This indicated that the PEO and Sarpanch of the GP had misappropriated the said amount of ₹ 0.23 lakh.

The misappropriation was possible due to negligence of the GPEO in verifying the cash books and cash regularly. On being pointed out (March 2016) by Audit, the Block Development Officer, Laikera recovered (April 2016) ₹ 0.23 lakh from the Sarpanch and ex-PEO. However, no disciplinary action has been initiated (October 2016) on the erring officials by the BDO.

2.9 Loss of Stock

Non-accounting of Hume Pipes in stock register resulted in loss of stock of ₹ 12.71 lakh.

As per Rule 97 of the Orissa General Financial Rules (OGFR), purchases must be made in the most economical manner as per the definite requirements of public service and advance purchase of stores which is unprofitable to Government, should be avoided. Further, as per Rule 69 of Orissa Panchayat Samiti Accounting Procedure Rules 2002, physical verification of stores is to be carried out at least once in every six months by the Block Development Officer (BDO)/Additional BDO and a certificate stating the facts regarding excess, shortage and unusual depreciation of stores, etc. should be recorded by them.

Audit scrutiny (February 2016) of Stock Register of Gurundia Panchayat Samiti showed that the opening balance of hume pipes (HPs) was 222 units in the year 2009-10. Out of these, only 22 HPs were issued to two Panchayat Executive Officers (PEOs) on different dates during 2009-10 and 2010-11. However, the balance as on 11 March 2011, was shown as '08', instead of 200 units and, after issue of eight HPs on the same day, the balance was shown as 'Nil' in the stock register. Details of issue of HPs are given below:

Table No.1: Abstract of stock register

Date of issue	To whom issued	Size of HPs	No. of HPs issued	Closing Balance
OB as on 12.10.2009				**222**
13.10.2009	Pramod Patra, PEO, Tamda GP	900 mm dia	12	210
15.04.2010	Subash Chandra Behera, PEO, Jarada GP	900 mm dia	2	208
		1000 mm dia	2	206
		1200 mm dia	6	200
11.03.2011	**Closing Balance shown as**		**22**	**08**
11.03.2011	Sri Chaman Xaxa, PEO, Gurundia G.P	600 mm dia	4	04
		900 mm dia	4	00
Total issued			**30**	

(Source: Stock Register of the Panchayat Samiti)

Since a total of 30 HPs were issued from the stock during the period 2009-10 and 2010-11, the closing balance should have been 192 units (222-30). However, the Senior Clerk in-charge of the store handed over (11 March 2011) eight HPs in the stock to his successor and the stock was shown as issued to the PEO, Gurundia GP on the same day by showing the balance stock as "nil". As a result, there was a shortage of 192 HPs in the stock, the value of which was ₹ 12.71 lakh as shown below:

Table No.2 Statement showing cost of hume pipes ***(in ₹)***

Size of HP	350 mm	450 mm	600 mm	800 mm	900 mm	1200 mm	Total
Cost per HP at last purchase (₹)	2456	2722	3752	7015	7971	12395	
Number of HPs shortage	9	3	66	9	84	21	**192**
Cost of shortage HPs (₹)	22104	8166	247632	63135	669564	260295	**1270896**

(Source: Stock Register of the Panchayat Samiti)

The intention of making this unusual balancing entry in the stock register clearly indicated the embezzlement of HPs. It was observed from the stock register that HPs were purchased during the year 2004-05, despite not having immediate requirement for such a huge stock. Further, the BDO had never carried out physical verification of stock as per the aforesaid provisions, which led to such embezzlement.

The Commissioner-cum-Secretary, Panchayati Raj Department stated (July 2016) that 111 HPs of different sizes had been utilised in different projects, 72 pipes were lying unutilised in different work sites and remaining nine pipes were not traceable.

The matter was re-examined (October 2016) through joint physical inspection and it was observed that the number of unutilised HPs reported was not correct and the BDO, Gurundia could not show any documentary evidence in support of utilisation of 111 HPs. Thus, there was possibility of embezzlement, leading to loss of stock of 192 HPs valuing ₹ 12.71 lakh.