

CHAPTER 2

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**Utilisation of funds received by
PRIs from CFC Grants**

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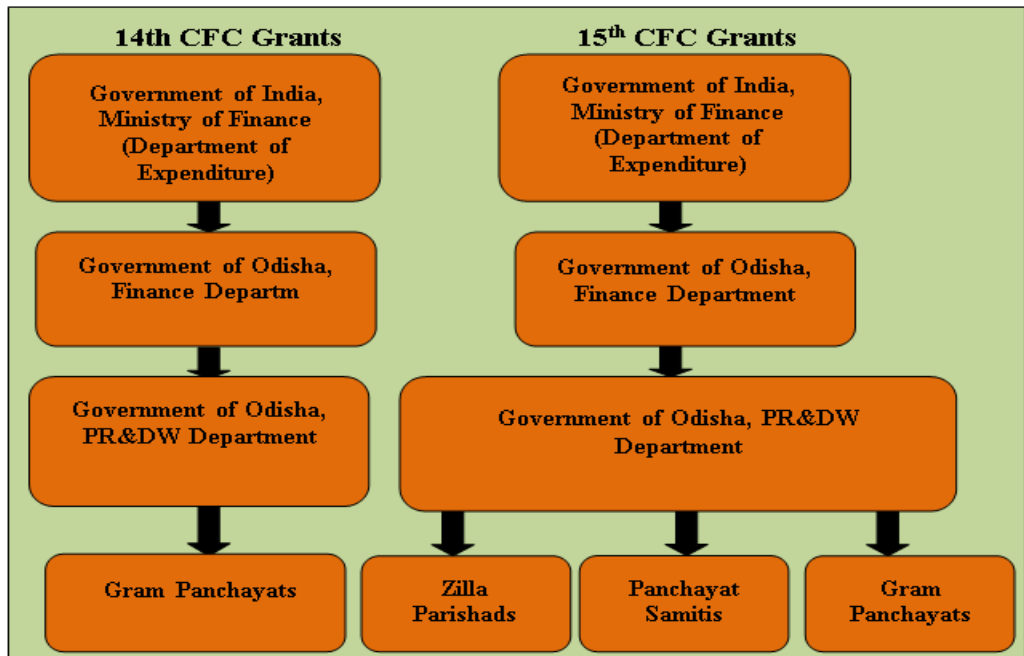
2.1 Introduction

Under Article 280 of the Constitution, the President of India constituted the 14th Finance Commission (FY 2015-20), which recommended Grants-in-aid to Rural Local Bodies and Urban Local Bodies, in two parts, namely: (i) a Basic Grant and (ii) a Performance Grant. These grants were intended to be used for providing basic civic services, which included water supply, sanitation, sewerage management, solid waste management, storm water drainage, maintenance of community assets, maintenance of roads, footpaths, street-lighting, burial and cremation grounds. States were given access to the basic grants for five years, while performance grants were released from FY 2016-17, based on the fulfilment of certain performance parameters. Similarly, the 15th FC⁵ recommended 40 per cent Untied Grant and 60 per cent Grant tied to: (a) sanitation and maintenance of open defecation free (ODF) status (b) supply of drinking water, rain water harvesting and water recycling.

2.2 Fund flow

The Government of India (GoI) released grants under the 14th and 15th FCs to the State Governments. Accordingly, the State Governments released the grants meant for Local Bodies (LBs), i.e. Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). **Chart-2.1** depicts the funding pattern, in regard to Panchayati Raj Institutions (PRIs) in Odisha.

Chart 2.1: Flow of Central Finance Commission Grants



Audit test-checked the records of seven Zilla Parishads (ZPs), 21 Panchayat Samitis (PSs) and 63 Gram Panchayats (GPs), as detailed in **Appendix-2.1** covering the Financial Years (FYs) 2017-18 to 2021-22 and noticed the

⁵ For the FY 2020-21, the proportion of Untied and Tied grants was 50 per cent each.

deficiencies in utilisation of the Central Finance Commission (CFC) Grants, which are discussed in the subsequent paragraphs.

2.2.1 Receipts and release of fund to the PRIs by the State

During the FYs 2017-22, the State had received ₹ 9,810.09 crore of CFC grants from GoI and released ₹ 9,810.09 crore to the PRIs, as detailed in the **Table-2.1**.

Table 2.1: Receipt and release of funds by the State during 2017-22

(₹ in crore)

FYs	Receipt	Release
2017-18	1,725.11	1,725.11
2018-19	1,768.44	1,768.44
2019-20	2,389.54	2,389.54
2020-21	2,258.00	2,258.00
2021-22	1,669.00	1,669.00
Total	9,810.09	9,810.09

Source: Information from the PR&DW Department

In the test checked units, during the FYs 2017-22, out of ₹ 325.14 crore (OB: ₹ 17.44 crore and Receipt: ₹ 307.70 crore) funds available with the PRIs, the expenditure was ₹ 216.36 crore, as detailed in the **Table 2.2**.

Table 2.2: Receipt and expenditure of funds in the test checked PRIs

(₹ in crore)

FYs	OB	Receipt	Total	Expenditure (Per cent)	Closing Balance
2017-18	17.44	19.22	36.66	15.79 (43)	20.87
2018-19	20.87	20.60	41.47	22.40 (54)	19.07
2019-20	19.07	29.39	48.46	22.01(45)	26.45
2020-21	26.45	117.71	144.16	49.77 (35)	94.39
2021-22	94.39	120.78	215.17	106.39 (49)	108.78
Total		307.70		216.36	

Source: Records of the concerned PRIs

During these five years, the expenditure was between 35 and 54 per cent. The poor utilisation of funds was due to delay in finalization of projects, selection of sites for projects, delay in execution of works etc.

2.3 Planning

As per the Panchayati Raj & Drinking Water (PR&DW) Department's instructions (August 2015) for utilisation of 14th FC Grants, each GP was empowered to take up projects on need-basis, by preparing a five-year Perspective Plan and an Annual Action Plan (AAP). Considering both the long term priorities and immediate priorities, AAPs were to be prepared, with top-priority, for drinking water, sanitation and street lighting and required to be finalized by 28 February of the previous year. Similarly, as per Guidelines issued (May 2021) by Government of Odisha (GoO), AAPs are to be prepared for 15th FC also.

Further, as per the instructions (October 2015) of the PR&DW Department, the approved AAP of each GP is to be scrutinized by the concerned Block Development Officer (BDO), to ensure adherence to the guidelines. If the BDO

finds the plan is as per the guidelines, he/she is to intimate the GP, to act upon the AAP.

Audit examined records of the 63 selected GPs, related to planning, and noticed the following deficiencies:

- None of the GPs had prepared Five-year Perspective Plans.
- GPs had prepared the AAPs without providing priority to the specified areas of drinking water, sanitation, street lighting and waste management. Instead, importance had been given mainly to projects related to construction of roads, community centres, bathing ghats etc.
- The AAPs, prepared by the GPs, had not been scrutinized by the BDOs with the required due diligence. As a result, inadmissible projects had been included, as discussed in the subsequent paragraphs.

The PEOs of the GPs stated (August 2022) that, in future, the AAPs would be prepared taking into account the basic requirements.

Recommendation:

1. *AAPs may be prepared, with prioritization for basic civic services, viz. drinking water, sanitation and streetlights.*

2.4 Financial Management

2.4.1 Delayed release of 15th FC grants to the PRIs

As per the Operational Guidelines for implementation of the recommendations of the 15th FC, each instalment of grants received, was required to be distributed by the State, within 10 working days of its receipt from the Central Government. Any delay beyond ten working days would require the State Government to release the above instalments with interest, as per the effective rate of average interest on market borrowings/ State Development Loans of the previous year.

During FY 2020-21, the GoO had received ₹ 2,258 crores, under the 15th FC, towards the first and second instalments, for both Tied and Untied grants, for distribution among different tiers of PRIs. However, the Department had distributed the first and second instalments of Untied grant and the first instalment of Tied grant with delays up to 51 days. The Department attributed delays to wrong/non-existent account numbers of the payee units, invalid receiver IFSC codes, typographical errors *etc.* Since the average interest rate⁶, on market borrowings, was seven *per cent*, as of March 2020, the Department was liable to pay ₹ 26.58 lakh, towards interest, as per the details furnished in *Appendix-2.2*. The reply of the Department is awaited (September 2024), in regard to this observation.

2.4.2 Poor utilisation of CFC Grants, by GPs

As per the Rule 171 (3) of the Odisha General Financial Rules, 2002, funds released should be utilised within one year from the date of issue of sanction order. Further, as per the instructions of the PR&DW Department (August 2015), the funds allotted in the 1st instalment under 14th FC were to be utilised

⁶ As per the Status Paper on Public Debt in Odisha, issued (February 2021) by the Finance Department of Odisha

by 31 December of the year and the funds allotted in the 2nd instalment were to be utilised by 15 April of the subsequent year.

The receipt and utilisation of funds, by all the test-checked GPs, during the FYs 2017-22, is detailed in **Table-2.3**.

Table 2.3: Receipt and utilisation of CFC Grants by the test-checked GPs

(₹ in crore)

Financial Year	Opening Balance	Receipt of grants	Other Receipts ⁷	Total	Expenditure (%)	Closing Balance
2017-18	17.44	17.86	1.36	36.66	15.79 (43)	20.87
2018-19	20.87	19.61	0.99	41.47	22.40 (54)	19.07
2019-20	19.07	28.29	1.10	48.46	22.01(45)	26.45
2020-21	26.45	17.82	1.50	45.77	23.13 (51)	22.64
2021-22	22.64	11.59	1.07	35.30	16.80 (48)	18.50

Source: Records of the concerned GPs

As evident from **Table-2.3**, the year-wise spending efficiency⁸ of the GPs varied from 43 to 54 *per cent*, during the FYs 2017-22. The poor utilisation of funds was due to delays in the finalization of projects, selection of sites and execution of projects.

The PEOs of these GPs stated (August 2022) that they would take immediate action to utilise the unutilised funds.

2.4.3 Low pace of utilisation of 15th FC grants, by the ZPs and PSs

As per the Rule 171 (3) of the Odisha General Financial Rules, 2002, funds released, should be utilised within one year, from the date of issue of the sanction order.

During the FYs 2020-22, the receipt of grants under the 15th CFC and their utilisation, in the test-checked ZPs, was as shown in **Table 2.4**.

Table 2.4: Receipt and utilisation of 15th FC Grant in the test checked ZPs

(₹ in crore)

Financial Year	Opening Balance	Receipt of grants	Other receipts	Total	Expenditure (% of utilisation)	Closing Balance
2020-21	0.00	71.19	0.55	71.74	24.09 (34)	47.65
2021-22	47.65	52.62	1.40	101.67	48.20 (47)	53.47

Source: Records of the concerned ZPs

Audit noticed that, during the FYs 2020-21 and 2021-22, the test-checked ZPs had been able to utilise a maximum of 47 *per cent* of the available funds. Similarly, the utilisation of grants, by the test-checked PSs, during the FYs 2020-22, had been 10 to 53 *per cent*, in these two previous years, as detailed in **Table 2.5**.

⁷ Interest earned, earnings on sale of empty gunny bags etc.

⁸ The percentage of expenditure with relation to the total availability of funds.

Table 2.5: Receipt and utilisation of 15th FC Grants, at the PS level

(₹ in crore)

Financial Year	Opening Balance	Receipt of CFC Grants	Interest and other receipts	Total	Expenditure (% of utilisation)	Closing Balance
2020-21	0	26.41	0.24	26.65	2.55 (10)	24.10
2021-22	24.10	53.08	1.02	78.20	41.39 (53)	36.81

Source: Records of the test checked PSs

The low pace of utilisation of grants was due to delays in the preparation of AAPs; non-completion of works; and inadequate monitoring and supervision, by the district and PS level authorities, as discussed in Paragraphs 2.3, 2.5.2 and 2.6.2.

2.4.4 Non-adjustment of outstanding advances

As per the Orissa Panchayat Samiti Accounting Procedure (OPSAP) Rules, 2002, advances sanctioned and paid to departmental officers, are required to be adjusted regularly and promptly. The Registers of advances are to be annually checked by the concerned BDOs and attested with their signatures and dates. The Finance Department further instructed (March 2002) that advances lying unadjusted beyond one year were to be treated as loss to the Government account and necessary disciplinary action thereon, was to be initiated, to make good of such loss to the Government Account, by way of recovery/adjustment as the case may be.

Audit noticed that advances of ₹ 9.32 lakh had remained outstanding, in three test-checked PSs of the Koraput district, since August 2013, without any details like the names of the advance holders, the periods and purposes of the advances etc. Similarly, in five test-checked GPs of three districts, advances of ₹ 4.36 lakh had been given to ex-PEOs, since April 2012, out of which advances amounting to ₹ 2.87 lakh (Appendix 2.3) were still outstanding (as of March 2022). Further, it was found that neither had Advance Registers been maintained by the GPs, nor had the BDOs reviewed the outstanding advances. In the absence of adjustment of advances in a timely manner, the possibility of misappropriation of funds could not be ruled out.

The BDOs and PEOs of the concerned PSs and GPs assured (August 2022) that the outstanding advances would be adjusted.

2.4.5 Loss of Performance Grants

The 14th FC had recommended disbursement of Performance Grant from the FYs 2016-20, on fulfillment of specified conditions, e.g. submission of audited accounts, increase in own revenue, preparation of AAP and uploading of sector-wise expenditure in the website of MoPR. On fulfilment of the above criteria, GPs were to be awarded weightage scores, up to 100, and distribution of Performance Grants was to be made, as per the scores achieved⁹.

Audit verified the records from FY 2017-18 to 2019-20 and noticed that, during this period, the 63 test-checked GPs had received ₹ 65.18 crore, as basic grants, under the 14th FC. On that basis, against the minimum Performance Grants of

⁹ Scores up to 49: PG was to be 50 per cent of the allocation, Scores ranging between 50 and 60: 70 per cent of the allocation, Scores between 61 and 70: 80 per cent of the allocation and Scores above 70: 100 per cent of the allocation.

₹ 3.62 crore, six GPs (Bhuinpur, Dura, Golanthara, Mujagada, Sanakodanda & Raghunathpur) had availed only ₹ 0.58 crore, as of March 2020. The remaining 57 GPs had not been eligible for availing Performance Grants of ₹3.04 crore, due to non-fulfilment of the mandatory eligibility criteria, as detailed in **Table-2.6**.

Table 2.6: Loss of Performance Grants

(₹ in crore)

Financial Year	Basic Grant received	Minimum Performance Grant ¹⁰ due	Performance grant received	Loss of Performance Grant
2017-18	17.44	0.97	0.42	0.55
2018-19	19.61	1.09	0	1.09
2019-20	28.13	1.56	0.16	1.40
Total	65.18	3.62	0.58	3.04

Source: Records of the concerned GPs

Confirming these facts, the concerned PEOs stated (December 2022) that, due to non-fulfilment of the required conditions, the GPs could not receive Performance Grants.

2.4.6 Non-submission of Utilisation Certificates

Guidelines issued (August 2015) by the PR & DW Department stipulate that GPs were to submit Utilisation Certificates (UCs), in respect of 14th CFC grants, to the District Panchayat Officers (DPOs), after obtaining the approval of the concerned Gram Sabhas. The consolidated UCs, of all the GPs, were, thereafter, to be furnished by the DPOs, to the Government, duly countersigned by the CDOs, ZP.

Audit noticed that, during the FYs 2017-20, 60 out of 63 test-checked GPs had received ₹ 62.19 crore¹¹, as CFC grants. However, as of March 2022, neither had these GPs submitted any UCs to the DPOs, nor had the higher authorities, like DPOs/ CDO, ZPs, insisted on submission of UCs. Thus, the actual utilisation of grants could not be ascertained by the Government. Since the PEOs and DPOs were to ensure submission of consolidated UCs, their responsibility may be fixed for negligence in submission of UCs.

Confirming the facts, the concerned PEOs stated (December 2022) that the UCs would be submitted to the concerned authorities.

2.4.7 Diversion of funds

As per Rule 10 (1) of the OPSAP Rules, 2002, funds placed at the disposal of the Panchayat Samiti, by the Government, by way of grant, shall not be diverted for other purposes.

Audit noticed that, during the FYs 2017-22, out of the 63 test-checked GPs, 24 GPs, of 10 PSs had diverted ₹ 81.96 lakh, from CFC funds, for meeting expenses for other purposes, viz. GP Fund¹², State Finance Commission (SFC)

¹⁰ Basic Grant: ₹ 65.18 crore (90 percent of Total Grants), Total Grants (₹ 65.18 crore X 100/90): ₹72.42 crore, Maximum Performance Grants (₹10 percent of ₹72.42 crore): ₹7.24 crore, Minimum Performance grants due (50 percent of ₹7.24 crore): ₹3.62 crore

¹¹ FY 2017-18: ₹ 16.54 crore, FY 2018-19: ₹ 18.44 crore, FY 2019-20: ₹ 27.21 crore

¹² This fund mainly consists of the GP's own revenue/ resources

Grants, Harischandra Sahayata Yojana¹³ (HSY), General Cash Book, TMC¹⁴ etc. No part of this amount had been recouped, as of March 2022, despite lapse of 195 to 1,823 days, as detailed in **Appendix-2.4**.

Confirming these facts, the concerned PEOs stated (December 2022) that the diverted amounts would be recouped.

2.4.8 Non-remittance of Government revenue with appropriate authorities

As per OTC Vol-I, all money received by government servants, on account of the revenues of the State, is to be deposited into the treasury, or the bank, within three working days.

Audit, however, noticed that, during the FYs 2017-22, out of the test-checked GPs, in 28 GPs of 11 PSs, an amount of ₹ 63.98 lakh had been recovered from work bills, on account of royalty, labour cess and Value Added Tax (VAT). Out of this amount, ₹ 18.22 lakh had been deposited with the appropriate authorities, while the balance amount of ₹ 45.76 lakh was still lying with bank account of the GPs, without having been deposited, as of March 2022, as detailed in **Appendix-2.5**. This had resulted in irregular retention of government revenue.

Confirming these facts, the concerned PEOs stated (December 2022) that the government revenue would be deposited with the appropriate authorities.

Recommendations:

- 2. Responsibility for non- submission of UCs by the GPs, may be fixed on the concerned PEOs and DPOs.**
- 3. Grants may be utilised in a timely manner and only for the intended purposes.**

2.5 Execution of Works

As per the PR&DW Department's instructions (August 2015) for utilisation of CFC Grants, each GP was empowered to take up projects on need-basis, by preparing a five-year Perspective Plan and an Annual Action Plan. Further, as per GP Rules, 2014, the estimates of the works are to be prepared by the JEs of the concerned PS and administrative approval is to be granted by the Sarpanch/ GP. The works are to be executed either departmentally or through Village Level Leader or by a tender process.

2.5.1 Execution of inadmissible works

As per the implementation guidelines for 14th FC grants, basic grants were to be utilised for delivery of basic civic services, like water supply; sanitation including septic management; sewerage and solid waste management; storm water drainage; maintenance of community assets; and maintenance of roads, footpaths, street-lighting, burial and cremation grounds. Similarly, as per the implementation guidelines for the 15th FC grants, basic grants were untied and could be used by the local bodies for location-specific felt needs, but not for salary or other establishment expenditure.

Audit noticed that 25 GPs, out of 63 test-checked GPs, had utilised an amount of ₹ 1.37 crore, on works items such as beautification of GP office, procurement

¹³ A State Scheme that provides assistance for cremation, after the death of a poor person

¹⁴ TMC: Temporary Medical Centre for Covid patients

of monitor, printer, inverter etc., which were not admissible under 14th FC grants.

Similarly, one PS and 17 GPs, had incurred an expenditure of ₹ 0.81 crore on works/ items such as installation of CCTV Camera, construction of government quarters, purchase of office contingencies etc., which were not admissible under 15th FC grants.



Thus, inadmissible expenditure of ₹ 2.18 crore, as detailed in **Appendix 2.6**, had been incurred, out of CFC Grants, in violation of the provisions of the CFC guidelines.

Confirming these facts, the concerned BDO and PEOs stated (December 2022) that they would not incur any expenditure on inadmissible item, in future.

The reply was not acceptable, as the expenditure had been incurred in violation of the provisions of the guidelines and hence responsibility of the concerned who had approved such inadmissible expenditure may be fixed.

2.5.2 Wasteful expenditure due to preparation of unrealistic estimates

As per Rule 29(1) of the Odisha Gram Panchayat Rules, 2014, it is the responsibility of the BDOs, to exercise overall supervision, with regard to the proper execution of all works taken up by the GPs and to closely monitor their progress. Audit, however, noticed, in seven GPs, that seven works, with an estimated cost of ₹ 43.86 lakh, had been taken up for execution during the FYs 2018-21. After utilisation of an amount of ₹ 43.13 lakh, the projects were lying incomplete, as of March 2022, as detailed in **Appendix-2.7**. Audit conducted JPI (during May 2022 to January 2023) of six projects (except the projects in Mujagada GP of Bhanjanagar PS, Ganjam District) and noticed that these projects had been completed only up to the initial stages, even after utilisation of their entire estimated costs, as depicted in the **Photograph No. 2.1 and 2.2**. This indicated that the estimates had been unrealistic, as the total requirement of funds, for execution of these projects, had, apparently, not been considered. Thus, preparation of estimate without considering the entire project cost resulted in non-completion of the projects which ultimately led to wasteful expenditure of ₹43.13 lakh and denial of benefit to around 46,000 people of those GPs.

Photograph No.- 2.1	Photograph No.- 2.2
	
<p><i>Incomplete Kalyan Mandap at Dasamantapur GP of Dasamantapur PS, under the Koraput district</i></p>	<p><i>Incomplete Kalyan Mandap at Kuard GP of Jaleswar PS, under the Balasore district</i></p>

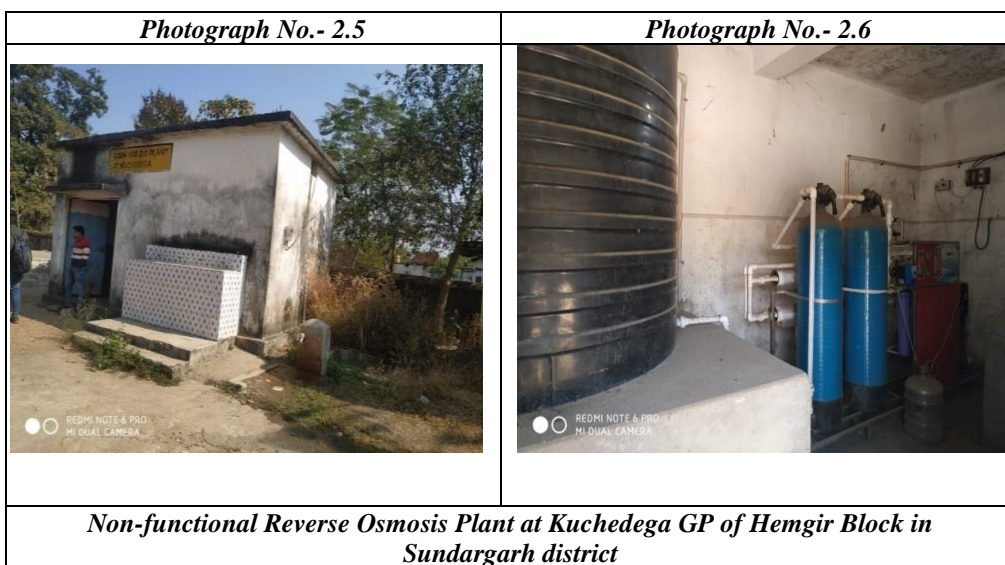
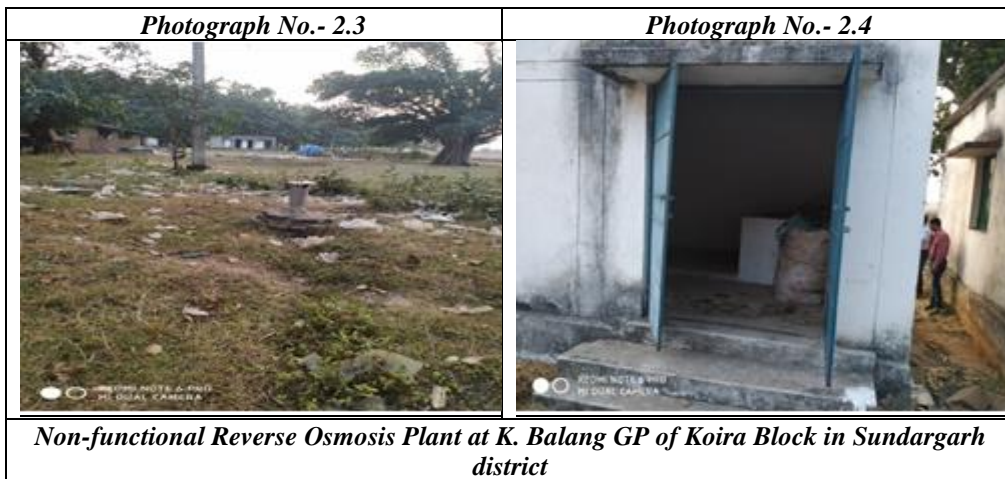
Confirming these facts, the concerned PEOs stated (December 2022) that Government would be asked for sanction of additional funds, for completion of the incomplete projects.

The reply was not tenable, since no reason was attributed for preparation of unrealistic estimates and action deemed fit, may be initiated against the officials responsible for preparation of such unrealistic estimates and wasteful expenditure thereof.

2.5.3 Wasteful expenditure on execution of water supply projects

As per the Odisha Fiscal Responsibility & Budget Management Act, 2005, government resources are to be used in ways that give the best value for money and the assets created out of these resources, should be put to use, to derive the maximum benefit. To achieve the objective of any water supply system, status of land, source of water, regular maintenance like annual maintenance contract, were to be ensured before installation of the water supply system.

- Audit noticed that, during the FYs 2016-20, in six out of 63 test checked GPs, Reverse Osmosis (RO) plants had been installed, for providing drinking water to around 27,000 people of these GPs. The cost of these plants (including the cost of building, plant electrification, sinking of bore well), was ₹ 36.90 lakh, as detailed in **Appendix-2.8**. However, while preparing these estimates the aspects like source of water, future upkeep of these plants were not considered. Further, the GPs had neither made any agreement with the suppliers for maintenance, nor had they maintained the RO plants on their own, despite admissibility of such expenditure from CFC Funds.
- From the JPIs, Audit observed (December 2022) that all these units were lying defunct, due to reasons such as non-procurement and non-repair of the required equipment and non-availability of source of water *etc.* No attempt had been made by the GPs, for rectification of these defects, in order to make these plants usable. As a result, despite utilisation of ₹ 36.90 lakh, these plants had failed to provide drinking water to around 27,000 people of these GPs.



➤ Similarly, in four GPs, six water supply works had been completed (between February 2020 and October 2021), by utilising an amount of ₹ 17.25 lakh, as detailed in **Appendix-2.9**. Audit conducted JPI and noticed that the assets created were not functional, primarily due to inadequate maintenance, including the non-repair of machinery, although the maintenance of assets of GPs is permissible under CFC Grants.



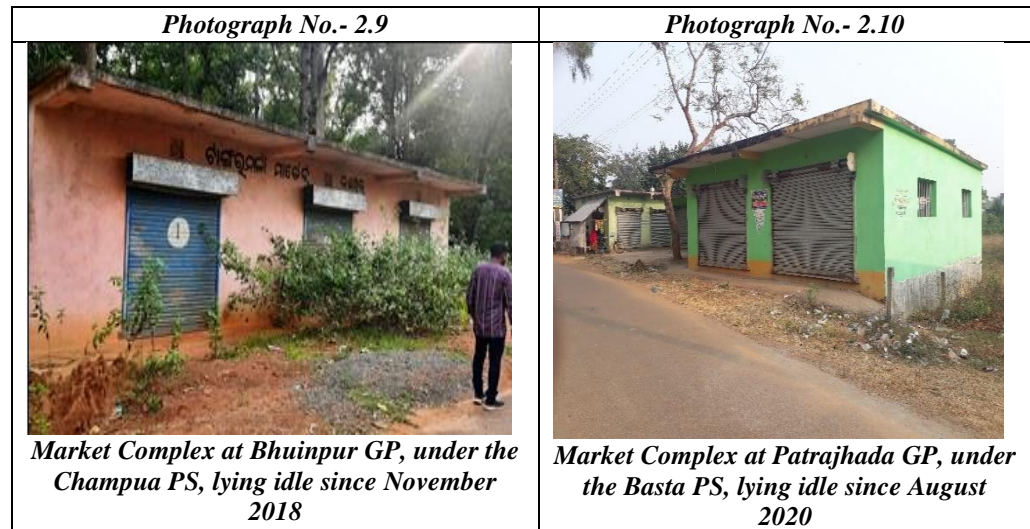
Confirming these facts, the concerned PEOs stated (December 2022) that steps would be taken to rectify the defects encountered in the execution of works.

2.5.4 Non-utilisation of Market Complexes

As per the instructions (June 2015) of the PR&DW Department, the Gram Sabha may be convened, to fix the monthly rent of the assets, with the approval of the GP. Further, as per the instructions (January 2016) of the PR&DW Department, the commercial buildings/shops were to be put to auction, for allotment.

Out of the 63 test-checked GPs, seven GPs¹⁵ had constructed (between November 2018 and May 2022) seven market complexes, by utilising an amount of ₹ 63.79 lakh.

Audit noticed that neither had the GPs convened the Gram Sabhas, for fixation of monthly rent, nor had the assets been put to auction, for generating revenue. Thus, the expenditure of ₹ 63.79 lakh, incurred in the construction of market complexes, had remained unfruitful and had failed to generate any revenue for these GPs.



Confirming these facts, the concerned PEOs stated (December 2022) that, due to fixation of higher rent, nobody had come forward to use the assets on hire. The reply is not tenable since, none of the PEOs of the test-checked GPs, could provide any document regarding fixation of rent in their Gram Sabhas. Further, failure on the part of GPs to utilise the market complexes resulted not only in wasteful expenditure but also blocked the money which could have been utilised for other productive purposes, action may be initiated against officials responsible for such wasteful expenditure.

2.5.5 Irregular payment of transportation cost

As per PR&DW Department instructions (July 2018), procurement of road metal and construction material, was to be made from dealers registered with sales tax authorities, on tender/quotation basis, observing codal procedures and payment to the registered dealers/suppliers was to be made through account payee cheques.

¹⁵ Pattmunda, Kuchedega, Panposh, Patrajhada, Trijanga, Bhuinpur and Mujagada

Out of all the test-checked PSs and GPs, Audit noticed, in one PS (Bhanjanagar) and four¹⁶ GPs, that, 20 works had been executed, during FYs 2017-22, by utilising an amount of ₹ 35.89 lakh, out of which expenditure of ₹ 7.11 lakh, had been incurred through hand receipts, towards cost of transportation of material to different sites. Audit further noticed that, out of ₹ 7.11 lakh, ₹ 5.86 lakh had been shown as having been paid for transportation of materials by motorbikes and non-existent vehicles¹⁷. Hence, the genuineness of the vouchers was doubtful.

Confirming these facts, the PEOs stated (December 2022) that due care would be taken, while submitting vouchers, in future. The reply is not acceptable, since the veracity of these vouchers was doubtful which needs further investigation and appropriate action against those responsible for such irregularity.

2.5.6 Irregularities in the installation of street lights

As per the instructions (August 2015) of the PR&DW Department, street lights were to be provided to the most populous villages, on priority basis, in the areas of mass congregation. The projects were required to be technically sanctioned by the Junior Engineers (Electrical) and approved by the GPs. If necessary, funds could be placed with the Electrical Division for execution and payment made on physical inspection of the light posts. As per Para 12 (i) of guidelines on Procurement of Goods, issued (February 2012) by Finance Department, tenders may be advertised for the procurement of goods of estimated value of ₹ 5.00 lakh or more. Further, Orissa Public Works Department (OPWD) Code Vol-II, Appendix-VII (amended in 2015), states that tender shall ordinarily be invited for all works costing more than 5.00 lakh or more.

Audit test-checked 235 projects, executed in 24¹⁸ GPs during the FYs 2017-22, and noticed the following irregularities.

2.5.6.1 Execution of work without administrative approval and technical sanction

As per OPWD Code Vol.1, besides estimates, the three essential prerequisites for commencement of public works, are: (i) Administrative Approval (ii) Technical Sanction and (iii) Allotment of Funds.

Audit, however, noticed that, in 55 cases, before taking up the projects, neither had any estimate been prepared by authorised technical authority, nor had the projects been administratively approved and technically sanctioned by the competent authorities.

Confirming these facts, the concerned PEOs stated (December 2022) that, due to ignorance, estimates, for execution of streetlights, had not been prepared. The

¹⁶ Tikiri GP of Kashipur PS; Bhetiapada and Durgi GPs of Bissamcuttack PS; and Bhuinpur GP of Champua PS

¹⁷ As ascertained from 'Parivahan Sewa' web portal

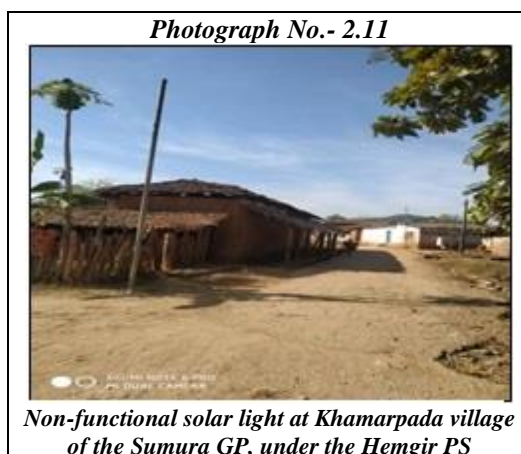
¹⁸ Kashipur PS: Talajhari, Podpadi and Tikiri GPs; Muniguda PS: Kumudabali and Sibapadar GPs; Simulia PS: Kanchapada GP; Champua PS: Badanai, Bhuinpur and Rajia GPs; Koira PS: Gopna, K. Balang and Pattmunda GPs; Hemgir PS: Ankelbira, Kuchedega and Sumura GPs; Rajgangpur PS: Buchukpada and Panposh GPs; Basta PS: Gadapada GP; Jaleswar PS: Khard, KM Sahi and Sikharpur GPs; Sukinda PS: Dudhujori GP; Danagadi PS: Rachhipur GP; and Bissamcuttack PS: Chanchadaguda GP

reply was not acceptable, since execution of works without estimates and administrative approvals, was violative of the codal provisions.

2.5.6.2 Non-observance of transparent procedures in award of works

Audit noticed that three¹⁹ of the test-checked GPs had taken up five streetlight projects (2017-22), with an estimated cost of ₹35.85 lakh. In each case, the estimated cost was more than ₹ 5.00 lakh. However, in all these cases, instead of going for open advertised tender, the GPs had collected quotations from firms, without publication of any notices. In two GPs (Podapadi and Tikiri) of Kashipur PS, for installation of 23 solar streetlights, quotations had been collected from three firms which did not deal in solar lights, as verified from the Goods and Service Tax (GST) Portal.

Further, the executants neither had offered any warranty for the equipment, nor had any contract been signed with the executants, for maintenance of street lights during the warranty period. Thus, due to lack of required expertise and skill and non-coverage by warranty, these street lights were lying defunct, as discussed in subsequent paragraphs.



Confirming the facts, the concerned PEOs stated (December 2022) that, since the GPs did not have technical staff to deal with the process of tendering, the executants had been selected through quotation call notices. The reply is not tenable, since the GP works had been executed under the technical support of the PSs, which had the required expertise.

2.5.6.3 Wasteful expenditure in the installation of street lights

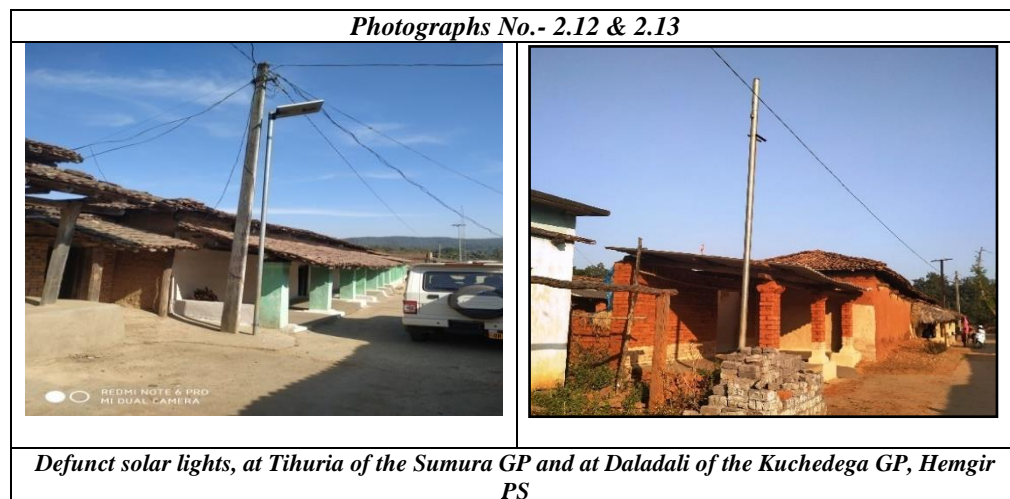
The solar lights are self-functioning equipped with Solar Panel Assembly, Solar Battery Assembly, Light Controls, Solar Light Fixture, Fixture Mounting Bracket etc., and linked to each other with wires. Defect in any of these fixtures may result in non-functioning of the solar lights.

In six²⁰ test-checked GPs, of two PSs (Koirā and Hemgir), of the Sundargarh district, 290 solar streetlights points had been installed, by two firms²¹, utilising an amount of ₹ 74.75 lakh, during the FYs 2017-20. JPI of 121 solar streetlights points revealed that all the light points had become defunct, after six months from installation. Neither had the suppliers given any warranty for these lights, nor had the GPs made any maintenance on their own, despite admissibility of such expenditure from CFC Funds. As a result, the expenditure of ₹ 40.90 lakh, incurred on the installation of 121 solar streetlights, had been rendered unfruitful.

¹⁹ Podapadi GP of Kashipur PS, Badanai and Bhuinpur GPs of Champua PS

²⁰ Gopana, K. Balanga and Pattmunda of Koirā PS and Ankelbira, Kuchedega and Sumura GP of Hemgir PS

²¹ M/s REMAX Clean Energy, Rourkela, and M/s Gajanan Solar Agency, Sundargarh



Confirming these facts, the concerned PEOs stated (December 2022) that steps would be taken for repair of the non-functional light points. The replies are not acceptable, since no repair had been taken up, despite lapse of more than two years of the projects becoming non-functional.

2.5.6.4 Findings of Joint Physical inspection of street lights

Joint Physical Inspections (JPIs), of 355 light points (both electric and solar), were conducted along with the PEOs concerned, to ascertain the status and functionality of projects revealed the following:

- 191 light points (54 per cent) were functional.
- 124 points (35 per cent) were non-functional,
- 40 points (11 per cent) were missing.

Confirming these facts, the PEOs assured that repair of the defunct light points, would be undertaken. The reply was not acceptable, as the beneficiaries were deprived of the intended services, due to non-functioning of these light points.

2.5.6.5 Non-installation of solar street lights, despite full payment

During the FY 2019-20, for execution of two solar street light projects²², out of 14th CFC grants, the Talajhari GP, of Kashipur PS, had awarded (November 2019) the work to an agency²³, without any estimate, administrative approval and technical sanction. The agency had been selected on single quotation basis and had been paid (December 2019) ₹ 4.39 lakh, for execution of these projects.

JPI of the above projects was conducted (October 2022) by Audit, in the presence of PEO, Talajhari GP. The team could not find any installed solar lights in the concerned villages. The ex-PEO, who had been in charge of the GP at the time of installation of the aforesaid projects, stated that, despite payment (December 2019) of full cost to the agency, no solar street lights had been installed. Reasons for payment of full cost, without actual installation, were not found available on records.

This indicated that there had been unauthorised booking of expenditure and release of payment, without actual execution of work.

²² Installation of solar light projects in the Tentulipada and Mahajal villages

²³ Sri Binayak Enterprises, Rayagada

Confirming these facts, the BDO, Kashipur, stated (October 2022) that these would be investigated and the factual position would be intimated to Audit. No further reply had been received (September 2024).

Recommendations:

- 4. Action may be initiated against the officials responsible for incurring inadmissible expenditure, preparing unrealistic estimates that led to non-completion of works and wasteful expenditure on non-functional assets.**
- 5. Investigation may be conducted and action may be taken against officials responsible for**
 - i) payment of transportation charges on fake vouchers**
 - ii) non-functioning of streetlights, missing streetlight points and non-installation of streetlights, despite payment being made.**

2.6 Monitoring and supervision

2.6.1 Non-conduct of Social Audit

The 14th FC and 15th FC Guidelines encouraged adoption of social audit at the grassroots level, to ensure fiscal transparency in the execution of works and to bring about qualitative improvement in public spending.

Audit noticed that no social audits had been conducted during the FYs 2017-22, at the GP level, in any of the test-checked GPs, to ensure fiscal transparency, accountability and efficiency in the execution of projects through CFC grants. In the absence of social audit, fiscal transparency could not be ensured and Audit noticed various irregularities, as discussed in the previous paragraphs.

Confirming the fact, the concerned PEOs stated (December 2022) that social audits would be conducted, in future. The reply was not acceptable, as the participation of local public, to ensure transparency, could not be ensured, in the absence of social audit.

2.6.2 Inadequate supervision and physical verification of projects

As per the PR&DW Department instructions (August 2015), monthly review of different developmental works, undertaken at the GP level, was to be taken up by the concerned BDOs, in the first week of the month and a report thereon was to be submitted to the concerned CDO-cum-EOs, with a copy to the District Panchayat Officers concerned.

No documentary evidence, in support of any review meetings, having been conducted, during the FYs 2017-18 to 2021-22, were produced to Audit, by any of the test-checked GPs and PSs. Further, no registers had been maintained, to record the points discussed and defects noticed, in the course of discussions.

Confirming these facts, the concerned BDOs and PEOs assured (December 2022) that due procedure would be followed, in future. The reply was not acceptable, as absence of regular supervision had resulted in irregularities in the execution of works.

Recommendation:

- 6. The monitoring mechanism may be strengthened by ensuring conduct of social audits, to bring about transparency in implementation.**