CHAPTER III
CIVIL DEPARMENTS

SECTION "A" - REVIEW

AGRICULTURE AND CO-OPERATION DEPARTMENT

3.1 Integrated Audit and Manpower Management of Co-operation Department

Highlights

Co-operative movement encompasses all spheres of economic activities in Gujarat. Scrutiny of records of Co-operation Department revealed weaknesses in implementation of Co-operative Societies Act. Urban Co-operative Banks and District Central Co-operative Banks suffered heavy losses due to irregular investment. Inadequacy of internal audit affected proper control and monitoring over co-operatives.

Gujarat State Co-operative Bank demanded Rs.11.54 crore and Rs.65.49 crore due to the inability of loanees to repay the dues on account of monsoon failure (1993) and drought (1999 and 2000) respectively. Government declined.

(Paragraph 3.1.5.1.1(i))

Gujarat State Co-operative Bank did not credit Rs. 3.30 crore to Credit Stabilisation Fund.

(Paragraph 3.1.5.1.1(ii))

Gujarat State Co-operative Bank created fictitious asset of Rs.30.13 crore (1981-2002) by not charging Income Tax payments to profit and loss account.

(Paragraph 3.1.5.1.3)

Government share capital of Rs.1.46 crore was not retired by Gujarat State Co-operative Agriculture and Rural Development Bank.

(Paragraph 3.1.5.1.4)

Three Sugar Co-operative Societies were paid excess share capital of Rs.4.75 crore. Rs.3.02 crore were released to a Sugar Co-operative which was yet to be set up. 11 sugar factories had not paid dividend of Rs.34.29 crore to Government during 1998-2002.

(Paragraph 3.1.5.2.1 and 3))

Urban Co-operative Banks and District Central Co-operative Banks suffered a loss of Rs.126.48 crore and Rs.14 crore respectively due to irregular investments by them.

(Paragraph 3.1.5.4.2)

Rs.19.25 crore was paid to Gujarat State Cotton Federation without ascertaining the need.

(Paragraph 3.1.5.5.2)

During 1998-02 arrears in audit by Registrar of Co-operative Societies was 28 to 54 *per cent*.

(Paragraph 3.1.7.2)

3.1.1 Introduction

Co-operative movement is deeply entrenched in Gujarat. In order to meet the specific needs of different beneficiaries, Gujarat Co-operative Societies Act, 1961 (Act) was enacted which came into force from 1 March 1962. The movement forayed into different spheres of economic activity in the State with major thrust on agriculture.

3.1.2 Organisational Set-up

Registrar of Co-operative Societies (RCS) is the principal authority for administration of the Act. Director of Sugar (DOS) and Chief Executive Officer (CEO), Supervision and Audit Committee Milk (SAC) are Heads of the Departments (HODs) and exercise the powers of RCS in their respective areas. The President, Gujarat State Co-operative Tribunal is another HOD with specific powers. The RCS and other HODs are functioning under the overall control of the Secretary, Co-operation Department (Secretary) of the State Government. RCS is assisted by the Additional Registrars, Joint Registrars, Deputy Registrars, Auditors, etc. in the Headquarters and field formations.

3.1.3 Audit Coverage

A review of functioning of the Co-operation Department (Department) for the period 1998-2002 was conducted during December 2001 to June 2002. The records of the Department, RCS, DOS, CEO, SAC (Milk), Joint Registrar and Special Auditor (Divisional), Rajkot, six** District Registrars of Co-operative Societies (DRCS), two# DRCS (Sugar), Joint Registrar, Co-operative Societies Audit, Gujarat State Co-operative Agriculture and Rural Development Bank Ltd., Ahmedabad (GSCARDB), Rajkot, three Apex Co-operatives societies*, and six** District Central Co-operative Banks (DCCBs) were test checked. The results of the review are mentioned in the succeeding paragraphs.

3.1.4 Budgetary Control

Budget provision made without sanction of scheme led to savings

The provisions and expenditure in the last six years were as under:

(Rupees in crore)

Year	Section	Budget Provision (i.e. Final Modified Grant (FMG))		Expenditure		Savings (-) Excess (+)		Percentage of savings to Budget provision	
		Plan	Non-plan	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1996-97	Revenue	1.06	29.20	1.04	34.83	(-)0.02	(+) 5.63	2.42	--
(VIII Plan)	Capital	15.13	1.46	15.13	1.46	--	--	--	--
1997-98	Revenue	3.81	21.88	3.88	22.51	(+)0.07	(+)0.63	--	--
(IX Plan)	Capital	12.00	10.70	12.41	10.22	(+)0.41	(-)0.48	--	4.43
1998-99	Revenue	3.95	31.14	3.94	31.02	(-)0.01	(-)0.12	--	0.37
(IX Plan)	Capital	17.78	11.12	16.48	11.27	(-)1.30	(+)0.15	7.31	--
1999-2000	Revenue	4.30	29.87	4.24	30.64	(-)0.06	(+)0.77	--	--
(IX Plan)	Capital	12.96	15.46	12.83	14.79	(-)0.13	(-)0.67	1.06	4.28
2000-2001	Revenue	7.18	30.24	4.20	31.02	(-)2.98	(+)0.78	41.52	--
(IX Plan)	Capital	10.70	13.86	6.69	13.56	(-)4.01	(-)0.30	37.46	2.16
2001-2002	Revenue	2.20	29.52	1.61	31.11	(-) 0.59	(+) 1.59	26.82	
	Capital	4.32	0.10	0.78	0.08	(-) 3.54	(-) 0.02	81.94	20.00
Total		**95.39**	**224.55**	**83.23**	**232.51**	**(-)12.16**	**(+) 7.96**		

(*Source*: Appropriation Accounts.)

Broad reasons for saving were:

(i) The Department provided Rs.4.63 crore (1998-2001) on two schemes *viz.* Financial Assistance for removal of imbalances of PACs and DCCBs in 2000-2001 (Rs.2.70 crore) and investment in cogeneration project (Rs.1.93 crore) during 1998-2001 without sanction of Government of India (GOI) resulting in surrender of Rs.2.20 crore to the State Government.

(ii) RCS prepared annual plan budget without obtaining any information from the subordinate offices in violation of Para 33 of the Manual. As a result, out of Rs.64 lakh sanctioned (Rs.13.50 lakh in1998-99, Rs.50.50 lakh in 2000-01)

** (i) Jamnagar, (ii) Junagadh, (iii) Rajkot (iv) Surat (v) Surendranagar and (vi) Vadodara

(i) Junagadh and(ii) Surat

* (i) Gujarat State Co-operative Bank, Ahmedabad (GSCB), (ii) GSCARDB (with its branch office at Rajkot) and (iii) Gujarat State Co-operative Cotton Federation Limited, Ahmedabad (GUJCOT)

for 12 schemes in two districts (Vadodara and Valsad) Rs.58 lakh were surrendered in March 1999 and January 2001 respectively.

(iii) RCS injudiciously provided supplementary grants against four heads of accounts during 1998-2000 in violation of Para 106 A (1) of the Budget Manual. These were found in excess resulting in savings of Rs.1.65 crore.

3.1.5 Functioning of co-operative societies

As per Section 4 of the Act, registration of societies with RCS/DOS was obligatory. There were 53,610 registered societies in the state as on 31 March 2002 with paid up capital of Rs.1768.78 crore. The four major categories of co-operative societies were Housing Societies (31 *per cent),* Milk Supply Societies (21 *per cent*), Primary Agricultural Credit Societies (PACSs) (14 *per cent*) and Employees Credit Societies (10 *per cent).*

There were 12 Apex Co-operative Societies in the State engaged in various activities as mentioned in Appendix- XVI.

3.1.5.1 Primary Agriculture Co-operative Societies

7658 PACSs supported by 18 District Central Co-operative Banks (DCCBs) affiliated with Gujarat State Co-operative Bank (GSCB, an apex Bank) were providing short-term loans directly to 21,67,551 farmers (March 2002).

Government invested directly in the share capital of GSCB and indirectly in DCCBs and PACSs through Principal State Partnership Fund (PSPF) and Subsidiary State Partnership Fund (SSPF) respectively. Government's total investment in their shares was Rs.37.20 crore (March 2002). National Bank of Agriculture and Rural Development (NABARD)'s loans to the agricultural co-operative sector was Rs.570.66 crore (March 2002).

3.1.5.1.1 Credit Stabilisation Fund

Government failed to release its share of Rs.77.03 crore to CSF

(i) A Credit Stabilisation Fund (CSF) was created to provide for conversion of short-term crop loans not repaid by farmers affected by natural calamities into medium term or long term loan. The corpus required for conversion was shared by NABARD (60 *per cent*), State Government (15 *per cent*), GSCB (10 *per cent*), and DCCBs (15 *per cent*).

Though Rule 5(1) of State CSF provides for the investment of the credit balances, the Government was yet to invest it; instead it continued to be part of Consolidated Fund of the State. The Government could not therefore meet the demand of Rs.11.54 crore from GSCB arising out of monsoon failure of 1993 Kharif. GSCB paid the amount on behalf of Government. This resulted in loss of interest of Rs.95.24 lakh to GSCB which was not yet made good by the Government. Moreover, loans of Rs.352.09 crore had to be rescheduled in six• districts affected by drought in 1999 due to inability of farmers to repay. Further the Government failed to release (May 2000) its share of Rs.52.81

• Amreli, Bhavnagar, Jamnagar, Junagadh , Panchmahals and Rajkot crore promptly. Further due to weakness of DCCBs of two[♣] districts, NABARD did not provide further loans for their credit stabilisation. The State Government did not release the demand of GSCB amounting to Rs.12.68 crore for the year 2000-01.

(ii) GSCB, was to credit 3 *per cent* interest on the closing balance of CSF held by it but failed to do so. This resulted in less credit of Rs.3.30 crore to CSF during the period (1998-2002).

Rs.6.03 crore not refunded by GSCARDB

(iii) The State Government noticed that the CSF with GSCARDB was not being utilised for rescheduling of long-term agriculture loans and therefore it was decided (January 1996) to discontinue the same. Rs.6.03 crore which was lying in the Fund (March 2002) including Government contribution of Rs.3.19 crore remained to be refunded to Government.

3.1.5.1.2 Weak financial position of credit Co-operatives

Government failed to take remedial action to arrest weak financial position of DCCB

Due to poor financial performance, 7 out of 18 DCCBs (Appendix-XVII) were declared as weak by NABARD as on 31 March 2002 and denied refinance facilities severely affecting the credit availability. Intangible Assets (which includes accumulated losses, bad debts not covered by provisions and imbalances) of the DCCBs and PACs showed an increase of Rs.397.94 crore since 1995 as shown below:

(Rupees in crore)

Serial number	Name of Institutes	Intangible Assets	
		as on 31-3-1995	as on 31-3-2001
1	DCCBs	245.35	409.53
2	PACS	80.97	314.73
	Total	**326.32**	**724.26**

Reasons advanced by GSCB for weakening of financial structure were (i) recurring natural calamities, (ii) heavy administrative cost due to three-tier structure and (iii) cumbersome recovery process. To improve the situation, the Union Government and Reserve Bank of India (RBI) suggested (December 2001) (i) merger of DCCBs and liquidating unviable DCCBs and PACs to reduce administrative cost (ii) expediting the recovery process, (iii) infusion of funds by way of issuance of bond and (iv) integration of short-term and long-term loan structure into a single window organisation. However, State Government failed to take any concrete measures so far (March 2002).

3.1.5.1.3 Capitalisation of Income Tax by Gujarat State Co-operative Bank

GSCB exhibited fictitious assets in the balance sheet

The banking income of co-operatives were exempt from Income Tax (IT), whereas tax liability on their non-banking income was under litigation. However, the tax of Rs.30.13 crore paid so far (March 2002) was not charged to the Profit & Loss Account. In the event of its subsequent write back to Profit and Loss Account, this will lead to heavy capital erosion.

[♣] Junagadh and Panchamahals

3.1.5.1.4 Non-redemption of share capital

Government failed to prescribe terms and conditions for capital participation

As per condition No.7 of the terms and conditions all co-operative credit institutions should retire contribution within 20 years. However, Rs.50 lakh paid to GSCARDB (1951-61) was not retired (April 2002). Government had further contributed Rs.96 lakh to their capital (1983-86), but failed to prescribe any terms and conditions.

Non repayment of share capital contribution

State Government paid share capital contribution of Rs.1.51 crore (1962-89) to DCCB, Surendranagar from PSPF. Of the above, Rs.98 lakh was due for repayment during 1980-99. However, no amount was repaid (June 2002).

3.1.5.2 Sugar Co-operatives

3.1.5.2.1 Irregularities in share capital contribution to sugar co-operatives

Government investment in sugar co-operative societies was to the extent of 30 *per cent* of the project cost in the form of redeemable preference share to be released in three annual instalments. This was subject to the conditions that the societies were to mobilise 10 *per cent* of the cost as members' share capital and arrange term loan of 60 *per cent* from financial institutions.

(i) Excess release of share capital

Government released Rs.4.75 crore excess share capital to the following three sugar co-operatives thereby extending undue benefit.

(**Rupees in crore**)

Serial number	**Society**	**Year**	**Cumulative entitlement due**	**Cumulative Amount released**	**Excess Release**	**Total excess release**
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Shri Damanganga Co-operative Khand Udyog Mandli Ltd., Vapi	2001-02	4.25 (70 %)	5.50	1.25	1.25
2	Shri Maroli Vibhag Khand Udyog Sahakari Mandli Ltd., Maroli	1997-98	1.78 (40 %)	4.40	2.62	2.62
3	Shri Sardar Co-operative Sugar Industries Ltd., Lahod	1998-99	5.14 (40 %)	7.57	2.43	0.88
		1999-00	9.00 (70 %)	12.24	3.24	
		2000-01	12.86 (100 %)	13.74	0.88	
					Total	**4.75**

(ii) Undue favour to a society

Shri Maroli Vibhag Khand Udyog Sahakari Mandli Ltd,. a loss making society undertook modernisation and expansion at a cost of Rs.22.50 crore. Government, before approval of term loan from financial institutions, released Rs.4.40 crore to the society against the entitlement of Rs.1.78 crore. Government further released Rs.2.78 crore (June 1999) towards first instalment of NCDC loan. However, interest of Rs.81.49 lakh accumulated on Government release of Rs.2.78 crore has not been paid by the society. Further, Rs.4.40 crore paid to the society was also not returned. The project was yet to be completed (March 2002)

(iii) Release of share capital to a sugar society without proper assessment

Rs.3.02 crore was released without proper assessment of project

Shri Kaveri Vibhag Sahakari Khand Udyog Mandli Ltd., Chikhli was released share capital of Rs.1.43 crore in 1991 and Rs.1.59 crore (March 1998) for a new sugar factory. The new factory could not be set up (March 2002). Thus releasing share capital disregarding objections of financial institutions and site condition led to blocking of Government fund of Rs.3.02 crore.

3.1.5.2.2 Failure to repay share capital by sugar co-operatives

Share Capital for Rs.32.38 crore was not redeemed by 11 societies

Government investment in the capital of 26 existing sugar co-operative societies was Rs.87.26 crore (March 2002). They were to repay Government capital within 10 years of payment in five equal instalments. However, 11 societies did not repay share capital of Rs.32.38 crore as on 31 March 2002 (Appendix-XVIII).

3.1.5.2.3 Failure to pay dividend

Dividend of Rs.34.29 crore was not paid by Sugar Co-operative Societies

Out of the 26 existing societies, 6 societies were not working and 4 were under liquidation. After prescribed grace period of five years, societies were to pay dividend at the rate of 12 *per cent* per annum. 11 societies[#], which had not repaid the share capital (Appendix-XIX) of Rs.70.19 crore (March 2002) were liable to pay Rs.34.29 crore as dividend (1998-2002). However, no dividend was paid. Government failed to take any action (September 2002).

3.1.5.3 Milk Co-operatives

There is a three tier structure for milk purchase, sale and processing with 11288 primary milk co-operative units having 21 lakh members working at the village level, 12 district level milk producers’ unions and Gujarat Milk Marketing Federation (GMMF) at the apex level. GMMF has an annual turnover of Rs.2000 crore. Government created (October 1987) an independent Supervision and Audit Committee (SAC) headed by Chief Executive Officer of the rank of an Additional Registrar.

3.1.5.3.1 Audit of GMMF

Independent audit of GMMF was not ensured

Managing Director (MD) GMMF was a member of SAC auditing all milk Co-operatives including GMMF, which was detrimental to the concept of independent audit provided in the Act. Later the Government permitted the GMMF to appoint an auditor of their own choice from 1996-97 till 1999-2000 in violation of the provisions of the Act. Government separately decided (September 2000) to conduct the audit of GMMF by SAC, but they

[#] Out of 11, 4 were not working. But non-working societies were also liable to pay dividend till orders of liquidation are issued.

unauthorisedly continued the audit by their own auditor. Despite gross violation of the provision of statute and Government orders, the RCS did not take any punitive action against GMMF under Section 76-B of the Act.

3.1.5.3.2 Audit of primary milk co-operatives

There were 2563 audit reports of primary milk co-operative societies pending follow up action (March 2002). Out of the above, 196 reports were referred to Police or Government Pleader and 2292 were in Court of Law.

3.1.5.4 Urban Co-operative Banks (UCBs)

There are 358 UCBs in Gujarat with 30 lakh members.

3.1.5.4.1 Weak financial control over UCBs and grave financial irregularities

RCS failed to exercise checks to bring back weak banks to track

(1) Audit Manual provides (Para 1, Part 4 of Chapter 7) that serious irregularities and misappropriation noticed must be reported to the RCS for appointment of inquiry officers. However, a test check of special reports of UCBs revealed that appointment of inquiry officers and approval by the RBI were badly delayed.

(i) Inquiry officers were not appointed in five cases even after seven to 22 months (September 2002). In six other cases, the inquiry officers were appointed after one year (ii) in four out of five cases referred between August 1999 and January 2002, RBI's permission under Section 115 A was awaited (September 2002) even after a period of 8 to 16 months and in the fifth case, RCS did not take any action though permission was granted.

(ii) Manager of one UCB[#] misappropriated Rs.2.66 crore.

(iii) One co-operative bank invested Rs.4.08 crore (1997-2001) in two other co-operative banks and two companies without approval of RCS as required under Section 71. Out of this, Rs.2.39 crore were not received back.

(iv) A firm owned by the Chairman of a Co-operative Bank was illegally allowed to overdraw from the current account and was sanctioned an overdraft without proper security. The total dues were Rs.1.12 crore (March 2002). The Bank was liquidated (October 2001) and recovery was still pending (September 2002).

3.1.5.4.2 Investment by Banks

Irregular investments by UCBs/DCCBs resulted in loss of Rs.140.48 crore

(i) 27 UCBs and three DCCBs invested Rs.42.99 crore (1996-97) in CR Bhansali Marketing Co. Ltd., an organisation not approved for investment under Section 71(1) of the Act. Approval of RCS as required under Section 71(2) was also not obtained for investment. The company became bankrupt and Rs.42.99 crore became irrecoverable.

[#] Ahmedabad

RCS also failed to take punitive actions against these erring societies. Inquiries ordered by RCS (February and March 2000) were yet to be completed. Thus, the interest of shareholders could not be protected.

(ii) Sale and purchase transactions of Government securities was permissible under Section 71(1). However, nine UCBs made such transactions (2001-02) through 'Home Trade Co.' and 'Syndicate Management Services Private Ltd., Ahmedabad' without verifying their credit worthiness. These transactions resulted in a loss of Rs.97.49 crore as the concerned companies neither delivered the Government securities nor returned the money to the banks.

Details of recovery of the dues were awaited (October 2002).

3.1.5.5 Other Co-operatives

3.1.5.5.1 Housing co-operatives

There are 16831 primary housing co-operatives in the state. The Gujarat State Co-operative Housing Finance Corporation (GSCHFC) an apex society provides advances to the primary societies. Apart from GSCHFC, Co-operative Banks like DCCBs and UCBs were also financing housing sector.

Out of 2626 Housing Societies in seven districts only 652 societies (25 *per* cent) were audited (March 2002).

(i) Weak financial position of GSCHFC

GSCHFC is not financing Housing Co-operatives since 1985 due to its weak financial position and poor recovery. As against principal loan and interest of Rs.119.84 crore recoverable from Housing Societies, the corporation had to pay Rs.383.81 crore on principal and interest as on 31 March 2002. It had outstanding loan of Rs.355.66 crore (Rs.158.02 crore principal and Rs.197.64 crore interest) payable to LIC. The corporation was defaulter of repayment of LIC loan since 1995. The accumulated loss of corporation as on 31-3-2002 was Rs.297.49 crore as against share capital of Rs.20.60 crore which has been completely eroded indicating mismanagement.

RCS on assessing the financial position recommended (November 2000) to the Secretary, Co-operation Department liquidation of the corporation. No action has been taken and no reasons were furnished.

(ii) Mezzanine[*] finance given to vanishing housing societies

The Junagadh DCCB advanced mezzanine finance of Rs.1.13 crore (1981-82) to 11 housing societies affiliated with GSCHFC without obtaining property documents. The societies failed to make repayments and eventually the committee members of those societies became untraceable. The current dues alongwith interest increased to Rs.3.30 crore (March 2002). By not taking any punitive action against the delinquents, RCS failed to protect the interest of the shareholders of Junagadh DCCB.

[*] Bank Acts as an intermediary to finance.

3.1.5.5.2 Agricultural Marketing Co-operatives

Agricultural Marketing Co-operatives are engaged in supply of inputs to farmers, procurement and marketing of their produce.

Margin money loan to GUJCOT for marketing and distribution

Irregular payment of margin money of Rs.19.25 crore to GUJCOT

Gujarat State Cotton Federation (GUJCOT) was getting 60 *per cent* as cash credit from financial institutions and the remaining (40 *per cent*) from their internal resources for their cotton purchase and sales operations. The Government instead of providing working capital, chanelled yearly NCDC long-term margin money loan for any unbridged gap in their internal resources.

The cotton purchased by GUJCOT steadily dwindled from 1.98 lakh bales (1996-97) to 97 thousand bales (1999-2000) but GUJCOT inflated their margin money requirements by (i) inflating their targets from 2 lakh bales to 4 lakh bales (ii) adding processing costs, which was not permissible. The Government too without adjusting excess margin money paid in earlier years, channeled NCDC loans of Rs.19.25 crore. The outstanding loan was Rs.14.84 crore as detailed under:

(**Rupees in crore**)

Cotton Year	**Requirement of funds in excess of cash credit for targeted procurement quantity**			**Funds required for actual procure-ment**	**Internal resources available during the year**	**Margin money paid during the year**
	Month	**Inclusive of processing cost**	**Exclusive of processing cost**			
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
1997-98 (paid during 1998-99)	February 98	28.24	16.12	9.20	26.02	5.00
	March 98	30.74	14.39	13.96		
	April 98	31.02	14.66	14.31		
	May 98	29.76	13.40	13.05		
1998-99	February 99	30.70	16.10	5.55	30.29	6.35
	March 99	34.45	15.30	5.56		
	April 99	36.63	17.48	2.63		
	May 99	34.62	15.46	15.09		
1999-2000	May 2000	50.00	30.53	Not required	40.47	7.90
	June 2000	46.05	21.59			
Total						**19.25**

(Note: Sixty per cent requirement of cash was met from GSCB by cash credit).

3.1.6.Man Power Management

3.1.6.1 Shortage of Staff

Supervisory Centre adversely affected the quality of audit

The department had a staff strength of 3113 (as of 31 March 2002) against the sanctioned strength of 3516 with 403 vacancies as per table below.

	Category	Sanctioned strength	Men in position	Shortage	
				Number	Percentage
GO	Class I	101	39	62	62
	Class II	188	120	68	36
NGO	Class III	2654	2425	229	9
	Class IV	573	529	44	8
	Total	**3516**	**3113**	**403**	**11**

The shortage of staff was acute (62 *per cent*) in the class I category consisting of Additional Registrar and Joint Registrar.

In Audit wing, the shortage was acute in almost all cadres, particularly with reference to the workload, as mentioned below:

Category	Sanctioned strength	Staff required as per work load	Existing strength	Shortage			
				(A) with reference to sanctioned strength		(B) with reference to work load	
				Number	Percen-tage	Number	Percen-tage
1	**2**	**3**	**4**	**4(a)(i)**	**4(a)(ii)**	**4(b)(i)**	**4(b)(ii)**
GO							
Class I	31	58	15	16	52	43	74
Class II	81	134	56	25	31	78	58
NGO							
Class III	541	792	467	74	14	325	41
Total	**653**	**984**	**538**	**115**	**18**	**446**	**45**

Staff shortage adversely affected the audit quantitatively and qualitatively and even panel auditors appointed by RCS from outside could not perform satisfactorily.

3.1.7 Control over Co-operatives

RCS exercised control over co-operative societies through audit, supervision, inspection, etc.

3.1.7.1 Audit of co-operatives

RCS audits all societies except milk co-operatives through departmental staff and a panel of qualified auditors. As per Section 84(1) of the Act, all societies were to be audited atleast once in a year by the RCS or by a person authorised by him. This independent external audit was an important control to ensure its proper performance and to protect the interests of shareholders.

3.1.7.2 Audit in arrears

The arrears in audit by RCS ranged between 28 and 54 *per cent* per year during 1998-02 (Appendix-XX). As on 31 March 2001, in about 40 societies, audit was not conducted for the last 10 years. RCS stated that shortage of staff in Audit wing had hampered annual audit.

3.1.7.3.1 Shortage of inspection by DRCS

Heavy shortfall in inspection by DRCS

Though each DRCS was required to conduct inspection of at least four societies in a month to ensure its proper functioning, it was not being done. As per information furnished by 15 DRCS, the deficiency thereon ranged from 100 *per cent** to 41 *per cent.* Heavy workload and additional charges were the reasons cited by the respective DRCS for the shortfall. Shortfall in inspections led to lack of effective supervision over co-operative Societies.

3.1.7.3.2 Delay in taking action by RCS on Special Reports

Delayed action was being taken on irregularities reported to RCS by auditors through special reports.

(i) A register to monitor the action taken on special reports was started only in February 2001 (ii) Out of 80 special reports mentioned in the register 31 were pending for more than one year to three years (iii) There was delay of 11 to 18 months for appointment of Inquiry Officers in four cases (iv) Submission of reports were also delayed for 17 to 26 months in 3 cases (v) The orders of Court of Law (February 1995) for settlement of an issue was yet to be complied (November 2002). Failure to take prompt action diluted regulatory functions of RCS.

3.1.7.3.3 Charging of Audit fees

Non revision of Audit fee led to disparity between expenditure on audit and fees collected

Rupees 3.35 crore were outstanding towards audit fee as on 31 March 2002. As the Government failed to revise the audit fee periodically, there was a huge gap between the expenditure incurred on audit establishment and the audit fee recoverable. For 1998-2002 the difference was Rs.16.49 crore. Government did not revise audit fee which was last fixed in 1982 to match the expenditure.

3.1.8 Liquidation of societies

The number of primary societies under liquidation in the six selected districts were as under:

Year	Total number of societies	Societies under liquidation
1998-99	15159	569
1999-2000	15275	729
2000-01	15416	737
2001-02	16445	1005

Majority of these societies under liquidation were either milk or housing societies. In addition, 13 UCBs were also under liquidation. There was no centralised monitoring of information in this regard. No study to find out reasons for the societies going into liquidation was conducted to take future remedial action.

* Shortage of inspection- 100 *per cent* by three DRCS Rajkot, Dahod and Patan. 41 *per cent* by DRCS, Bhavnagar

3.1.8.1 Inordinate delay and interference in liquidation proceedings

Undue intervention of DOS led to non-disposal of assets valued to Rs.5.90 crore

Shri Siddeshwar Khand Sahakari Mandli Ltd., Talaja, owed Rs.9.69[♠] crore to the Government and liquidation was ordered in December 1987. Four parties offered bids (May 1999) to purchase the Plant and Machinery having an upset value of Rs.5.90 crore, DOS directed the liquidator (August 1999) to accept bid of Shri Kaveri[*] Vibhag Khand Udyog Sahakari Mandli Ltd. at the upset price. Even though this society had quoted Rs.10 lakh above the upset price, the deal was finalised at upset price causing a loss. As other bids were returned unopened the highest bid amount was not known. The favoured society had neither made the payment nor lifted the machinery (August 2002). The letter from DOS to the liquidator stated that this decision was taken by the Chief Minister. Thus, the irregular intervention resulted in non-disposal of machinery since 1986-87 and Government dues could not be recovered.

3.1.9 Conclusion

RCS was entrusted with the responsibility of promoting the co-operative movement with multifarious activities, both under the provisions of the Act as well as under the welfare schemes of the government. However, the desired result could not be achieved as noticed in audit.

3.1.10 Response to Audit

156 Inspection Reports (IRs) with 423 Paragraphs (paras) in respect of the audit conducted by the Comptroller and Auditor General of India were pending for want of final compliance by the Department. Some of these date back to 1983-84. An audit committee was formed in December 1995 to expedite settlement of these IR Paras. Committee met once so far (July 1998), settling 3 IRs and 13 paras.

[♠] Breakup of Government dues- like share capital (Rs.1.60 crore) , loan dues (Rs.7.74 crore), subsidy repayment (Rs.0.25 crore) and other revenue dues (Rs.0.10 crore) etc.

[*] Undue favours received by Shri Kaveri Vibhag Khand Udhyog Sahakari Mandli Ltd. were mentioned in para.5.2.1(iii)

SECTION "B" - PARAS

EDUCATION DEPARTMENT

3.2 Lack of response to Audit findings

Accountant General (Audit) - AG (Audit) conducts periodical inspection of the Government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. Following these inspections, Inspection Reports (IRs) are issued to the Heads of offices with a copy to the next higher authorities. Government rules provide for prompt response to ensure corrective action and accountability. Serious irregularities are also brought to the notice of the Heads of the Department by the Office of the AG (Audit). A half-yearly report is sent to the Secretary of the Department in respect of pending IRs, to facilitate monitoring.

Inspection Reports issued upto March 2002 pertaining to the Education Department disclosed that 3083 paragraphs relating to 573 IRs remained outstanding at the end of September 2002. Of these, 90 IRs containing 461 paragraphs had not been settled for more than 10 years. Year-wise position is given below:

Year	Inspection Reports	Paragraphs
Upto 1997-98	326	1847
1998-99	79	378
1999-2000	72	242
2000-2001	52	356
April 2001 to December 2001	44	260
Total	**573**	**3083**

Even the initial replies, which were required to be received within four weeks from the date of issue of IRs, were not received in respect of 204 IRs. As a result, serious irregularities involving money value of Rs.146.17 crore commented upon in these IRs had not been settled as of September 2002 as detailed below:

(Rupees in crore)

Sr. No.	Nature of irregularities	Number of Paragraphs	Amount
1	Excess/Irregular payment of GIA	1818	74.57
2	Personal Leger Account	110	1.22
3	EBC Loan/Scholarship	41	0.56
4	Idle Articles	131	0.77
5	Miscellaneous	539	45.35
6	Short/Excess reimbursement from World Bank	27	2.02
7	Blocking of Government money	84	16.07
8	Unspent balance of Central Assistance	10	0.70
9	Unclaimed Caution money deposit	17	0.13
10	Wanting Utilisation Certificate	14	1.10
11	Wanting HBA/MCA documents	116	1.23
12	Short/Non recovery	5	0.82
13	Non-submission of DC Bills	120	0.51
14	National/Loans scholarship	12	0.92
15	Unfruitful expenditure	9	0.04
16	Overpayment/Irregular payment	23	0.14
17	Avoidable expenditure	1	0.02
	Total	**3077**	**146.17**

Lack of proper action against the defaulting officers thereby facilitated the continuation of serious financial irregularities and loss to the Government though these were pointed out in Audit.

It is recommended that Government should review the matter so that executive responsiveness at higher levels to audit observations and findings is prompt. Government should also ensure that procedure exists to take (a) action against the officials who failed to send replies to IRs/Paras as per the prescribed time schedule and (b) follow up action to recover loss/outstanding advances/overpayments in a time bound manner.

Gujarat Legislative Secretariat (GLS) Rules stipulates submission of Action Taken Note (ATN) within three months of the laying of the recommendatory report of the Public Accounts Committee (PAC) before House. A review of PAC's recommendatory reports upto 1989-90 received till October 2002 revealed that ATN in respect of 22 recommendations out of 24, were awaited (October 2002). Year-wise position of such pending recommendations is given in Appendix-XXI. Failure of the administrative departments in forwarding ATNs has resulted in loosening of Legislative control on Government departments.

The matter was reported to Government in August 2002; reply has not been received (November 2002).

GENERAL ADMINISTRATION, INDUSTRIES AND MINES AND REVENUE DEPARTMENT

3.3 Audit of earthquake relief expenditure

3.3.1 Introduction

Mention was made in Para 3.3 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Civil) about the efficiency and effectiveness of rehabilitation and reconstruction works in the wake of massive earthquake that devastated Gujarat on 26th January 2001. Further result of audit scrutiny on the continuing rehabilitation works valuing Rs.2306.41 crore by various line departments revealed the following.

3.3.2 Financial outlay and expenditure

Provision of funds and expenditure on relief and rehabilitation works was as under:

(Rupees in crore)

Serial number	Name of department	Budget provision		Net Grant released			Expenditure incurred			Excess(+) Savings(-)
		Plan	Non-plan	Plan	Non-plan	Total	Plan	Non-plan	Total	
1	2	3	4	5	6	7	8	9	10	11
1	GAD (GSDMA)*	1832.27	4325.11	550.00	1308.43	1858.43	550.00	1308.43	1858.43	-
2	Revenue	--	200.00	--	200.00	200.00	--	152.63	152.63	(-)47.37
3	Education	172.88	--	172.88	--	172.88	118.47	--	118.47	(-)54.41
4	Agriculture & Co-operation	--	131.00	--	131.00	131.00	--	49.50	49.50	(-)81.50
5	I & M	--	632.00	--	632.00	632.00	--	127.38	127.38	(-)504.62
	Total	**2005.15**	**5288.11**	**722.88**	**2271.43**	**2994.31**	**668.47**	**1637.94**	**2306.41**	**(-)687.90**

The grant released to GSDMA included grants of Rs.874 crore from WB and Rs.352 crore from ADB.

As against budget provision of Rs.7293.26 crore and net grant releases of Rs.2994.31 crore the expenditure was only Rs.2306.41 crore, (31.62 *per cent*). This resulted in surrender of Rs.4986.85 crore (68.37 *per cent*) at the end of the financial year. Huge provision and low utilisation reflected unrealistic budgeting in the context of the low capacity for execution of rehabilitation works.

* Figures of net grant arrived at after adjusting grant surrendered by the department.

3.3.3 Execution of reconstruction and rehabilitation works

Reconstruction and rehabilitation operations were carried out by Gujarat State Disaster Management Authority (GSDMA) through various line departments.

3.3.3.1 Housing sector

Against 2,38,057 houses totally destroyed and 10,16,245 houses partially damaged ; 2,27,580 and 9,69,369 houses were found eligible for assistance. For the payment of assistance the damaged houses were categorised as G1 (minimum damage) to G5 (total collapse). As of March 2002 Rs.1216.40[#] crore was paid for the repair and reconstruction of these houses through Revenue and Panchayat authorities.

Upgradation of category of damaged houses without following identical methods

(i) Against an estimated cost of Rs.767.25 crore (March 2001) the actual expenditure was Rs.1081.51 crore (March 2002) under World Bank phase-I programme. Increase in expenditure was due to payment to ineligible beneficiaries (Rs.9.55 crore), increase in number of houses by 78667 and upgradation of 46389 houses to G5 category without following identical methods in initial survey and subsequent surveys.

Review for upgradation of 1515 houses in single day was not free from doubt

(ii) The village level/district level committees were constituted for redressal of grievances against categorisation of damaged houses. Such upgradation involved detailed review of each file, scrutiny of application, survey sheet, photographs, resurvey and justification for upgradation etc. The District Level Committee (DLC) Surendranagar reviewed and upgraded 1515 cases in 41 villages from categories G1, G2, G3 and G4 to category G5 in a single day on 28 September 2001. DLC could complete all the necessary formalities for these 1515 cases in a day. This requires investigation.

#

Ist instalment	11,09,135 beneficiaries	Rs.677.29 crore
IInd instalment	5,50,424 beneficiaries	Rs.512.52 crore
IIIrd instalment	17,676 beneficiaries	Rs.26.59 crore
	Total	Rs.1216.40 crore

(iii) Irregular/excess assistance of Rs.9.55 crore were noticed as detailed below:

(Rupees in lakh)

Sr. No.	Irregularities noticed against norms	Name of office	Number of cases	Amount of assistance paid
1	**2**	**3**	**4**	**5**
1	Re-construction work was not commenced though first instalment was paid to the beneficiaries during May 2001/March 2002	Mamlatdar, Jamnagar city	10	2.25
		Mamlatdar, Surendranagar	83	2.91
		TDO, Bhuj	4637	86.21
2	Assistance was paid to more than one member of the family for the same unit	TDO, Dhrol	1	0.11
3	Re-construction of house was not as per seismic norms	TDO, Jamnagar	41	12.81
		TDO, Wadhwan	49	17.05
		TDO, Bhuj	41	17.67
4	Assistance was paid in excess of Rs.3000 in G 1 category	TDO, Jamnagar	771	20.25
5	Assistance was paid in excess of Rs.7000 in G 2 category	TDO, Dhrol	410	164.73
6	Assistance was paid by changing category to G-5 though victims were satisfied with first survey and had withdrawn court cases.	TDO, Dhrol	51	18.66
7	Second instalment was paid to more number of persons than those who got first	TDO, Jamngar	728	68.42
		TDO, Dhrol	256	17.08
8	Assistance was paid to ineligible persons without verifying ownership.	TDO, Tharad	NA	184.38
		TDO, Bhuj		
		TDO, Jodiya		
		TDO/Mamlatdars, Surendranagar		
9	Various irregularities	Several TDOs	980	342.39
		Total		954.92

i.e. 9.55 crore

3.3.3.2 Industries sector

Rehabilitation and reconstruction works in Industries sector were carried out by Commissioner of Industries, Commissioner of Cottage Industries and Commissioner of Tourism. Loss to industrial units (9861 numbers); artisans (29920 numbers) and hotels (365 numbers) was assessed at Rs.719.87 crore, Rs.69.45 crore and Rs.83.84 crore respectively.

(a) Excess payment of subsidy to industrial units

A test check of 228 cases (30 *per cent*) out of 763 cases of subsidy payment revealed that six♣ District Industry Centers (DICs) and two♦ Financial Institutions sanctioned Rs.9.83 crore in respect of 121 cases, in violation of norms as shown below:

(Rupees in lakh)

Serial number	Nature of irregularity	Number of units	Amount	Government reply and audit comments thereon .
1	2	3	4	5
1	Payment to non-operational units	* 2	97.04	Government stated (October 2002) that relief was granted as the project was under pipeline prior to earthquake. This was not tenable in view of Government resolution dated 4 April 2002 debarring such cases.
2	Abnormally high subsidy sanctioned for plant and machinery	** 2	79.70	Government replied that in the case of ceramic and sanitary units the entire plant and machinery were required to be replaced despite minor damage. The reply had no relevance as these were neither ceramic nor sanitary units.
3	Subsidy sanctioned for plant and machinery even though there were only minor damages to building. #(Appendix- XXII)	24	264.00	Government accepted the audit observation and stated that in some cases recovery notices were issued and recovery was either effected or the matter was under investigation.
4	Subsidy was sanctioned on ineligible items # (Appendix-XXIII)	59	261.00	Government accepted the audit observation in five cases; whereas in four cases Government disagreed. The disagreement were contrary to instructions of the Government.
5	Subsidy was sanctioned for property not in existence at the time of quake or without comparing estimates with Schedule of Rates (Appendix-XXIV)	12	120.00	Government while accepting the audit observation stated that recovery notices were issued in seven cases whereas in other cases, excess subsidy if any, would be adjusted after due verification.
6	Subsidy was irregularly sanctioned without estimates/engineer's certificates/without execution of agreement. # (Appendix-XXV)	18	118.00	Government while accepting irregular payment, recovered Rs.46.42 lakh from 9 units and initiated corrective action in remaining cases.
7	Payment of subsidy made prematurely (Appendix-XXVI)	4	43.44	Government stated that payment of subsidy was in order. This was not tenable as in one case 75 per cent payment was made against 25 per cent payable whereas in three cases full payment was made against 75 per cent actually payable.
	Total:	**121**	**983.18**	

Appendices-XXII, XXIII and XXV as referred to give details of illustrative cases only

(b) Excess payment of assistance to weavers

Test-check of records of DIC Bhuj-Kuchchh revealed that as against 1295 weavers identified department sanctioned 2761 looms resulting in excess

♣ (1) Ahmedabad (2) Jamnagar (3) Kachchh (4) Patan (5) Rajkot (6) Surendranagar

♦ (1) Gujarat State Financial Corporatin (2) Gujarat Industrial Investment Corporation.

* (1) M/s K.C. Polytech, Bhuj (2) M/s Mehta Mineral, Bhachau

** (1) M/s Sunil Plastic, Gandhidham (2) M/s Shree Digital Lab, Bhuj sanction of 1466 looms worth Rs.2.05 crore. Of these 1946 looms were distributed resulting in excess distribution of 651 looms worth Rs.0.91 crore (March 2002). Further, cash assistance was sanctioned to 2445 weavers as against 1295 identified. The payment had been made to 1563 persons resulting in excess payment of Rs.0.27 crore to 268 persons as detailed below:

(Rupees in crore)

Item of assistance	No. of eligible weavers	Sanctioned number	Excess number sanctioned	Excess amount sanctioned	Excess paid
Handlooms*	1295	2761	1466	2.05	0.91
Cash** assistance	1295	2445	1150	1.15	0.27
			Total	**3.20**	**1.18**

* Cost per handloom Rs.14,000 ** Cash assistance @ RS.10,000

(c) Excess payment of assistance to artisans

As against 750 artisans identified in five# talukas of Kachchh district toolkits were distributed to 4231 persons resulting in excess distribution of 3481 toolkits valued Rs.81 lakh to ineligible beneficiaries.

(d) Excess payment to hotels

Subsidy was sanctioned to 14 hotels for ineligible items like furniture/fixtures, kitchen wares etc in violation of Government Resolution of April 2001 which resulted in extra financial liability of Rs.69.01 lakh.

(Rupees in lakh)

Sr. No.	Name Of Unit	Damage in lakhs	Eligible project cost	Subsidy sanctioned	Cost of furniture/TV/Audio
1	Hotel Ritesh, Bhuj	3.50	7.25	4.35	1.37
2	Mohan Guest House, Gandhidham	4.77	7.46	4.47	1.87
3	Hotel Manav, Anjar	16.35	30.00	18.00	0.40
4	Indraprasth Hotel & Restaurant, Radhanpur	1.00	11.49	6.89	0.93
5	VRP Guest House, Bhuj	3.38	10.50	6.30	0.99
6	Mehta Resort, Chudva-Anjar	23.63	73.15	43.89	1.69
7	Mukesh Guest House, Gandhidham	42.00	67.03	40.21	9.29
8	Hotel Regency, Jamnagar	Nil	7.47	4.48	0.44
9	Hotel Jantaghar, Bhuj	2.74	75.83	45.50	22.97
10	Giddy Guest House, Anjar	3.68	3.40	2.04	0.68
11	Hotel Abha International, Bhuj	10.97	122.38	60.00	55.37
12	Hotel Gurukrupa, Gandhidham	3.71	18.42	11.05	1.00
13	Hotel Natraj, Gadhidham	7.42	66.90	40.14	15.02
14	Hotel Payal, Anjar	2.03	10.00	60.00	03.00
	Total	**125.18**	**511.28**	**347.32**	**115.02**

Subsidy @ 60 % of Rs.115.02 lakh = Rs.69.01 lakh

* 1466 x 0.14 lakh = 2.05 crore

** 1150 x 0.10 lakh= 1.15 crore

(1) Abdasa (2) Lakhpat (3) Mundra (4) Mandvi (5) Nakhatrana

3.3.3.3 Other sectors

(a) Health

European Commission (EC) and NGOs committed Rs.358.13 crore for reconstruction of 2261 Health Department buildings (totally collapsed 1004, partially damaged 1257). The GOG and EC were yet to agree on the terms and conditions of assistance. So far 153 buildings were restored utilising the assistance of Rs.10 crore from EC (35 buildings) and NGOs (118 buildings). The remaining buildings were left in the dilapidated state. Thus, the Health Sector which was of great importance was totally neglected.

(b) Education

Rupees 152.87 crore was available with Project Officer District Primary Education Programme (DPEP) for restoring 49273 class rooms (6974 totally destroyed and 42299 partially damaged) in 18 districts. As of March 2002, Project Officer had expended Rs.107.23 crore leaving a balance of Rs.45.64 crore. The Project Officer had finalised the construction programme for 9001 class rooms which exceeded the original estimate by 2027. But 749 class rooms in 3 districts[@] were left out of the construction programme.

Though temporary shelters required for 2143 totally destroyed schools 4468 temporary shelters were provided by NGOs, Director DPEP had procured (June 2001) 2049 temporary shelters at a cost of Rs.52,000 per piece against their availability at Rs.25,000 per piece. This resulted in an avoidable expenditure of Rs.10.65 crore besides excess payment of Rs.5.53 crore.

(c) Agriculture

As against Rs.131 crore provided for relief to the farmers, the expenditure was only Rs.49.50 crore (March 2002). Assistance was provided in the form of farmers kits and cash assistance for restoration of damaged structures and irrigation equipments. Irregularities of Rs.7.14 crore on items like distribution of kits to non entitled persons, procurement of substandard storage bins, payment in excess of norms, payment on duplicate documents, over payment made to joint land holders etc. were found in four test checked districts as mentioned in Appendix-XXVII.

(d) Urban Development and Urban Housing

Although Rs.6.51 crore was released to Gujarat Urban Development Company Limited (GUDCO) for restoring the infrastructure in four towns of Kachchh district, restoration work is still pending for finalization of town planning schemes.

[@] Jamnagar (60), Kuchchh (610), Surendranagar (79)

3.3.4 Other points of interest

(i) Against the Government decision (1 February 2001) to purchase the required number of tarpaulins at the rate of Rs.225 per piece so as to provide temporary shelter, Minister of Jails and Rural Housing purchased 21600 pieces of the same size (February 2001) at a cost ranging from Rs.1150 to Rs.1175 per piece resulting in an unjustified excess expenditure of Rs.2.51 crore.

(ii) Removal of debris

The expenditure of Rs.7.32 crore spent on clearance of debris by R&B division Bhuj (Rs.4.76 crore) and TDO Rapar (Rs.2.56 crore) was not free from doubt due to non maintenance of basic records like number of trips, tare weight of vehicles, inadequate supervision etc.

(iii) Executive Engineer, R&B division Bhuj irregularly supplied from the Material Bank building material for Rs.19.82 lakh free of cost for Karseva as directed by ministers.

3.3.5 Conclusion

Government of India, NGOs and International Agencies provided sufficient funds for rehabilitation and reconstruction works. But a large chunk of the funds remained unutilised, the progress of relief measures was very slow and in many cases assistance was given irregularly. The earthquake restoration work suffered from lack of co-ordination amongst various agencies, proper management and control at higher level. Thus, relief measures were tardy, inadequate and provided scope for misutilisation and leakage.

FORESTS AND ENVIRONMENT DEPARTMENT

3.4 Undue financial favour to a Pulp Mill

Recovery of royalty for extraction of bamboo at lower rates resulted in undue financial favour

As per agreement executed (November 1960) between State Government and Central Pulp Mills Limited (CPML) Songadh, the mill was permitted to extract dry bamboo for forty years from forest reserve of Bharuch, Dang and Surat Districts at concessional rate of royalty fixed by the Government from time to time. CPML became sick and was taken over by a private promoter in May 1992. As a part of revival package, the promoter was permitted to extract bamboo at concessional rate of Rs.111 per tonne till 2000. On expiry of the previous contract with CPML in November 2000 Forests and Environment Department extended the validity of agreement upto 30 June 2002 with revised rate of royalty at Rs.1000 per tonne.

On further representation by the promoter against the hike in the rate of royalty the Government decided (October 2000) to refix the royalty proportionate to the increase in the price of writing paper and with ten *per cent* increase every year thereafter. Accordingly an order was issued by Industries and Mines department (January 2001). Pending fixation of royalty at the enhanced rate the promoter was permitted to extract bamboo at the old rate of Rs.111 per tonne on an undertaking to pay royalty at the enhanced rate when decided.

Audit observed that the request of the promoters for extension of relief could be considered in less than two months, but Government could not decide the revised rate of royalty even after 23 months from January 2001. The promoter continued to avail undue financial benefit of paying at the lower rate of royalty for 87511 tonnes of bamboo extracted till June 2002 though the company was making substantial profit continuously since 1999-2000. This caused a loss to the extent of Rs.7.60 core to the Government till June 2002. The matter requires serious attention of the Government.

Reply on delay in refixing the rate of royalty was awaited (November 2002) from Government.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.5 Non-realisation of refund of excise duty

Incorporation of defective condition in purchase order by the Commissioner Health and Medical service resulted in non-realisation of refund of excise duty for more than three years

As per the provisions of Central Excise Notification No.4/97 dated 1-3-1997, motor vehicles, registered for use solely as ambulance for registered hospitals, nursing homes and sanatoriums and such other organisations as the Central Government may notify, in this behalf, shall attract 15 *per cent* of Central Excise duty instead of 40 *per cent*. The manufacturer was either not required to collect duty in excess of 15 *per* cent or if collected refund the same to the purchaser before lodging his refund claim with the Excise Department.

Test-check (December 1998) of records of Commissioner of Health and Medical Services, Gandhinagar (Commissioner) revealed that 45 ambulance vans were purchased for various Government hospitals from Mahindra & Mahindra Limited, Mumbai and payment of Central Excise duty at the normal rate of 40 *per cent* was made in May 1997 resulting in excess payment of Excise duty of Rs.27.49 lakh. To offset the excess payment Commissioner informed (March 1997) the manufacturer to supply 12 ambulance vans on receipt of refund from Excise Department and differential amount, if any, would be paid by the Commissioner on receipt of invoice with required particulars.

The manufacturer informed (November 1997) that refund claim had been rejected on the plea that the vans were not registered in the names of the concerned hospitals by the State Transport Authority. It was further clarified by the Central Excise Department (December 1997) that if the hospital was a Government Hospital certificate to that effect from Medical Superintendent of the hospital would be sufficient. These papers were already made available to the manufacturer after Central Excise Department rejected the claim.

Thus, lapse on the part of the Commissioner to ensure registration of vehicles in the name of hospitals as per Notification resulted in non-realisation of refund of Rs.27.49 lakh.

The matter was reported to Government (November 2000); reply has not been received(November 2002).

SOCIAL JUSTICE AND EMPOWERMENT DEPARTMENT

3.6 National Scheme of Liberation and Rehabilitation of Scavengers

3.6.1 Introduction

The National Scheme of Liberation and Rehabilitation of Scavengers (NSLRS) was launched in the State in September 1992 as a Centrally Sponsored Scheme, for liberating scavengers servicing dry latrines and their dependents. In Gujarat, Secretary, Social Justice and Empowerment Department, Gandhinagar (Department) implemented the scheme through Gujarat Scheduled Caste Development Corporation Gandhinagar (GSCDC) upto October 2001. The Scheme was transferred to Gujarat Safai Kamadar Vikas Nigam, Gandhinagar (GSKVN) from November 2001. An Audit Review of the scheme for the period 1997-98 to 2001-02 conducted in seven districts viz. Ahmedabad, Godhra, Himatnagar, Jamnagar, Junagadh, Rajkot and Vadodara out of 25 districts of the State revealed the following:

3.6.2 Finance and Expenditure

Out of the total funds of Rs.20.93[@] crore GSCDC utilised only Rs.3.28 crore (16 *per cent*) during the period. The unutilised balance of Rs.17.65 crore was lying in Personal Ledger Account (PLA) of GSCDC. The poor utilisation of funds reflected either excess release or poor commitments to the objectives of the scheme.

[@] Opening balance Rs.0.42 crore; Government of India grant Rs.20.51 crore

3.6.3 Programme management

The main components of the scheme were (a) identification of beneficiaries (b) imparting training and rehabilitation in various alternate trades by providing financial assistance.

(i) As per details of the Panchayat and Rural Housing Department (P&RHD), the number of dry latrines in the State was 974* in 1992-93. GSCDC identified 64195 beneficiaries (32402 scavengers and 31793 dependents) which appeared high. The department justified the inclusion of large number of persons not performing scavenging duties by stating that the benefits were extended to Safai Karmacharies of Valmiki community.

(ii) The scheme envisaged upgradation of skill by training in alternate trades. However, GSCDC totally neglected this aspect as only 965 beneficiaries (six *per cent*) out of 17696 scavengers identified were trained during 1995-96 and 1996-97. No training programme was organised after 1996-97 though required. Expenditure on training was a paltry Rs.12.48 lakh which was 0.6 *per cent* of the earmarked fund for the purpose (Rs.20.93 crore). GSCDC failed to co-ordinate training with other Government Departments conducting vocational training. Department accepted the lack of skills for alternate trades as one of the reasons for the slow progress of the scheme. But no initiative was taken for skill development though fund was available.

(iii) Although the scheme envisaged rehabilitation of all identified beneficiaries in alternate trades by 1997 only 14,274 (22 *per cent*) were rehabilitated as on March 2002. Department failed to give wide publicity to generate awareness and to attract the beneficiaries and there was no monitoring to exercise timely correctives steps. The trade wise details of assistance provided to 3845 beneficiaries of selected districts is shown below:

Sr. No.	Name of Business	Ahmedabad	Godhara	Himmatnagar	Jamnagar	Junagadh	Rajkot	Vadodara	Total
1	2	3	4	5	6	7	8	9	10
1	Auto Rikshaw Repairs	15	2	-	-	-	15	4	36
2	Agarbatti production	35	-	-	-	-	-	-	35
3	Cloth/Ready made sales	134	124	154	240	140	195	140	1227
4	Kirana shop	24	41	8	114	42	85	50	364
5	Cutlury/Crokery sales	18	8	7	17	144	27	15	236
6	Milking Animals	45	-	22	-	-	-	13	80
7	Bamboo Work	11	687	63	-	38	-	101	900
8	Cycle Repairs	5	8	-	2	15	25	3	58
9	Timber sales	8	-	-	-	-	-	-	8
10	Tailoring	36	-	28	10	18	65	12	169
11	Foot Wear sales	6	-	-	78	12	20	3	119
12	Electrical goods sales	5	-	-	-	8	28	1	42
13	Mandap Decoration	3	7	3	7	-	7	4	31
14	Vegetables sales	-	62	-	-	-	-	-	62
15	Utensil sales	-	53	-	-	-	12	-	65
16	Rope making	-	63	-	-	-	-	-	63
17	Pan masala sales	-	1	3	28	64	38	-	134
18	Camel cart	-	0	5	0	1	-	-	6
19	Centring work	-	-	3	-	10	-	-	13
20	Others	26	73	19	26	15	6	32	197
	Total	**471**	**1129**	**315**	**522**	**507**	**523**	**378**	**3845**

* Since 1996-97 no dry latrines exist in the State.

(iv) The Nationalised Banks paid Rs.11.24 crore as loan and GSCDC paid Rs.3.28 crore as subsidy to the beneficiaries during the period. However GSCDC did not pay any margin money loans to the beneficiaries as contemplated under the scheme.

(v) GSCDC failed to formulate specific programmes for women.

(vi) (a) GOI introduced in 1999-2000 the "Sanitary Mart Programme" - a shop/workshop set up by a group of 25 beneficiaries to serve as a shop - cum service center for sanitary materials. Against the GSCDC's proposal (March 2000) for 1000 sanitary marts, GOI sanctioned 600 sanitary marts and funds were released immediately (March 2000). GSCDC could set up only seven[@] sanitary marts by March 2002 in shops provided on token rents by local bodies. Department attributed the shortfall to non-availability of shops as GSCDC failed to obtain shops from local bodies. GSCDC did not consider the availability of shops prior to submission of proposal for 1000 sanitary marts to GOI.

This resulted in unspent balance of Rs.11.45 crore with GSCDC since October 2001.

(b) GSCDC borrowed Rs.81 lakh from National Safai Kamdar Finance and Development Corporation, New Delhi (NSKFDC) anticipating demand from Sanitary Mart beneficiaries. As only seven Sanitary Marts were opened, these amount remained unutilized with GSCDC (June 2002).

Thus, GSCDC created an avoidable interest liability of Rs.5.65 lakh (upto June 2002) on its unrealistic estimates.

3.6.4 Other important points.

(i) GSCDC did not submit to GOI the annual progress report, audited accounts and certificates for utilization of grant during the last ten years.

(ii) GSCDC/GSKVN failed to maintain a profile of each beneficiary containing details of training, alternative occupation, subsidy, loan etc. as envisaged and did not inspect and verify the assets of beneficiaries to ensure its existence and capacity for generating desired income. Thus, the impact of the scheme could not be assessed.

(iii) State level monitoring committee formed after a delay of eight years (July 2000) met only twice for discussion of topics regarding resurvey, conversion of dry latrines and action plan for the scheme as against four meetings required in each year. However, the follow up action on the decisions of the monitoring committee were yet to be taken.

(iv) Construction of sanitary latrines formed an integral part of dwelling unit/upgraded unit under the housing scheme 'Indira Awas Yojana'. However, sanitary latrines were not constructed in 94,986 (74 *per cent*) houses out of the

[@] Ahmedabad – six and Amreli - one

128718 houses contructed/converted into pucca houses. This might encourage scavenging in future.

(v) GSKVN spent Rs.3.09 lakh on the inaugural function for opening "sanitary marts" at Ahmedabad in violation of the terms of grant.

3.6.5 Conclusion

Thus, despite availability of sufficient fund, the implementation of the scheme in the state was not satisfactory. Identification of scavengers was not strictly in accordance with the provision of the scheme, training and skill upgradation was severely neglected, existing training facilities of other departments were not tied up and there was no awareness and publicity campaign and no follow up action taken to ensure proper rehabilitation. This was reflected in poor result in rehabilitation of scavengers.

The matter was reported to Government in August 2002; reply has not been received (November 2002).

GENERAL

3.7 Misappropriation, loses, etc.

Finalisation of 221 cases of alleged misappropriation, losses, etc. reported to Audit upto March 2002 was pending at the end of September 2002 as shown below:

(Rupees in lakh)

		Land Revenue		Other cases	
		Number of cases	**Amount**	**Number of cases**	**Amount**
1	Cases reported upto end of March 2000 and pending at the end of September 2001	51	5.93	164	252.59
2	Cases reported during 2001-2002	-	-	11♦	2.93
3	Cases closed during 2001-2002	00	0.00	05♣	0.90
4	Cases outstanding at the end of September 2002	51	5.93	170	254.62

Department-wise and year-wise details of these cases are given in Appendix-XXVIII.

♦ Cases reported during 2001-2002
Panchayat & Rural Department. : Three cases Rs.0.59 lakh
Labour and Employment Department : Three cases Rs.23 lakh
Heath & Family Welfare : Two cases Rs.0.23 lakh
Forest and Environment Department : One case Rs.1.80 lakh
Industries , Mines and Power Department : One case Rs.0.07 lakh
Education Department : One case Rs.0.01 lakh

♣ Cases closed during 2001-2002
Panchayat and Rural Housing Department : One case Rs.0.08 lakh
Agriculture Co-operation Department : One case Rs.0.68 lakh
Labour and Employment Department : One case Rs.0.6 lakh
Health and Family Welfare Department : One case Rs.0.02 lakh
Home Department : One case Rs.0.06 lakh