

CHAPTER - VI
FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

SECTION "A" - REVIEWS

Panchayat Rural Housing and Rural Development Department

6.1 Rural Housing (Indira Awaas Yojana)

Highlights

According to survey conducted during 1997-98 by DRDAs 16.05 lakh BPL families were living in kutcha houses and 2.30 lakh BPL families were shelterless in the State. However, during 1997-2002 only 1.29 lakh houses were constructed/upgraded under Indira Awaas Yojana (IAY) and 1.28 lakh houses under Sardar Awaas Yojana (State scheme) covering only 14 percent of the housing shortage of 1997-98. Present status of shortage of the houses is not available with the department. Audit scrutiny revealed that despite shortage in housing, the State Government had lost Central assistance of Rs. 2.21 crore due to delay in submission of proposal and non utilisation of funds. State's matching share of Rs. 2.46 crore and additional assistance of Rs. 5.97 crore released by Commissioner of Rural Housing during February-March 2002 were still to be drawn from the treasuries. In violation of IAY guidelines, construction of 5990 houses valuing Rs. 12.25 crore was awarded to contractors/NGOs etc.

There was delay in releasing state share of Rs. 20.92 crore for 92 days

(Paragraph 6.1.4 (ii))

Administrative expenditure of Rs. 0.94 crore was incurred from Indira Awaas Yojana fund in violation of guidelines

(Paragraph 6.1.4 (iii))

Government of India deducted Rs. 2.21 crore from the second instalment due to delay in sending proposals and excess carry forward balance.

(Paragraph 6.1.5)

Maintenance of common Savings Bank account for all central schemes resulted in excess expenditure of Rs. 6.08 crore on IAY from other Centrally sponsored schemes

(Paragraph 6.1.6(a))

Even after one year of earthquake only 10675 houses against one lakh houses planned for BPL victims were constructed.

(Paragraph 6.1.7(iv))

State Government gave priority to new houses for the families already having kutchha/semi-pucca houses instead of the shelterless BPL families.

(Paragraph 6.1.8(a)(ii))

Construction of 5990 houses at a cost of Rs.12.25 crore were entrusted to Contractors / NGOs / Gram Panchayats in violation of guidelines.

(Paragraph 6.1.8(b)(i))

Rs. 1.62 crore meant for SC/ST beneficiaries were utilised on other categories.

(Paragraph 6.1.8(e))

Out of 1,28,718 houses constructed/upgraded sanitary latrines were not constructed in 94986 houses and smokeless chulhas were not installed in 77464 houses.

(Paragraph 6.1.8(f)and(g))

6.1.1 Introduction

Indira Awaas Yojana (IAY) a Centrally sponsored programme was launched in 1985-86 as a component of the Rural Landless Employment Guarantee Programme. IAY became a component of Jawahar Rozgar Yojana from April 1989 and was made an independent scheme with effect from 1st January 1996. The objective of IAY is primarily to help construction or upgradation of dwelling units by providing assistance to the Below Poverty Line (BPL) rural households belonging to Scheduled Castes /Scheduled Tribes (SC/ST) and freed bonded labourer categories. From 1993-94, its scope was extended to cover rural BPL non-SC/ST[@] categories too.

[@] subject to condition that atleast 60 per cent of the total IAY allocation during a financial year should be utilised for construction/upgradation of dwelling units for SC/ST BPL households.

6.1.2 Organisational set-up

Principal Secretary, Panachayat, Rural Housing and Rural Development Department was responsible for planning, implementation, monitoring and evaluation of the programme. The programme was implemented in the State under the supervision of the Commissioner, Rural Development, (Commissioner) and through Director, District Rural Development Agency (DRDA) at district level and Taluka Development Officer at taluka level.

6.1.3 Scope of Audit

Records relating to implementation of the programme for the period 1997-98 to 2001-02 maintained by the Rural Housing and Rural Development Department, Commissioner of Rural Development, Directors, DRDA and Taluka Development Officers, Taluka Panchayat were test-checked between December 2001 and June 2002. Seven[#] out of 25 districts were selected and 23[^] out of 226 Talukas were test-checked.

6.1.4 Financial outlay and expenditure

According to scheme guidelines, an assistance of Rs.20000 was payable per unit for new construction in plain areas and Rs.22000 for hilly/difficult areas and was sharable between Central and State in the ratio 80:20 upto March 1999 and 75:25 from April 1999. From 1 April 1999, 20 *per cent* of the allocation was to be utilised for conversion of unserviceable kutcha houses into pucca/semi-pucca houses at the rate of Rs. 10000 per unit. In addition, State Government declared additional assistance of Rs. 10000 per unit from April 2000 in plain areas and Rs. 8000 per unit in hilly/difficult areas with a view to ensuring building of houses with sound construction and minimum basic facilities. The State Government declared another additional assistance of Rs. 10000 per unit from 29 June 2001 with a view to construct earthquake resistant houses in the State.

Apart from this, State Government in consultation with Government of India (GOI) decided (March 2001) to construct one lakh earthquake resistant IAY houses^{*} in 12^{**} earthquake-affected districts at the cost of Rs.400 crore. GOI agreed to pay Rs.300 crore (75 *per cent*) and balance Rs.100 crore (25 *per cent*) was to borne by the State.

[#] Bharuch, Jamnagar, Palanpur (BK), Godhra (PM), Rajkot, Surat, Valsad.

[^] Ankleswar, Bhanvad, Bharuch, Choryasi, Danta, Deesa, Dharampur, Godhra, Gondal, Halol, Jambusar, Jetpur, Jhaghadia, Jodia, Lunawada, Mandvi, Mangrol, Palanpur, Pardi, Rajkot, Santrampur, Songadh, Vyara.

^{*} At the rate of Rs.40,000 per house for earthquake affected BPL families whose houses were damaged or rendered totally unserviceable.

^{**} 1. Ahmedabad, 2. Amreli, 3. Palanpur (BK), 4. Bharuch, 5. Bhavnagar, 6. Jamnagar, 7. Junagadh, 8. Kutchh, 9. Patan, 10. Porbandar, 11. Rajkot, 12. Surendranagar

Details of allocation and expenditure is as under:

New Construction :

(Rs. in crore)

Year	OB	Allocation	Amount released to DRDAs		Other receipts (Interest etc.)	Total	Amount utilised	Excess (-) Savings (+)
			Central	State				
1997-98	2.42	40.27	35.13	10.77	1.07	49.39	45.83	3.56
1998-99	3.56	39.19	33.82	9.36	0.39	47.13	45.18	1.95
1999-00	1.95	36.43	31.25	8.45	0.66	42.31	41.81	0.50
2000-01	0.50	33.48	30.24	11.09	1.19	43.02	44.99	(-)1.97 [@]
2001-02	-1.97	39.46	28.55	7.42 [#]	1.25	35.25	35.93	(-)0.68 [@]
TOTAL		188.83	158.99	47.09	4.56[^]	-		
Total available funds (OB) 2.42+158.99+47.09+4.56=213.06							213.74	(-)0.68

Up-gradation:

1999-00	0.00	8.02	6.82	5.22	0.06	12.10	6.55	5.55
2000-01	5.55	8.34	7.70	2.43	0.46	16.14	9.22	6.92
2001-02	6.92	8.43	5.85	1.46	0.33	14.56	7.09	7.47
TOTAL		24.79	20.37	9.11	0.85[^]			
Total available funds 20.37+9.11+0.85=30.33							22.86	7.47

New Construction (Earthquake)

Year	OB	Allocation		Amount released to DRDAs		Other receipts (Interest etc.)	Total	Amount utilised	Savings
		Central	State	Central	State				
2000-01	Nil	300	100	49	16.33	Nil	65.33	Nil	65.33
2001-02	65.33	Nil	Nil	26	8.67	Nil	100	99.29	0.71
TOTAL		300	100	75	25.00	00		99.29	0.71

In addition, State Government released Rs. 24.51[#] crore (Rs. 16.28 crore during 2000-01 and Rs. 8.23 crore during 2001-02) as an additional grant for construction of earthquake resistant houses with minimum basic facilities.

Saving of Rs.7.47 crore in upgradation and excess utilisation of Rs.68 lakh in new construction of houses

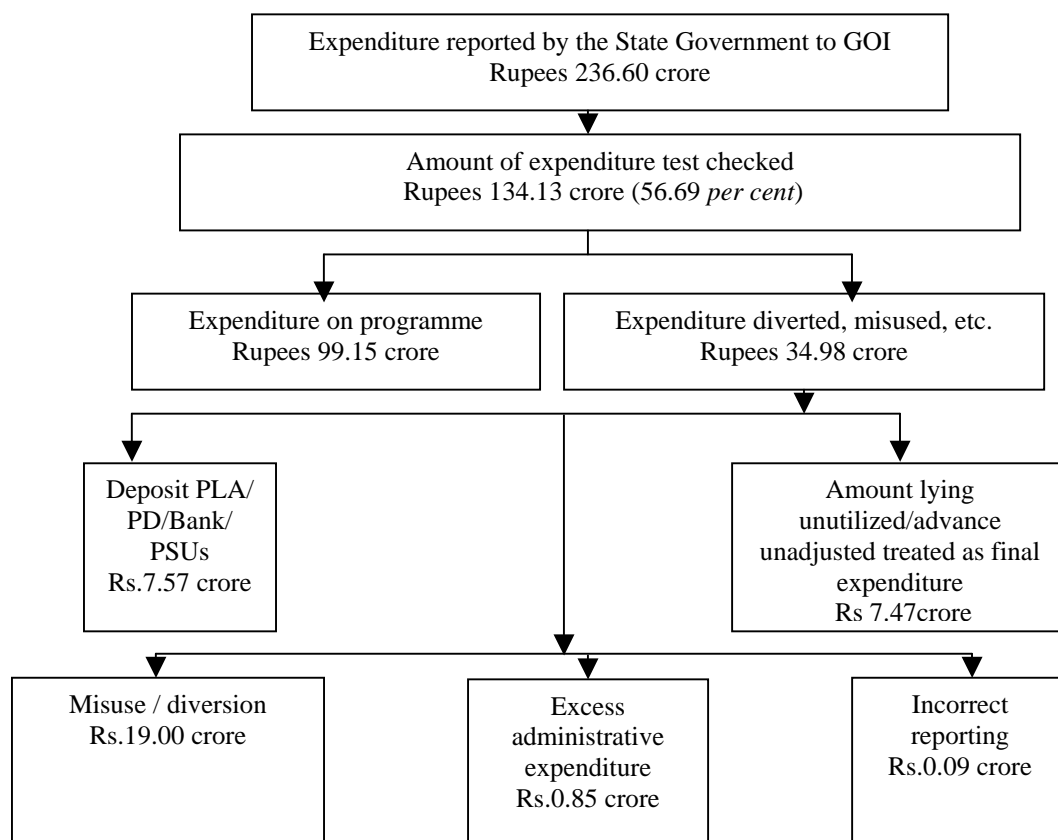
(i) As against the funds of Rs.213.06 crore released for new construction, Rs. 213.74 crore were utilised resulting in excess expenditure of Rs.68 lakh at the end of March 2002. Similarly, out of available funds of Rs. 30.33 crore for upgradation of existing houses, Rs.22.86 crore only were utilised resulting in huge savings of Rs. 7.47 crore at the end of March 2002.

[@] The excess expenditure was met by DRDAs by diverting the funds from other centrally sponsored schemes.

[#] In addition to these, State Government had released matching share of Rs.2.46 crore and additional assistance of Rs.5.97 crore. However these releases could not be encashed from the treasuries for want of funds. Therefore these figures were not included as state release.

[^] As DRDAs had not maintained separate SB accounts for IAY, the amount of interest was worked out proportionately by DRDAs.

FINANCE INVERSE TREE



(ii) Delay in release of State share

Delay in releasing assistance by State Government

State Government delayed the release of its share, which ranged from 39 days (2000-01) to 92 days (2001-02) involving Rs. 20.92 crore as detailed below. As a result funds from other Centrally Sponsored Schemes (CSS) were temporarily diverted as mentioned in para 6.1.6.

Year	Instalment	Central share released		State share released		Due date for release of State share	Delay (in days)
		Date	Rupees (in crore)	Date	Rupees (in crore)		
1997-98	Additional	31-3-97	2.86	6-6-97	0.71	8-4-97	59
1998-99	Additional	19-3-98	2.43	19-5-98	0.61	3-4-98	46
2000-01	First	28-4-00	16.21	6-7-00	5.40	28-5-00	39
2001-02	First	15-6-01	16.57	16-10-01	5.53	15-7-01	92
2001-02	Additional Earthquake	12-7-01	26.00	25-9-01	8.67	12-8-01	44
	TOTAL		64.07		20.92		

The Commissioner accepted the observation and attributed (December 2001) the delay in State releases to shortage of funds.

(iii) Diversion of funds

Rs. 96 lakh spent on administrative expenditure

Five DRDAs incurred administrative expenditure of Rs. 94 lakh during 1997-2000 under IAY as detailed below:

Sr. No	Name of District	Administrative Expenditure (Rupees in lakh)			Total
		1997-98	1998-99	1999-2000	
1	Godhra (PM)	14.58	17.36	16.37 [^]	48.37
2	Rajkot	00.15	01.09	Nil	01.24
3	Valsad	14.24	13.34	Nil	27.58
4	Palanpur (BK)	03.77	04.67	Nil	08.44
5	Bharuch	08.34	Nil	Nil	08.34
TOTAL		41.08	36.46	16.37	93.91

Further, DRDA Surat purchased a jeep for Rs.3.35 lakh and irregularly debited Rs.1.68 lakh (fifty *per cent* cost) under IAY during July 1997. Thus, Rs.96 lakh meant for IAY was diverted and utilised for other purpose depriving 478 beneficiaries of the intended benefits.

Director, DRDA Surat, Valsad, Rajkot and Palanpur (BK) stated that the expenditure was debited at 2 *per cent* of total expenditure on IAY admissible as administrative / contingent expenditure. Reply was not tenable as there was no such provision in the guidelines.

6.1.5 Failure to avail full amount of central assistance

Central assistance of Rs.2.21 crore was lost

According to Scheme guidelines, if the proposals were delayed beyond December, the second instalment was to be reduced to the extent of 50 to 100 *per cent*. In case the opening balance exceeds 15 *per cent* of allocation for the previous year, the central share was to be reduced by 3 times the excess amount.

Accordingly in nine cases GOI deducted Rs.1.31 crore, as the opening balance of DRDAs for the previous years exceeded the prescribed limit of 15 *per cent*. Similarly, in four cases GOI deducted Rs. 47 lakh due to delay in submission of proposal for second instalment. In all short receipt amounted to Rs.2.24 crore. In three cases of upgradation an amount of Rs.43 lakh was deducted due to excess carry forward/delay in submission of the proposal. As a result 1697 beneficiaries were deprived of the benefits under the programme.

While DRDA Surat attributed the delay to late receipt of instructions from GOI for submission of separate proposals for up-gradation, the Directors, DRDA Godhra (PM), Rajkot and Jamnagar attributed the excess carry forward of balance to delay in receipt of the grant. Reply furnished by the Director, DRDA Surat was not tenable as the instructions for making separate proposal for upgradation were issued by GOI in April 1999.

[^] Out of this Rs. 8.63 lakh were not reflected in Balance Sheet of DRDA Godhra (PM) as administrative expenditure

6.1.6 Separate saving bank account

IAY funds not separated

(a) The programme envisaged holding of IAY funds in separate Savings Bank (SB) accounts. The Commissioner however directed (December 1997) all the DRDAs to retain funds of all development programmes including IAY in a single SB account. This facilitated the implementing agencies to divert funds of one development programme to another which resulted in excess expenditure under IAY to the extent of Rs. 6.08 crore (New construction Rs. 5.86 crore + Rs. 0.22 crore in upgradation) in 13[#] DRDAs at the end of March 2002. Further, due to single SB account, interest accrued on IAY and its utilisation could not be ascertained.

(b) Parking of fund

Rs. 7.57 crore were irregularly parked in PLA

In contravention of the provisions of IAY guidelines, DRDA Surat and Godhra (PM) credited IAY fund of Rs. 7.57 crore (Surat Rs.3.36 crore and Godhra (PM) Rs.4.21 crore) to Personal Ledger Account (PLA) during 1997-98. DRDA Godhra (PM) had credited this amount into non-interest bearing PLA. In DRDA Palanpur (BK) interest of Rs. 9 lakh earned on IAY fund upto March 2000 was kept in Deposit Account and not credited to IAY.

6.1.7 Physical Progress

The details of physical progress during 1997-2002 was as under:

New Construction

Year	Target	Spill over	Work started	Work Completed	Work under progress
1997-98	20581	14040	22274	23937	12377
1998-99	19690	11483	21783	22629	10637
1999-00	17285	10385	19957	19157	11185
2000-01	17295	10741	17534	19306	08969
2001-02	18078	07681	17636	18228	07089
Total	92929			103257	

Upgradation

1999-00	08649	00	09714	07306	02408
2000-01	08649	03116	08174	08886	02404
2001-02	09039	02370	09277	09269	02378
Total				25461	

New Construction (Earthquake)

Year	Target	No. of houses identified	Spill over	Work started	Work Completed	Work under progress
2000-01	00	00	00	00	00	00
2001-02	100000	53991	00	43798	10675	33123

[#] Ahmedabad, Anand, Bharuch, Bhavnagar, Dahod, Gandhinagar, Jamnagar, Kheda, Narmada, Godhra (PM), Sabarkantha, Surendranagar, Vadodara.

(i) Though, the huge difference between the figures of spill over work carried forward and the opening balances during 1998-2002 was pointed out by audit, the Commissioner could not reconcile the difference and stated that this was due to reorganisation of the Districts/Talukas. Reply was not tenable as the districts/talukas were reorganised in 1999 and the difference was right from 1997-98.

(ii) Though there was excess expenditure to the extent of Rs.1.97 crore and Rs.68 lakh during 2000-01 and 2001-02 respectively, number of newly constructed houses every year show a decreasing trend.

As against the shortage of 18.35 lakh houses only 2.57 lakh house were constructed

(iii) The shortage of 5.03 lakh houses in the State according to 1991 census increased to 18.35 lakh houses according to survey conducted by DRDAs in 1997-98 for Ninth Plan (1997-2002). As against this, only 2.57 lakh houses were constructed/upgraded (including State sponsored Sardar Awaas Yojana) covering only 14 *per cent* of the shelterless.

Only 10675 houses completed against the target of one lakh houses for BPL earthquake victims.

(iv) As against the target of one lakh new houses to be provided to BPL earthquake victims under IAY, the Department could identify only 53991 (54 *per cent*) damaged housing units (March 2002) against which the beneficiaries completed (March 2002) only 10675 (10.68 *per cent*) houses even after lapse of more than one year from the date of earthquake. The progress of reconstruction was too slow.

6.1.8 Programme management

The following irregularities were noticed in construction of houses.

(a) Irregularity in selection of beneficiaries

The selection of beneficiaries was finalised on recommendation of MP/MLAs

(i) The list of beneficiaries was to be finalised on the recommendations of Gram Sabha and after due scrutiny by DRDA. Scrutiny in respect of Pardi taluka of Valsad district revealed that 10 beneficiaries for the year 1999-2000 were selected on the recommendations of MP/MLAs, though necessary recommendations in these cases were not received from Gram Sabha. Similarly, in nine[#] talukas of Jamnagar district, 216 cases of new construction involving amount of Rs.38 lakh were finalised by DRDA during 1999-2000 without formal approval of the Gram Sabha.

(ii) Undue benefit

Shelterless families were given less priority

As per GOI's decision (April 1999) 20 *per cent* of IAY funds were to be utilised for upgrading unserviceable kutcha houses in the rural areas by part financing and the remaining 80 *per cent* was to be utilised primarily to provide shelter to shelterless rural households.

In violation of GOI instructions 2735 beneficiaries already having kutcha houses were given Rs. 7.11 crore for new construction in 15^{*} talukas of five[^]

[#] Bhanvad, Dhrol, Dwarka, Jamjodhpur, Jamkalyanpur, Jamnagar, Jodia, Kalawad, Lalpur.

^{*} Anakleswar, Bharuch, Choryasi, Danta, Deesa, Gondal, Jambusar, Jetpur, Jhaghadia, Mandvi, Mangrol, Palanpur, Pardi, Rajkot, Vyara.

[^] Palanpur (BK), Bharuch, Rajkot, Surat, Valsad.

DRDAs. Similarly, in five* talukas of two@ DRDAs, 60 beneficiaries having semi-pucca houses were given the assistance of Rs.18 lakh for new construction at the rate of Rs.30000/40000 per house against the norms of Rs.10,000. This resulted in undue benefit of Rs. 4.50 crore as detailed below:

(Rupees in lakh)

Sr. No.	Name of Taluka	Name of District	Number of beneficiaries	Amount paid for new construction @Rs.30000 /40000	Amount payable for up-gradation @Rs.10000	Injudicious benefit		
						Central share	State share	Total
1	2	3	4	5	6	7	8	9
1	Yyara	Surat	462	109.60	46.20	26.45	36.95	63.40
2	Mangrol	Surat	267	69.28	26.20	21.10	21.98	43.08
3	Mandvi	Surat	429	106.20	42.90	32.16	31.14	63.30
4	Choryasi	Surat	183	48.30	18.80	13.72	15.78	29.50
	Total		1341	333.38	134.10	93.43	105.85	199.28
5	Rajkot	Rajkot	31	5.82	3.10	1.92	0.80	2.72
6	Jetpur	Rajkot	17	3.76	1.70	1.29	0.77	2.06
7	Gondal	Rajkot	38	8.66	3.80	2.82	2.04	4.86
	Total		86	18.24	8.60	6.03	3.61	9.64
8	Pardi	Valsad	914	244.45	91.40	81.30	71.75	153.05
	Total		914	244.45	91.40	81.30	71.75	153.05
9	Danta	Banaskantha	52	14.12	5.20	4.51	4.41	8.92
10	Palanpur	Banaskantha	27	7.86	2.70	2.00	3.16	5.16
11	Deesa	Banaskantha	25	7.46	2.50	1.90	3.06	4.96
	Total		104	29.44	10.40	8.41	10.63	19.04
12	Jambusar	Bharuch	48	15.95	4.80	3.60	7.55	11.15
13	Jhaghadia	Bharuch	94	28.20	9.40	7.05	11.75	18.80
14	Ankleshwar	Bharuch	74	19.95	7.40	5.55	7.00	12.55
15	Bharuch	Bharuch	95	27.30	9.50	7.13	10.67	17.80
	Total		311	91.40	31.10	23.33	36.97	60.30
16	Jodia	Jamnagar	27	8.00	2.70	2.00	3.30	5.30
17	Bhanvad	Jamnagar	12	4.50	1.20	0.90	2.40	3.30
	Total		39	12.50	3.90	2.90	5.70	8.60
	Grand Total		2795	729.41	279.50	215.40	234.51	449.91

* Bhanvad, Danta, Deesa, Jodia, Palanpur.

@ Palanpur (BK), Jamnagar.

(iii) Excess payment

In Valia & Ankleswar talukas of Bharuch district the payment of assistance was made at the rate of Rs. 22000 per unit instead of Rs. 20000, though these talukas were not categorised as hilly/difficult areas by the State Government. This resulted in irregular payment to the extent of Rs.9 lakh to 445 beneficiaries.

(iv) Irregular allotment of houses

40 per cent houses were allotted in the name of male members in contravention of guidelines

As per guidelines allotment of dwelling units should be either in the name of a female member of the family or in the joint name of both husband and wife. Instead 42036 (40.71 per cent) dwelling units were allotted in the name of male members exclusively.

Among the test checked districts the allotment to male members was 82.94 per cent in Godhra (PM) 81.87 per cent in Palanpur (BK) 62.05 per cent in Jamnagar.

(b) Entrustment of construction of houses to contractors/external agencies

Construction of houses valuing Rs.12.25 crore were entrusted to external agencies in violation of guidelines

(i) Scrutiny of records of selected DRDAs revealed that in ten* talukas of Surat, Rajkot, Jamnagar, Palanpur (BK) and Bharuch districts 5990 houses (5134 new construction and 856 upgradation) aggregating to Rs. 12.25 crore were entrusted to external agencies** instead of beneficiaries building themselves.

(ii) Denial of benefit of IAY

The Department did not make payment directly to the beneficiaries though they were willing to carryout the work

In Jhaghadia taluka of Bharuch district construction of 12 houses were entrusted to Gram Panchayat during 1997-99. TDO Jhaghadia stated that as the beneficiaries were not interested in carrying out the work themselves the works were entrusted to Gram Panchayat as per the procedure prevailing at that time. During field visit of Vadhavana village by audit party the beneficiaries informed that they were prepared to carry out the construction of their houses but the authorities did not make payment directly to them. As a result beneficiaries could not get the benefit of shelters.

(c) Non-carrying out of infrastructure work

(a) According to guidelines, if the houses were constructed in the cluster, an amount of Rs.2500 per unit was to be deducted from the assistance and the same was to be utilised by the Department for providing infrastructure /common facilities like internal roads, drainage, drinking water supply and other common facilities to the beneficiaries.

Contrary to the guidelines, the Department did not carry out infrastructure work in Rupavati village of Rajkot District though Rs. 2500 per unit was

* Bhanvad, Bharuch, Choryasi, Jambusar, Jhaghadia, Mandvi, Mangrol, Rajkot, Songadh, Vyara.

** viz. Gram Panchayats for 5469 houses valuing Rs. 11.29 crore, NGOs 154 houses valuing Rs.35 lakh, and Contractors 367 houses valuing Rs.61 lakh

Common facilities not provided though Rs.2500 per unit was deducted from the assistance

deducted from 12 beneficiaries. During field visit (March 2002), the beneficiaries stated that due to low level of the land there was problem of water logging in monsoon and proper drainage system was not provided.

(b) In Vachhara village of Rajkot district, 20 houses were constructed in clusters but no deduction at the rate of Rs.2500 per unit was made. The beneficiaries were facing acute shortage of water and the authority had not provided even a hand pump. Therefore, they had to travel atleast 2 kms. for fetching drinking water.

(c) In Choryasi Taluka of Surat district, though 46 houses in three villages[♥] were constructed by the beneficiaries in cluster, no deduction for infrastructure work was made. As a result 46 beneficiaries were deprived of the benefits of common facilities.

Assistance paid was less than admissible

(d) In four[♦] talukas though the houses were not built in cluster an amount of Rs. 2500 per unit was deducted from the assistance in respect of 467^{*} beneficiaries. As a result there was short payment of assistance to the extent of Rs.12 lakh[♠].

(d) Wasteful assistance

101 houses remained incomplete even after lapse of 3 to 6 years

In two talukas^{*} of Rajkot district and one taluka[#] each of Palanpur (BK) and Jamnagar districts, assistance of Rs.12 lakh for new construction ranging between Rs. 3000 and 15000 was paid to 101 beneficiaries during 1995-99. However, even after lapse of 3 to 6 years the houses remained incomplete (May 2002). Thus, failure on the part of the implementing agencies to release payment in instalments and ensure completion resulted in unfruitful expenditure to the tune of Rs. 12 lakh.

(e) Non-observance of SC/ST ratio

Rs.1.62 crore meant for SC/ST was short released

According to guidelines, a minimum of 60 *per cent* of IAY allocation was to be utilised for construction of dwelling units for SC/ST BPL families.

However, in eight^{##} districts, 60 *per cent* of available funds for new construction was not utilised for SC/ST BPL families during 1997-2002. The shortfall in *percentage* of expenditure ranged between 2.28 *per cent* (Amreli 2000-01) and 40.08 *per cent* (Gandhinagar 2001-02). In test checked DRDAs the shortfall worked out to 25.02 *per cent* (1998-99), 13.95 *per cent* (2000-01), 20.01 *per cent* (2001-02) in Jamnagar DRDA and 4.17 *per cent* (2000-01) in

[♥] Village Bharthana vasu (10 houses), Sachin (16 houses) and Sanyahamad (20 houses)

[♦] Jhaghadia (Bharuch), Jodia & Bhanvad (Jamnagar), Jetpur (Rajkot)

^{*} Bharuch districts 278 beneficiaries, Jamnagar 113 beneficiaries, Rajkot 76 beneficiaries.

[♠] Bharuch Rs. 6.95 lakhs, Jamnagar Rs. 2.82 lakhs, Rajkot Rs. 1.90 lakhs.

[♣] Gondal, Rajkot.

[#] Danta Bhanvad,.

^{##} Ahmedaba, Amreli, Palanpur (BK), Bhavnagar, Gandhinagar, Jamnagar, Kheda, Porbandar

Palanpur (BK) DRDA. Similarly, in seven[®] districts, this ratio was not observed for upgradation of kutchha houses during 2000-2002. The shortfall ranged between 6.28 *per cent* (Kheda 2001-02) and 39.01 *per cent* (Gandhinagar 2001-02). In Jamnagar DRDA the shortfall worked out to 19.34 *per cent* (2001-02).

As a result, Rs.1.44 crore (1997-02) in new construction and Rs.18 lakh (2000-2002) in upgradation, meant for 900 SC/ST BPL families (new construction 720 and upgradation 180) was short released and utilised for non-SC/ST BPL families as detailed in Appendix-XXXI. The Commissioner attributed (June 2002) non-observance of ratio to non-availability of SC/ST in respective districts. Reply was not tenable as there were sufficient numbers of SC families as per 1991 census. Further the diversion was in violation of the guidelines and without permission from GOI.

(f) Sanitation and sanitary Latrines

**Sanitary
Latrines were
not constructed**

Construction of sanitary latrine forms an integral part of the scheme. Records of the Commissioner revealed that sanitary latrines were not constructed in 73884 (71.55 *per cent*) houses out of 103257 dwelling constructed. Similarly, out of 25461 kutchha houses upgraded into pucca/semi pucca houses, sanitary latrines were not constructed in 21102 (82.88 *per cent*) upgraded houses. In disregard of scheme guidelines and intention of the Government, DRDA Godhra (PM), deducted Rs.2250 per unit for failure to construct sanitary latrines instead of encouraging beneficiaries for construction of the same. The position of selected districts is given in the Appendix-XXXII.

(g) Fuel efficient chulhas

**Fuel efficient
chulhas were
not installed**

Newly constructed/upgraded dwelling units were to be provided with a fuel-efficient smokeless chulhas. Out of 128718 new houses constructed/upgraded during 1997-2002, 77464 (60.18 *per cent*) houses were not provided with smokeless chulhas though GOI attached considerable importance to it. Due to non-installation of smokeless chulhas smokefree environment could not be ensured. The position of selected districts is given in the Appendix-XXXIII.

(h) Inventory of Houses

**Inventory of
houses was not
properly
maintained**

The implementing agencies were required to maintain complete records relating to inventory of houses constructed and upgraded. This was not maintained in any of the test checked talukas and audit could not verify genuineness of assistance, construction and continued occupation of houses by the beneficiaries.

6.1.9 Evaluation

**Department
took no action
on concurrent
evaluation
report**

Gujarat Institute of Development Research (GIDR) conducted evaluation, which was forwarded by GOI to State Government in January 2001 for follow up action. The important findings in the report were: (i) that the target in IAY was prefixed and the local panchayats were asked to identify beneficiaries in

[®] Bhavnagar, Gandhinagar, Jamnagar, Kheda, Mehsana, Patan, Surendranagar.

accordance with the targets given without enumeration of actual shortage of houses and inferior housing stock that need replacement. (ii) most of the panchayats acted like contractors. About one fourth of the total beneficiaries could not even tell how much money was sanctioned for their houses and how much was finally spent. (iii) the houses built for the beneficiaries by external agencies used inferior quality of material. Many beneficiaries felt that they were cheated by the agencies. (iv) that there existed nexus between the local politicians, petty bureaucrats and local contractors. GIDR recommended that either the beneficiaries should be encouraged to register a housing co-operative society or they should be allowed to come together and execute construction collectively. Even after lapse of one year from the date of receipt of the evaluation report, the Rural Housing Department took no follow up actions (May 2002).

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

6.1.11 Other Centrally Sponsored rural housing Schemes

In addition to IAY, GOI had initiated several rural housing schemes as discussed below:

Sr. No.	Name of the Scheme	Year of commencement	Funds	Implementing agency	Audit Comment
1	Pradhan Mantri Gramodaya Yojana (PMGY) Gramin Awaas	2000-01	Rs. 8.49 crore released by GOI upto October 2001	Not decided by State Government (July 2002)	No expenditure was incurred as of July 2002.
2	Rural Building Centre (RBCs)	1 April 1999	GOI sanctioned Rs.2.37 crore upto November 2002	HUDCO (No involvement of State Government)	Rs.53 lakh distributed upto November 2002, utilisation certificates of Rs.9 lakh received by November 2002.
3	Credit cum Subsidy Scheme for Rural Housing	1 April 1999	Rs.1.80 crore were released during 1999-2002 (Centre Rs.1.04 crore + State share of Rs.0.76 crore)	Gujarat Rural Housing Board	Rs.27.30 lakh was utilised upto March 2002, Rs.1.52 crore lying unutilised as of March 2002. 273 houses constructed against the target of 2792 houses.
4	Samagra Awaas Yojana (SAY)	1 April 1999	Rs.20 lakh released upto March 2002	DRDA Rajkot	As against the provision of Rs. 25 lakh, GOI released only Rs.20 lakh Rs.18.54 lakh was utilised upto February 2002. Rs.5 lakh for Information Education and Communication not released by GOI.
5	Innovative Stream for Rural Housing and Habitat Development	1 April 1999	Rs. 8 lakh was released by GOI during 2000-01	NGO (No involvement of State Government)	As against Rs. 20 lakh only Rs.8 lakh was released by GOI. NGO utilised Rs.8.00 lakh

6.1.12 Other State Sponsored Scheme

Mention was made in para 6.10 of the report of the Comptroller and Auditor General of India for the year ended 1998 regarding unfruitful expenditure on assistance for house construction belonging to Scheduled Castes and Scheduled Tribes. The scheme launched in January 1981 was implemented through District Social Welfare Officer, District Panchayat (DSWO). It envisaged payment of assistance in three instalments.

As 856[^] beneficiaries who received Rs.73.31 lakh as the first instalment of assistance in 1996-99 did not turn up for subsequent instalments, the construction of these houses were doubtful. This resulted in an unfruitful expenditure. The time limit of one and half year for completion was dispensed with effect from December 1987. Thus, the DSWO could not enforce a time limit for completion.

The Government stated (January 2002) that in welfare programmes like providing shelter to the weaker sections, the delay was unavoidable and adherence to a time limit was not possible. However, facts remain that without a time limit for completion, the very purpose of providing shelter to weaker sections of the society would be defeated.

[^] Rs.23.43 lakh to 269 beneficiaries in Kutchh district and Rs.49.88 lakh to 587 beneficiaries in Ahmedabad district.

6.2 Swarnjayanti Gram Swarozgar Yojana

Highlights

With a view to overcome weaknesses of ongoing self-employment programmes in rural areas Government of India introduced Swarnjayanti Gram Swarozgar Yojana from 1 April 1999. The scheme was implemented in an un-planned and non-transparent manner. Government of India guidelines were disregarded and sizeable funds were obtained for augmenting resources of State Government beside incurring irregular/excess expenditure. Cluster approach was absent in most of the talukas.

Delay in release of matching contribution by State Government ranged between 32 and 101 days.

(Paragraph 6.2.4(a)(i))

Out of Rs.20.99 crore released by District Rural Development Agencies to Taluka Development Officers only Rs.15.57 crore was utilised.

(Paragraph 6.2.4(b)(i))

Two DRDAs did not open separate accounts for Revolving Fund and Infrastructure as of June 2002 and 3 delayed it upto 17 months.

(Paragraph 6.2.4(b)(iii))

Actual coverage of the rural below poverty line families was only 3 per cent against the target of eighteen. Shortfall in coverage of women beneficiaries ranged from 11 to 30 per cent.

(Paragraph 6.2.5 & 6.2.10.1)

Instead of identifying 4-5 key activities for each taluka 6 to 12 key activities were identified by 15 DRDAs. Prescribed procedure was not followed for identification of key activities by any of the DRDAs.

(Paragraph 6.2.6)

Key activity-wise appropriate technology and market availability were not identified as envisaged. Consequently incomplete/defective Project Reports were prepared and uneconomical key activities were taken up.

(Paragraphs 6.2.7, 6.2.8 and 6.2.9)

Excess/irregular payment of subsidy amounted to Rs. 2.33 crore.

(Paragraph 6.2.10.1(a))

Financing non-identified key activities ranged up to 89 *per cent* in number and 91 *per cent* in fund against the norms of maximum 25 *per cent*.

(Paragraph 6.2.10.1(b))

Only 42 to 47 *per cent* of loan applications were sanctioned by banks.

(Paragraph 6.2.10.2(iii))

Ninety six *per cent* of the swarozgaris did not earn Rs.2000 per month as envisaged.

(Paragraph 6.2.10.2(v))

Rupees 19.98 crore was irregularly spent on infrastructure by 25 DRDAs and Rs.4.21 crore there of was spent in excess of prescribed limit on creation of infrastructure by 15 DRDAs.

(Paragraph 6.2.11)

Rupees 2.62 crore were irregularly spent on training without following scheme guidelines.

(Paragraph 6.2.12(a))

6.2.1 Introduction

To overcome lack of proper social intermediation, absence of desired linkages among Integrated Rural Development and allied programmes, non-focussing on the substantive issue of sustainable income generation etc. Government of

India (GOI) consolidated these programmes, restructured and rechristened as Swarnjayanti Gram Swarozgar Yojana (SGSY) from 1 April 1999, aiming to bring every assisted family above the poverty line within three years with the emphasis on group approach. Number of below poverty line (BPL) families identified in July 1998 was 19.81 lakh, which on re-survey increased to 23.29 lakh in April 2000.

6.2.2 Organisational set-up

At the State level SGSY was implemented by Secretary, Panchayat, Rural Housing and Rural Development Department (Department) through the Commissioner of Rural Development (Commissioner), Gandhinagar. At the district level, implementation was by District Rural Development Agency (DRDA) through District/Taluka Development Officer (DDOs/TDOs).

6.2.3 Audit coverage

Records of the Panchayat, Rural Housing and Rural Development Department (Department), the Commissioner, Gandhinagar and 8[♦] out of 25 districts and 22^{*} out of 82 Taluka Development Officers for the years 1999-2002 were test checked between April to June 2002.

6.2.4 Financial outlay and expenditure

Expenditure on SGSY is shared by Central and State Governments in the ratio of 75:25. On release of funds by Government of India (GOI), matching share was to be released by State Government.

(a) Funds released by GOI and State Government were as under:

Year	Opening Balance	Fund released		Misc. receipt *	Total	Expenditure Booked by DRDA	Balance	Number of swarozgary assisted
		GOI	State					
1999-2000	16.84	18.50	6.17	0.66	42.17	24.48	17.69	19341
2000-2001	17.69	12.17	4.06	5.93	39.85	31.58	8.27	29241
2001-2002	8.27	8.10	2.60	1.08	20.05	23.49	(-) 3.44 [®]	20963
Total		38.77	12.83	7.67		79.55		69545
Total fund available		51.60			76.11			

* Misc. receipt included interest and subsidy of earlier period refunded by banks.

(i) During 1999-2001 Rs.16.24[®] crore and Rs.2.62[♥] crore were released in the month of March. This led to an unutilised balance of Rs.17.69 crore and

♦ Ahmedabad, Amreli, Gandhinagar, Himatnagar, Jamnagar, Junagadh, Surat and Surendranagar.

* Daskroi and Viramgam (Ahmedabad), Amreli, Babra and Dhari(Amreli), Gandhinagar(Gandhinagar), Bhiloda, Idar and Prantij(Himatnagar) Jamnagar, Jodiya and Kalawad(Jamnagar) Junagadh, Keshod, Maliya and Visavadar(Junagadh) Choriassi, Olpad and Vyara (Surat), Chotila, Dhrangadhra and Wadhwan(Surendranagar).

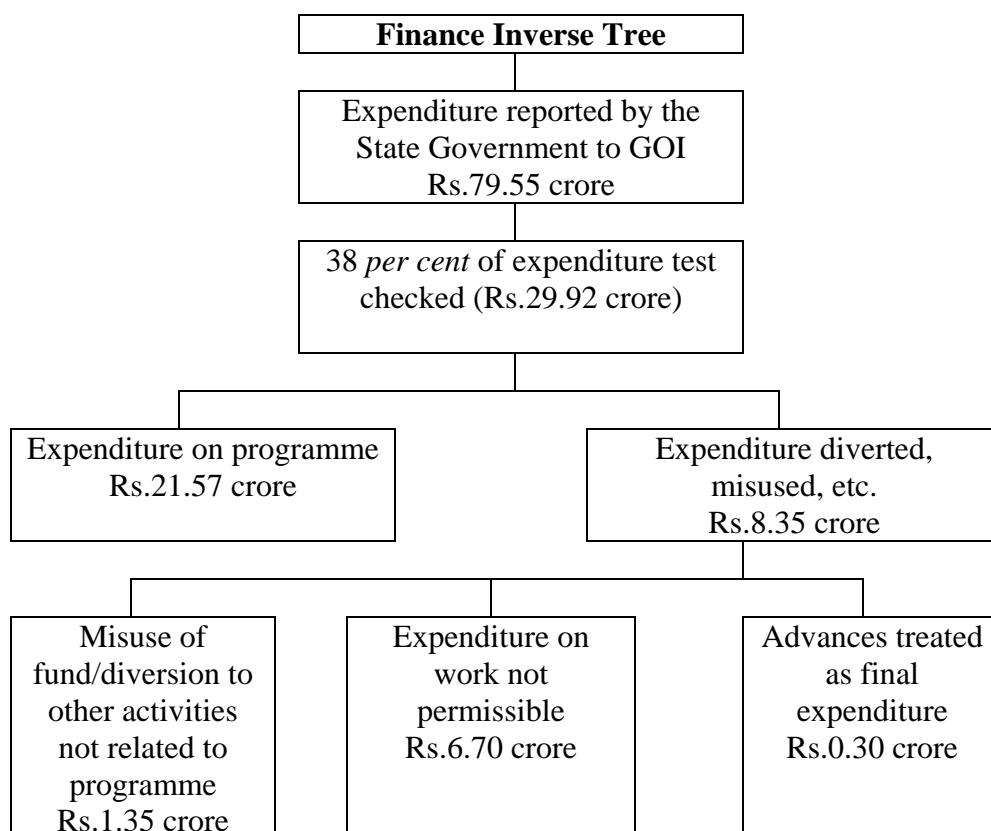
® Minus balance was partially due to diversion of funds as discussed in paragraph (b) (ii)

♥ Delayed release GOI Rs.11.70 crore GOG Rs.4.54 crore

♥ GOI Rs.0.65 crore GOG Rs.1.97 crore.

Rs.8.27 crore as of March 2000 and 2001 respectively. Similarly Rs.0.47[◆] crore was released in March 2002. Out of the matching contribution of Rs.12.83 crore released by State Government release of Rs.4.10 crore was delayed between 32 and 101 days during 1999-2002. Belated release was attributed to constraints of funds in the first year. No reasons were available on record for the delay in next two years.

(ii) Expenditure in the last quarter and in the month of March ranged upto 77 per cent^{**} and 55 per cent respectively^{**}. In test-checked districts expenditure in last quarter and in the month of March ranged up to 92 per cent and 79 per cent[#] respectively.



[◆] GOI Rs.0.22 crore GOG Rs.0.25 crore.

^{**} Expenditure in last quarter 36-77 per cent, expenditure in March 17-55 per cent. Subsidy 15-46 per cent. Revolving fund 21-80 per cent. Infrastructure 21-64 per cent. Other items 15-83 per cent.

[#] 41 per cent (DRDA Amreli) and 92 per cent (DRDA Gandhinagar) and 20 per cent (DRDA, Jamnagar) and 79 per cent (DRDA, Gandhinagar) respectively.

(b) Funds received and expenditure incurred by test-checked DRDAs during 1999-2002 were as under:

(Rupees in crore)

Year	Opening balance	Fund released		Misc. Receipt *	Total	Expenditure Booked by DRDA	Balance
		State	GOI				
1999-2000	6.46	2.18	7.36	0.83	16.83	10.49	6.34
2000-2001	6.33 [♥]	1.41	5.21	0.81	13.76	11.81	1.95
2001-2002	1.95	0.89	2.67	0.17	5.68	7.62	(-) 1.94 [@]
Total		4.48	15.24	1.81		29.92	
Total fund available					27.98[♥]		

* Miscellaneous receipt included interest and subsidy of earlier period refunded by banks.

Rupees 5.42 crore remained unutilised with TDOs

(i) DRDAs released Rs.20.99 crore to TDOs on the basis of incidence of poverty in talukas of which only Rs.15.57 crore was spent during 1999-2002 leaving an unutilised balance of Rs.5.42 crore as shown below :

(Rupees in crore)

District	Release	Expenditure
Ahmedabad	2.05	0.89
Amreli	1.69	1.72
Gandhinagar	0.94	0.77
Himatnagar	2.73	2.93
Jamnagar	1.61	1.06
Junagadh	4.48	2.29
Surat	6.15	5.18
Surendranagar	1.34	0.73
Total	20.99	15.57

Rupees 1.01 crore diverted to other schemes

(ii) Rupees 1.01 crore was diverted (DRDA administration (Rs.0.86 crore) and other schemes (Rs.0.15 crore)) by DRDAs, Ahmedabad (Rs.0.36 crore), Gandhinagar (Rs.0.25 crore), Himatnagar (Rs.0.15 crore) and Junagadh (Rs.0.25 crore).

Opening of separate account delayed up to 17 months

(iii) As per programme guidelines DRDAs were to maintain separate accounts for Subsidy, Infrastructure and Revolving Funds and interest earned thereon was to form part of programme fund. Out of eight DRDAs test-checked two DRDAs (Gandhinagar and Surat) did not open separate accounts (June 2002). Three DRDAs opened separate accounts after considerable delay up to 17 months[⊗]. Amreli, Jamnagar and Junagadh DRDAs failed to provide details of separate accounts. Till the opening of separate accounts, funds were retained in General Accounts of DRDAs and interest accrued on unutilised balance was not transferred to SGSY account as stipulated.

[♥] Rupees 1 lakh pertaining to State scheme erroneously credited to SGSY adjusted by DRDA Himatnagar.

[@] Out of Rs.27.98 crore available during 1999-2002 actual expenditure incurred by test-checked DRDAs was Rs.29.92 crore.

[⊗] Himatnagar 2 months, Surendranagar 14 months and Ahmedabad 17 months

(iv) Director, DRDA Junagadh made advance payment of Rs.30 lakh on 31 March 2000 for two[♦] inadmissible items of infrastructure development. Since details of actual expenditure were not available with DRDA (May 2002), the correctness of expenditure incurred could not be verified in Audit.

6.2.5 Programme implementation

Five-year perspective plan and Annual plans at district/block levels were to be prepared to achieve broad target of 30 *per cent* coverage of beneficiaries. In none of the test-checked districts and blocks such plans were prepared for which no reasons were available on record.

Only 3 per cent beneficiaries covered

As against 30 *per cent* actual coverage was only three *per cent* (0.70 lakh out of 23.29 lakh). Neither State Government nor DRDAs fixed annual targets.

6.2.6 Selection of key activities

Key activities selected in excess of limit and without detailed analysis

(i) Block SGSY Committees were to identify 8-10 Key Activities (KAs) in order of preference keeping in view local resource, product demand and beneficiary talent through a participative process. The District SGSY Committee after detailed analysis and consultations with experts was to select not more than 4-5 activities per block. List of approved KAs was to be circulated to TDOs, banks and all the line departments. Test-check revealed that in 15 districts instead of identifying 4-5 KAs for each block, 6 to 12 KAs were identified. In 10 districts instead of identifying specific activities, the entire Industries, Services and Business sector was identified. In test-checked talukas[‡] identification of farm and non-farm activities ranged between 1 to 2 and 5 to 7 respectively. However, neither analysis nor basis of selection was available. The performance of KAs was not reviewed at the end of two years.

(ii) To avoid funding diverse activities, SGSY laid stress on cluster approach. However, in 15 out of 22 test-checked talukas cluster approach was absent. In the remaining talukas though clusters were stated to be formed activity-wise details of clusters were not available on record.

Too many KAs in violation of scheme guidelines and absence of cluster approach diluted the focus.

6.2.7 Technology Management

Possibility of utilisation of improved technology not explored

Appropriate technology for each KA, which could comfortably be managed by Swarozgaris and lead to quality production in terms of goods/services was to be identified. Project Report (PR) was to include details of status of technology, feasibility, potential for technology up-gradation and KA-wise identification of institutions, capable of transmitting technology to ensure skill up-gradation. Test-checked DRDAs were disinterested in such detailed analysis.

[♦] Deputy Director of Animal Husbandry (Rs.20 lakh) and Executive Engineer, Panchayat Roads and Buildings Division (Rs. 10 lakh) for construction of Veterinary Hospital and Meeting Hall and Training Bhavan as discussed in para 6.3.11 (iv).

[‡] Bhiloda (2+5), Chotila (1+5), Idar (2+6), Prantij (1+7) and Viramgam (1+5).

6.2.8 Marketing Support

Availability of market for each KA not identified

Project profile of every KA was to identify market availability and forecast income. DRDAs were to help to develop linkages with various groups. This aspect was totally neglected by all the test-checked DRDAs. In Wadhwan Taluka all the five weaver swarozgaris informed the audit that due to non-availability of market they could not sell their product.

6.2.9 Preparation of Project Reports

Project Reports not prepared/prepared defectively

Project Report (PR) was a technological and economic blue print. Block SGSY Committees were to prepare PR for each KA in consultation with Banks, line departments, NGOs etc. indicating details of beneficiaries who could be covered through training, credit, technology, infrastructure development etc.

In 11 out of 22 test-checked talukas no PR was prepared. In the remaining talukas PRs were either defective or partial. Some of the defects noticed in PRs were :

- (a) Number of BPL families to be covered under the KA was not indicated. Thus, the suitability of KA for the area/individual was not analysed.
- (b) Details of availability of market before identifying KAs were not indicated. Thus, the sustainability of KA was not assessed.
- (c) In 16[&] cases net monthly income of Rs.2000 per family even in 3rd year was not achievable. Taking up such activities was self defeating.
- (d) There was no record to prove participatory approach of banks, line departments and other institutions.
- (e) In none of the PRs elements like training, credit, technology, infrastructure and marketing as envisaged were indicated.

Thus, the idea of adopting professional approach in preparing PR for making KAs successful was defeated.

6.2.10 Identification of individual beneficiaries/formation of Self Help Groups

Beneficiaries not identified in transparent manner and through participative process

On finalisation of yearly list of selected villages by Block SGSY Committee, a 3-member team[@] was to visit each of the habitations for identification of potential beneficiaries.

In none of the test-checked talukas year-wise list of villages selected for coverage was prepared. Moreover, the role of DRDAs, banks, line Departments, NGOs etc. in the formation of groups was not on record. Audit

[&] Milch animals, work shops like general, engineering etc., Mini oil plants, tractor cum loader, irrigation, mandap decoration, musical unit, brass parts, readymade garments, Agricultural allied services, diesel rickshaw, cobbler, poultry farm, salt industries, pan-bidi-cold drinks and STD PCO.

[@] TDO or his representative, the banker and the Sarpanch

therefore, could not verify whether the assisted swarozgaris were only from the select list prepared after the visit of each habitation by the team. The selection process was unplanned and non-transparent.

6.2.10.1 Individual Swarozgaris

Details of swarozgaris assisted both as individual and through self help groups (SHGs) during 1999-2002 in the State and test-checked districts were as under :

(In numbers)

Year	State			Test-checked DRDAs		
	Individual	SHG	Total	Individual	SHG	Total
	(per cent)*			(per cent)*		
1999-2000	16610 (86)	2731 (14)	19341	5980 (68)	2789 (32)	8769
2000-2001	23644 (81)	5597 (19)	29241	8418 (81)	2028 (19)	10446
2001-2002	16935 (81)	4028 (19)	20963	5028 (72)	2003 (28)	7031
Total	57189	12356	69545	19426	6820	26246

Only 0.70 lakh swarozgaris were actually covered and coverage of individual swarozgaris was predominant. In the State and test-checked DRDAs it was between 81 and 86 per cent and 68 and 81 per cent respectively.

Women beneficiaries not covered as per norms

SGSY was to focus on the vulnerable groups among the rural poor. It was to cover Scheduled Castes/Scheduled Tribes (50 per cent), women (40 per cent) and disabled (3 per cent). Although, coverage of SCs/STs was almost 50 per cent shortfall in coverage of women swarozgaris was between 06 and 11 per cent in the State and 05 and 30 per cent in test-checked districts as detailed below:

(In numbers-() per cent)

Year	SCs/STs	Women	Disabled	Others	Total
State					
1999-2000	10671 (55)	6618 (34)	207 (1)	8670 (45)	19341
2000-2001	14470 (49)	8783 (30)	305 (1)	14771 (51)	29241
2001-2002	9989 (49)	5987 (29)	226 (1)	10674 (51)	20963
Test-checked Districts					
Districts	SCs/STs	Women	Disabled	Others	Total
Ahmedabad	1528 (37)	1038 (25)	33 (1)	2568 (63)	4096
Amreli	695 (24)	990 (35)	44 (2)	2147 (76)	2842
Gandhinagar	73 (12)	182 (30)	1 (2)	519 (88)	592
Himatnagar	2491 (52)	1796 (38)	77 (2)	2268 (48)	4759
Jamnagar	458 (17)	273 (10)	16 (1)	2178 (83)	2636
Junagadh	1042 (32)	491 (15)	38 (1)	2223 (68)	3265
Surat	6074 (91)	2881 (43)	13 (2)	570 (9)	6644
Surendranagar	496 (35)	264 (19)	18 (1)	916 (65)	1412

* Vis-a-vis Total.

(a) Excess/irregular payment of subsidy

Rupees 2 crore paid in excess of prescribed limit of subsidy and Rs.0.33 crore irregularly paid to SHGs

Subsidy at a uniform rate of 30 *per cent* of the project cost subject to a maximum of Rs.7500 was admissible. For SCs/STs and SHGs it was 50 *per cent* of the project cost subject to maximum Rs. 10,000 and Rs. 1.25 lakh respectively. There was no monetary limit on subsidy for irrigation projects.

As against admissible subsidy of Rs.15.78 crore to non-SCs/STs swarozgaris actual expenditure was Rs.17.78 crore . The quantum of excess payment in the test-checked Districts ranged between Rs.3 lakh (DRDA, Gandhinagar) and Rs.18 lakh (DRDA, Himatnagar) to individual swarozgaris. In five[&] districts Rs.33 lakh subsidy was irregularly paid to SHGs having less number of swarozgaris (Rs.1 lakh), before completion of twelve months (Rs.16 lakh) and without grading (Rs.16 lakh).

(b) Financing non-KAs

Non-identified key activities financed in excess of permissible upper limit

Funding of KAs not identified by DRDAs was permissible only when economic return was assured and in exceptional cases up to 25 *per cent*, both in number and amount. Rs.97.71 lakh spent on un-identified KAs and Rs.21.11 lakh was spent in excess of upper limit of 25 *per cent*. Thus, financing un-identified KAs in a routine manner and in excess of prescribed limit curtailed the availability of funds for identified key activities.

6.2.10.2 Self Help Groups

(i) DRDAs were to initiate and sustain the process of social mobilisation for poverty eradication by forming, developing and strengthening SHGs. SHGs were to evolve through three stages *viz.* Group formation, Capital formation and Income generation.

Thrust on group approach was lacking

Out of 65429 and 16369 SHGs formed in the State and in test-checked districts only 8412 (13 *per cent*) and 1538 (9 *per cent*) respectively cleared Grade-I. Out of 1371 (16 *per cent*) and 190 (12 *per cent*) SHGs which cleared Grade II in the State and test-checked districts only 1458 (2 *per cent*) and 176* (1 *per cent*) SHGs were released economic assistance respectively (Appendix -XXXIV). Disbursement of economic assistance to SHGs only to the extent of 19 to 24 *per cent* indicated poor thrust on group approach.

(ii) Revolving Fund (RF) was to be released on passing grade-I for working capital.

Rupees 89.01 lakh paid to SHGs not having financial management skill

Rupees 1.46 crore was paid towards RF but actual utilisation of the RF by SHGs was not monitored at Block/DRDA levels. Out of 1460 SHGs to whom RF was paid only 176 SHGs[@] (12 *per cent*) took up economic activities. Thus, the purpose of paying RF for capital formation and imparting credit discipline and financial management skill remained unachieved. Further, as against total payment of Rs.146 lakh in the State Rs.142.81 lakh was paid by 16 districts.

[&] Ahmedabad, Gandhinagar, Jamnagar, Junagadh and Surendranagar.

^{*} After excluding groups mentioned in footnote in Appendix - XXXIV.

[@] After excluding SHGs mentioned in footnote in Appendix -XXXIV.

However, there were only 538 SHGs which had cleared Grade-I and Rs.53.80 lakh was payable to them towards RF. This resulted in irregular payment of Rs.89.01 lakh[▲] to non-entitled SHGs. Records revealed that RF was released in test-checked districts to groups which did not (i) clear grade I (Rs.80.10 lakh), (ii) complete six months of formation (Rs.6.60 lakh) and (iii) have minimum number of members as required (Rs.7.80 lakh).

(iii) Sanctioning of loans by banks was the most critical aspect of the SGSY. However, details of loan applications forwarded, sanctioned and pending with banks was not monitored by the Commissioner. In test-checked DRDAs the position was as under :

Year	Number of applications			
	Forwarded	Sanctioned (per cent)	Returned/ Rejected (per cent)	Pending (per cent)
1999-2000	14146	6642 (47)	5765 (41)	1739 (12)
2000-2001	21008	9408 (45)	8950 (42)	2650 (13)
2001-2002	13155	5535 (42)	5151 (39)	2469 (19)
Total	48309	21585 (45)	19866 (41)	6858 (14)

Sanctioning of loan by banks between 42 and 47 per cent of cases

The declining trend (42 per cent) in sanctioning of loans by banks was one of the reasons for the poor coverage of beneficiaries.

(iv) The status of loan repayment/recoveries in various districts during 1999-2002 was as under :

(Rupees in crore)

Year	Amount		
	Due	Repaid (per cent)	Outstanding (per cent)
1999-2000*	2.35	0.20 (9)	2.15 (91)
2000-2001**	9.93	4.12 (41)	5.81 (59)
2001-2002**	10.39	4.44 (43)	5.95 (57)

Recovery of loans ranged between 9 to 43 per cent and the Commissioner and DRDAs failed to ensure repayments to build bridge between beneficiaries and banks. Information collected from lead banks in Amreli, Rajkot and Surat districts revealed repayment of loans between 33 per cent (Amreli) and 42 per cent (Rajkot) during 2000-2001.

[▲] Ahmedabad (Rs.12.00 lakh), Amreli (Rs.0.40 lakh), Anandv (Rs.0.40 lakh), Banaskantha (Rs.8.70 lakh), Bhavnagar (Rs.8.90 lakh), Dangs (Rs.7.20 lakh), Godhra (Rs.4.90 lakh), Jamnagar (Rs.9.30 lakh), Kachchh (Rs.5.75 lakh), Kheda (Rs.0.20 lakh), Navsari (Rs.4.30 lakh), Rajkot (Rs.1.66 lakh), Surat (Rs.0.30 lakh), Surendranagar (Rs.1.10 lakh), Vadodara (Rs.11.20 lakh) and Valsad (Rs.12.70 lakh).

* Information only from Amreli and Kheda districts.

** Information only from Ahmedabad, Amreli, Anand, Banaskantha, Junagadh, Kheda, Surat and Vadodara (Valsad for 2001-2002 only).

Cash deposits from swarozgaris taken by banks in violation of RBI guidelines

(v) Out of 440 individual swarozgaris visited by the Audit team in 44 Panchayats of 22 talukas, 96 *per cent* were not able to generate monthly income of Rs.2000. Further, in 32 cases banks irregularly took cash deposits of Rs.2000 to Rs.10000 in violation of RBI guidelines. After adjusting the amount of admissible subsidy (Rs.1700 to Rs.10000) and cash deposits made by swarozgaris amount recoverable from them was upto Rs.12000. Thus, loan amount was low. Demanding cash deposits from beneficiaries resulted in increased indebtedness of swarozgaris to other sources and reduced banking support.

6.2.11 Creation of Infrastructure

Rupees 19.98 crore spent on programme infrastructure in gross violation of scheme guidelines

(i) SGSY envisaged State Government to provide infrastructure for identified activities. Recourse to SGSY Infrastructure Fund (including 20 *per cent* of allocation for each district) was the last resort and should be to meet critical gaps in investments. It was seen that Rs.19.98 crore was spent out of SGSY funds towards infrastructure creation in violation of GOI instructions. This reduced the funds for financial assistance to Swarozgaris.

(ii) 15 DRDAs spent Rs.4.21 crore in excess of permissible ceiling of 20 *per cent* of allocation per year on creation of infrastructure.

(iii) Scheme guidelines prohibited expenditure on non-existent/general infrastructure. Rupees 1.45 crore was however paid in March 2000 to one NGO* against a project** which included items of recurring nature like Administrative expenses, Managerial expenses, mobile vans, documentation and design, etc. amounting to Rs.93 lakh which were inadmissible as per SGSY guideline and was an undue favour to the NGO.

(iv) Eight DRDAs spent Rs.6.05 crore on infrastructure like construction of training centre, purchase of medicines (Rs.35.24 lakh) etc. (Appendix -XXXV) from SGSY funds without exploring possibilities of funding these from other Centrally sponsored/State Plan schemes.

These instances indicate diversion of SGSY funds meant for the rural poor.

6.2.12 Skill Upgradation

SGSY gave importance to skill upgradation for success and sustainability of self employment programme and envisaged two types of training to achieve this *viz.* (a) basic orientation training of two days for those having Minimum Skill Requirement (MSR) and (b) skill up-gradation upto one week for those lacking MSR.

Rupees 33 lakh spent on inadmissible items and in excess of prescribed limit

It was noticed in Audit that :

Rupees 2.62 crore was spent for imparting training to 1.59 lakh beneficiaries. Detailed break-up of expenditure was not available with the Commissioner. In

* Self Employed Women's Association Ahmedabad.

** Setting up marketing centre at Ahmedabad and provide market linkages in nine districts.

test-checked DRDAs Rs.1.02 crore was spent on imparting training to 0.29 lakh beneficiaries. Of this Rs.10 lakh was irregularly spent on contingent/recurring[§] expenditure and Rs.23 lakh was spent in excess of the limit[♦] of expenditure fixed per trainee per day and beyond the prescribed duration. However, no record was maintained to indicate the break-up of expenditure and whether training was imparted to identified swarozgaris.

6.2.13 Monitoring/Evaluation

(a) Monitoring

For effective monitoring committees at block, district and State levels were to be constituted and meet monthly and quarterly respectively.

Holding meeting at various levels deficient up to 70 per cent

State Level Committee consisting of 15 members constituted from September 1999 under the Chairmanship of Additional Chief Secretary (Rural Development) met thrice (30 per cent) as against 10 times as of March 2002. District Level Committees constituted under the Chairmanship of District Collectors in test-checked districts met 97 times (40 per cent) as against 240 times. Block Level Committees constituted under the Chairmanship of Director, DRDAs met 240 times (42 per cent) as against 570 times. In test-checked districts neither any schedule of monitoring was fixed for field officers of the line departments nor any mechanism developed to obtain inspection reports from them.

Record for asset verification not maintained

DRDA/Block officials and bankers were to oversee that swarozgaris managed their assets and to remove difficulties, if any, faced by them. Though, 5784 assets were stated to have been verified in 14 test-checked talukas neither any record relating to their creation, maintenance and physical verification was maintained at Taluka level nor any inspection notes from field officers were made available to Audit. *Vikas Patrikas* required to be maintained at Taluka level for monitoring the health of project were not maintained in 21 out of 22 talukas test-checked. In Junagadh taluka *Vikas Patrikas* did not contain full particulars.

Swarozgari-wise vikas patrikas not maintained

(b) Evaluation

No evaluation carried out

No external or internal evaluation was conducted as of June 2002.

6.2.14 Conclusions

SGSY is a sophistication over earlier schemes as it is an integrated scheme with cluster approach. The scheme envisaged training, skills upgradation, infrastructure development, market support etc. System of back-ended subsidy is a safeguard against misuse of funds. However, implementation of the scheme in the State suffered from inadequacy of formulating appropriate projects, utilisation of available funds in unplanned and irregular manner by

[§] Re-charging of well, subscription of magazines, BPL survey, holding conference, computer training to staff, purchase of stationery etc.

[♦] Rupees 15 per-trainee per-day upto March 2001 and Rs.30 thereafter-Maximum for two days for BOP.

routinely flouting scheme guidelines. The scheme was reduced to routine implementation instead of Top down approach to help formulate strategies and linkages. Thus, the goal of generation of sufficient income to bring swarozgaris above poverty line remained unrealised.

6.2.15 The matter was reported to Government in July 2002; reply had not been received (November 2002).

SECTION "B" - PARAS

LABOUR AND EMPLOYMENT DEPARTMENT

6.3 Investment in violation of Government instructions

Decision of Member Secretary, GRWWB to invest money in a Co-operative Bank resulted in creation of bad debt of Rs.1.12 crore beside blocking of funds for more than five years.

As per Government Resolution of July 1995, surplus funds available with State Public Sector Enterprises, Boards, Corporations and Other agencies were required to be deposited in (i) non-interest bearing Personal Ledger Account with Government Treasuries if such funds were created from the grants, loans, contributions, subsidy etc. received from Government and (ii) Government owned companies viz. Gujarat State Financial Services (GSFS) and Gujarat Industrial Investment Corporation (GIIC) as an inter-corporate deposit if such funds were created from other than those of the Government agencies. GSFS/GIIC would pay rate of interest, which would be at least one *per cent* higher than the maximum rate approved by Reserve Bank of India.

Test-check of records of Gujarat Rural Workers Welfare Board (GRWWB), Gandhinagar (March 2001) revealed that in contravention of Government instructions Member Secretary, GRWWB deposited Rs.42.18* crore in Commercial/Co-operative banks during 1995-98. Of these Rs.0.55 crore were deposited in term deposits with Sarvodaya Co-operative Bank and Rs.0.57 crore in Ahmedabad Urban Co-operative Bank, Ahmedabad between December 1995 and August 1996. On maturity between December 1996 and August 1997 both the Banks became insolvent. GRWWB filed claim for refund of deposits with the official liquidator of Sarvodaya Co-operative Bank (May 2000) and Ahmedabad Urban Co-operative Bank (March 2002) respectively. The amount was yet to be recovered.

Thus, injudicious decision to invest Rs.1.12 crore with Co-operative Banks in violation of Government instructions resulted in loss of funds for more than five years and call for departmental investigation.

The matter was reported to Government in May 2001; reply has not been received (November 2002).

* 1995-96 Rs.7.06 crore in seven banks, 1996-97 Rs.26.49 crore in five banks and 1997-98 Rs.8.63 crore in three banks.

NARMADA, WATER RESOURCES AND WATER SUPPLY DEPARTMENT

6.4 Blocking of funds

Non-synchronisation of canal work with construction of head works resulted in blocking of Rs.2.32 crore

Dabasang minor irrigation scheme was administratively approved and technically sanctioned (September 1994) by Government in Narmada and Water Resources Department for Rs.1.80 crore to irrigate 1022 acres of land. The work comprised construction of head regulator, earthen dam and canal net work. Executive Engineer, Irrigation division (Division) entrusted the work of construction of head regulator, earthen dam (June 1995) at the tendered cost of Rs.1.23 crore against the estimate of Rs.1.23 crore. The work was completed (December 1999) at a cost of Rs.1.58 crore.

The construction of Right Bank Main Canal (4.670 Km.) and branch canal (0.960 Km.) were not synchronised with the construction of head works. Even the process of acquisition of land required for canal network was not finalised (November 2002) although payment of Rs.0.74 crore for acquisition of land for catchment area was released between September 1996 and May 1999. As a result expenditure of Rs.2.32 crore incurred so far (December 2002) proved unfruitful and blocked for a period of three years.

The matter was reported to Government in May 2002; reply was awaited (December 2002).

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

6.5 Lack of response to Audit findings

Audit of District Panchayat and District Rural Development Agencies is conducted under Section 14 of CAG's (DPC) Act, 1971. 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 inspected with a copy to the next higher authorities. Government rules etc. provide for prompt response to ensure corrective action and accountability for the deficiencies, lapses, etc. noticed during his inspection. The Heads of offices and next higher authorities are required to rectify the defects and omissions promptly and report their compliance to the AG. 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 of the audit observations in the pending reports.

Inspection Reports issued up to March 2002 pertaining to Panchayats, Rural Housing and Rural Development Department disclosed that 475 paragraphs(320 paragraphs of District Panchayat (DP), Himatnagar and 155 paragraphs of District Rural Development Agency (DRDA), Bhavnagar relating to 104 IRs (DP 95 IRs and DRDA 9 IRs)remained outstanding at the end of September 2002. Of these, 4 IRs (3 IRs of DP, Himatnagar and 1 IR of DRDA, Bhavnagar) containing 18 paragraphs (12 paras* of DP, Himatnagar and 6 paras** of DRDA, Bhavnagar) had not been settled /replied to for more than 10 years. Year-wise position of the outstanding IRs and paragraphs are detailed below.

Year	District Panchayat, Himatnagar		District Rural Development Agency, Bhavnagar		Total	
	Inspection Reports	Para- graphs	Inspection Reports	Para- graphs	Inspection Reports	Para- graphs
Upto 1997-98	70	209	6	93	76	302
1999-2000	8	47	1	27	9	74
2000-2001	10	30	1	27	11	57
2001-2002	7	34	1	8	8	42
Total	95	320	9	155	104	475

Even the initial replies which were required to be received from the Heads of offices within four weeks from the date of issue were not received in respect of 17 IRs for DP, Himatnagar and DRDA, Bhavnagar issued between 1990-91 and 2001-2002. As a result, serious irregularities commented upon in these IRs as detailed below had not been settled as of September 2002.

* 1981-82- 7 and 1990-91- 5.

** 1989-90- 6.

Sr. No.	Category of objection	DRDA, Bhavnagar		District Panchayat, Himatnagar	
		No. of Paras	Total Amount (Rupees in lakh)	No. of Paras	Total Amount (Rupees in lakh)
1	Overpayments, non-recovery of rents and advances/miscellaneous recoveries	7	64.81	69	4737.82
2	Incomplete/abandoned works	13	63.66	15	16.22
3	Excess/irregular expenditure for want of sanctions	28	138.77	26	1935.63
4	Non-utilisation of grants	17	3202.17	33	3801.75
5	Wasteful, infructuous/unfruitful expenditure	12	52.59	18	373.53
6	Non-crediting of Government income into Government account	3	1.75	8	964.69
7	Non-reconciliation with treasury banks	9	56.80	2	22.54
8	Lapse deposits not credited into Government accounts	--	--	16	1499.28
9	Non-receipts of contribution from Municipalities	--	--	2	185.45
10	Non-disposal of unserviceable articles of stores	--	--	10	3.61
11	Drawal of funds in advance of requirement/blocking of funds	4	128.07	--	--
12	Diversion of funds/blocking of fund	7	181.63	--	--
13	Misappropriation of stores/cash/fraud	--	--	4	1.33
14	Irregular purchases	12	84.01	8	35.11
15	Non-obtaining of utilisation certificates	2	111.88	23	7517.51
16	Irregular excess payment of subsidy/grant etc.	--	--	--	--
17	Outstanding Irrigation Dues	--	--	8	70.22
18	Works executed through Contractor instead of providing gainful employment in un-employed departmentally/Government Agency	--	--	--	--
19	Miscellaneous irregularities	41	1058.46	78	3147.73
	Total	155	5144.60	320	24312.42

A review of the pending IRs in respect of Panchayats, Rural Housing and Rural Development Department and Agriculture, Co-operation and Rural Development Department revealed that the Head of the Offices, whose records were inspected by AG, and Development Commissioner and Commissioner of Rural Development did not send any reply. This indicated their failure to initiate action in regard to the defects, omissions and irregularities pointed out in IRs by AG. The Secretaries of the Panchayats, Rural Housing and Rural Development Department and Agriculture, Co-operation and Rural Development Department, who were informed of the position through half yearly reports, also failed to ensure that the concerned officers of the Department take prompt and timely action and on the IRs issued by the office of the AG.

Lack of action against the defaulting officers thus facilitated the continuation of serious financial irregularities and loss to the Government despite Audit Observations.

It is recommended that Government should carry out a review of the matter to ensure that higher executive responsiveness to audit observations and findings is quick ensuring remedial action and frame procedure for initiating action (a) 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.

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

PORTS AND FISHERIES DEPARTMENT

GUJARAT MARITIME BOARD

6.6 Unauthorised payment of overtime allowance

Expenditure of Rs.9.20 crore was incurred on payment of overtime allowance in disregard to Government instructions

The management of minor ports in Gujarat has been entrusted to the Gujarat Maritime Board (GMB), constituted under Gujarat Maritime Board Act, 1981. Previous sanction of the State Government is required *inter alia* for payment of salaries, fees, allowances etc. to its employees. Consequent upon revision of pay scales of the employees of State Government, the salary structure of the employees of GMB were also revised from 1 April 1996 with the condition that no extra benefit like overtime, leave encashment etc. other than admissible to the employees of State Government would be payable to them.

Test-check of records of GMB revealed (September 2000, December 2001) that though overtime to the employees was not payable after implementation of revised pay scales, the same was paid in disregard of Government instructions. It was further revealed that despite refusal by Government (March 1999) to the payment of overtime allowance, overtime was continued in view of special nature of duties of its employees, which led to unauthorised payment of Rs.9.20 crore between 1997-98 and 2000-01.

The matter was reported to Government in April 2002; reply was awaited (November 2002).

6.7 Non-recovery of rent of tug hired to a Joint Sector Company

Rental charge amounting to Rs.10.61 crore was not recovered from a joint sector company

Mention was made in para 6.11 of Audit Report for the year ended 31 March 1998 (Civil) regarding non-recovery of hire charges of Rs.0.54 crore in respect of two tugs from Gujarat Pipavav Port Limited (GPPL) a joint sector company by Gujarat Maritime Board (GMB). Further scrutiny of records of GMB revealed (December 2001) the following:

(i) A 15 ton Bollard pull tug 'Gopnath' was let out to GPPL from October 1996 at a monthly rent of Rs.21.05 lakh payable in advance. The GPPL was to execute an agreement with GMB and pay five *per cent* of contractual amount within five days of agreement. GPPL, neither executed an agreement, nor paid rent after taking over possession of the tug. Though the initial period of hiring the tug was 12 months only, GMB did not withdraw the tug till December 2001 despite non-execution and non-payment of rent.

(ii) In June 1999, it was decided to sell the tug for Rs.9.76 crore. The GPPL was to make down payment of 25 *per cent* of the cost, and the balance 75 *per cent* in five annual instalments of Rs.1.53 crore each together with interest @12 *per cent* per annum from the date of taking over tug to the date of actual transfer of ownership. An agreement to this effect was to be executed by the GPPL. Again, neither agreement was executed nor any payment towards cost of tug or interest thereon was made after initial down payment of Rs.2.44 crore between April 1999 and May 1999.

(iii) As GPPL did not settle the claim, GMB decided (October 2001) to take back the tug and recover the rent till the date of its handing over to GMB by the company. The tug was taken back on 26-12-2001.

Thus, inability of GMB to have an agreement executed with GPPL, to recover sale value of the tug etc. led to non-recovery of rent of Rs.10.61 crore for the period from November 1996 to December 2001 besides bestowing undue favours to the company by not claiming interest on arrears of rent.

Government stated (May 2002) that GMB had taken all steps to recover the dues and final negotiations were underway to settle the issue. This was hardly tenable, without effecting recovery of rent or portion thereof.

6.8 Loss of Rs.1.73 crore to GMB/Government

Defective agreement resulted in undue favour to a private party and consequent loss of revenue of Rs.1.73 crore to GMB/Government

The Reliance Ports Terminals Limited (RPTL) sought (January 1995) permission to construct and use a captive jetty with five berths at port Sikka. Gujarat Maritime Board (GMB) accorded approval (June 1995) in principle and final approval was to be given after scrutiny of study report of the project then being prepared by RPTL. However, RPTL completed construction (July 1997) before final approval of the project and started handling the cargo (July 1999).

As per the approval of GMB, RPTL was required to execute an agreement with GMB prior to commencement of construction, which *inter alia* provided for payment of statutory fees *viz.*, scrutiny fees of Rs.25 lakh, 50 *per cent* supervision charges of Rs.25 lakh and balance on reaching the construction upto 50 *per cent* level. However, RPTL commenced the work without obtaining any permission and executing any agreement with GMB. GMB too neither stopped the unauthorised construction as per the provisions of Section 35(1) and 35(2) of GMB Act 1981, nor insisted on execution of formal agreement and payment of statutory charges.

RPTL completed the jetty with four berths (July 1999). In the agreement however, the structure was termed as four jetties instead of a jetty with four berths. Consequently, when a demand of Rs.3 crore for statutory fees was raised (August 1999), RPTL objected on the ground that the structure constructed was a single jetty and should be charged accordingly. After 17 months, the matter was referred (March 2001) to technical as well as legal officers for interpretation of the word jetty. Both the officers opined that the structure constructed was a single jetty having four berths. Based on legal and technical opinion, Board passed a resolution (July 2001) to revise the clause of the agreement from four jetties to one jetty and levy charges accordingly. GMB accepted the mistake in the agreement but did not take any initiative to revise the agreement and charge according to the length of the jetty. GMB had also not initiated any penal action against the company under section 98 of the Act for unauthorised construction without payment of statutory fees of Rs.50 lakh.

Thus, failure on the part of Sikka Port and GMB authorities to execute an agreement prior to commencement of work, supervise construction of work for two years and subsequent delay in raising the demand resulted in non-recovery of Rs.1.25 crore (scrutiny and supervision charges of Rs.50 lakh, water front charges of Rs.75 lakh and licence fee of Rs.0.30 lakh) as statutory

fees besides notional loss of interest of Rs.48.07 lakh. GMB did neither initiate any action against RPTL for violation of the rules nor solicit any legal redressal. No responsibility was fixed for inefficient, incorrect and delayed drafting of legal document.

On audit observation the Vice Chairman and Chief Executive Officer stated (April 2002) that the anomaly regarding interpretation of RPTL facility as jetty or berth arose on account of lack of technical and legal guidance at material time and after due diligence it was established that the agreement was wrongly worded and misleading. Reply was not tenable as technical guidance should have been sought before execution of agreement.

Besides, responsibility should be fixed for gross violation of the Act and defective drafting of agreement which resulted in loss of Rs.1.73 crore to Gujarat Maritime Board.

Government while endorsing the views of GMB stated (October 2002) that the concept of captive jetty had to be applied harmoniously with the content of agreement and that omission in drafting the agreement was just an error of perception for which no individual could be blamed. The reply was not acceptable as deliberate negligence of non-incorporation of a clause for recovery of water front charges for each berth in the agreement resulted in recurring revenue loss of Rs.75 lakh per year besides non-recovery of Rs.1.73 crore as mentioned earlier.

6.9 Short levy of Wharfage charges

Short levy of wharfage charges resulted in undue favour to private parties and loss of revenue of Rs.1.69 crore

Gujarat Maritime Board (GMB) constituted under the Gujarat Maritime Board Act 1981 (Act) was entrusted with *inter alia* the responsibilities for providing necessary facilities for landing and shipping of cargo and powers to levy port dues and other charges for services rendered.

Section 37 and 38 of the Act, empowers GMB to prescribe scale of rates for various services to be rendered. Further, Section 41 of the Act envisages that rates framed by GMB should be submitted to the Government for sanction and would come into effect when these are published by GMB in the official gazette.

GMB with the approval of Government revised (May 1998) the rates for handling solid petroleum derivatives to Rs.50 per metric tonne (MT). However, with effect from 28 November 2000, the fees for handling petroleum coke was reduced with the approval of Government to Rs.30 per MT. But, it was noticed in audit (December 2001) that the reduced rate of fees was applied retrospectively from 29 May 2000. This resulted in loss of

revenue to the tune of Rs.1.69 crore for 844460 MT petroleum coke handled between 29 May 2000 and 23 November 2000.

Government stated (July 2002) that Pet coke being a new commodity handled at the ports of Gujarat its wharfage rate was not prescribed earlier and the rates applicable for handling coke and coal was applied from first clearance of consignment looking to lesser market value of Pet coke. The reply was not tenable, as in terms of provision of the GMB Act, 1981, Pet coke was classifiable as solid petroleum derivative. Therefore, till publication of notification in November 2000 charges should have been levied accordingly.

URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT

6.10 Loss of Rs.1.19 crore to Gujarat Housing Board

Gujarat Housing Board unauthorisedly invested Rs.0.70 crore in a Co-operative Bank in violation of provisions of Act and Government instructions which led to loss of Rs.1.19 crore

Gujarat Housing Board (GHB) Act, 1961 (Act) provides that all monies and receipts forming part of the funds of the Board shall be deposited in Reserve Bank of India or shall be invested in such securities as may be approved by the State Government. Further, as per Government Resolution (GR) of July 1995, surplus funds available with State Public Sector Enterprises, Boards, Corporations and Other agencies, set up by Government, were required to be deposited in (i) non-interest bearing Personal Ledger Account with Government Treasuries if such funds were created from the grants, loans, contributions, subsidy etc. received from Government and (ii) Government owned companies *viz.* Gujarat State Financial Services (GSFS) and Gujarat Industrial Investment Corporation (GIIC) as an inter-corporate deposit if such funds were created from other than those received from the Government. GSFS/GIIC would pay the rate of interest, which would be at least one *per cent* higher than the maximum approved by Reserve Bank of India for term deposit.

Scrutiny of records of GHB (September 1999) revealed that in contravention of the Act and the GR of 1995, GHB invested as per directive of its Chairman Rs.0.70[#] crore in term deposit with Mahila Nagrik Co-operative Bank (Bank) between March 1996 and August 1996 for one year. On Maturity (March 1997) Bank did not honour the payment of the principal and interest on term deposits for Rs.0.20 crore. GHB further presented (March 1997) other term

[#] Rs.20 lakh; March 1996, Rs.25 lakh; June 1996 and Rs.25 lakh; August 1996.

deposits of Rs.0.50 crore for premature encashment which was also not honoured by the Bank. Civil suit was filed (August 1998) against the Bank and the Honourable Court pronounced Judgement in favour of GHB and ordered (August 2001) the Bank to pay up Rs.0.79 crore as principal sum and running interest at 12 *per cent* thereon till the date of payment. However, no amount was recovered and the Bank was declared insolvent (March 2002). This resulted in loss of principal amount of Rs.0.79 crore and interest of Rs.0.40 crore from the date of suit to June 2002.

Thus, unauthorised action by the Chairman to invest surplus fund in a Co-operative Bank in violation of GHB Act and Government instructions of investing the money only in nationalised banks resulted in blocking of public fund for more than six years and consequent loss of Rs.1.19 crore to GHB.

Government stated (August 2002) that the court had ordered the bank to pay the dues along with running interest rate of 12 *per cent* per annum and that the matter was pending with Lok Ayukta.

The reply was not convincing. As the bank had gone in liquidation, possibility of recovering the loss was remote.

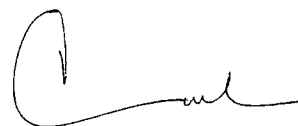
Rajkot
The



(B.MAZUMDAR)
Accountant General (Audit)-II, Gujarat

Countersigned

New Delhi
The



(V.N. KAUL)
Comptroller and Auditor General of India