

## CHAPTER IV: FINANCIAL MANAGEMENT

Key financial aspects such as assessment of requirement of funds on need basis, drawal of funds from treasury in time, utilisation of funds as per norms, provision of required budget grants, procurement of material in time, effective use of stock purchased, maintenance of proper accounts of financial transactions, etc., are required to be in compliance with the Maharashtra Treasury Rules, Maharashtra Contingent Expenditure Rules, Standard Tender Conditions, Departmental Manuals, Budget Provisions, Appropriation Accounts etc.

Government in Relief and Rehabilitation Department released Rs 1148.82 crore to the District Collectors through Divisional Commissioners, Agriculture Department, Public Health Department. They in turn distributed the funds to the executing agencies such as Sub Divisional Officers/ Tahsildars, Commissioners of Agriculture/ DSAOs/ TAOs and Director of Public Health/ Deputy Director of Public Health, etc. (**Appendix VI**).

The Divisional Commissioners, Commissioners of Agriculture and Director of Public Health were required to report use of funds directly to the Secretary, Relief and Rehabilitation Department.

### 4.1 Audit findings

#### 4.1.1 Drawal of funds without requirement

The drawal of funds either in excess of requirement or not required for immediate payments are prohibited under Maharashtra Treasury Rules.

It was noticed that in Kolhapur and Sangli Districts, the excess amount of Rs 48.48 lakh was drawn from treasury between August and October 2005, for making payment of GRA to the flood affected people. These amounts were credited to government account between October 2005 and March 2006 i.e. after two to seven months. In Raigad and Sangli Districts, Rs 1.40 crore was allotted by the Collector (between August and December 2005) for distribution to the implementing agencies for providing civic amenities in the flood-affected areas. Of this, Rs 77.43<sup>29</sup> lakh were neither utilised nor refunded to the respective District Collectors before 31 March 2006. Government agreed (September 2006) to issue necessary instructions to avoid over drawal in future.

The omission of making drawal without assessing the requirement pointed out in flood 2005 was repeated in 2006 in Nanded District. Of the total amount of Rs 13.15 crore drawn in anticipation of budget provision, the payments of Rs 12.48 crore were made till 15 September 2006 leaving unspent balance of Rs 67.46 lakh though the actual requirement for outstanding payment after 15 September 2006 was only Rs 15 lakh. The amount of Rs 52 lakh was thus,

<sup>29</sup> Raigad- Rs 47.47 lakh and Sangli Rs 29.96 lakh

**Excess drawal  
without  
assessing the  
requirement  
on need basis**

drawn by the Tahsildar, Nanded between August and September 2006 in excess without assessing requirement. The physical verification of cash balance on 15 September 2006 revealed that the cashier had a balance of Rs 33.16 lakh, which did not tally with the unspent balance Rs 67.46 lakh. Missing cash balance of Rs 34.30 lakh was not explained.

#### **4.1.2. Delay in execution of civil works**

For repairing civic and public utilities damaged due to flood, Government sanctioned (August and December 2005) Rs 11.60 crore to four<sup>30</sup> District Collectors for further distribution to the executing agencies. The Collectors concerned released the funds to the implementing agencies between 03 October 2005 and 22 March 2006 with instructions to utilise the funds before the end of financial year. Unspent balance was to be surrendered before 31 March 2006. It was noticed that Rs 10.49 crore (**Appendix VII**) remained unutilized with the executing agencies as of May 2006. As a result, repair works could not be taken up for four to eight months, depriving the flood-affected people from the intended benefits.

Government accepted (September 2006) the delay of three months in issue of copy of sanction order to the District Collectors due to deletion of the sanction order from web-site.

#### **4.1.3 Retention of funds in Personal Ledger Account**

In Mumbai Suburban District (MSD), Bandra, ex-gratia assistance amounting to Rs 4 crore were drawn by Collector MSD, Bandra in August 2005, for making payment to the legal heirs of 411 deceased persons. The amount was deposited into "Personal Ledger Account"(PLA) of the District Collector. As of May 2006, cheques for Rs 3.48 crore were issued in the names of legal heirs leaving a balance of Rs 52 lakh. The Collector stated (May 2006) that there were no claims due for payments. Thus, Rs 52 lakh were unnecessarily blocked in the PLA.

Government accepted (September 2006) the facts and agreed to issue necessary instructions to the officers concerned.

#### **4.1.4 Diversion of funds**

In five test checked districts<sup>31</sup>, out of the total grants of Rs 13.90 crore sanctioned (between July 2005 and March 2006) for providing civic amenities like repairs to roads, school buildings, water supply schemes and restoration of electric supply, etc. in the flood affected area, Rs 1.43 crore were diverted by implementing agencies for works, not related to flood damage works as detailed below.

**Funds were lying unutilised due to non-starting of flood damage works.**

**The funds of Rs 52 lakh were retained for payment to the legal heirs of the deceased though no claims were due for payment**

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<sup>30</sup> Nanded, Raigad, Sangli and Thane

<sup>31</sup> Kolhapur, Parbhani, Pune, Raigad and Sangli

**Funds provided for civic amenities were diverted for repairs to Collectors residence, furniture and fuel**

District	Amount diverted (Rupees in crore)	Expenditure incurred on
Kolhapur	0.60	Residential quarters, including repairs to Collector's residence
Parbhani	0.10	Purchase of fuel
Pune	0.51	Works in a Taluka not affected by flood and not covered by Government resolution.
Raigad	0.19	Furniture, medicines, hire charges, repairs of vehicle
Sangli	0.03	Retaining wall (new work)
<b>Total</b>	<b>1.43</b>	

Government agreed (September 2006) to investigate the matter through the Divisional Commissioners and take necessary action against the responsible Officers.

#### **4.1.5 Crop compensation not credited into individual accounts**

**Crop compensation amount was not credited into individual accounts of the farmers.**

Out of the cheques amounting to Rs 12.81 crore towards crop compensation handed over (November 2005 and January 2006) by the DSAO to respective banks for crediting into individual bank accounts of the farmers, Rs 1.13 crore were not credited to the individual accounts of 7272 beneficiaries in Raigad District (Rs 0.07 crore for 387 beneficiaries) and Thane District (Rs 1.06 crore for 6885 beneficiaries) as of March 2006. This resulted in denial of much needed financial help to these farmers.

Further, in five<sup>32</sup> test checked districts, Rs 146.28 crore were received from DSAO (October 2005 and March 2006) by the Taluka Agriculture Officers (TAOs) for crop compensation. The amounts were deposited in the banks at Taluka level and crossed/bearer cheques were issued (Nanded-Bearer Cheque) to the individual farmers. Of this, Rs 3.77 crore was kept in the TAO's bank accounts instead of crediting to beneficiaries accounts. In Bhandara and Gondia Districts out of Rs 146.28 crore received from DSAO, Rs 7.87 crore were deposited in the banks without making any entry in the cash book of the Talukas. Thus, withholding the amount in the bank accounts instead of crediting to beneficiaries account resulted in denying the intended benefit to the beneficiaries. Government accepted (September 2006) the matter and agreed to investigate the same through Divisional Commissioners.

#### **4.1.6 Non-submission of detailed contingent bills**

**Detailed contingent bill for the amount drawn on abstract contingent bills were not-submitted.**

Maharashtra Treasury Rules require submission of Detailed Contingent (DC) bills in support of Abstract Contingent (AC) bills to the concerned authority within a period of 90 days. In six<sup>33</sup> districts DC bills in support of AC bills for Rs 36.63 crore drawn between July 2005 and March 2006, were not submitted by the District Collectors as of May 2006 (**Appendix VIII**).

Government agreed (September 2006) to issue suitable instructions to the District Collectors.

<sup>32</sup> Bhandara, Gondia, Nanded, Parbhani and Pune

<sup>33</sup> Kolhapur, Mumbai, Suburban, Nanded, Parbhani, Pune and Thane

Utilisation  
Certificates of  
Rs 24.24 crore  
were pending

#### 4.1.7 Utilisation Certificatese not submitted

District Collector must send Utilisation Certificates (UCs) for the expenditure on civic amenities by various departments at the end of the financial year. It was observed that in the following cases the UCs amounting to Rs 24.24 crore were not submitted to the District Collectors to the Relief and Rehabilitation Department in time.

(Rupees in crore)				
Sr. No	District	Amount disbursed to agencies	Disbursed on	Amount of wanting UCs as on 31/3/2006
1	Pune	5.00	8/2005 and 12/2005	2.94
2	Bhandara	4.10	9/2005 and 2/2006	4.10
3	Gondia	3.00	11/2005 and 3/2006	3.00
4	Nanded	5.03	7/2005 and 12/2005	5.03
5	Parbhani	5.97	7/2005 and 3/2006	5.97
6	Sangli	1.40	3/2006	1.40
7	Raigad	1.80	3/2006	1.80
<b>Total</b>		<b>26.30</b>		<b>24.24</b>

#### 4.1.8 Submission of Utilisation Certificates before expenditure

In Kolhapur District Rs 3.10 crore were released by the District Collector to the Chief Executive Officer (CEO) Zilla Parishad (ZP) Kolhapur (Rs 2.20 crore) and Executive Engineer Public Works Division Kolhapur (Rs 0.90 crore) between August and December 2005 for providing civic amenities to flood affected people. The UCs for Rs 2.05 crore were forwarded (February / May 2006) by the ZP stating that expenditure was booked by placing the funds with the various Grampanchayats for repairs to the rural water supply schemes. Details of execution of works were not available on the records of ZP. Similarly, the District Collector, Thane released (31 March 2006) Rs 5.23 crore to CEO, ZP, Thane for repairs to water supply schemes, primary health centers and school buildings in the flood affected areas. The UC for Rs 5.23 crore was forwarded (May 2006) to the District Collector, Thane with a certificate that the entire amount was spent (31 March 2006) as per the terms and conditions for the purpose for which the funds were sanctioned. It was, however, noticed that the entire amount was lying with the ZP for want of permission to utilise the same during 2006-07. Issue of UC by the ZPs without ascertaining the actual expenditure and completion of works was irregular.

Government accepted (September 2006) the facts.

#### 4.2 Conclusion

Financial Management during the process of relief and rehabilitation was deficient. Funds were released without properly assessing the requirement, resultantly there were excess drawal of funds. On the other hand, repairing works of civic utilities were not done due to delay in relase of funds. Funds for civic amenities were also diverted to other works not related to flood relief. The District Collectors issued utilisation certificates before actual utilisation of

the funds. These irregularities are likely to have affected the relief and rehabilitation of the flood affected people.

### **4.3 Recommendations**

- Requirement of funds needs to be assessed on need basis, in order to avoid excess drawal of funds. For this purpose survey of damaged civic and Public utilities by Revenue authorities and Local bodies should be undertaken immediately after the disaster.
- Completion of flood damage works needs to be ensured on priority basis and diversion of funds should be avoided.
- Acceptance of UCs from the executing agencies before incurring any expenditure on the specified work needs to be stopped.