

**CHAPTER V**  
**FINANCIAL ASSISTANCE TO**  
**LOCAL BODIES AND OTHERS**

# **AUDIT PARAGRAPHS**

## 5.1 Financial assistance to local bodies and others

### 5.1.1 General

Autonomous bodies and authorities receive substantial financial assistance by way of loans and grants from Government. Government also provides substantial financial assistance to other institutions registered under the respective State Co-operative Societies Act, Companies Act, 1956, etc., to implement certain programmes of the State/Union Territory Government. The financial assistance to autonomous bodies and authorities is intended essentially for maintenance of schools and hospital buildings, improvement of roads and other communication facilities under Municipalities and Local Bodies.

During 2000-2001, financial assistance of Rs 86.71 crore was paid to various autonomous bodies and others broadly grouped as under:

Serial number	Name of institution	Amount of assistance paid (Rupees in crore)		
		Grant	Loan	Total
1.	Private educational institutions	5.63	--	5.63
2.	Municipalities	14.96	0.10	15.06
3.	Commune panchayats	9.75	--	9.75
4.	Statutory boards/authorities	39.77	--	39.77
5.	Other institutions			
	(i) Welfare societies	1.22	--	1.22
	(ii) Hindu religious institutions	1.13	--	1.13
	(iii) Co-operative institutions	12.35	1.80	14.15
	<b>Total</b>	<b>84.81</b>	<b>1.90</b>	<b>86.71</b>

### 5.1.2 Delay in furnishing utilisation certificates

The financial rules of Government require that where grants are given for specific purposes, certificates of utilisation should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Director of Accounts and Treasuries within 18 months from the date of sanction, unless specified otherwise.

Of the 1903 utilisation certificates due in respect of grants and loans aggregating Rs 71.90 crore paid upto September 1999, only 705 utilisation

certificates for Rs 30.69 crore had been furnished by 31 March 2001 and 1198 certificates for an aggregate amount of Rs 41.21 crore were in arrears. Out of this, 458 utilisation certificates for Rs 11.67 crore relate to grants and loans given during 1995-96 and earlier years. Department-wise break-up of outstanding utilisation certificates are given in Appendix 19.

### ***5.1.3 Delay in submission of accounts***

In order to identify the institutions which attract audit under Section 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the details of financial assistance released to local bodies and others are collected by Audit from the Director of Accounts and Treasuries and the accounts are called for from the respective grantees every year. The accounts for the year 2000-2001 had not been received as of August 2001 from 33 grantees. The defaulting grantees who had not furnished accounts for earlier years also are listed in Appendix 20.

### ***5.1.4 Audit arrangement***

The primary audit of local bodies, educational institutions and others is conducted by the Director of Accounts and Treasuries and audit of Co-operative Societies by the Registrar of Co-operative Societies. The accounts of the institutions registered under Companies Act are audited by Chartered Accountants.

### ***5.1.5 Performance of Autonomous Bodies***

The performance of autonomous bodies regarding utilisation of grants-in-aid, investment of surplus funds and maintenance of accounts revealed the following.

14 autonomous bodies under the various departments of the Government of Pondicherry have received grants of Rs 219.98 crore upto 2000-2001 for the purpose of payment of salary to the staff, purchase of equipments, machinery, books and stationery and construction of buildings. Of this, the following four autonomous bodies had kept huge balance in current account/savings bank account/ fixed deposits in Nationalised Banks, as of March 2001.

(Rupees in crore)

Name of the autonomous body	Total amount received upto March 2000	Grant received during 2000-2001	Amount kept unutilized		
			Current Account	Savings Bank Account	Fixed Deposits
Perunthalaivar Kamarajar Krishi Vigyan Kendra	5.45	1.86	0.16	--	1.62
Mother Theresa Institute of Health Sciences	1.54	1.11	0.17	--	0.70
Pondicherry State Sports Council	2.62	0.73	0.75	0.01	--
Rajiv Gandhi College of Veterinary and Animal Science	26.99	5.11	--	1.35	--

It was further noticed that the Pondicherry State Sports Council had kept the grants in current account, the balance of which kept on increasing indicating that the grants received were not utilised in the same year. While no surprise check of cash balance was conducted in respect of 6 institutions, no specific format has been prescribed for preparation of accounts in respect of 7 institutions.

## LOCAL ADMINISTRATION DEPARTMENT

### 5.2 Members of Legislative Assembly Local Area Development Scheme

**Delay in execution of the works ranging from one to over three years resulted in the denial of the benefits to the public under the scheme. Taking up maintenance works had resulted in non-creation of assets envisaged in the scheme. Expenditure to be met from collection of development charges from public was also met from scheme funds.**

The Members of Legislative Assembly Local Area Development Scheme (Scheme) was introduced in the Union Territory in August 1996 with a view to enable the Members of Legislative Assembly (MLA) to recommend development works in their constituency. The guidelines indicating the features of the scheme, list of works to be taken up and procedure for sanction and execution of works were issued in November 1997. The initial financial limit of Rs 5 lakh per MLA allowed for suggesting development works was enhanced from time to time and finally to Rs 25 lakh in

2000-2001. The funds were released to Municipalities and Commune Panchayats as grants-in-aid to be utilised within a period of one year. The scheme was implemented by the Director of Local Administration (Director, LAD) through Commissioners of Municipalities/Commune Panchayats and works were executed by the Engineering Cell of the local bodies. During 1996-2001, Rs 21.29 crore was released by the Government, of which Rs 11.95 crore was spent leaving a balance of Rs 9.34 crore with the local bodies. Scrutiny of the records relating to the implementation of the scheme during the period from 1996-97 to 2000-2001 revealed the following:

(i) The guidelines stipulate that the works selected should be such that they could be completed within two seasons and lead to the creation of durable assets. It was seen that out of 310 works sanctioned during 1996-97 to 1998-99 in 3 Municipalities and 9 Commune Panchayats, 7 works were not taken up and 31 works were in progress as of March 2001. Only 141 works were completed by the end of succeeding year. 102 works were completed in the third year, 29 works were completed thereafter. Delay in completion of works resulted in the non-achievement of the objective of providing facilities to the public. Government reply (November 2001) did not give the specific reasons for the delay.

(ii) Seven works sanctioned could not be taken up due to encroachment, public protest, execution of same work by other departments, etc. Consequently, the local bodies approached Government for change of work resulting in delay in utilising the funds. The defective selection of work resulted in locking up of funds to the tune of Rs 13.07 lakh for over 16 to 44 months. Government stated that such contingencies would be avoided in future.

(iii) As per the guidelines, repairs/maintenance works should not be taken up under the scheme. It was, however, seen that 5 repairs/maintenance works costing Rs 5.37 lakh were taken up and executed during 1996-2001. Government stated (November 2001) that repair/maintenance works would be avoided in future.

(iv) It was seen that 28 road improvement works costing Rs 73.61 lakh sanctioned to Pondicherry Municipality included restoration of road cutting undertaken by Public Works Department, Telephone Department, etc. Though Rs 13.75 lakh was collected by the Municipality towards road cutting and restoration from these departments, the amount was not adjusted against the grants sought for road improvement works. This resulted in an unintended benefit of Rs 13.75 lakh to the Municipality. Government stated that the amount would be adjusted in the future grants to the Municipality.

(v) According to the provision of Municipalities Act, private roads in the newly formed colonies were to be taken over, either after the roads are laid and handed over to the Municipality according to specifications, or on the condition that development charges for the road could be collected from the residents after laying the road. The Act also provides for taking over of roads in unapproved layouts, after calling for objections, if they were in use for more than 14 years.

It was seen that the MLA in Karaikal (August 1997) proposed the laying of roads in Murugaram Nagar a newly developed private colony. The Commissioner, Karaikal Municipality took over the roads (July 1998) of the newly developed colony without collecting development charges stating that they were in use for over 14 years and laid roads at a cost of Rs 9.82 lakh (April 1999) under the scheme. By taking over the road suo-motu, the Municipality met the entire expenditure of the road from out of Government funds. It was also seen that Rs 30.55 lakh was incurred in 15 similar road works in private colonies and Rs 16.05 lakh was released for laying roads in private colonies in Villianur Commune Panchayat.

Government stated (November 2001) that the local bodies were instructed not to lay roads in unapproved layouts. Government also stated that Municipality has since decided to collect the development charges of Rs 9.82 lakh from the residents of Murugaram Nagar and similar procedure would be followed for other private colonies. It was, however, noticed from the correspondence between local bodies and the Planning Authority that the local bodies found it difficult to collect the development charges, as building permits were given by the Planning Authority before collection of development charges.

(vi) In accordance with the guidelines, grants were to be released only for the estimated cost of the works technically sanctioned, and any excess amount incurred was to be borne by the local bodies. It was seen that during 1996-97, grant was released before the approval of the estimate and the difference between the estimated cost and amount sanctioned was not refunded to Government. Similarly in completed works, the unspent balance was not refunded. The amount to be so refunded in respect of 32 completed works was Rs 5.39 lakh.

Government accepted that there was procedural lapse in sanctioning grant during 1996-97 and stated that the local bodies refunded the unspent amount in respect of 18 out of 27 works sanctioned during 1996-97. It was, however, seen that the refund of excess grant was not made by the local bodies. As regards non-refund of unspent balance in respect of 32 completed works, Government stated that refund of Rs 2.08 lakh was due in respect of 6 completed works as of November 2001.

(vii) No schedule of inspection for each supervisory level functionary of the implementing agencies was drawn up, as required in the guidelines. No progress report, other than one prepared as of December 1998, containing achievement under the scheme was sent to Government. A Committee proposed to be set up in March 1999, to monitor the implementation of the scheme was yet to be set up. Government accepted the failures and stated that works would be inspected periodically and the proposed Vigilance Committee would also monitor the scheme.