

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 local bodies is intended essentially for improvement of roads and water supply, etc.

During 2001-2002, financial assistance of Rs 100.27 crore was paid to various autonomous bodies broadly grouped as under:

Serial number	Name of institution	Amount of assistance paid (Rupees in crore)		
		Grant	Loan	Total
1.	Private educational institutions	9.15	--	9.15
2.	Municipalities	16.53	0.09	16.62
3.	Commune panchayats	12.10	--	12.10
4.	Statutory boards/authorities	48.10	--	48.10
5.	Other institutions			
	(i) Welfare societies	1.50	--	1.50
	(ii) Hindu religious institutions	1.20	--	1.20
	(iii) Co-operative institutions	11.40	0.10	11.50
	(iv) Industrial institutions	0.10	--	0.10
	Total	100.08	0.19	100.27

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 1628 utilisation certificates aggregating Rs 79.76 crore due, only 322 utilisation certificates for Rs 14.81 crore had been furnished by 31 March 2002 and 1306 certificates for an aggregate amount of

Rs 64.95 crore were in arrears (Appendix 20). Out of this, 558 utilisation certificates for Rs 16.02 crore relate to grants and loans given during 1996-1997 and earlier years.

Test-check of the records of Town and Country Planning Department revealed the following deficiencies:

(i) As against 106 items for Rs 9.58 crore for which utilisation certificates were due from the Department (March 2002), only 86 items for Rs 8.42 crore were shown pending. The difference was not reconciled.

(ii) The Grantee institutions had not furnished the utilisation certificates to the Department in respect of 53 items involving Rs 4.25 crore though the works for which the grants were released were completed. There was an unspent balance of Rs 54.06 lakh with the grantee institutions in respect of 46 completed works. The grantee institutions failed to commence work in respect of 8 items for which Rs 95.56 lakh was released to them during 1994-95 to 1999-2000. The money is thus blocked.

This indicates that the Department failed to monitor the grantee institutions to obtain utilisation certificates and refund of unspent amount.

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 2001-2002 had not been received as of July 2002 from 38 grantees. The number of defaulting grantees who had not furnished accounts for earlier years also are listed in Appendix 21.

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 Unutilised grants lying in bank deposits

Fourteen autonomous bodies under the various departments of the Government of Pondicherry have received grants for the purpose of payment of salary to the staff, purchase of equipment, machinery, books and stationery and construction of buildings etc. The following two autonomous bodies had kept huge balances in current account/savings bank account/fixed deposits in nationalised banks as of March 2002.

(Rupees in crore)

Name of the Autonomous Body	Grant received during 2001-2002	Current Account	Savings Account	Fixed Deposit
Rajiv Gandhi College of Veterinary and Animal Sciences	5.46	--	0.87	2.87
Mother Theresa Institute of Health sciences	2.25	0.04	0.01	2.00

Monthly surprise check of cash balance was not conducted in respect of 5 institutions¹¹.

Pandit Jawaharlal Nehru College of Agriculture has not prepared the annual accounts from 1998-99.

LOCAL ADMINISTRATION DEPARTMENT

5.2 Functioning of Panchayati Raj Institutions in Union Territory of Pondicherry

Though the Pondicherry Village and Commune Panchayat Act was enacted in 1974, the object of democratic decentralisation of powers contemplated in the Act has not been achieved due to non-conduct of election to Village/Commune Panchayats. The Administration of the Act was through Special officers and Commissioners and the Panchayats functioned only as an extension of Government Department. The failure to revise the taxes and levies in time and to prescribe proper rules in respect of form of accounts, quantum of audit and certification of accounts indicate that inadequate importance was given to administration of Panchayat funds. Planning in selection of development works was inadequate and basic amenities to be provided were not identified.

The Pondicherry Village and Commune Panchayat Act, 1973 was enacted with a view to reorganise the administration pertaining to local Government in furtherance of the object of democratic decentralisation of powers in

¹¹ Pondicherry Engineering College, Pondicherry State Sports Council, Pondicherry Institute of Linguistics and Culture, Pandit Jawaharlal Nehru College of Agriculture, Rajiv Gandhi College of Veterinary and Animal Sciences

favour of different classes of Panchayats. The Act came into force on 26 January 1974. The implementation of the Act and the functioning of the ten Commune Panchayats were generally reviewed by scrutinising the records of the Local Administration Department and the Commune Panchayats and the points noticed are discussed in the succeeding paragraphs.

(i) *Administration*

(a) The Act provides for a two-tier system of Panchayat Administration viz., Village Panchayat and Commune Panchayat Council (Council). The Act also empowers the Government to appoint a Director to supervise the operation of these local bodies and appoint Commissioners and Executive Officers. The Government appointed the Director of Local Administration Department (LAD) as Director and Commissioner for all the ten Commune Panchayats. However, election was not held for Village or Commune Panchayats and the Act was amended in March 1978 under which Special Officers to the Commune Panchayats were appointed to exercise the powers and functions of the Councils with the assistance of Commissioner. In the absence of elections, the Village Panchayats were not constituted and the Director had not appointed Executive Officers. As such, the Panchayat Raj Institutions which were to function as institutions of self governance, functioned only as a wing of the Government.

(b) Government amended the Act in 1994 to provide for reservation of seats to Other Backward Classes (OBCs). Though Constitution provided that reservations are to be made only with reference to population in the area, Government framed rules (November 1995) providing 27 per cent reservation for OBCs. When the Election Commission constituted in September 1994, made arrangement for conducting election in 1996, the reservation of seats for OBCs was challenged in the High Court of Madras. The Court stayed the conduct of election and in April 1998 ruled that reservation without reference to the population was unconstitutional and unenforceable. Government repealed (April 2002) the provision regarding reservation of seats for OBCs. The Director stated that the preparations are on for conducting civic polls. Thus, amending the Act in contravention of the provision of the Constitution delayed the election by over six years.

(c) The Act provides for classification of Commune Panchayats by Government to sanction grants at varying rates. However, no rules for such classification have been made and the Commune Panchayats were not classified. As a result, Government sanctioned cent per cent grants to all Commune Panchayats irrespective of their financial position. Government stated (October 2002) that the process of classification is under the conceptual stage.

(d) The Act empowers the local bodies to execute all rural development works. Though the rural development schemes of Government of India (GOI) provide for people's participation through Gram Panchayats and

Gram Sabhas, District Rural Development Agency, Pondicherry executed these schemes through the Block Development Officers functioning under the Rural Development Department. Government stated (October 2002) that merger of Rural Development Department with LAD is under consideration and the GOI funds would be released to the local bodies after the merger.

(ii) *Finance and Accounting*

Commune Panchayats derive their income from taxes and fees levied under the Act and Government grants. In addition, Government also gives loans for specific schemes. Details of resources mobilised and expenditure incurred by the ten Commune Panchayats are given below:

(Rupees in crore)

Year	Receipts				Total expenditure
	Own resources	Grants	Loans	Total	
1997-1998	5.10	5.03	0.24	10.37	7.74
1998-1999	4.81	6.20	0.12	11.13	10.01
1999-2000	6.31	8.47	0.14	14.92	12.49
2000-2001	6.28	10.60	Nil	16.88	16.68
2001-2002	7.24	14.20	Nil	21.44	16.31
Total	29.74	44.50	0.50	74.74	63.23

The following observations are made:

(a) The Act empowers the Village/Commune Panchayats to levy taxes and fees and fix their rates. It was noticed that (i) the annual value for house tax which was to be revised every five years was not revised since 1984. (ii) The income slab for Profession Tax fixed in 1973 was not revised and levy of Profession Tax was discontinued by Government from 1989 based on a stay order by Madras High Court though the stay order did not relate to Commune Panchayats. (iii) Licence fee for trade and manufacturing units fixed in 1976 have not been revised since. The failure of the Government to revise the rates had considerably constricted the resources of Commune Panchayats. Illustratively, six Commune Panchayats could not mobilise resources to repay the loan of Rs 37.94 lakh and interest thereon (Rs 56.97 lakh) to Government. The Pondicherry State Finance Commission constituted in March 1997 to improve the financial position of Commune Panchayats and Municipalities also recommended upward revision of all taxes and fees. The Government accepted that the poor financial position of Commune Panchayats could be improved by revision of taxes and that the reports of State Finance Commission are under examination.

(b) The Act did not prescribe any procedure for the maintenance of accounts. Upto November 1977, all receipts of the Commune Panchayats were remitted into Government account under 'Deposit' head and expenditure incurred therefrom by presenting bills to the Directorate of Accounts and Treasuries (DAT). In December 1997, Government ordered

that all the funds of Councils be kept in Nationalised Banks. Though the bank accounts were in the name of the Council, Government authorised DAT to operate the accounts. This resulted in the Councils not maintaining proper accounts of expenditure. The Department, in December 2000, constituted a committee to evolve a suitable accounting procedure for Commune Panchayats. Government stated (October 2002) that the modification of dual operation of bank accounts is under examination and the report of the Committee to evolve accounting procedure is awaited. It is, however, stressed that DAT, being the auditor of local bodies, should not have been entrusted with the responsibility of operating bank accounts of Commune Panchayats.

(c) DAT was appointed as auditor for the Councils in 1974. However, the manner and quantum of audit and form of certificate to be issued after the annual audit were not prescribed nor was there any provision for furnishing audited accounts to Government. Consequently, DAT was not able to inform the number of Audit Reports and Audit paragraphs pending. In general, the Audit was not given adequate attention. Government stated that the feasibility of framing rules on accounting procedure is under examination.

(iii) *Functioning of the Commune Panchayats*

The functioning of Panchayats in relation to the activities envisaged in the Act are discussed below:

(a) The Act provides for participation by Village and Commune Panchayats in the selection of development works. In the absence of elected Councils, Special Officers should have been entrusted with the administration of the civic amenities mentioned in the Act. Instead, the administration has been centralised and the responsibility for development vested with LAD. The Commune Panchayats had not conducted any survey for identifying the areas which needed improvement. Government stated (October 2002) that the survey would be conducted after elected Council comes into existence.

(b) During the period from 1997-2002, Rs 2.48 crore was released to the ten Commune Panchayats for maintenance of roads. However, no maintenance work was undertaken by six Commune Panchayats while the remaining four spent only Rs 16.89 lakh. All Commune Panchayats diverted these amounts either towards establishment expenditure or kept them in banks. Improvement works on these roads had been taken up under other schemes. Government stated (October 2002) that the Commissioners were strictly instructed in July 2002 not to divert funds released for road maintenance and to maintain separate records for maintenance of roads.

(c) Government released grant for maintenance of minor irrigation structures at Rs 4 per acre of irrigable land. Though Rs 8.22 lakh was released during 1997-2002, no maintenance work was undertaken.

Government accepted that there was deficiency in Pondicherry region due to encroachment in water-courses and assured to utilise the grant for the purpose of release.

(d) The Commune Panchayats are to furnish Utilisation Certificates (UCs) for the grants released to them within 18 months. However, 667 UCs for Rs 17.99 crore released during 1990-1991 to September 2000 were due (March 2002). Government stated (October 2002) that suitable instructions were issued in July 2002 and the pendency was reduced to 416 cases involving Rs 7.10 crore.

(e) During 1993-2001, proposals for works were made without ascertaining the availability of clear sites. 27 such works for a total cost of Rs 55.59 lakh could not be started by 9 Commune Panchayats due to disputed site and Rs 12.71 lakh relating to 7 works were refunded to Government after a period of more than three years by four Commune Panchayats. Government stated (October 2002) that instructions have been issued to Commissioners to submit proposals for schemes only on the availability of clear sites.

Conclusion

The details of each Commune Panchayat were as under:

Serial number	Name of Commune Panchayat	Population as per 1991 census	Area (in Sq.km)	Number of Panchayat villages	Number of Panchayat wards
1.	Villianur	70,428	65.90	21	195
2.	Mannadipet	51,259	64.40	23	199
3.	Bahour	47,225	54.80	17	167
4.	Ariankuppam	44,572	24.40	11	113
5.	Nettapakkam	31,838	30.20	12	112
6.	Thirunallar	28,811	44.25	13	114
7.	Nedungadu	14,042	25.90	7	60
8.	Kottucherry	15,252	23.44	4	40
9.	T.R.Pattinam	16,279	21.12	6	45
10.	Neravy	9515	10.06	3	32

Sq.km : Square kilometre

The area and population of each panchayat varied considerably. It could be seen that reorganisation of Commune Panchayats based on area, population etc., remained to be taken up so that economically viable Commune Panchayats were formed so as to achieve the fruits of self-governance.

TOWN AND COUNTRY PLANNING DEPARTMENT
PONDICHERY HOUSING BOARD

5.3 Unproductive expenditure due to purchase of site without proper approach road

Pondicherry Housing Board purchased land without proper approach road and the expenditure of Rs 63.55 lakh remained unproductive.

The Pondicherry Housing Board proposed to acquire 2.23 hectares (ha) of land in survey numbers (RS) 247/2,3 and 4 at Kannuapet in Villianur Village for Plotted Development Scheme. The Site Selection Committee (September 1991) suggested that a portion of the land in RS 247/4 on the western side might also be acquired to get free access to the land. To avoid the cumbersome process under Land Acquisition (LA) Act, the Board proposed acquisition of land by private negotiation. However, due to unwillingness of the land owner of RS 247/4 and availability of ownership documents only to the extent of 1.38 ha in RS 247/2, the Board reduced the land proposed to be acquired to the available area. The Estate wing of the Board opined after inspection (November 1995) that the land had no approach road. But Board approved the purchase of land after an inspection by the Collector and Chief Town Planner (March 1996) who opined that sufficient access to the site could be provided by shifting the transformer in the existing road access to the land to be purchased. The Board purchased 1.38 ha at a cost of Rs 61.56 lakh.

The Board prepared a layout for 46 plots. The Pondicherry Planning Authority granted an interim approval (June 1998) pending provision of proper approach road. The Board felt (October 1999) that the existing road access was inadequate and sent proposal to Government for acquisition of 18.6 sq.metre of land in RS 244/5F/1A by invoking urgency clause of LA Act for providing alternative access to the land. The Board, however, had not followed up this proposal but deposited Rs 1.99 lakh with Electricity Department for shifting the transformer on the existing road for providing access. Subsequently, during a joint inspection, it was decided that instead of shifting the transformer, shifting of one pole would be enough to provide sufficient approach road. The pole was shifted (March 2001) at an estimated cost of Rs 0.18 lakh and the balance amount is lying with the Electricity Department. When the Board attempted to lay an earthen road to provide access to the land, the adjacent land owner took the matter to Court (November 2001) claiming that there was no approach to the Boards' land and the Board trespassed his land to provide access. The construction of access road had not progressed further.

Thus, the Board purchased the land fully aware that it had inadequate access road and even 6 years after purchase, it could not develop and sell the plots. Rs 63.55 lakh spent on the scheme remained unproductive.

When pointed out, Government stated (October 2002) that no other alternative access to the land could be provided. Further, the neighbouring land owner had approached the Court to prevent providing approach through the existing road as the Board refused to purchase some other land owned by him at high cost. The Government also stated that the development of land would soon commence and the plots would be sold in the near future.

The contentions of the Government were not tenable, as the piece of land could have been acquired by invoking urgency provision of LA Act and the Board was proceeding to provide approach to the land using the inadequate existing road access, which itself was under litigation. Thus, the failure of the Board in not providing approach road resulted in blocking of Rs 63.55 lakh.

RURAL DEVELOPMENT DEPARTMENT
DISTRICT RURAL DEVELOPMENT AGENCY

5.4 Blocking of funds due to unnecessary release of grants

Provision of funds without reference to any action plan and failure to consider the balance amount available before release of grants resulted in blocking of Rs 2.56 crore outside Government Account.

Government implemented two schemes 'New Sources of Energy' and 'Integrated Rural Energy Programme (IREP)' to develop the renewable energy sources. The Department released grants to District Rural Development Agency (DRDA) for implementing the schemes. The funding details were furnished as under:

(Rupees in lakh)

Year	New Sources of Energy						Integrated Rural Energy Programme					
	Opening balance	Grants	Other Income*	Total	Expenditure	Closing balance	Opening balance	Grants	Other Income*	Total	Expenditure	Closing balance
1996-1997	15.50	99.00	16.49	130.99	31.17	99.82	42.24	30.00	6.14	78.38	39.08	39.30
1997-1998	99.82	60.00	26.28	186.10	68.50	117.60	39.30	15.00	12.84	67.14	10.35	56.79
1998-1999	117.60	57.75	7.62	182.97	15.38	167.59	56.79	15.00	6.48	78.27	13.32	64.95
1999-2000	167.59	--	5.56	173.15	6.45	166.70	64.95	30.00	6.83	101.78	18.96	82.82
2000-2001	166.70	20.00**	7.30	194.00	30.88	163.12	82.82	30.00	3.50	116.32	23.84	92.48
Total	15.50	236.75	63.25	315.50	152.38	163.12	42.24	120.00	35.79	198.03	105.55	92.48

* Other Income represents Interest, Government of India grant and sale proceeds of Solar Lanterns, etc.

** Rs 10 lakh released in 2000-2001 was taken to next year by DRDA

Note : Accounts for 2001-2002 not finalised

Out of Rs 5.14 crore received as grants and other receipts, DRDA spent only Rs 2.58 crore and had a balance of Rs 2.56 crore as of March 2001. The Department provided funds on *ad hoc* basis in the budget. DRDA fixed nominal targets without any reference to the budget provision and grants were released each year with reference to the amount provided in the budget. Even the nominal targets could not be achieved as most of the items were solar based and the response for these products were not encouraging as they involved high initial cost.

DRDA stated that efforts are being made to create awareness among the people on the usefulness of the energy devices and taking into account the available funds, fresh funds were not sought during 2001-2002.

DRDA also stated that strategy has now been evolved to utilise the funds for (i) setting up of 25 KV SPV power plant in the Chief Secretariat building and Lieutenant Governor's building at a cost of Rs 75 lakh (ii) setting up of four bio-gasifier crematorium at a cost of Rs 40 lakh (iii) setting up of a nightsoil based bio-gas plant at New Bus Stand at Kalapet and General Hospital at a cost of Rs 40 lakh and (iv) installation of one 100 KW Bio-mass gasifier in Pondicherry Engineering College campus at a cost of Rs 25 lakh. However, utilisation of funds for these purposes would not serve the scheme objective of popularising Non-conventional Energy sources among the people.

Thus, the continued release of funds in spite of poor utilisation resulted in accumulation of Government money of Rs 2.56 crore with DRDA.

The matter was referred to Government in August 2002; reply had not been received (January 2003).