

Highlights

In its present form, the scheme, which is in operation since December 1993 has hardly served its main objectives. The scheme had envisaged taking up of the works, which were developmental in nature and were based on local felt needs, with emphasis on creation of durable assets. Audit findings, however, suggest that besides the fact that a significant part of released money was not utilised, the works that were carried out in a large number of cases did not qualify for the definition of durable assets. A large number of them remained incomplete. Several others were either inadmissible or were not recommended by the Members of Parliament.

- Since inception of the scheme in December 1993, Rs 5017.80 crore have been released against which Rs 3221.21 crore were spent. Utilisation was thus 64.2 per cent only. This will go down even more if the inflated expenditure detected in test check is reckoned. There was great regional variation in that utilisation. One has to view this reported utilisation in the light of audit observations.

- During the period from 1997-98 to 1999-2000, the Ministry released 84.43 per cent (Rs 2668 crore) of the allotted budget provision of Rs 3160 crore. From its inception till the end of March 2000, 35.80 per cent of the total releases by the Ministry, amounting to Rs 1796.59 crore, remained unspent with the District Collectors and the implementing agencies involving 20874 incomplete works out of a total of 41955 sanctioned works.

- Even after seven years of the operation of the scheme the Ministry did not have a suitable accounting procedure. This was a contributory factor in its financial maladministration.

- The scheme guidelines contain contradictory provisions. One provision related the release of instalments to the actual progress in expenditure and execution of works, while another provision related it to funds sanctioned by the District Collectors to the implementing agencies. The Ministry continued to sanction funds based on the amounts sanctioned by the District Collectors, regardless of actual utilisation. Consequently, there were large unspent balances with the implementing agencies.

- The Ministry did not submit any Action Taken Notes to the CAG's Audit Report of 1998 on the scheme. Many irregularities pointed out not only persisted but actually worsened. Some of these were:

- the implementing agencies did not submit the utilisation certificates to the District Collectors;
- they did not refund unspent balance;
- there was misreporting of the financial progress of works by them;
- they irregularly clubbed the scheme funds with the other schemes;

- diverted funds to inadmissible purpose;
 - there were executions of inadmissible works;
 - the District Collectors sanctioned works for commercial and private organisations, for repairs and maintenance works and on places of religious worship;
 - there were unauthorised purchases of stores & stock items;
 - District Collectors sanctioned and executed the works without the recommendation of the MPs, without technical sanction and administrative approval;
 - the nodal agencies did not maintain any asset records.
- In addition, there were inadmissible expenditure on memorials, on sanction of loans, grants, and donations.
 - Short achievements in the physical progress of the scheme were noted in the previous audit report period from 1993-94 to 1996-97; during the current audit period there was further slow down in the physical progress of the scheme. There were delays in sanction and completion of works.
 - There were cases of irregular award of contracts as also deficient execution of works. There were instances of excess expenditure, excess payment, overpayments to contractors, wasteful expenditure, miscellaneous irregularities in purchases, abandonment of works, execution of petty works, irregular payment of supervision and centage charges, frauds and misappropriation.
 - The Ministry of Statistics and Programme Implementation, who administer the scheme and are responsible for its monitoring and evaluation, admitted that they were not in a position to effectively monitor the scheme at the operational level. In fact the Ministry did not have any picture of works under implementation and quoted the Committee of Secretaries decision that central monitoring of large number of works was neither practicable nor desirable. It thus, did not keep its implicit promise it made in the scheme to use information technology and internet to facilitate instantaneous monitoring of the constituency-wise progress. They limited their role to having an overall picture of the amount released and expended. The Ministry's view runs counter to the stated role of the Ministry in the area of monitoring as provided in the guidelines. The Ministry's role, in effect, was confined to providing resources only without any responsibility for its use.
 - In consideration of the various persistent instances of poor administration of the scheme, involving wastages, idling of funds, irregular and inadmissible expenditure and frauds highlighted in this and the earlier 1998 Report of the CAG, the Central Government needs to re-evaluate the need, manner and modality of resource transfer under the scheme as at present.