

Chapter 2

Performance Audit

- **2.1 Working of Chhattisgarh Housing Board**
- **2.2 Mahatma Gandhi National Rural Employment Guarantee Scheme**
- **2.3 Procurement and distribution of paddy by Chhattisgarh Marketing Federation (MARKFED)**
- **2.4 Acquisition and Allotment of Land**

CHAPTER 2

PERFORMANCE AUDIT

This chapter contains results of two Performance Audits on Working of Chhattisgarh Housing Board, Mahatma Gandhi National Rural Employment Guarantee Scheme and two Long paragraphs on Procurement and distribution of paddy by Chhattisgarh Marketing Federation (MARKFED) and Acquisition and Allotment of land.

HOUSING AND ENVIRONMENT DEPARTMENT

2.1 Working of Chhattisgarh Housing Board

Executive Summary

For providing affordable houses to the people especially to economically weaker sections of the society, Chhattisgarh Housing Board (Board) was constituted (2004) under Chhattisgarh Housing Board Act, 1972. The Performance Audit on working of the Chhattisgarh Housing Board was carried out to examine its performance against the backdrop of its objective of providing affordable housing to the economically weaker section (EWS) of the society. The major audit findings are discussed below:

- The Board had not prepared any Perspective plan and Annual Action plans for taking up the construction activities in a planned manner. *Perspective plan and Annual Action plans based on realistic demand should be prepared for effective implementation of schemes.*
(Paragraph 2.1.8)
- There was non recovery of dues amounting to ₹ 41.69 crore from the allottees under hire purchase scheme.
(Paragraph 2.1.9.4)
- Non handing over of *Atal Awas* houses to poor families resulted in idle expenditure amounting to ₹ 3.36 crore.
(Paragraph 2.1.10.1)
- There was irregular construction of bungalows and commercial complex valuing ₹ 181.86 crore on the land acquired for EWS families. *Land allotted and houses constructed for EWS families should be utilised for their benefits only.*
(Paragraph 2.1.10.4)

- There was irregular award of work amounting to ₹ 59.79 crore to contractors without inviting tenders.

(Paragraph 2.1.11.3)

- There was irregular sanction of mobilisation advance amounting to ₹ 22.30 crore and non recovery of interest of ₹ 3.78 crore.

(Paragraph 2.1.11.6)

- Excess payment of ₹ 12.44 crore was made to contractors.

(Paragraph 2.1.11.8 to 2.1.11.10)

2.1.1 Introduction

Chhattisgarh Housing Board (Board) was constituted under Chhattisgarh Housing Board Act, 1972. After formation of the State of Chhattisgarh in November 2000, the erstwhile Housing Board was liquidated by the Government and in 2004, the Government formed the CGHB (Board). The Board is the main arm of the Government of Chhattisgarh for giving effect to its Housing Policy. The focus of the Board is on implementation of various Government schemes under social housing. The audit of the Chhattisgarh Housing Board for the period 2007-08 to 2011-12 was entrusted to the Comptroller & Auditor General of India (CAG) by the State Government under section 19 (3) of the CAG's (DPC) Act, 1972.

The Board has been awarded (April 2012) the Housing and Urban Development Corporation (HUDCO) award for adopting best practices to improve the living environment in 2011-12, under the category "Social Housing, Urban Poverty and Infrastructure". The Board has also bagged EPC World¹ Award-2012 for outstanding contribution to affordable housing projects.

2.1.2 Objectives of Chhattisgarh Housing Board

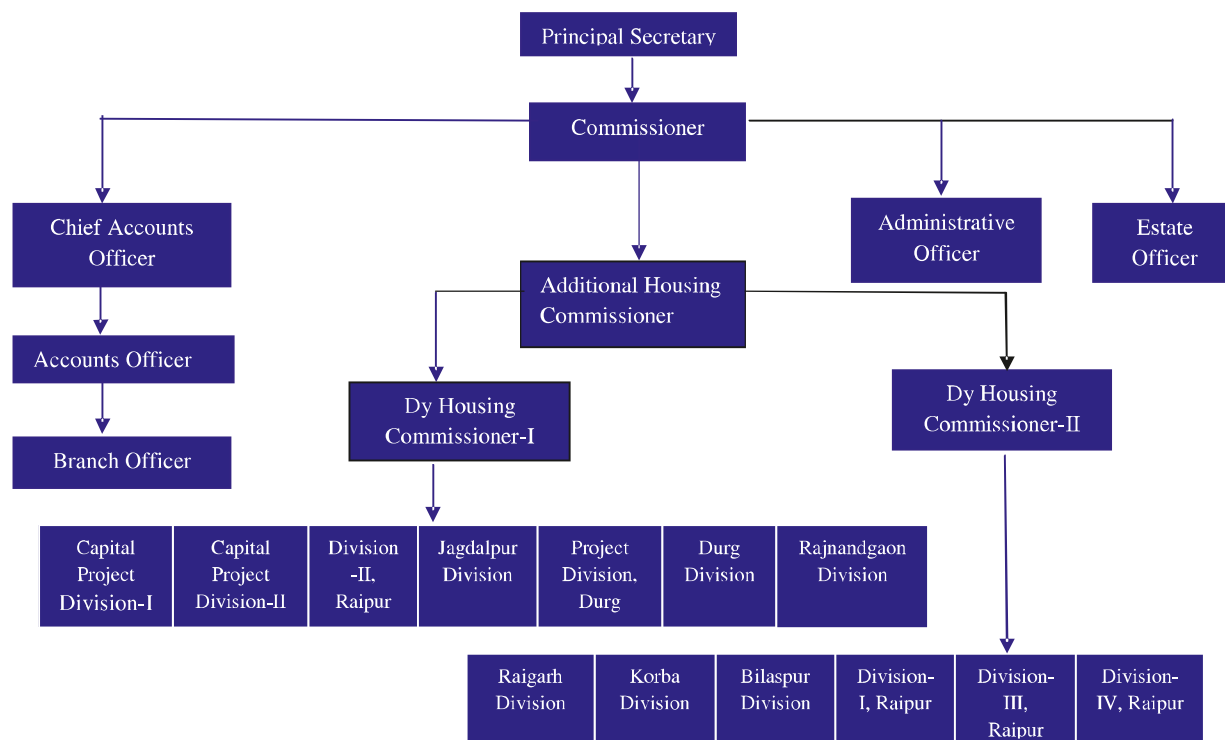
The specific objectives of the Chhattisgarh Housing Board were *inter alia* to:-

- Provide shelter to all homeless rural families at subsidised rates on priority basis;
- Assist all the citizens of Chhattisgarh and in particular the rural poor, to secure for themselves affordable dwellings units; and
- Mobilise resources and ensure increased investments in housing by promoting strong partnerships among public, private, co-private, self-help groups and local Government institutions.

¹ EPC World is a monthly publication on infrastructure and construction

2.1.3 Organisational Structure

At Government level, the Principal Secretary is the head of the Housing and Environment Department. The Commissioner is the administrative head of the Board and is responsible for implementation of housing schemes. He is assisted by an Additional Housing Commissioner and two Deputy Housing Commissioners. There are 13 divisional offices in the State to execute the works, as shown in the following organogram:



2.1.4 Audit objectives

The audit objectives were to evaluate whether:

- Planning was oriented towards achievement of the objectives of the Board;
- Financial management and budgetary control was sound;
- The land allocated and houses constructed for the poor were utilised for the intended purposes;
- A mechanism was in place to ensure efficient and economic implementation and timely completion of the projects; and
- A monitoring system was in existence to ensure the quality of the works executed.

2.1.5 Audit criteria

The following were the sources of audit criteria adopted for the Performance Audit:

- State Government Housing Policy, 2002;
- Chhattisgarh Housing Board Act, 1972;
- Works Department Manual, 1983;
- Guidelines and administrative orders issued by the Government/Board from time to time; and
- Implementation guidelines of various Government schemes.

2.1.6 Scope of audit

We conducted a Performance Audit of the Board from April to August 2012 covering the period 2007-08 to 2011-12. There are 13 divisional offices in the State, out of which we test checked the records of seven² selected divisions in three districts (Raipur, Durg and Jagdalpur). The Commissioner's office was also covered under the audit.

2.1.6.1 Constraints faced by Audit

Scheme-wise and year-wise target and achievements of the number of housing units constructed/under construction and allotted to the beneficiaries was not made available to us. The financial position of the Board could not be assessed due to non preparation of Income and Expenditure accounts and the Balance Sheets by the Board for the period 2007-2012. Also, information about internal audit of the divisions conducted during the Performance Audit period was not made available by the Board to us.

2.1.7 Audit methodology

The methodology adopted during audit included examination of the progress reports of various projects executed during the period covered under the Performance Audit. During the course of the audit we also gathered evidence through joint physical verification with the officials from the divisions and also took photographs of the sites.

An entry conference was held (June 2012) with the Principal Secretary, Housing and Environment Department to discuss the audit objectives, criteria, scope and methodology of the Performance Audit. We requested³ the Principal Secretary to hold the exit conference, but as of March 2013 this could not be

² (i) Capital Project Division, No. I, Raipur (ii) Division, No. I, Raipur (iii) Division, No. II, Raipur, (iv) Division No III, Raipur, (v) Project Division, Durg, (vi) Division, Durg, (vii) Division, Jagdalpur.

³ Vide letters: DO/ECPA/Housing/D-256 dated 30.1.2013 and No./CGHB Review/D-281 dated 13.3.2013

held. The Report has been finalised on the basis of replies furnished by the Board.

Audit Findings

2.1.8 Planning

Planning entails clear definition of priorities by observing economy, efficiency and effectiveness and accountability in delivery of improved quality of services. Planning plays a vital role for effective implementation of the schemes. However, during the Performance Audit we noticed that the Board had not prepared any Perspective Plan and Annual Action Plan during the period 2007-08 to 2011-12. During this period, the Board had incurred an expenditure of ₹ 1892.66 crore on construction activities under various schemes. However, year-wise target for construction of dwelling units was not fixed for any of the schemes. This indicates that the Board has been implementing various schemes without adequate planning.

On this being pointed out (September 2012), the Commissioner, CGHB stated (November 2012) that the implementation of the schemes is carried out by the Board as per the approved budget on a yearly basis.

2.1.9 Financial Management

The main source of funds for the Board is from the sale of houses and shops to the public under General Scheme (Self Financing). The State Government also provides funds as subsidy under Government sponsored housing schemes.

2.1.9.1 Preparation of budget estimates

The Board had incurred expenditure of ₹ 1892.66 crore on various projects during the period 2007-08 to 2011-12. The budget provisions and expenditure incurred by the Board during the period 2007-08 to 2011-12 were as under:

Table 1: Year wise budget provision and expenditure of the Board

(₹ in crore)

Year	Budget Provision		Expenditure		Savings	
	Plan	Non-plan	Plan	Non-plan	Plan (per cent)	Non-plan (per cent)
2007-08	251.26	9.33	159.92	8.22	91.34 (36)	1.11 (12)
2008-09	332.37	12.91	263.97	11.15	68.4 (21)	1.76 (14)
2009-10	392.28	18.32	441.77	15.98	-49.49 (13)	2.34 (13)
2010-11	846.76	50.48	500.47	19.62	346.29 (41)	30.86 (61)
2011-12	812.83	50.77	526.52	22.02	286.31 (35)	28.75 (57)
Total	2635.51	141.81	1892.66	76.99	742.85 (28)	64.82 (46)

(Source: Information furnished by Board and compiled by Audit)

It may be seen from the table that the savings under plan head were ranging between 21 to 41 *per cent* during 2007-12, except in 2009-10, when the expenditure exceeded the budget provision by 13 *per cent*. Thus, funds amounting to ₹ 742.85 crore could not be utilised during the period. The savings were mainly due to non completion of sanctioned projects in time and non acquisition of land for housing projects in 2010-11. Budget provision amounting to ₹ 100.00 crore was made for *Atal Vihar Yojana* during 2011-12. However, construction of houses was not started under the scheme and the fund remained unutilised. The persistent and substantial savings indicates that the Board was unable to implement the projects in a timely manner.

Further, under non-plan head, the average savings was 46 *per cent* during the period 2007-08 to 2011-12 and was as high as 61 *per cent* in 2010-11.

On this being pointed out (September 2012), the Commissioner, CGHB stated (November 2012) that due to non acquisition of land for new projects and retirement of the employees, savings of fund occurred.

The reply indicates inadequate monitoring over the utilisation of the funds by the Board and failure to implement the projects in a timely manner.

2.1.9.2 Non preparation of Accounts and Balance Sheet

Section 74 of the Chhattisgarh *Grih Nirman Mandal Adhiniyam*, 1972 provides for maintenance of proper books of accounts and audit of accounts annually by a Chartered Accountant, which was to be submitted to the State Government.

We however, noticed that the Board did not prepare the Income and Expenditure Account and the Balance Sheet from 2007-08 to 2011-12. In absence of these, the financial position of the Board could not be assessed. No reasons for this were intimated by the Board (November 2012). However, the audit of the Board for the period 2007-08 to 2011-12 was entrusted to the Comptroller and Auditor General of India in July 2012 by the Housing and Urban Development Department, Government of Chhattisgarh.

2.1.9.3 Non recovery of dues of ₹ 27.56 crore from MP Housing Board

The Government of India (GoI), Ministry of Home Affairs, New Delhi had constituted State Assets and Liabilities Committee (SALBC) for division of the assets, liabilities and employees of the Madhya Pradesh Housing Board (MPHB) and the Chhattisgarh Housing Board (Board). SALBC had recommended ((January 2007) that MPHB should pay ₹ 16.95 crore towards land premium, lease rent and interest to CGHB in three instalments⁴. In case of default, MPHB was liable to pay interest at the rate of one *per cent* per month on the amount in default.

⁴ Ist installment of ₹ 5.50 crore by October 2006, IInd installment of ₹ 5.50 crore by December 2006 and IIIrd installment of ₹ 5.95 crore by March 2007.

During scrutiny of records (May 2012) of the Commissioner, Housing Board, Raipur, we observed that CGHB did not recover the amount of ₹ 16.95 crore from MPHB till March 2012. Further, as per orders of the GoI, interest at the rate of one *per cent* payable for the period of delay was also not recovered even after lapse of five years. The total outstanding amount along with the interest payable by MPHB was ₹ 27.56 crore as on 31 March 2012 as calculated below:

Table 2: Details of outstanding amount recoverable from MPHB

Sl. No.	Principal Amount	Period	(₹ in crore)	
			Interest Amount	Total amount
1	5.50	1-11-2006 to 31-03-2012 (65 months)	3.57	9.07
2	5.50	1-01-2007 to 31-03-2012 (63 months)	3.47	8.97
3	5.95	1-04-2007 to 31-03-2012 (60 months)	3.57	9.52
Total	16.95		10.61	27.56

(Source: Information furnished by Board and compiled by Audit)

On this being pointed out (September 2012), the Commissioner, CGHB stated (November 2012) that regular correspondence was made but the amount has not been provided by MPHB.

2.1.9.4 Non-recovery of dues of ₹ 41.69 crore from the unauthorised occupants

Outstanding dues were not recovered from the allottees under hire purchase scheme.

Chhattisgarh Housing Board had allotted plots, houses and shops to various beneficiaries under hire purchase scheme from 1981 to 2007. The repayment period was from 10 to 15 years. As per the conditions of agreement, the allottees had to repay the outstanding amount along with interest every six months/year. If the allottee failed to pay the instalments regularly, recovery of the outstanding dues along with penalty was to be done as arrears of land revenue.

During scrutiny of records of allottees under the hire purchase scheme maintained by the Estate Manager of Durg and Raipur Division No.1, we observed that a large number of beneficiaries had not paid the instalments regularly. The details are as follows:

Table 3: Details of amount recoverable from defaulting allottees

Sl. No.	Type of property	No. of defaulting allottees	(₹ in crore)	
			Total outstanding amount	
1	HIG/Sr HIG	26	2.44	
2	MIG/Jr MIG	218	26.36	
3	LIG	390	6.11	
4	EWS	354	5.98	
5	Plots/shops	43	0.80	
	Total	1031	41.69	

(Source: Information furnished by Board and compiled by Audit)

Thus, a sum of ₹ 41.69 crore was due for recovery since 1983 to 2012 from 1031 defaulting allottees. The Board had not initiated any action to recover the amount by using the procedure envisaged in the land revenue dues. This indicates inadequate monitoring over the recovery of outstanding dues by the Board.

While accepting the fact, the Commissioner stated (November 2012) that notices have been issued to the allottees to pay the balance amount together with the interest. Moreover, there is no provision to recover the dues under Land Revenue Code.

The reply is not acceptable as Clause 13 of the Hire Purchase agreement clearly stipulates provision for recovery of the outstanding amount along with penalty from the allottee as land revenue dues.

2.1.10 Implementation of Schemes and Housing Policy

The State Government launched (2006-07) *Atal Awas Yojana* for providing accommodation facilities to economically weaker section (EWS) of the society. It is meant for the sub-low income group i.e. persons with income not more than ₹ 60,000 per annum. Each house was independent and built on a plot of 560 square feet at a cost of ₹ 1.10 lakh. Of this, the applicant was to make a down payment of ₹ 10,000 only, ₹ 50,000 was to be borne by the Government of Chhattisgarh as subsidy and the balance amount of ₹ 50,000 was to be sanctioned as housing loan through the State Bank of India (SBI). The land was to be provided by the Government at the rate of ₹ one per square feet. As per the Housing Policy, 2002 the State Government has made it mandatory to reserve 15 *per cent* land for EWS in all housing schemes and 25 *per cent* in housing projects developed by the Government or where land has been provided by the Government at concessional rates. The deficiencies noticed in implementation of various schemes and the Housing Policy is discussed below:

2.1.10.1 Non handing over of Atal Awas Houses to the beneficiaries resulted in idle expenditure of ₹3.36 crore

Idle expenditure under *Atal Awas Yojna* as constructed houses were not handed over to the targeted beneficiaries.

The work of construction of 800 units of *Atal Awas Houses* at Mungi and Dhansuli (Raipur) was awarded (March 2008) to a contractor, which was completed in May 2009. During scrutiny of the records of Executive Engineer, Division III, Raipur, it was observed that only 407 houses were handed over to the beneficiaries (July 2012) and the remaining 393 houses could not be handed over to the beneficiaries due to non-sanction of housing loan by SBI, reasons for which were not on record. We noticed that the Board had taken up the matter (August 2009 and September 2010) with SBI and thereafter further pursuance was not done by the Board. Thus, non-handing over of the houses even after completion of construction not only resulted in blocking of fund of ₹ 3.36 crore (393 x ₹ 85630) but also deprived the beneficiaries from availing the benefit of the scheme. Further, the deterioration of the condition of these houses due to non-use can also not be ruled out.

Photographs showing completed EWS units lying vacant since last three years at Mungi, Raipur



On this being pointed out (September 2012) the Commissioner, CGHB accepted (November 2012) the fact and stated that the houses had been allotted to the beneficiaries and responsibility of getting the loan sanctioned by the bank rests with the allottees. It also stated that there was no liquidity problem to the Board due to non handing over of the houses.

The fact remains that funds to the extent of ₹ 3.36 crore remained blocked, besides non-achievement of the purposes of the scheme.

2.1.10.2 Irregular sale of Atal Awas houses to the Government at subsidised rate

The Board decided (June 2007) to provide additional grant of ₹ 50,000 to the Scheduled Caste/Scheduled Tribe applicants under this scheme for Bijapur and Narayanpur Districts.

During scrutiny of records of EE, Jagdalpur, we noticed that 200 units of Atal Awas Houses were constructed for poor families. We further observed that at the request of the Collector (November 2009), Bijapur, 65 houses were allotted (September 2010) to the Collector by the Board and the houses were allotted to various Government officials.

Atal Awas houses were allotted to the Government employees at subsidised rate.

Since the land was allotted for *Atal Awas* Scheme, the houses and the subsidy under the scheme was to be provided to the poor families only. Thus, the allotment of the houses for accommodation to the Government officials was in violation of the scheme guidelines. Further, the Board had demanded (September 2010) an amount of ₹ 58.08 lakh instead of ₹ 90.58 lakh⁵ for these 65 houses from the Collector. Thus, irregular subsidy of ₹ 32.50 lakh (₹ 50000 x 65) was allowed by the Board for these houses. Besides, the Collector also did not deposit the amount as of November 2012. Further, we also noticed that the Board did not claim the subsidy amount of ₹ 32.50 lakh.

On this being pointed out (September 2012), the Commissioner, CGHB stated (November 2012) that there was no demand for the houses from families of

⁵ Amount to be claimed = ₹ 58.08 lakh + (65 houses x ₹ 50,000) = ₹ 90.58 lakh

the weaker sections of the society. Thus, allotment of *Atal Awas* houses was done to Government employees by the Board.

The fact remains that the scheme is meant for providing affordable houses to poor families only and allotment of houses at subsidised rate to the Government officials was irregular. It also implies that houses are being built for EWS without working out the actual demand.

2.1.10.3 Non adherence to norms for EWS in housing schemes

In order to provide economical houses to the EWS of society under the Housing Policy of the State, Government of Chhattisgarh has made it mandatory to reserve 15 *per cent* land for EWS in all housing schemes and 25 *per cent* in housing projects developed by the Government or where land has been provided by the Government at concessional rates. Thus, out of the total plot area, prescribed land should be reserved for EWS and the houses constructed in this area are to be allotted to the beneficiaries.

Prescribed percentage of land was not reserved for EWS families in housing projects.

During scrutiny of records and approved layout of the housing project at Sector 29 of Naya Raipur, we noticed that out of the total plot area of 289866.17 square meter only 16479.33 square meter (5.70 *per cent*) land was allotted for EWS against the norms of 15 *per cent*. Similarly, in the housing project at Sector 27 of Naya Raipur, we noticed that the Government had provided 62 hectares of land in Sector 27 at concessional rate of ₹ 32.32 lakh per hectare valuing ₹ 20.03 crore. Accordingly, the Board was required to reserve 25 *per cent* of the land but the Board had allotted only 5.59 *per cent* of the land for EWS. The details are shown below:

Table 4: Status of land allotted for EWS in housing projects

(Area in square meter)

Name of project	Total plot area	Area actually allotted	Area to be reserved for EWS	Less area allotted to EWS
Sector 27	294448.36	16459.52 (5.59 <i>per cent</i>)	73612.09 (25 <i>per cent</i>)	57152.57
Sector 29	289866.17	16479.33 (5.70 <i>per cent</i>)	43479.92 (15 <i>per cent</i>)	27000.59
Total	584314.53	32938.85	117092.01	84153.16

(Source: Information furnished by Board and compiled by Audit)

It may be seen from the table that against 1,17,092.01 sqm area required to be reserved in these two sectors for EWS, only 32,938.85 sqm area (35.80 *per cent*) was actually allotted.

On this being pointed out (September 2012), the Commissioner, CGHB stated (November 2012) that as per the Housing Policy, 15 *per cent* land is to be earmarked for EWS. However, in case of built up form, construction on 25 *per cent* land is required. The construction was done as per the approved layout plan. Further, the Government did not provide the land at concessional rate.

The reply is not acceptable as the land at Sector-27 was provided at concessional rate. Further, the Housing Policy provides for reservation of prescribed percentage of land only. However, sufficient area was not allotted for EWS families in contravention of the Housing Policy, thereby depriving the poor from having access to economical housing schemes.

2.1.10.4 Construction of bungalows and commercial complex on land acquired for Economically Weaker Sections of the society

The Land Acquisition Act, 1894 provides that land acquired for a purpose should not be utilised for any other purpose. Further, the purpose for which land was acquired cannot be changed after issue of notification for land acquisition.

(i) Irregular construction of bungalows and commercial complex amounting to ₹ 181.86 crore

Commercial complex and bungalows were constructed on the land acquired for EWS families.

Chhattisgarh Housing Board, Raipur had sought (October 2004) allotment of 44.809 hectares of land at Boriyakala for construction of houses for the homeless and for EWS families from the Collector, Raipur. An amount of ₹ 9.02 crore was paid to the Land Acquisition Officer (LAO) in 2006 for payment of compensation to the landowners. As against the requirement of 44.809 hectare, only 39.527 hectare land was acquired.

During scrutiny of records, we observed that the Board, instead of constructing houses for EWS on the entire allotted land, constructed houses for EWS on 5.929 hectare only (15 *per cent*) and on the remaining 33.598 hectare land houses for higher and middle income group were constructed in disregard to the terms and conditions of the allotment order. Besides, a total of 682 premium class houses were irregularly constructed at a total cost of ₹ 113.24 crore on this piece of land,

Similarly, the Collector, Raipur had also allotted (August 2006) 25.785 hectare of land at Dumartarai to the Board for construction of houses for EWS. Out of this land, 2.20 hectare land was being used as a cemetery. Thus, 23.585 hectare land was available for construction of houses for EWS.

We further observed that the Housing and Environment Department changed (March 2008) the use of land from housing purpose to commercial purpose and requested (May 2008) the Collector to cancel the land acquisition process and to allot the land to Raipur Development Authority (RDA). The Collector however, intimated (July 2008) that cancellation was not possible as the land was acquired for housing for EWS.

We noticed that the Board, instead of constructing houses for EWS on the entire allotted land, constructed houses only on 0.31 hectares (1.31 *per cent*) for EWS and on the remaining 23.275 hectare land, commercial complex and houses for other classes were constructed in violation of the terms and condition of the allotment order. Thus, construction of the shops and houses for other classes on land allotted for EWS amounting to ₹ 68.62 crore was irregular.

Further, due to violation of conditions of allotment orders in Dumartarai and Boriyakala, only 6.239 hectare land was utilised for construction of houses for the EWS against total allotted 63.112 hectare land. Thus, the objective of providing affordable dwelling units to the targeted beneficiaries could not be achieved as detailed below:

Table 5: Status of land allotted for EWS

(Area in hectare)

Name of project	Total Area allotted for EWS	Area actually allotted	Area to be reserved for EWS	Number of EWS units constructed	Less area allotted to EWS
1	2	3	4	5	6=(4-3)
Dumartarai	23.585	0.310	23.585	272	23.275
Boriyakala	39.527	5.929	39.527	1840	33.598
Total	63.112	6.239	63.112	2112	56.873

(Source: Information furnished by Board and compiled by Audit)

On this being pointed out (September 2012), the Commissioner, CGHB stated (November 2012) that in Boriyakala, the land was acquired for developing housing colony for all classes of society and construction of houses (1840 EWS and 800 LIG) was done accordingly. It further stated that in Dumartarai, the Government had changed the use of land from residential to commercial purpose and after this, shops/houses (438 shops, 272 EWS, 144 LIG and 480 MIG flats) are being constructed after approval by the Town and Country Planning Department.

The reply is not acceptable as the land was acquired for construction of houses for homeless and EWS families. Further, Land Acquisition Act, 1894 provides that land acquired for one purpose should not be utilised for any other purpose. Since the Award was already passed for residential purpose for EWS families, the Collector had refused to change the use of land. Thus, construction of shops and houses for higher and middle income group was in violation of conditions of allotment orders as well as Land Acquisition Act.

(ii) Non recovery of balance amount from Land Acquisition Officer amounting to ₹4.18 crore

We further observed that in Boriyakala project, as against the requirement of 44.809 hectare of land only 39.398 hectare of land was allotted on which land acquisition compensation amounting ₹ 5.28 crore was payable by the Board. Against this, the Board had already deposited ₹ 9.02 crore⁶ with Land Acquisition Officer (LAO). The Board did not take any action for recovery of the balance amount of ₹ 3.74 crore from LAO.

Similarly, in Dumartarai project, the Board had deposited ₹ 5.21 crore⁷ for 25.785 hectare land with LAO towards payment of compensation for land acquisition. Since 2.20 hectare of land was not acquired for the Board, an

⁶ (September 2005 - ₹ 43.47 lakh and October 2006 - ₹ 8.59 crore)

⁷ (July 2005 - ₹ 35.27 lakh and April 2008 - ₹ 4.86 crore)

amount of ₹ 44.37 lakh was recoverable from LAO. However, the Board did not take any steps for recovery of this sum.

When we pointed this out, the Commissioner stated (November 2012) that the Revenue Department had intimated (April 2009) that an amount of ₹ 1.06 crore was adjusted against land acquired for Hirapur project and no amount is recoverable from LAO under Boriyakala project.

The reply is not acceptable as an amount of ₹ 1.06 crore had reportedly been adjusted against the recoverable amount of ₹ 3.74 crore. However, no records in support of adjustment of ₹ 1.06 crore was produced to audit for verification. No reply was furnished by the Board in respect of recovery of ₹ 44.37 lakh.

2.1.11 Execution of works

The Board adopted (2004) the Works Department Manual for execution of works. A new Schedule of Rates (SOR) for Building, Road and Electrical works was prepared by the Board and was being enforced from the year 2006 onwards. The Board has ensured use of environment friendly fly ash bricks in the construction activities. For construction activities, tenders are invited and works are awarded to the contractors for execution. The works are executed by the Board through its divisional offices. The deficiencies noticed in preparation of estimates, awarding of works and payments made to the contractors are discussed below:

Preparation of estimates

As per clause 2.027 of the Works Department (WD) Manual, the rates in an estimate should generally agree with the SOR. Where for any cause, the latter is not considered suitable or sufficient, the deviation should be explained in detail in the estimates, and if there is no relevant schedule of rate for a particular item of work in the estimate, the proposed rate should be supported by an analysis.

2.1.11.1 Preparation of inflated estimate of ₹5.06 crore

Estimate was inflated due to addition of anticipated tender *per cent* on the SOR rates without analysis.

The Board had not revised the SOR since 1999 and the estimates were prepared by the Division on the basis of the old SOR-1999 till 2006.

Our scrutiny of the records of EE, Division II, Raipur revealed that the estimated cost as per SOR-1999 was enhanced by ₹ 5.06 crore by adding 60 *per cent* anticipated tender percentage in three agreements executed in 2005-06 without any justification. There was no justification to inflate the estimates in an *ad hoc* manner without following the provision of the WD Manual. This enhancement in estimates facilitated the contractors in quoting higher rates which resulted in extra cost of ₹ 5.06 crore (**Appendix 2.1.1**).

On this being pointed out (September 2012), the Commissioner stated (November 2012) that 60 *per cent* was added in the SOR rate for keeping the

current market prices as the base. Moreover, if the above percentage was not added, lesser Earnest Money would be received.

The reply is not acceptable because the inclusion of escalation was not supported by any rate analysis or justification.

Tendering and awarding of works

As per Clause 2.075(b) of the Works Department Manual, tenders must be invited for all works proposed to be given on contract unless the amount of work is ₹ 15,000 or less. Further, Clause 2.086 (4) (a) provides that for all tenderers, who had quoted rates in that particular tender, for which negotiations are considered suitable should be called for negotiations with a view to withdraw conditions and reduce the rates. Clause 3(c) of the WD manual i.e risk and cost provides for imposition of penalty if the contractor leaves the work incomplete and the remaining work is executed by another contractor with higher rates.

2.1.11.2 Avoidable extra cost of ₹34.48 crore due to acceptance of higher rates

Extra cost due to acceptance of tender at higher rate.

Scrutiny of records of the Project Division, Durg revealed that tenders were invited (March and August 2008) for construction of houses at Block A and Block B, Talpuri. The estimated cost of Block A was ₹ 180 crore and the work was awarded (October 2008) to M/s Mackintosh Burn Private Ltd, Kolkata at ₹ 196.45 crore (nine *per cent* above estimated cost). Similarly, estimated cost of the work of Block B (adjacent to Block A) was ₹ 202.80 crore and the work was awarded (October 2008) to the same firm at ₹ 255.59 crore (26 *per cent* above estimated cost) without any negotiation even though the nature of work was similar and the work was awarded to the same contractor at the same time. The work could have been executed at ₹ 221.05 crore. Thus, acceptance of tender at higher rate resulted in avoidable extra cost of ₹ 34.48 crore⁸.

On this being pointed out (September 2012), the Commissioner stated (November 2012) that the tenders were rejected twice earlier and the tender was accepted on the third call to protect the financial interest of the Board.

The fact remains that similar nature of work was awarded to the same contractor at the same time at higher rates.

2.1.11.3 Irregular award of work of ₹59.79 crore without inviting tender

(i) Awarding of work in Talpuri Project

Works were awarded to the contractors without tender.

As mentioned in paragraph No 2.1.11.2, the Board had awarded (October 2008) the work of Block A and Block B to M/s Mackintosh Burn Private Limited at nine *per cent* and 26 *per cent* above the estimated cost respectively. The Board included the work of construction of 336 units of

⁸ 17 *per cent* (26 *per cent* - 9 *per cent*) of ₹ 202.80 crore = ₹ 34.48 crore

Mogra houses and 240 units of Juhi Apartments as additional work at 26 *per cent* above the estimated cost without inviting tenders from the above firm. The same firm was also executing work at the rate of nine *per cent* above estimated cost. Thus, works valuing ₹ 57.78 crore was awarded without inviting tender in contravention of the WD manual.

On this being pointed out (September 2012), Commissioner stated (November 2012) that in order to provide houses to lower and middle income group, the number of houses were increased in Block B. Hence the additional work was included in the agreement of Block B. Sanction of the additional work is in progress.

Thus, award of work without inviting tender was not only violative of the provisions of the WD manual but also resulted in extension of undue favour to the contractor.

(ii) Awarding of work in Saddu Project

During scrutiny of records of Division-II, Raipur we observed that tender for construction of 50 MIG Deluxe houses at Saddu, Raipur was invited (September 2005) at estimated cost of ₹ 3.26 crore. The lowest tender of ₹ 3.32 crore (1.94 *per cent* above estimated cost) submitted by M/s Dubey Goel & Company, Raipur was rejected (October 2005) without assigning any reason. The work was re-tendered and awarded (February 2006) to M/s Bajoriya Construction Company, Yavatmal at ₹ 3.04 crore (6.74 *per cent* below estimated cost). After execution of work amounting to ₹ 92.33 lakh, (30 *per cent*) the agreement was rescinded (December 2007) due to non execution of work. On further retendering, the balance work was awarded (February 2009) to M/s N.K. Construction, Durg for ₹ 2.72 crore (33.09 *per cent* above the estimated cost) against the estimated cost of ₹ 2.01 crore. However, after execution of work amounting to ₹ 71.29 lakh (26 *per cent*), the agreement was also rescinded (October 2009) due to delay in execution.

On scrutiny of the above agreements, we observed that risk and cost clause i.e. 3(c) of the WD manual was not included in the above agreements. We further observed that M/s Dubey Goel & Co, Raipur who was executing the balance work of another site of 14 MIG Duplex Deluxe and 71 MIG Deluxe was awarded (January 2009) the balance work of 50 MIG Deluxe amounting to ₹ 2.01 crore (33.09 *per cent* above estimated cost) as additional work without inviting tender. The work was completed (November 2009) with an expenditure of ₹ 3.65 crore⁹. Thus, the Board had to incur extra expenditure of ₹ 61 lakh (₹ 3.65 crore (-) ₹ 3.04 crore). Due to non inclusion of clause for risk and cost, the Board had not only incurred extra expenditure but also extended undue benefit to the contractor. Had the above clause been included in the agreement, the extra expenditure could have been recovered from the defaulting contractor.

⁹ ₹ 92.33 lakh + ₹ 71.29 lakh + ₹ 2.01 crore = ₹ 3.65 crore

On this being pointed out (September 2012), the Commissioner stated (November 2012) that execution of the above work was delayed due to abandoning of work by previous contractors. Therefore, the above work was allotted to M/s Dubey Goel & Company as additional work without inviting tender. It was further stated that clause 3(c) was not provided in the agreement due to which extra cost could not be recovered from the defaulting contractor. At present, this clause has been incorporated in all new agreements.

The reply is not acceptable as the WD Manual clearly states that for all works amounting to more than ₹ 15,000 tenders should be invited. Thus, works valuing ₹ 2.01 crore were awarded without inviting tender in contravention of the WD manual.

2.1.11.4 Irregular subletting of work

As per condition No.7.1 of the tender document, the contractor shall not, without the prior approval of the competent authority in writing, sublet or assign to any other party or parties, the whole or any portion of the work under the contract. Where such approval is granted the contractor shall not be relieved from the duty or responsibility which he undertakes under the contract.

Further, as per clause 25 of the agreement, the contract shall not be assigned or sublet without the written approval of the Divisional Officer. Otherwise the contract may be rescinded under Clause 3 and the security deposit of the contractor should be forfeited and the contractor shall not be entitled to recover or to be paid for any work performed under the contract.

During scrutiny of records of Project Division, Durg, we observed that the work for construction of Block A and Block B, Talpuri was awarded (October 2008) to M/s Mackintosh Burn Private Ltd, Kolkata at ₹ 196.45 crore and at ₹ 255.59 crore respectively. We also noticed that a civil contractor¹⁰, had lodged a complaint (May 2012) with the EE that he was executing the work of construction of houses and infrastructure development in Block A and Block B of Talpuri project, but payment of his running bill was not made to him regularly by the original contractor i.e. M/s Mackintosh Burn Private Limited. Taking cognisance of the above letter, the EE wrote a letter (May 2012) to M/s Mackintosh Burn Private Limited to dispose of all issues with the subordinate contractors under intimation to the Board.

Since the work was sublet without prior approval of the Board in contravention to the conditions of the agreement, the contract should have been rescinded and the security deposit of ₹ 6.39 crore (Block A: ₹ 3.07 crore (+) Block B: ₹ 3.32 crore) should have been forfeited. However, the Board neither took any action to cancel the agreement nor initiated any action for forfeiting the security deposit as per the provisions of the agreement.

¹⁰ M/s Sanjay Kumar Mishra

On this being pointed out (September 2012), the Commissioner stated (November 2012) that as per records of the Board, the work was not sublet and M/s Sanjay Kumar Mishra was a labour contractor.

The reply is not acceptable as the letter (May 2012) of the EE and complaint letter of the contractor confirm that the works were sublet.

2.1.11.5 Non recovery of extra cost of ₹ 1.59 crore from the defaulting contractors

Clause 3(c) of the WD manual provides for imposition of penalty on the contractor in case the contractor leaves the work incomplete, the work is rescinded, and the remaining work is given to another contractor to complete. In such cases, any expenses incurred in excess of the sum which would have been paid to the original contractor if the whole work had been executed by him shall be borne and paid by the original contractor and may be deducted from any money due to him.

During scrutiny of records of Division-II, Raipur we observed that the work of construction of 14 MIG DD and 71 MIG Deluxe houses was awarded to M/s Swaraj Associates at the rate of 4.63 *per cent* below SOR (1999). The contractors left the work incomplete and the agreement was rescinded (December 2007) under clause 3. For the balance work, tender was invited (January 2009) and work was awarded (January 2009) to M/s Dubey Goel & company at the rate of 30.50 *per cent* above estimated cost and the work were completed at extra cost of ₹ 1.59 crore (*Appendix 2.1.2*).

We further observed that though the Board has been following the WD manual, the provision related to recovery of extra cost from defaulting contractors as provided in clause 3(c) was not included in the agreements.

Had this clause been incorporated in the agreement, the extra cost of ₹ 1.59 crore could have been recovered from the defaulting contractor and the extra financial burden on the allottees could have been reduced to that extent.

On this being pointed out (September 2012), the Commissioner accepted (November 2012) the audit observation and stated that clause 3(c) was not provided in the agreement due to which extra cost could not be recovered from the defaulting contractor. At present this clause has been incorporated in all new agreements.

Advances to contractors

2.1.11.6 Irregular sanction of mobilisation advance amounting to ₹22.30 crore and loss of interest of ₹3.78 crore

As per clause 3.23 of the WD Manual, mobilisation advance is applicable for tenders of ₹ one crore or more. Mobilisation advance not exceeding five *per cent* of the contract amount and limited to ₹ 10 lakh shall be given. This advance shall bear interest at the rate of 14 *per cent* per annum.

Mobilisation advance was paid in violation of the provision of the agreement.

(i) During scrutiny of two agreements executed (October 2008) by Durg division for Talpuri project, it was noticed that mobilisation advance of ₹ 22.50 crore was paid to the contractor which was recoverable with interest at the rate of 14 *per cent* per annum. However, as per clause 11 (B) of the agreement, the maximum amount payable was ₹ 10 lakh for each agreement only. Thus, excess payment of ₹ 22.30 crore¹¹ was not only irregular but also led to extension of undue aid to the contractor. Though the amount of advance was recovered by March 2010, the interest amounting to ₹ 3.30 crore was not recovered till the date of audit (August 2012).

(ii) Further, in another agreement executed (October 2008) for ₹ 35.15 crore by Durg division for Kharun Green project, we noticed that the provisions of the WD manual were not included in the agreement and mobilisation advance of ₹ 1.76 crore was paid to the contractor which was recoverable with interest at the rate of 18 *per cent* per annum. Though the amount of advance was recovered by May 2010, the interest amounting to ₹ 47.55 lakh was not recovered till the date of audit (August 2012).

Thus, irregular payment of advance amounting to ₹ 22.30 crore was not only a violation of the WD manual but also the provisions of agreement which resulted in loss of interest amounting to ₹ 3.78 crore (**Appendix 2.1.3**) to the Board.

On this being pointed out (September 2012), the Commissioner stated (November 2012) that the Board is a semi-Government body and in the interest of the work, the provisions mentioned in the WD Manual was customised and the mobilisation advance was sanctioned as per agreement which would be recovered from the running bills.

The reply is not acceptable as mobilisation advance was paid against the provision of the agreement and interest was also not recovered from the contractors.

Undue benefit to contractors

2.1.11.7 Short levy of penalty amounting to ₹20.37 crore

As per clause 2 of the agreements, the contractor had to execute the work within the stipulated period as envisaged in the contract, failing which penalty was to be imposed at the rate of 1/16 *per cent* of the value of the work per week, subject to a maximum of six *per cent* of the total value of the contract.

During scrutiny of 15 agreements executed in three¹² divisions, we observed that the scheduled date of completion was between six to 24 months. The contractors however, could not complete the work within the stipulated period and delay in completion of these works ranged between 14 to 42 months. The reasons were mainly attributable to the contractor i.e deployment of

¹¹ ₹ 22.50 crore – (₹ 10 lakh x 2 agreements) = ₹ 22.30 crore

¹² EE, Project Division, Durg , EE, Capital Project Division-I and EE, Division-II, Raipur

inadequate engineers, labour shortage, rainy season, approach road problem, etc. Since the contractors failed to complete the works within the scheduled time, the Board had granted time extension with condition of levying penalty under the above clause for delay in execution of the works. The total penalty aggregating to ₹ 31.29 crore was recoverable from these contractors. As against this, the Board recovered only ₹ 10.92 crore. This short levy of penalty amounting to ₹ 20.37 crore (**Appendix 2.1.4**) resulted in extension of undue financial benefit to the contractors.

On this being pointed out (September 2012), the Commissioner stated (November 2012) that penalty for delay in execution of works was decided on the basis of reasons attributable to the delay.

The reply is not acceptable as the penalty was not levied as per the provisions of the agreement which resulted in extension of undue financial benefit to the contractors.

Excess payment to contractors

2.1.11.8 Excess payment of ₹1.74 crore due to extra excavations and filling of foundation

Clause 1.7 of the technical specification of the agreements of Block A and Block B of Talpuri project stipulated that excavation shall be carried out to such widths, lengths, depths and profiles as shown in the drawings or the Engineer may specify such other lines and grades. The contractor may for facility of his work or similar other reason, excavate and backfill later if so approved by the engineer at his own cost outside the line shown on the drawings or directed by the engineer. Should any excavation be taken below the specified levels, the contractor shall fill it up with PCC (1:3:6) or granular material in accordance with the type of bedding up to the required level. The contractor on this account shall claim no extra payment.

During scrutiny of the records of EE, Project Division, Durg we noticed that the contractor excavated the entire area of the building with a depth of 1.5 meter and filled up the same with sand/moorum. As per approved estimate, total 42,231.18 cum excavation was admissible against which 1,31,929.43 cum was excavated. Similarly, for back filling, the admissible quantity was 42,231.18 cum against which 1,26,508.70 cum was executed. As there was no change in drawing and design, extra excavation and back filling beyond the specified dimension resulted in excess payment of ₹ 1.74 crore (**Appendix 2.1.5**). Further, copy of the Measurement Books was not provided to audit.

After we pointed this out (September 2012), the Commissioner stated (November 2012) that the work was executed as per site conditions. Due to availability of rocky strata at the site, excavation of foundation in tranches had been done and payment to the contractor was made accordingly.

The reply is not acceptable because payment of excavation should have been restricted to the dimension of the foundation given in the drawings.

2.1.11.9 Excess payment of ₹ 9.25 crore due to short consumption of cement

As per IS 456:2000, Design Mix Concrete should be designed to produce the grade of concrete having the required workability and a characteristic strength not less than the appropriate values.

During scrutiny of the measurement book, we observed that in 10 agreements (2007-08) of Project Division-I Raipur and Durg, item of Ready Mixed Concrete of M-20 grade (mix design concrete) was provided at the estimated rate of ₹ 3,900 per cum with reference to SOR (2006) item No. 32(c). The rate of item No. 32(c) in SOR (2006) was ₹ 2,700 per cum. For this item, 423 kg per cum cement was to be consumed. As per mix design concrete approved by the authorised laboratory, consumption of cement was 320 kg to 322 kg. Thus, for executing 2,01,586 cum of RMC, 85,270.878 MT was to be consumed against which only 64,705.016 MT of cement was consumed. The details are given below:

Table 6: Details of excess payment due to short consumption of cement

Name of Division	Quantity of RMC executed (in cum)	Consumption of Cement as per estimate (423 kg/cum)	Actual consumption (Kg)	Short consumption (Kg)	Excess payment (₹4500/ ton)
Capital Project Dn. No I, Raipur	98748	41770404	31796856 (322 kg/cum)	9973548	44880966
Project Dn. Durg	102838	43500474	32908160 (320 kg/cum)	10592314	47665413
Total	201586	85270878	64705016	20565862	92546379

(Source: Information furnished by Board and compiled by Audit)

Since less quantity of cement was consumed, the payment should have been made based on actual consumption. However, despite short consumption of 20,565.862 MT cement, the contractors were paid the full amount resulting in excess payment of ₹ 9.25 crore.

On this being pointed out (September 2012), the Commissioner stated (November 2012) that works of RMC M-20 was executed after mix design as per material brought at site and no specific quantity of cement could be assessed before mix design. The work was executed accordingly and payment made as approved in NIT.

The reply is not acceptable as the mix design should have been prepared before commencement of work of concrete to ascertain the quantity of cement and other material required for execution of concrete work and the payment should have been made on the basis of actual consumption of cement. Also, the SOR of CPWD provides that the less cement consumed as per design mix is recoverable separately from the contractor.

2.1.11.10 Excess payment of ₹ 1.45 crore due to adoption of wrong formula for price escalation

The work of construction of composite housing schemes at Hatkachura and Abhanpur in Jagdalpur District was awarded (October 2008) to M/s Shreejee Kripa Project Limited for ₹ 12.84 crore and ₹ 20.71 crore respectively and was completed in June 2011. The up-to-date payment of ₹ 10.09 crore and ₹ 15.25 crore was made to the contractors as of August 2012.

As per Clause 10 CA of the agreement, the increase/decrease in prices shall be determined by the All India Wholesale Price Index (WPI) for cement and steel as published by the Economic Advisor to Government of India (GoI), Ministry of Commerce and Industry and base price for cement and or steel reinforcement bars as issued by GoI, Ministry of Commerce and Industry on the basis of the stipulated date of receipt of tender. The formula for payment of escalation due to increase/decrease in prices of cement and steel¹³, is shown in the footnote.

During scrutiny of records of EE, Division, Jagdalpur we observed that in these agreements, definition of Ci (Wholesale Price Index of Cement) was altered by the authorised company/Dealer Rate for cement and Si (Wholesale Price Index of Steel) was altered to the rate of M/s SAIL for steel.

Further, we noticed that during execution of the work, price index of steel and cement decreased in comparison to the base index and no amount for escalation was payable. However, by applying the incorrect formula, the Board had paid an amount of ₹ 1.12 crore on account of escalation. Had the correct formula been applied, an amount of ₹ 33 lakh was deductible against the payment of ₹ 1.12 crore (**Appendix 2.1.6**). Thus, adoption of wrong formula resulted in excess payment of ₹ 1.45 crore (₹ 44 lakh + ₹ 1.01 crore).

On this being pointed out (September 2012), the Commissioner stated (November 2012) that it was not possible to get Wholesale Price Index in Jagdalpur and the authorised company rate was taken. Thus, payment of escalation was as per the agreement.

The reply is not acceptable since the agreement clearly stated that the WPI published by Ministry of Commerce and Industry, Government of India was to be taken for calculation of escalation and hence due to adoption of wrong formula, excess payment of ₹ 1.45 crore was made to the contractor.

¹³

(A) Adjustment for components of cement : $V_c = P_c \times Q_c \times \frac{C_i - C_o}{C_o}$
 (B) Adjustment for components of steel : $V_s = P_s \times Q_s \times \frac{S_i - S_o}{S_o}$
 Where, V_c/V_s : variation of cost of cement/steel increased or decreased in the amount of rupees to be paid or recovered;
 P_c/P_s : Base price of cement (₹3500/MT) and steel (₹ 30000/MT) fixed for this agreement;
 Q_c/Q_s : Quantity of cement/steel used since previous bill;
 C_i/S_i : All India Wholesale price index for cement/steel for period under consideration as published by the Economic Adviser to GoI, Ministry of Industry and Commerce.
 C_o/C_s : Base index of cement/steel.

2.1.12 Monitoring and Quality control

Effective monitoring of the construction activities ensures timely completion of projects. Quality control mechanism ensures utilisation of standard materials in construction. During our audit of the Housing Board we noticed the following which were due to inadequate monitoring of projects, resulting in time and cost overrun of the projects.

2.1.12.1 Non deployment of engineers as per norms

As per clause 8.1.2 of the special conditions of contract and circular No. 53 dated 14-2-2008 of the Board, the contractor shall employ Graduate civil engineers and Diploma engineers as per requirement who should be available at site for monitoring of the work and to take instructions of the Engineer in charge of the work. The contractor was required to submit a list of all the engineers to be deployed along with their qualification to the EE before commencement of the work. The number of engineers to be employed was as follows:

Amount of agreement	Number of Graduate Engineer	Number of Diploma Engineer
₹ 50 lakh to ₹ 4 crore	01	03
₹ 4 crore to ₹ 10 crore	02	04
₹ 10 crore to ₹ 50 crore	04	08
₹ 50 crore to ₹ 200 crore	08	16
₹ 200 crore and above	12	24

During scrutiny of records of the selected seven divisions, we observed that out of 19 agreements test checked, in 14 agreements no engineer was deployed and in one agreement, insufficient number of engineers was deployed by the contractors. However, deployment of engineers in four agreements executed by Division-III, Raipur was as per norms. Thus, against deploying of 224 engineers only 28 engineers were actually deployed (*Appendix 2.1.7*). Although penalty at the prescribed rates was deducted from the contractor's bill, the fact remains that proper monitoring of the works was compromised.

On this being pointed out (September 2012), the Commissioner stated (November 2012) that engineers were deployed by the contractor at site and where insufficient number of engineers were deployed, necessary penalty was deducted from the Running Account bills of the contractors.

The fact remains that the Board did not enforce the special condition of the contract to ensure adequate monitoring of the work at site through deployment of required engineers by the contractor.

2.1.12.2 Testing of construction material

Para 4.5.4.2 of the technical specification of the agreement provides that at least six test cubes of each class of concrete shall be taken for every 150 cum of concrete work. Thus, one cube test for every 25 cum of concrete work was to be conducted to check the strength of the concrete used.

During scrutiny of records of the selected seven divisions we noticed that in 20 test checked agreements, a total of 2.03 lakh cum of concreting work was executed. As per norms, 8118 samples of concrete were to be tested against which only 3644 (45 *per cent*) test reports of concrete were available.

Further, during scrutiny of field laboratory test registers and test reports of Capital Project Division-1, Raipur we noticed that in eight agreements executed by the division, adequate number of tests (90 *per cent*) were conducted. However, in the remaining six divisions the field laboratory test registers were not available and as per test reports made available to audit, the percentage of tests conducted was ranging from one to eight only of the total samples to be tested. (*Appendix 2.1.8*)

On this being pointed out (September 2012), the Commissioner stated (November 2012) that concrete cube tests were conducted at field and authorised laboratories by the Board and works were executed as per specified quality.

The reply is not acceptable as prescribed number of six tests for every 150 cum of concrete work was not conducted and tests conducted at field laboratories were not furnished to audit for verification. Thus, quality of works executed could not be ensured.

2.1.13 Conclusion

The Board had not prepared any Perspective plan and Annual Action Plan for taking up the construction activities in a planned manner. The Board had not utilised the allotted funds in time bound manner which had resulted in persistent savings. Norms for allotment of land for EWS under housing schemes were not adhered to. Moreover, the land allotted for EWS was utilised for construction of commercial complex and houses for higher and middle income group. The houses constructed for EWS were not handed over to the beneficiaries due to failure in arranging loans for the poor families. The Board failed to complete the projects within the stipulated period resulting in time and cost overrun of the project. The projects were not implemented economically due to preparation of inflated estimates, payment of inadmissible advances, excess payment etc. Quality of construction material utilised in the works could not be ensured due to inadequate frequency of testing.

2.1.14 Recommendations

- *Perspective plan and Annual Action plans based on realistic demand should be prepared for effective implementation of the schemes.*
- *Land allotted and houses constructed for EWS families should be utilised for their benefit only.*
- *Monitoring system should be strengthened to ensure timely completion of projects.*

PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

2.2 'Mahatma Gandhi National Rural Employment Guarantee Scheme'

Executive Summary

The National Rural Employment Guarantee Act, 2005 (NREGA) changed to MGNREGS from October 2009 guarantees at least 100 days of employment in a financial year to any rural household (HH) whose adult members are willing to do unskilled manual work. The State Government notified the Act in March 2006. The scheme was implemented in 11 districts¹ from March 2006, in four other districts² from April 2007 and in the remaining three districts³ from April 2008 in Chhattisgarh.

The Performance Audit of MNREGS conducted by us covered six districts viz. Bastar, Durg, Jashpur, Kanker, Korea and Mahasamund for the period 2007-08 to 2011-12. The audit revealed that during the period 2008-09 to 2011-12 the State had estimated 71.60 crore person days of employment, against which the actual employment generated was 45.95 crore (64 *per cent*) person days after incurring expenditure of ₹ 7839 crore. We noticed several deficiencies in implementation of the scheme. There were huge vacancies in key positions at *Zila* and *Janpad Panchayat* level which had not only adversely affected the smooth and effective implementation of the scheme, but had also delayed technical evaluation of works and corresponding delay in payment of wages to the beneficiaries. Though the Annual Action Plans were prepared, Perspective Plan detailing the priority of works for long term employment generation and sustainable development was not prepared. Persistent shortfall in utilisation of available funds was noticed. In disregard to the scheme guidelines, cheques amounting to ₹ 69.90 crore were issued to *Sarpanches* of Bastar and Kanker districts for payments of wages to beneficiaries and advances given to the *Sarpanches* were not adjusted. There was delays ranging between 5 to 139 days in release of State share and funds were released to the District Programme Coordinator at the fag end of the financial year. Balance funds of SGRY and NFFWP were not transferred to MGNREGS account. Door to door survey was not conducted to ensure the coverage of eligible beneficiaries. The objective of the scheme to provide 100 days of employment was not achieved as only nine *per cent* HHs were provided employment of 100 days. The percentage of HH provided 100 days of employment had declined from 11 in 2007-08 to 7 in 2011-12. Though the *GPs* failed to provide employment to the beneficiaries within the prescribed period of 15 days, unemployment allowance was not paid to the beneficiaries. Despite non payment of wages aggregating ₹ 9.59 crore in time, compensation

¹ Bastar, Bilaspur, Dantewada, Dhamtari, Jashpur, Kanker, Kawardha, Korea, Raigarh, Rajnandgaon and Surguja

² Janjgir, Korba, Mahasamund and Raipur

³ Durg, Bijapur and Narayanpur

admissible under Payment of Wages Act was not paid. The time schedule for sanction of works prescribed in the Operational Guidelines was not adhered to and the District Programme Coordinators sanctioned the works to the implementing agencies throughout the year.

The Performance Audit also revealed several deficiencies in execution of works such as execution of inadmissible works, irregular sanction and execution of WBM roads, payment to vendors for Management Information System (MIS) work, sanction of works without approval of Gram Sabha, payments released without measurement of works, delay in completion of works, cancellation of works after incurring expenditure of ₹ 150.27 crore, issue of completion certificates in respect of incomplete works and wasteful expenditure on works. Muster Roll, which is the most important document for recording the works done, was not properly maintained as cases of overwriting/cutting, absence of signature, non recording of certificate of payment, incomplete information etc. were noticed. The objective of the Scheme to empower rural women through participation in the scheme was not fully achieved as the percentage of employment provided to women in the State was between 47 and 49 *per cent*. Further, the participation of women in implementation, execution and decision making was not encouraging as only 10 to 38 *per cent* posts of mates and *Gram Rojgar Sahayaks* were held by women. The objectives of the scheme for creation of permanent assets through convergence with other schemes could not be achieved due to improper execution of the works.

The monitoring mechanism was weak as prescribed registers were not maintained properly in absence of which it was difficult to establish the authenticity of the beneficiaries and whether work was being provided within 15 days. The actual days of employment provided to individual households was also not ascertainable. There were instances of wage payments by tampering the records and delay in payment of wages. No records were maintained regarding inspections and monitoring done under the scheme and the online MIS was incomplete. No internal audit was carried out during the period 2007-12.

2.2.1 Introduction

The National Rural Employment Guarantee Act, 2005 (NREGA) guarantees 100 days of employment in a financial year to any rural household (HH) whose adult members are willing to do unskilled manual work. The State Government notified the Act in March 2006. The scheme was renamed as Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) in October, 2009. The Act provided the HHs a right to register themselves with the local GPs and seek employment either through application on a plain paper or oral request. Employment was to be provided within 15 days of the demand, failing which unemployment allowance was payable by the State Government at a stipulated rate.

MNREGS is a Centrally Sponsored Scheme and the Government of India (GoI) bears the entire cost of unskilled wages and administrative expenses of Programme Officers (POs) and their supporting staff. The wages for skilled

and semi-skilled workers and material cost are to be shared in the ratio of 75:25 by GoI and the State Government. The State Government bears the unemployment allowance and the administrative expenses of State Employment Guarantee Council (SEGC), which was set up (February 2006) for monitoring the implementation of works under MNREGS.

The scheme was implemented in 11 districts from March 2006, in four districts from April 2007 and in the remaining three districts from April 2008 in the State. The State Government has designated a Commissioner, Employment Guarantee and District Programme Coordinator (DPC) who is responsible for overseeing the proper implementation of the scheme at State and District level.

2.2.2 Organisational structure

Panchayat and Rural Development Department (P&RDD) of the State Government and its Secretary are designated as Nodal department and Nodal Officer respectively for implementation of MNREGS. Separate Employment Guarantee Cells have been constituted at the State, district and block levels for effective implementation of MNREGS. The implementing officer at various levels includes the Commissioner, Employment Guarantee (CEG) at the State level, Collectors as District Programme Coordinators (DPC) and Chief Executive Officers (CEO), Zilla Panchayats (ZP) as Additional District Programme Coordinators (ADPC) at district level, CEO, *Janpad Panchayats* (JP) as Controlling Officers and dedicated Programme Officer (PO) at Block (JP) level, *Sarpanch* and Secretary Gram Panchayat (GP) assisted by Administrative Assistants at GP level. The district, block and GPs have been designated as main implementing agencies and other departments of the State Government executing works under the scheme have been designated as Other Implementing Agencies (OIAs). Ombudsman was appointed in the year 2011-12 to examine and redress the grievances and complaints.

The CEG was responsible for ensuring that all activities required to fulfil the objectives of the Act were carried out. In addition, as per the provisions of the Act, a SEGC has been constituted (February 2006) to advise the State Government on the implementation of the scheme and to monitor and evaluate the scheme.

2.2.3 Audit objectives

The objectives of the Performance Audit were to assess whether:

- structural mechanisms have been put in place and adequate capacity building measures were taken by the State Government for implementation of the Act;
- the procedures for preparing Perspective and Annual Plan at different levels for estimating the likely demand for work and preparing shelf of projects were adequate and effective;
- funds were released, accounted for and utilised by the State Government in compliance with the provisions of the Act/Guidelines/Rules;

- there was an effective process of registration of households, allotment of job cards and allocation of employment in compliance with the Operational Guidelines;
- the primary objective of ensuring the livelihood security by providing 100 days of annual employment to the targeted rural community at the specified wage rates was effectively achieved and the unemployment allowance for inability to provide job on demand was paid in accordance with the Act and the Guidelines;
- MNREGS works were properly planned and economically, efficiently and effectively executed in a timely manner and in compliance with the Act and the Guidelines and durable assets were created, maintained and properly accounted for;
- the auxiliary objective of empowering rural women was achieved in accordance with the Act and the guidelines;
- the convergence of the Scheme with other Rural Development Programmes as envisaged was effectively achieved in ensuring sustainable livelihood to the targeted rural community and improving the overall rural economy;
- all requisite records and data were maintained at various levels and the MNREGS data was automated completely and provided reliable and timely MIS;
- transparency was maintained in implementation of the Act by involving all stake holders in various stages of its implementation from planning to monitoring, evaluation and IEC; and
- there was an effective mechanism to assess the impact of MNREGS.

2.2.4 Audit criteria

The audit criteria for the Performance Audit were drawn from the following sources:

- MNREG Act 2005 and notifications issued thereunder by GoI and the State Government from time to time.
- Circulars and documents issued by the Ministry of Rural Development (MoRD), GoI and orders/instructions issued by the State Government for internal monitoring etc.
- MNREGS Operational Guidelines.
- MNREGS Fund Rules 2006, MNREGS Financial Rules 2009 and MNREGS Audit of Scheme Rules 2011.
- MNREGS Vision, Strategic Framework and Plan of Action (2010-2011) issued by MoRD.

2.2.5 Audit scope and methodology

The Performance Audit was carried out between April 2012 to June 2012, covering the period from 2007-08 to 2011-12. We selected the office of CEG and six⁴ out of 18 districts, 14⁵ blocks and 140 GPs (*Appendix 2.2.I*) for reviewing the implementation of the scheme up to March 2012. The methodology adopted by us included scrutiny of records at all levels, conducting beneficiary survey, attending social audit at GP level and physical verification of the work sites executed by selected GPs. In addition, works executed by 10⁶ OIAs were also test checked in the selected districts. The entry and exit conferences were held with the State Government officials on 29 March 2012 and 16 August 2012 respectively. The replies received from the Government and Chief Executive Officers, *Janpad Panchayats/Zila Panchayats* have been appropriately incorporated.

2.2.6 Structural mechanism and capacity building

2.2.6.1 For smooth implementation of MNREGS, the State was required to appoint and post required number of staff at various levels.

The position of sanctioned strength, men in position and vacancies in various cadres in the 18 districts and the various JPs is shown in **Table 1**.

⁴ Bastar, Durg, Jashpur, Kanker, Korea and Mahasamund

⁵ Bastar district-Bakawand, Bastar and Makadi, Durg district-Balod, Durg and Saja, Jashpur district-Kansabel and Pathalgaon, Kanker district-Charama and Narharpur, Korea district-Baikunthpur and Manendragarh and Mahasamund district-Basna and Pithora

⁶ Water Resources Department, Forest, Mini Watershed, Agriculture, Assistant Soil Conservation Officer, Rural Engineering Services, Horticulture and Public Works Department, Fisheries and Sericulture

Table 1: Details of staff sanctioned and working as on May 2012

At District level

Against sanctioned post, there was shortage of staff in all cadres at district and JP level.

Sl. No.	Post	Sanctioned	Working	Vacant	Percentage of vacancy
1	Assistant Project Officer	18	12	6	33
2	Assistant Grade II	72	32	40	56
3	Co-ordinator (Complaint)	18	0	18	100
4	Assistant (Complaint)	18	0	18	100
5	Co-ordinator (Social Audit)	18	0	18	100
6	Assistant (Social Audit)	36	0	36	100
7	Co-ordinator (Technical)	18	0	18	100
8	Co-ordinator (Finance)	18	0	18	100
9	Technical Assistant	54	5	49	91
10	Computer Programmer	18	0	18	100
11	Assistant Programmer	18	6	12	67
12	Data Entry Operator	54	23	31	57
13	Assistant Accounts Officer	18	2	16	89
14	Accountant	72	30	42	58
15	Co-ordinator (Training)	18	0	18	100
16	Assistant Public Relations Officer	18	14	4	22
17	Supervisor	36	0	36	100
18	Peon	36	17	19	53
	Total	558	141	411	74

At Janpad level

Sl. No.	Post	Sanction	Working	Vacant	Percentage of vacancy
1	Programme Officer	146	126	20	14
2	Assistant Grade III	584	299	285	49
3	Co-ordinator (Social Audit)	146	8	138	95
4	Assistant (Social Audit)	292	11	281	96
5	Co-ordinator (Technical)	146	23	123	84
6	Technical Assistant	1168	702	466	40
7	Assistant Programmer	146	72	74	51
8	Data Entry Operator	438	277	161	37
9	Accountant	584	386	198	34
10	Peon	292	197	95	33
	Total	3942	2101	1841	47

(Source: As per information furnished by CEG)

Shortage of staff in all cadres delayed technical evaluation of works and corresponding delay in payment of wages to beneficiaries.

As may be seen from the above table, there was shortage of staff in almost all cadres. The vacancies in the technical cadre were a major cause for delayed technical evaluation of works resulting in delayed payment of wages to the beneficiaries. Further, there was *cent per cent* shortage in nine out of 18 cadres at the district level, which affected the effective monitoring and implementation of the scheme.

During the exit conference (August 2012), the ACS stated that as per MNREGS guidelines, no permanent posts are to be created and GOI will not

take any liability for any permanent posts under it. Accordingly, the entire staff working under MNREGS at the district and block level are contractual and they frequently move to other departments on securing permanent jobs. Hence there were vacancies in various cadres. There was huge shortage of Technical Assistants (TA) with Civil Engineering degree/diploma. Therefore, engineers with other than civil branch and MSc./B.Sc degree holders have also been appointed as TA. As regards the vacancies in the cadre of Co-ordinator (Complaint) and Assistant (Complaint), he stated that Ombudsmen are being deputed for timely disposal of complaints and grievances of beneficiaries. Besides this, a Helpline and a Website have also been set up for lodging complaints.

The reply of the ACS confirms that an effective structural mechanism and monitoring system could not be established under MGNREGS due to huge vacancies in all cadres.

2.2.6.2 Capacity building

For effective and efficient implementation of the scheme, capacity building of the staff at all levels through necessary training is essential.

Scrutiny of the records revealed that the Department had imparted training to 33,307 staff comprising of Public Relations Officers, Programme Officers, Assistant Programme Officers, *Gram Rojgar Sahayaks* (GRS), Secretary, GP, Technical Assistants, Accountants, etc. through the State Institute of Rural Development (SIRD) on various topics relating to MNREGA, such as MIS, Social Audit, Payment through Post Office, duties and responsibilities of mates, etc.

In the test checked districts, we noticed that though 16,767 staff were nominated for various training programmes, only 15,751 staff were trained during the period 2007-08 to 2011-12.

2.2.6.3 Irregular continuation of Gram Rojgar Sahayak

As per the instruction issued by the CEG (December 2007), the appointment of GRS should be for one year (January to December) and a roster should be maintained for appointment of GRS for the next year.

During scrutiny of records, we observed that though the GRS had been appointed in all the 140 test checked GPs, the GRS appointed during 2007-08 to 2011-12 were continuing in their posts for periods ranging between one and five years instead of the stipulated period of one year. Further, as per the guidelines, a roster for appointment of GRS was not maintained at the block level.

During the exit conference (August 2012), the ACS agreed to examine the matter.

2.2.6.4 Payment to mates not made under material component

As per the instruction issued (September 2007) by the Government of Chhattisgarh (P&RDD), at least one mate for every 50 beneficiaries should be appointed (having minimum qualification of 10th standard) for preparing the Muster Rolls (MRs) and measurement of the works executed. Further, a panel

Appointment of GRS was not made annually and roster was not maintained.

of mates should be prepared on a yearly basis in each GP duly approved by GS and mates should be appointed on rotation basis. The instruction further stipulates that the payment to the mates would be charged under material component.

Scrutiny of records in the six selected districts revealed that the panel of mates and roster for appointment of mates in GPs was not prepared and the same mates were allowed to continue for more than one year in contravention of the provisions. Further, we observed that the payment to mates was released through MRs and charged to unskilled labour (wage) instead of material component.

During the exit conference (August 2012), the ACS stated that necessary instructions will be issued for strict compliance of the provisions.

2.2.7 Planning

As per Para 4.4.1 of the scheme guidelines, the Panchayats at district, intermediate and village levels are the principal authorities for planning. The process of planning as laid down under Section 13-16 of the MNREG Act gives the power to make recommendations on the works to be taken up under MGNREGS to the Gram Sabha. The Gram Panchayat (GP) is required to prepare a development plan comprising a Shelf of Projects (SoP) on the basis of the recommendations of the Gram Sabha. The GP has to forward the development plan indicating the priorities to the PO by 15 October each year. The PO will consolidate the plan into a block level plan and forward it to the DPC by 30 November. The DPC has to approve the block-wise SoP and labour budget by 31 December.

Further, as per para 4.2 of the Chhattisgarh Rural Guarantee Scheme, to facilitate advance planning and to provide a development perspective for the district, a five year District Perspective Plan (DPP) was to be prepared.

Scrutiny of the records revealed the following:

2.2.7.1 Non preparation of District Perspective Plan

During scrutiny of records, we observed that separate District Perspective Plans (DPP) were not prepared for works under MNREGS in the test checked districts except in Durg, where the DPP prepared for the National Food For Work Programme (NFFWP) was used for implementation of the MNREGS scheme.

We further noticed that in Durg district, though funds amounting to ₹ 50 lakh was received from GOI for preparation of DPP during the year 2007-2008, the same was not utilised and a sum amounting to ₹ 47.83 lakh was transferred to MNREGS account after adjustment of expenditure of ₹ 2.17 lakh.

During the exit conference (August 2012), the ACS replied that initially the DPP of NFFWP for the period 2005-10 was used for MNREGS and instructions would be issued to all DPCs for preparation of DPP for the period 2011-15. He further added that the unspent amount lying with the DPC, Durg would be utilised for preparation of DPP for the period 2011-15.

The fund for preparation of DPP was not utilised and was transferred to MNREGS account.

2.2.7.2 Annual Plan

As per Para 3.3.1 of the Operational Guidelines of MNREGS, the Annual Plan (AP) is a working plan that identifies the activities to be taken up in a particular year.

We observed that APs for the period 2007-08 to 2011-12 were prepared in all the blocks of the selected districts. However, APs/SoPs in GPs was not being prepared. Further, the work sanctioned/executed by the line departments under the scheme were not recommended or selected by GS as prescribed in the guidelines but were allotted directly by DPC/ZP as discussed in Para 2.2.11.6.

During the exit conference (August 2012), the ACS while agreeing with the audit observation, stated that in MNREGA-II, the role of line departments would be reduced and such problems would be sorted out.

2.2.7.3 Discrepancies in labour budget estimation and employment provided

Labour budget shows the target of person days to be provided employment during the following year. As per Para 7.3 of the Operational Guidelines of MNREGS, ZP is required to prepare the labour budget for approval of GoI and accordingly, the budget is released by GoI.

We noticed that though the labour budget of the State for the period 2008-09 to 2011-12 showed an oscillating trend, the percentage of person days actually generated had decreased during the period as shown in **Table 2**.

Table 2: Labour budget estimate and actual person days generated

Year	Person days to be provided as per labour budget estimation	Number of person days actually generated	Difference
2008-09	25,64,316	22,70,415 (89%)	2,93,901
2009-10	23,76,476	20,25,845 (85%)	3,50,631
2010-11	29,79,215	24,85,581 (83%)	4,93,634
2011-12	41,71,436	26,57,441 (64%)	15,13,995

(Source: Information furnished by the Department)

Further, on scrutiny of labour budgets and MPRs of the relevant years of ZP, Bastar, Durg and Jashpur we noticed that estimation and person days actually provided was on a decreasing trend during the period covered by audit as given below:

Table 3: Labour budget estimate and the actual labour provided employment in the three test checked districts

(Person days in crore)

Year	Estimated person days as per labour budget	Person days provided as per MPR	Shortfall in percentage
Bastar			
2007-08	1.85	0.99	46
2008-09	1.05	0.66	37
2009-10	0.76	0.36	53
2010-11	0.71	0.34	52

The percentage of person days actually generated decreased during the period 2008-09 to 2011-12.

Year	Estimated person days as per labour budget	Person days provided as per MPR	Shortfall in percentage
Durg			
2008-09	1.74	0.58	67
2009-10	1.54	0.88	42
2010-11	1.41	1.10	21
2011-12	1.32	1.20	9
Jashpur			
2008-09	0.83	0.56	33
2009-10	0.82	0.48	41
2010-11	0.60	0.57	5

(Source: As per labour budget of Bastar, Durg and Jashpur districts)

Shortfall in person days in comparison to the estimated person days indicates that the labour budget was prepared by the DPCs without proper assessment.

It is evident from the table that the shortfall in person days in comparison to the estimated person days of individuals actually provided employment ranged between 5 and 67 *per cent* which indicates that the budget was prepared by the DPCs without proper assessment.

During the exit conference (August 2012), the ACS stated that this being a demand driven scheme, targets cannot be achieved all the time due to lack of demand.

2.2.8 Financial Management

GoI releases fund to CEG for implementation of MNREGS. The State Government also transfers its share to CEG, which in turn releases funds to districts. Separate bank accounts are opened for funds under MNREGS at State, district, block and GP levels. As per Para 7.2.7 and 7.4.1 of the Operational Guidelines of MNREGS, the DPC, PO and Secretary of the GP are the joint account holders along with CEOs, ZP/JP and *Sarpanch* of the GP. The funds are progressively transferred to the bank accounts of the next lower levels.

2.2.8.1 Financial performance

During April 2007 to March 2012, the State had incurred a total expenditure of ₹ 7839.06 crore against the total available funds of ₹ 9834.32 crore (80 *per cent*) on the scheme. The financial performance of the State and the test checked districts are given below:

Table 4: Statement showing the financial performance of the State
(₹ in crore)

Year	Opening balance	Receipt			Total available fund	Expenditure	Unspent balance	Percentage of expenditure to total available fund	Percentage of balance to total fund
		Central	State	Others					
1	2	3	4	5	6	7	8	9	10
2007-08	208.37	1161.85	136.16	11.18	1517.56	1401.83	115.73	92.37	7.63
2008-09	143.00	1642.17	182.69	5.73	1973.59	1434.48	539.11	72.68	27.32
2009-10	666.85	847.21	93.91	9.14	1617.11	1322.67	294.45	81.79	18.21
2010-11	334.16	1697.27	183.68	17.99	2233.10	1633.98	599.11	73.17	26.83
2011-12	658.57	1638.56	178.70	17.13	2492.96	2046.10	446.86	82.08	17.92
Total		6987.06	775.14	61.17	9834.32	7839.06			

(Source: As per MPR of the State)

Table 5: Statement showing the financial performance of the six test checked districts
(₹ in crore)

Year	Opening balance	Receipts	Total available fund	Expenditure	Closing balance	Percentage of fund unutilised
1	2	3	4	5	6	7
2007-08	57.04	343.45	400.49	364.11	36.37	9.08
2008-09	42.68	499.44	542.12	391.48	150.64	27.79
2009-10	152.10	302.88	454.98	407.83	47.15	10.36
2010-11	57.04	688.56	745.60	513.96	231.64	31.06
2011-12	226.92	476.22	703.14	556.78	146.36	20.81
Total		2310.55	2846.34	2234.17		

(Source: As per Monthly Progress Reports of test checked districts)

Unutilised fund ranged between 8 to 27 and 9 to 31 in the State and test checked districts respectively.

It may be seen from the above table that the percentage of unutilised fund ranged between 8 to 27 and 9 to 31 in the State and test checked districts respectively.

During the exit conference (August 2012), the ACS stated that funds remained unutilised due to delay in receipt of funds from GoI.

2.2.8.2 Irregular issue of cheque amounting to ₹ 69.90 crore in favour of Sarpanch for payment to beneficiaries instead of crediting to banks/post offices

The P&RDD, GoCG, had issued (30 January, 17 March and 2 May 2009) instructions for opening of bank/post office account in favour of job card holders and procedures for payment into the account of the beneficiaries. The instruction stipulates that the PO of the JPs will generate wage slips/lists on the basis of Muster Rolls at the block level to calculate the total amount of wage due for payment. PO will issue a cheque equal to that amount and along with a copy of the wage slips/lists shall forward it to the concerned banks/post offices. The banks/post offices will accordingly credit the wage amount into the account of the concerned beneficiaries.

Cheques amounting to ₹ 69.90 crore were issued to Sarpanches for payment of wages in disregard of the instruction issued by the Government.

Scrutiny of records in JP, Narharpur of Kanker district and JP, Bastar, Makdi and Bakawand of Bastar district revealed that though the accounts were opened in the name of job card holders in the banks/post offices and the wage slips/lists were generated, the POs, however, issued cheques aggregating ₹ 69.90 crore during 2009-12 (₹ 35.49 crore in Narharpur, ₹ 11.59 crore in Makdi, ₹ 11.26 crore in Bastar and ₹ 11.56 crore in Bakawand) in favour of the *Sarpanches* for making payment of wages to the beneficiaries in violation of the above instruction.

During the exit conference (August 2012), the ACS stated that instructions have already been given and accordingly cheques are being directly issued to the bank/post offices by the POs/CEOs across the State. However, in this case further instruction will be issued.

2.2.8.3 Delay in release of State Share

Para 7.3.11 of the Operational Guidelines of MNREGS stipulates that the State share was to be released within 15 days from the date of release of Central share.

State share was released with delays ranging from 5 to 139 days.

Scrutiny of records in all the six selected districts revealed that during 2007-08 to 2011-12, the State share was released with delays ranging from 5 to 139 days as given in *Appendix 2.2.2*.

We further noticed that the State share amounting to ₹ 19.46 crore (₹ 12.13 crore and ₹ 7.33 crore) was released to DPC, Bastar, Durg, Jashpur and Mahasamund at the fag end of the financial year 2010-11 and 2011-12 to avoid lapse of the budget provisions.

2.2.8.4 Discrepancies in the figures of financial records

Cash book is a basic record of receipts and disbursements of all funds received under any scheme. The utilisation certificates (UC) are prepared on the basis of works executed and expenditure incurred. The MPRs prepared at the end of each month display the actual financial status and the Chartered Accountant (CA) reports are prepared on the basis of cash book, vouchers etc. As per the accounting procedure, the figures in cash book, MPR, CA report and the UCs issued should match. Further, Para 7.5 of the Operational Guidelines of MNREGS stipulate that proper accounting of all receipts and expenditure should be done.

During test check of records in the State as well as in the test checked districts we observed the following discrepancies:

2.2.8.4.1 Mismatch in the figures of opening and closing balances of MPRs

Closing balance and Opening balances shown in the MPR during 2007-08 to 2011-12 did not match.

As per para 9.3.2 of MNREGS guidelines, DPC should prepare monthly and annual reports which were to be sent to CEG and to GoI.

During test check of the MPRs, we observed that the closing balances (CB) and opening balances (OB) shown in the MPR during 2007-08 to 2011-12 did not match as shown in **Table 6**.

Table 6: Table showing difference in the Opening and Closing balance in MPRs in the State

(₹ in crore)

Year	Opening balance	Receipt			Total fund	Total expenditure	Closing balance	Difference (OB-CB)
		Central share	State share	Miscellaneous				
2006-07	57.77	702.70	77.70	2.87	841.04	668.82	172.23	---
2007-08	208.37	1161.85	182.69	11.18	1517.56	1401.83	115.73	36.15
2008-09	143.00	1642.17	93.91	5.73	1973.59	1434.48	539.11	27.27
2009-10	666.85	847.21	183.68	9.14	1617.11	1322.67	294.45	127.74
2010-11	334.16	1697.27	178.70	17.99	2233.10	1633.98	599.11	39.71
2011-12	658.57	1638.56	136.16	17.13	2492.96	2046.10	446.86	59.46

(Source: As per MPR)

These discrepancies clearly indicate absence of reconciliation of figures.

2.2.8.4.2 Discrepancies in opening and closing balances of MPR and Cash book

As per accounting procedure, figures of the opening and closing balance, receipts, payments, income, expenditure etc. shown in MPR should agree with the cash book as well as with the CA reports. Further, the CB of the previous year should be the OB of the current year.

Scrutiny of MPRs for the period from 2007-08 to 2011-12 of the PO, JP, Patthalgaon, district Jashpur revealed that the CB of the previous year was not taken as OB of the subsequent year as given in **Table 7**.

Table 7: Statement showing opening and closing balance of MPR

(₹ in crore)

Sl. No	Year	Opening Balance	Receipts	Total	Expenditure	Actual
1	2006-07	0.04	11.24	11.28	8.28	3.00
2	2007-08	3.07	3.74	6.81	6.70	0.11
3	2008-09	0.11	6.57	6.68	5.52	1.16
4	2009-10	1.80	3.70	5.50	5.48	0.02
5	2010-11	0.01	12.56	12.57	12.38	0.19
6	2011-12	0.19	15.05	15.24	15.21	0.03

(Source: As per MPR)

The correct figures of CB that should have been adopted is shown in **Table 8**.

Table 8: Statement showing actual figure of closing balance that should have been adopted as opening balance

(₹ in crore)

Sl. No.	Year	Opening balance	Receipts	Total	Expenditure	Closing balance
1	2006-07	0.04	11.24	11.28	8.28	3.00
2	2007-08	3.00	3.74	6.74	6.70	0.04
3	2008-09	0.04	6.57	6.61	5.52	1.09
4	2009-10	1.09	3.70	4.79	5.48	(-) 0.69
5	2010-11	(-) 0.69	12.57	11.87	12.38	(-) 0.51
6	2011-12	(-) 0.51	15.05	14.54	15.21	(-) 0.67

(Source: Cash book and MPR of JP, Patthalgaon)

Further, the figures of OB and CB of MPR did not match with the figures shown in the cash book for the same period as given in **Table 9**.

Table 9: Statement showing mismatch of figures of MPR and Cash book
(₹ in crore)

Sl. No	Year	Opening balance as per			Closing balance as per		
		Cash book	MPR	Difference	Cash book	MPR	Difference
1	2007-08	3.09	3.07	0.02	0.11	0.11	0.00
2	2008-09	0.11	0.11	Nil	1.80	1.16	0.64
3	2009-10	1.80	1.80	Nil	0.21	0.02	0.19
4	2010-11	0.21	0.01	0.20	0.19	0.19	0.00
5	2011-12	0.19	0.19	Nil	0.04	0.04	0.00

(Source: Cash book and MPR of JP, Patthalgaon)

There were differences in the figures ranging from ₹ 2 lakh to ₹ 20 lakh in case of OB and ₹ 19 lakh to ₹ 64 lakh in case of CB.

During the exit conference (August 2012), the ACS stated that instructions would be issued to CA for reconciliation of the figures. It was further stated that the figures shown in the CA's report is correct because it shows details of cheques issued and encashed.

It is evident from the reply that the figures shown in the basic records were not reconciled.

2.2.8.5 Excess expenditure under Administrative Head

As per instructions issued (25 February 2008) by the State Government, the percentage of administrative expenditure admissible was 0.5, 2 and 1.5 of the expenditure incurred during the year at GP, JP and ZP level respectively.

During scrutiny of records in JP Bastar and Bakawand, we noticed that the percentage of administrative expenditure was more than the prescribed limit as given in **Table 10**.

Table 10: Details of administrative expenditure incurred over the prescribed limit
(₹ in crore)

Year	Total expenditure	Administrative expenditure	Permissible expenditure 2.5 per cent (GP and JP)	Excess expenditure	Percentage of excess expenditure
1	2	3	4	5	6
Bastar					
2008-09	2.54	0.22	0.06	0.16	266.67
2009-10	2.95	0.28	0.07	0.21	300.00
Total	5.49	0.50	0.13	0.37	
Bakawand					
2008-09	2.50	0.27	0.06	0.21	350.00
2009-10	2.59	0.19	0.06	0.13	216.67
2010-11	3.62	0.21	0.09	0.12	133.33
2011-12	6.02	0.29	0.15	0.14	93.33
Total	14.73	0.96	0.36	0.60	
Grand total	20.22	1.46	0.49	0.97	

(Source: Information furnished by the Department)

As evident from the above table, against permissible expenditure of ₹ 13 lakh and ₹ 36 lakh, ₹ 50 lakh and ₹ 96 lakh were incurred in JP Bastar and

Administrative expenditure was incurred in excess of the prescribed limit.

Bakawand respectively resulting in excess expenditure of ₹ 37 lakh and ₹ 60 lakh over and above the prescribed limit.

During the exit conference (August 2012), the ACS stated that as per MNREGS norms, administrative expenditure is six *per cent* of the total expenditure and the criteria of 0.5, 2 & 1.5 *per cent* administrative expenditure for GP, JP & ZP respectively was issued only for internal control over fund flow.

The reply is not in consonance with the instructions of the State Government as expenditure in excess of the permissible limit was incurred by the two JPs.

Further, in Durg district we noticed that during 2010-11 and 2011-12, an expenditure of ₹ 4.77 lakh was incurred from administrative head in furnishing of the newly established District Collectorate (Balod and Bemetara) buildings. We further noticed that payment of mobile bill of ₹ 14,306 of CEO, ZP, Durg was also made during May 2011 to March 2012 from the administrative head under MNREGS which was not in the permissible category of expenses.

During the exit conference (August 2012), ACS replied that the mobile was utilised to monitor the works.

The reply is not in consonance with the guidelines of MNREGS which does not permit such expenditure.

2.2.8.6 Non-transfer of SGRY and NFFWP funds (Central share)

As per instructions of GoI (October 2007), all works sanctioned under SGRY and NFFWP were to be completed by March 2007 and the balance fund was to be transferred to MNREGS account by 31 March 2008.

Balance fund of SGRY and NFFWP funds aggregating ₹ 1.23 crore were not transferred to MNREGS account.

During scrutiny of records in JP, Basna and Pithora (Mahasamund district) and JP, Narharpur (Kanker district) where the scheme was implemented from 1 April 2007, we noticed that balance funds amounting to ₹ 1.23 crore⁷ were not transferred to MNREGS account even after delay of more than five years.

During the exit conference (August 2012), the ACS replied that instructions have already been issued to all concerned for transfer of the unspent amount of NFFWP and SGRY lying with JP and ZP.

2.2.8.7 Non-transfer of State share of ₹ 13.27 crore of SGRY and NFFWP fund (food grains transportation)

State share of SGRY and NFFWP fund (food grains transportation) aggregating ₹ 13.27 crore were not transferred to MNREGS account.

CEG had issued (October 2007) instructions regarding transfer of unspent amount of Central share of NFFWP and SGRY to MNREGS. However, the State Government had not issued necessary orders to the CEOs/DPCs to transfer the unspent amount of food grains transportation (State share) of NFFWP and SGRY till the date of audit.

7 In Kanker-₹ 22.56 lakh under NFFWP and in Mahasamund-₹ 48.76 lakh under NFFWP and ₹ 51.38 lakh under SGRY

During scrutiny of records in DPC, Korea, Bastar, Durg, Jashpur and Kanker, we noticed that huge unspent amount aggregating ₹ 13.27 crore of food grains transportation (State share) of NFFWP and SGRY was lying in the bank accounts of the CEO, ZPs as given in **Table 11**.

Table 11: Status of unspent amount pertaining to transportation of food grains under NFFWP and SGRY

(₹ in crore)

Sl. No.	Name of District	Balance amount as on March 2012
1	Korea	2.37
2	Bastar	1.26
3	Durg	3.39
4	Jashpur	2.37
5	Kanker	3.88
Total		13.27

(Source: Information furnished by the Department)

During the exit conference (August 2012), the ACS stated that the unspent amount of foodgrains transportation will be transferred very soon.

2.2.8.8 Non adjustment of outstanding advance of ₹ 53.41 lakh

As per Rule 53(4) of Chhattisgarh Treasury Code, advance given to officials should be adjusted within three months from the date of advance or before closure of the financial year, whichever is earlier.

During scrutiny of records in DPC, Bastar, we noticed that advances aggregating ₹ 53.41 lakh given to *Sarpanches* of different GPs for MNREGS related works during 2006-07 to 2009-10 were neither adjusted nor recovered till the end of the financial year 2011-12.

During the exit conference (August 2012), the ACS replied that action will be taken to recover the balance amount.

Advances of ₹ 53.41 lakh given to Sarpanches were not adjusted.

2.2.9 Registration

As per para 4.2 of the MNREGS Operational Guidelines, every HH whose adult members are willing to do unskilled labour may apply for registration under the scheme. On receipt of the application by a HH, the GP officials are required to conduct a survey to verify the family details of the HH such as name, age and address of all adult members. These details along with the job card number assigned are then entered in the form B-8 or job card register (JCR) and the job card is to be given to the HH within a fortnight from the date of application for registration. Registration details are to be entered online in the MIS including scanned photographs of HH members. In case of addition or deletion of beneficiaries, the same is to be read out in the GS and the list of such beneficiaries is to be sent to the PO.

During scrutiny of records of registration and from the beneficiary survey, we found the following discrepancies:

2.2.9.1 Registration and issue of job card without door to door survey

Para 4.2.5 of the Operational Guidelines stipulates that a door to door survey may also be undertaken to identify persons willing to be registered under the

Door to door survey was not conducted to ensure the coverage of only eligible beneficiaries.

Act. The survey may be conducted by a team headed by the *Mukhia* of the GP and involving Ward members, SC/ST and women residents, a village-level Government functionary and the Secretary of the Gram Panchayat.

While conducting beneficiary survey in three GPs of Manendragarh block (Dugla, Kewnti, Kachoud), and one GP of Baikunthpur block (Budar) we found that eight beneficiaries were not known to the villagers, *Rojgar Sahayaks* and *Sarpanches*. It is evident that beneficiaries were selected without conducting door to door survey to ensure coverage of only eligible beneficiaries.

During the exit conference (August 2012), the ACS stated that door to door survey of beneficiaries was not conducted at the GP level before registration. He further stated that the Act also does not stipulate for door to door survey.

The reply is not in accordance with the MNREGS guidelines which clearly provides for door to door survey.

2.2.9.2 Non-issuance of bank pass book and non-updating of job cards

Accounts were opened in the names of beneficiaries but pass books were not issued to them.

As per provisions and instructions issued from time to time by GoI and the State Government, work done and payments made to HHs should be entered in their job cards and paid through bank/post office.

During scrutiny of records and while conducting beneficiary survey in GPs of Bastar block (Bastar district), we noticed that in three GPs (Kesharpal, Retawand and Turpura) though accounts were opened in the names of the beneficiaries, bank/ post office pass books were not issued to them.

Other irregularities reported to us during survey of 1,400 beneficiaries conducted in 140 GPs are as follows:

- The registration was done *en masse* in the test checked GPs and no survey was conducted for the purpose.
- Addition/deletion of name of a family member was either not carried out or not intimated to the block/district office.
- Photographs of 14 *per cent* beneficiaries were not found on the job cards which was required as per para 4.3.3 of the Operational Guidelines.
- Work and payment details, as required under para 4.8.1 of the Operational Guidelines, were entered in the job card in front of the beneficiaries only in 21 and 24 *per cent* cases respectively.
- Twelve *per cent* of the job cards were not signed by the competent authority.
- Ninety six *per cent* beneficiaries replied that oral request for registration was entertained.
- Ninety five *per cent* beneficiaries agreed that the registration process was opened throughout the year.
- Ninety *per cent* beneficiaries confirmed that they received job cards within 15 days from the date of registration.

- Ninety three *per cent* beneficiaries confirmed possession of job cards with them.

On this being pointed out, the ACS stated (August 2012) that pass books have already been issued to the job card holders and further instructions will be given in this regard.

2.2.10 Employment for providing livelihood security

Para 4.1.1 of the Operational Guidelines of the scheme stipulates that the Government guarantees to provide 100 days employment in a financial year to every HH whose adult members volunteer to do unskilled manual work. Paras 4.7 and 6.4.1 of MNREGS further provide that the beneficiary should be provided employment on any of the permissible work within 15 days from the date of his request failing which daily unemployment allowance at the prescribed rate has to be paid to the applicant and the liability for payment of the same is that of the State Government.

To ascertain the provision of employment within 15 days of application, a beneficiary survey of 1400 beneficiaries was conducted which revealed that only 48 *per cent* beneficiaries demanded work, of which 93 *per cent* were provided employment within 15 days. Though no employment was provided to the remaining seven *per cent* within 15 days, no unemployment allowance was paid.

We further noticed from the employment register that the date of request for employment was not entered in the register which made it difficult to ascertain the delay in providing employment and applicability of unemployment allowance.

2.2.10.1 Employment guarantee of 100 days

Only 8.92 *per cent* HH were provided 100 days of employment during 2007-12.

Scrutiny of records revealed that during the period 2007-08 to 2011-12, 117.38 lakh HH demanded employment, out of which only 10.47 lakh HH (8.92 *per cent*) were provided 100 days of employment while the remaining 91.08 *per cent* HH were provided less than 100 days of employment. The percentage of HHs being provided 100 days of employment also declined during the same period. We further observed that in the test checked districts, 37.33 lakh HH were provided employment during the period of review, out of which only 2.73 lakh HH (7.31 *per cent*) were provided 100 days of employment.

Table 12: Statement showing the position of HHs provided 100 days employment during 2007-12

(HHs in lakh)

Sl. No.	Year	No of HHs demanded employment	No of HHs provided employment	No of HHs provided 100 days employment	Percentage of 100 days employment provided
1	2	3	4	5	6
1	2007-08	22.97	22.94	2.56	11.16
2	2008-09	22.71	22.70	2.52	11.10
3	2009-10	20.26	20.26	1.61	7.95
4	2010-11	24.86	24.86	1.84	7.40
5	2011-12	26.58	26.57	1.94	7.30
Total		117.38	117.33	10.47	8.92

(Source: As per MPRs)

2.2.10.2 Estimation and generation of employment

Percentage of employment provided by the State to SC, ST and women beneficiaries was 15, 38 and 48 respectively.

During scrutiny of records we observed that as against the estimate of 7159.53 lakh person days, only 4595.28 lakh (64 per cent) person days were provided by the State Government during the period covered by audit, of which the percentage of employment provided to SC, ST and women beneficiaries were 15, 38 and 48 respectively as detailed below:

Table 13: Details of employment estimated and generated during the period 2007-08 to 2011-12

(Person days in lakh)

State	Estimated	Generated	Percentage	SC	Percentage	ST	Percentage	Other	Women	Percentage
1	2	3	4	5	6	7	8	9	10	11
2007-08	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008-09	2210.85	1243.18	56	203.96	16	513.65	41	525.57	589.69	47
2009-10	1829.54	1041.56	57	159.59	15	397.85	38	484.12	512.52	49
2010-11	1776.15	1110.37	63	161.78	15	405.42	37	543.17	539.95	49
2011-12	1342.98	1200.17	89	166.48	14	449.26	37	584.42	580.92	48
Total	7159.52	4595.28	64	691.81	15	1766.18	38	2137.28	2223.08	48

(Source: As per MPRs)

The percentage of employment provided in the test checked districts to SC, ST and women beneficiaries was 12, 47 and 47 respectively.

Further, in the six test checked districts, out of 2798.12 lakh estimated person days, only 1411.86 lakh (50 per cent) person days was generated and of these, the percentage of employment provided to the SC, ST and women beneficiaries were 12, 47 and 47 respectively as given below:

Table 14: Details of employment estimated and generated during the period 2007-08 to 2011-12*(Person days in lakh)*

District	Estimated	Generated	Percentage	SC	Percentage	ST	Percentage	Women	Percentage
1	2	3	4	5	6	7	8	9	10
2007-08	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008-09	773.11	344.75	45	44.45	13	189.97	55	166.09	48
2009-10	573.01	315.21	55	35.51	11	138.86	44	152.55	48
2010-11	540.92	348.16	64	40.39	12	151.91	44	158.63	46
2011-12	911.08	403.74	44	44.92	11	184.19	46	189.22	47
Total	2798.12	1411.86	50	165.27	12	664.93	47	666.49	47

It may be seen from the table that though the percentage of total employment generated had increased during 2008-09 to 2010-11, the employment generated for SC and women had not increased correspondingly and in the case of ST, the same had decreased.

2.2.10.3 Non provision of employment within prescribed period

Though the GPs failed to provide employment to the beneficiaries within the prescribed period of 15 days, unemployment allowance was not paid.

During scrutiny of records in nine GPs of Narharpur Block in Kanker District, we observed that 16,970 beneficiaries had demanded work during 2007-12 but the GPs failed to provide employment to 10,041 beneficiaries within the prescribed period of 15 days and the delay was ranging from 1 to 407 days. However, no unemployment allowance was paid to these beneficiaries.

Similarly, scrutiny of work files and information furnished by the JP, Bakawand revealed that a total of 35,286 HHs had demanded work in the selected GPs during 2009-12, against which employment could not be provided to 373 HHs. However, in the absence of demand letter with the case files, we could not ascertain whether work was given within 15 days.

Scrutiny of records in JP, Durg revealed that 44 beneficiaries of Nankatti GP demanded job on 2 January 2012. CEO, JP directed (10 January 2012) Sarpanch/Secretary, GP, Bodegaon, to provide employment within five kilometers of Nankatti. However, we could not ascertain whether work was provided to those beneficiaries within 15 days.

During the exit conference (August 2012), the ACS stated that a detailed reply will be given after obtaining the information from the GPs.

2.2.10.4 Delay in payment of wages

Para 6.1.6 of the Operational Guidelines of MNREGS provides that every person working under the scheme is entitled to wages at the minimum wage rate fixed by the State Government. Wages are to be paid on a weekly basis or in any case not later than a fortnight after the date on which such work is finished. MNREGS provides for compensation admissible under Payment of Wages Act, 1936 for payments made beyond a fortnight.

Wages were paid with delays but compensation was not paid to the beneficiaries.

During scrutiny of records we found that in eight out of 14 selected blocks, against 12,333 MRs⁸, wages of ₹ 9.59 crore⁹ were paid with a delay of one to 376 days beyond a fortnight but no compensation was paid to the beneficiaries even after delayed payment of wages.

During beneficiary survey, the following irregularities were also reported to us regarding payment of wages.

- Thirteen and eighty three *per cent* beneficiaries stated that wages were calculated on “Daily Rate” and “Piece Rate” respectively, while four *per cent* were not aware of the system.
- Twenty four *per cent* beneficiaries were not aware of the fact that wages are calculated at the work sites.
- Eighty three *per cent* beneficiaries responded that their wages were not paid within 15 days of the completion of the work. Of them, 32 *per cent*, 48 *per cent*, 13 *per cent* and two *per cent* replied that payments were received ‘within a month’, ‘between one to two months’, ‘between two to three months’ and ‘more than three months’ respectively.

Further, the feedback received from the beneficiaries during the survey was as under:

- Twenty five *per cent* of the beneficiaries responded that MNREGS had not brought any significant changes in the lifestyle of their HH.
- Twenty four *per cent* beneficiaries responded that MNREGS had not helped them to avoid remaining hungry.
- Only 50 *per cent* beneficiaries responded that working on MNREGS had freed their children from domestic and other works.
- Forty three *per cent* of the beneficiaries responded that MNREGS helped them in affording medical facilities.
- Forty six *per cent* of the beneficiaries responded that MNREGS had not helped them in reducing their debts.
- Twenty five *per cent* of the beneficiaries responded that working on MNREGS had not helped them to give up demeaning or hazardous work.
- Sixty eight *per cent* of the beneficiaries positively responded that MNREGS had resulted in the creation of useful assets in the village.
- Eighty *per cent* of the beneficiaries responded that MNREGS had brought improvement in their lives. Out of them, 71 *per cent*, 25 *per cent* and two *per cent* beneficiaries confirmed marginal

⁸ Bakawand-122 MRs, Balod-1010 MRs, Durg-35 MRs, Kansabel-7105 MRs, Makadi-840 MRs, Manendragarh-1842 MRs, Saja- 664 MRs and Kanker-715 MRs

⁹ Bakawand-₹ 10.18 lakh, Balod- ₹ 98.16 lakh, Durg-₹ 27.80 lakh, Kansabel-₹ 517.65 lakh, Makadi-₹ 42.48 lakh, Manendragarh-₹ 164.00 lakh, Saja-₹ 45.30 lakh and Kanker-₹ 53.66 lakh

improvements (upto 10 per cent), reasonable improvement (about 20 to 25 per cent), and major improvements (say 50 per cent or more) respectively.

- Twenty per cent of the beneficiaries responded that MNREGS had not brought any change in their family income.

During the exit conference (August 2012), the ACS replied that a circular has already been issued for commencement of work on various days in a week in different GPs, to facilitate the Technical Assistant (TA) to take measurements regularly and to avoid work load on TAs at a particular time of the week. Further, he assured that necessary instructions will be issued to streamline the payment system and to ensure timely payment of wages.

2.2.11 Execution of works

2.2.11.1 Lack of planning in execution of work at all levels

Para 3.1.5 of the Operational Guidelines of MNREGS provides that the need to co-ordinate different levels of planning and to prepare an SoP to offer employment on demand, requires the preparation of an AP for the District incorporating all works approved by the Gram Sabhas. Further, as per Para 5.3.3 of the above guidelines, Administrative Approval (AA) and Technical Sanction (TS) must be obtained by the end of December of the current year in respect of works entrusted to GP and OIA for execution in the ensuing year.

Scrutiny of records in four DPCs- Korea, Jashpur, Durg and Mahasamund revealed that works were sanctioned to all implementing agencies including GPs in violation of the provision of the Act. The DPCs accorded AA and TS throughout the year on the basis of monthly demand received from the executing agencies. This had an adverse impact on the estimation and execution of the works.

Works were sanctioned violating the provisions of the Act.

Table 15: Details of number of works for which AS & TS given throughout the year

District	2007-08	2008-09	2009-10	2010-11	2011-12
Korea	4,620	6,049	2,142	5,540	3,582
Jashpur	7,885	5,811	2,644	7,349	9,648
Durg	-	2,648	1,817	5,232	4,195
Mahasamund	2,831	2,654	1,774	2,097	2,159

(Source: Information provided by the ZPs)

A comparative study of the number of works sanctioned, AA and TS accorded during the last quarter of 2010-11 and the first quarter of 2011-12 (six months in a year) revealed that no SoP/AP was prepared in the month of December and huge number of works were sanctioned and executed on the basis of current demand as given in **Table 16**.

Table 16: Statement showing the sanction of works during last quarter of previous year and first quarter of current year

(₹ in crore)

Name of District	Year	Month	No. of AA	Cost of works
Durg	2010-11	January	360	25.77
		February	249	17.10
		March	1900	125.50
	2011-12	April	216	14.87
		May	418	29.29
		June	77	4.42
Mahasamund	2010-11	January	412	17.94
		February	181	15.39
		March	506	27.24
	2011-12	April	153	9.72
		May	253	16.14
		June	80	4.56
Jashpur	2010-11	January	1082	26.33
		February	1151	19.66
		March	973	20.12
	2011-12	April	784	13.44
		May	408	10.00
		June	102	2.86

(Source: Information provided by the ZPs)

During the last quarter of the year 2010-11 and first quarter of 2011-12, DPC, Korea, Mahasamund, Jashpur and Durg had accorded AA for 9,305 works valuing ₹ 400.35 crore without keeping in view the probable enhancement in wage rate during 2012-13. The wage rate was enhanced from ₹ 122 to ₹ 132 (eight *per cent*) with effect from April 2012. In view of the enhancement of the wage rate, the probability of completion of all these works within the estimated cost is remote.

During the exit conference (August 2012), the ACS stated that a copy of the AP and reply from CEO, ZP, Korea will be obtained and provided to audit. He further added that in the instant case, records will be examined and reply will be furnished.

2.2.11.2 Execution of inadmissible works valuing ₹ 1.69 crore

As per provisions of the MNREGA Operational Guidelines, nine types¹⁰ of works are permissible.

Scrutiny of records in Bastar district revealed that during the years 2007-08 and 2008-09, a total of 105 soil and water conservation works valuing

¹⁰ Water conservation, Protection for dryness, plantation and forest conservation, Minor and medium irrigation project, Development of SC/ST/IAY beneficiaries land, Renovation of traditional water sources, Land development, Flood control and security project, Rural connectivity work and other works sanctioned by GoI on the basis of advice of the State Government

₹ 1.69 crore were sanctioned by the DPC, Bastar in Bastar and Bakawand JPs. On further scrutiny, we found that against the soil and water conservation works sanctioned, construction of boundary walls was done in Primary, Middle, High and Higher secondary schools. This fact was also got confirmed during joint physical verification (June 2012) of the site by the Audit team members and officials of the implementing agency. Thus, inadmissible works were sanctioned by the DPC in the name of permissible work.

Photograph of the construction of boundary wall at Bhond GP taken on 15 June 2012



During the exit conference (August 2012), the ACS accepted the audit observation and agreed to examine the matter.

2.2.11.3 Irregular sanction of WBM roads works valuing ₹7.41 crore

Government of Chhattisgarh (P&RDD) had categorically forbidden (February 2008) execution of Water Bound Macadam (WBM) course in rural roads in view of the difficulties in completion of earthen embankment to WBM. It was decided that roads with earthen embankment and Granular Sub-base (GSB) shall only be taken under MNREGA. Such works will also include provision for watering and compaction and should be executed as per *Pradhan Mantri Gram Sadak Yojna* (PMGSY) specification.

During scrutiny of records in Kanker and Bastar districts, we observed that in disregard of the above instruction, 98 WBM road works valuing ₹ 7.41 crore were sanctioned by the CEO to the GPs as executing agency during 2008-09 to 2011-12 and all these works were incomplete even after incurring expenditure of ₹ 4.29 crore as given in **Table 17**. In view of the enhancement of the wage rate w.e.f. April 2012, the possibility of completing these works within the estimated cost appears remote.

Table 17: Details showing the sanction of WBM Road works during 2008-09 to 2011-12
(₹ in crore)

Sl. No.	Year	Sanctioned works	Sanctioned cost	Expenditure
1	2008-09	51	3.34	2.58
2	2009-10	4	0.25	0.23
3	2010-11	17	1.60	0.91
4	2011-12	26	2.22	0.57
Total		98	7.41	4.29

(Source: Information provided by the Department)

In reply, Programme Officer, JP, Narharpur and Charama stated that WBM roads were constructed as per sanction of the DPC, Kanker.

The facts remains that sanction accorded by DPC for construction of WBM roads was not in conformity with the directions issued by the State Government.

2.2.11.4 Payment of ₹ 4.18 crore for MIS entry work on contract basis.

Schedule-1 of Section 4(3) item -11 of MNREGS provides that engaging any contractor for implementation of the projects under the scheme is not permissible. Further, EGC instructed (September 2007) that the MIS entry should be carried out by the staff working under MNREGS.

Scrutiny of records in Mahasamund, Kanker, Jashpur, Korea, Bastar and Durg districts revealed that the MIS entries for the period from 2007-08 to 2011-12 were carried out through various firms and payments aggregating ₹ 4.18 crore were released to the firms as given in **Table 18:**

Table 18: Details of payments made to the firms

(₹ in crore)

Sl. No.	Name of district	Name of Firms	Duration of contracts	Paid amount
1	Mahasamund	First Mile Stone	2008-2012	0.63
2	Kanker	First Mile Stone	2007-2012	0.88
3	Jashpur	M/s VM Techno Soft	2007-2012	1.64
4	Korea	M/s VM Techno Soft	2007-2012	0.66
5	Bastar	M/s VM Techno Soft	2007-2012	0.15
6.	Durg	M/s Trend Data Solution, Durg.	2008-2011	0.13
		M/s Jain Data Solution, Durg.	2009-2012	0.09
	Total			4.18

(Source: Information provided by the ZPs)

On this being pointed out, the ACS stated (August 2012) in the exit conference that MIS work through vendor is permissible. He further stated that action is being taken for execution of MIS works through existing staff or through outsourcing.

The reply is not in consonance with the Operational Guidelines of MNREGS as the MIS works were carried out on contract basis.

2.2.11.5 Irregular execution of non-permissible works valuing ₹ 31 lakh on contract basis

Para 5.1.1 of the MNREGS Operational Guidelines provide the activities and projects for implementation under the scheme. This does not include works of installation of entry gates and information boards over the National/State Highways for welcoming visitors.

Scrutiny of records revealed that CEO, ZP, Mahasamund had accorded (June 2011) Administrative Approval of ₹ 39 lakh for fixing of entry gates and information boards at six places of various National/State highways of the Mahasamund district and the Executive Engineer (EE), Rural Engineering Service(RES), Mahasamund was appointed as the implementing agency. The EE, RES had installed six number of entry gates and boards valuing ₹ 31 lakh

MIS entries were executed through vendors and payments of ₹ 4.18 crore released.

Non permissible works valuing ₹ 31 lakh were executed.

till March 2011-12 to welcome visitors to the city. This resulted in irregular execution of non-permissible works valuing ₹ 31 lakh.

Photographs of the Entry Gate constructed at State highway Pithora JP taken on 26 April 2012



On this being pointed out, the ACS accepted (August 2012) the facts and stated that action will be taken against the responsible officials.

2.2.11.6 Sanction of works without approval of Gram Sabha

As per paragraph 3.3 of MNREGS Operational Guidelines, the works to be executed in the area of any GP should be approved by the GS and sent to JP for inclusion in the AP. Thereafter, it should be sanctioned by the DPC.

During scrutiny of the records in Bastar district, we noticed that the works sanctioned for execution by the line departments were neither approved in the GS nor included in the SoP prepared by the GP. This indicates that all the works were sanctioned without the approval of GS.

Similarly, in Durg district we noticed that in three selected blocks (Balod, Durg and Saja), a total of 34 works valuing ₹ 4.43 crore of line departments sanctioned during the period 2007-08 to 2011-12 were neither approved in the GS nor included in the AP prepared by the GP.

During the exit conference (August 2012), the ACS informed that the detailed reply will be submitted after verification of relevant records.

2.2.11.7 Execution of works valuing ₹33.84 crore without measurement

As per Para 6.7.5 of MNREGS Operational Guidelines, measurement of works executed under MNREGS should be entered in the Measurement Book and payments should be made after measurement. DPC, Bastar had sanctioned 1205 works amounting to ₹ 33.84 crore during the years 2007-08 to 2011-12 and Forest department was appointed as the executing agency as detailed below:

Table 19: Details of payment made for works executed without taking measurement
(₹ in crore)

Year	DFO (General) Bastar		Forestry (General) Bastar		DFO South Kondagaon		DFO North Kondagaon		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
2007-08	25	1.33	102	2.15	272	2.51	73	1.58	472	7.57
2008-09	88	2.40	12	2.73	64	2.34	43	1.21	207	8.68
2009-10	80	1.69	6	0.14	72	3.33	74	2.84	232	7.99
2010-11	74	2.80	17	0.54	27	0.61	23	0.34	141	4.29
2011-12	101	4.58	00	00	21	0.21	31	0.52	153	5.31
Total	368	12.80	137	5.56	456	9.00	244	6.49	1205	33.84

(Source: as per information furnished by the Department)

During audit of the records and field inspection of the work site executed by the Forest department, we observed that neither the measurement of works was taken nor was the data entered in the Muster Rolls. Further, we noticed that Measurement Books for these works were not maintained by the Forest department and the same was also not pointed out by the officials of District and Block at the time of MIS entry and inspection of work site.

During the exit conference (August 2012), the ACS directed the officials to call for a report from the CEO, ZP Bastar and stated that reply will be furnished to audit after examination of the report.

2.2.11.8 Delay in completion of works valuing ₹ 897.86 crore and wasteful expenditure of ₹ 150.27 crore due to cancellation of works

Clause 6.3.3 (ii) of Operational Guidelines of MNREGS provides that if any implementing agency (including GPs) is unable to execute the allotted works within 15 days from the date of sanction, the agency will immediately inform the PO. The PO will then entrust the work to any other agency, chosen from a panel of agencies approved (project-wise) for that Block in the Development Plan for the district. The instructions given in the Administrative Approvals further stipulate that sanctioned work shall be completed within the financial year and expenditure should not exceed the sanctioned cost.

During audit of the records of the test checked districts, we observed that during the period 2007-08 to 2011-12, 1,20,090 works valuing ₹ 3,177.47 crore were sanctioned and allotted to various implementing agencies¹¹. The position of these works is as under:

¹¹ PWD, WRD, RES, Forest, Agriculture, Horticulture, Sericulture and GPs

Table 20: Showing the status of incomplete and cancelled works during 2007-12
(₹ in crore)

District	Work sanctioned		Works completed		Works remaining incomplete		Cancelled work	
	Number	Expenditure	Number	Expenditure	Number	Expenditure	Number	Expenditure
Jashpur	33337	565.56	24656	391.15	8451	167.65	230	6.75
Korea	21953	353.18	17809	233.99	3534	115.22	610	3.97
Kanker	21361	372.85	16155	253.60	4296	107.63	798	14.27
Durg	13955	741.05	8390	443.52	4136	185.35	1156	56.11
Bastar	17969	543.88	11353	268.35	5780	145.26	839	00.00
Mahasamund	11515	600.95	9055	355.03	1900	176.75	560	69.17
Total	120090	3177.47	87418	1945.64	28097	897.86	4193	150.27

(Source: as per information furnished by the DPC)

28097 works valuing ₹ 897.86 crore remained incomplete while 4193 works cancelled after incurring expenditure of ₹ 150.27 crore.

It may be seen from the above table that out of the 1,20,090 sanctioned works, 87,418 works valuing ₹ 1945.64 crore were completed and 28,097 works valuing ₹ 897.86 crore remained incomplete while 4,193 works were cancelled after incurring expenditure of ₹ 150.27 crore. Information furnished by the districts regarding the number of works completed, works remaining incomplete and works cancelled did not match with the total sanctioned works.

Further, in view of the enhancement of wage rate from ₹ 69 in 2007-08 to ₹ 132 with effect from April 2012, the possibility of completion of these works within the estimated cost seems to be remote.

During the exit conference (August 2012), the ACS, stated that the districts will be asked to submit the status of works. He further added that such problems will not arise in MNREGS-II.

2.2.11.9 Issuing completion certificates for incomplete works

As per Para 2.178 (1) of the Works Manual of the Government of Chhattisgarh, on the completion of any original work executed for departments other than the Works Department, the Executive Engineer should send a completion certificate. Further as per Para 7.3.13 of the Operational Guideline of MNREGS the Programme Officer will obtain a completion certificate along with details of expenditure from the implementing agencies.

Completion certificates were issued for incomplete works.

During scrutiny of records in selected JPs and GPs of Bastar district, we noticed that 154 works valuing ₹ 8.05 crore pertaining to construction of roads, land levelling and deepening of tanks etc. were left incomplete on account of various factors such as land dispute and lack of interest taken by the *Sarpanches* and implementing agencies after incurring an expenditure of ₹ 4.30 crore (53 per cent). However, completion certificates were issued by the GPs.

During the exit conference (August 2012), the ACS stated that records and comments of CEO, JP, Bakawand will be called for to verify whether completion certificates were issued for incomplete works.

2.2.11.10 Non execution of sanctioned works valuing ₹1.49 crore

As per conditions prescribed in the sanction order issued by the DPC, the sanctioned work should be completed within the same financial year.

44 works valuing ₹ 1.49 crore sanctioned during 2009-12 were not started.

Scrutiny of records in JP, Bakawand revealed that during 2009-10 to 2011-12 the DPC, Bastar had sanctioned 876 works pertaining to construction of roads, land leveling, construction of wells, deepening of tanks etc., out of which 44 works valuing ₹ 1.49 crore were not started till June 2012 by the executing agency.

Similarly, scrutiny of records in ZP, Durg revealed that during the year 2010-12, the DPC, Durg had sanctioned 9,459 works. Out of these, 3,457 works i.e. 37 per cent (665 of 2010-11 and 2792 of 2011-12) were not started till June 2012.

During the exit conference (August 2012), the ACS stated that the sanctioned work could not be executed because some other works were undertaken on priority.

2.2.11.11 Wasteful expenditure of ₹ 6.21 lakh on plantation

Expenditure of ₹ 6.21 lakh incurred on plantation work was rendered wasteful.

Test check of records revealed that the CEO, ZP, Durg had planted saplings, on the basis of AA for ₹ 6.50 lakh for planting 1500 plants, in GP, Nikum on 22 June 2010 and 7 April 2012 and an expenditure of ₹ 3.92 lakh was incurred on the work till June 2012.

However, during joint physical verification (May 2012) of the site by the Audit team members and officials of the implementing agency, we found that not a single plant was found alive, thereby rendering the expenditure of ₹ 3.92 lakh incurred on the plantation wasteful.

Photographs of the plantation work at Nikum GP taken on 19 May 2012



Similarly, Deputy Director, Horticulture, Durg had planted (September 2010) 1300 plants in Amati, block Durg by incurring expenditure of ₹ 2.29 lakh. During physical inspection (May 2012) of the site, we noticed that approximately 65 plants (five per cent) were still alive. Thus the expenditure of ₹ 2.29 lakh incurred on plantation resulted in wasteful.

Had the selection of site and planting season been made judiciously, the survival of plants could have been more.

During the exit conference (August 2012), the ACS stated that necessary mechanism will be developed to avoid recurrence of such lapses in future.

2.2.11.12 Collapse of wells due to delay in completion

Para 6.2.2 of the Operational Guidelines of MNREGS provides that to ensure creation of sustainable assets, a holistic approach to planning and a project

approach should be adopted towards defining a work. This will enable subsuming a number of works as activities under an umbrella work or project.

DPC, Korea and Jashpur had accorded AA for construction of 10 wells on the land of 10 beneficiaries of Katkona, block Baikunthpur, district Korea and Ichkela block, district Jashpur for ₹ 11 lakh. Out of these, four wells were completed and the remaining six wells remained incomplete till June 2012, even after incurring an expenditure of ₹ 2.95 lakh.

During physical inspection (30 May 2012 and 10 June 2012) of the site we observed that the executed well works had collapsed. Further, the beneficiaries intimated that the digging works were completed between December 2010 and March 2011 in Katkona and during 2008-09 in Ichkela. Materials like bricks, sand etc. were brought to the site but encircling work could not be started before the rainy season, as a result of which the executed works collapsed.

As the executed work remained incomplete and had collapsed, the expenditure of ₹ 2.95 lakh incurred on the works was rendered wasteful.

During the exit conference (August 2012), the ACS stated that a report will be called from the concerned CEO for detailed examination.

2.2.11.13 Deficiencies noticed in preparation of MRs

We noticed several deficiencies in preparation and maintenance of MRs as detailed below:

- Date of issue, unique code number of executed work and payment dates were not mentioned in MRs.
- Summary of the MRs showing classification viz. total number of members, women, men, Scheduled caste (SC), Scheduled tribe (ST), Physically handicapped etc. was not recorded/ drawn during 2007-08 and 2008-09. Therefore, it was not possible to ascertain exact representation of these sections.
- MRs carried a number of cuttings, overwriting and use of erasing fluid.
- Signature of the person taking attendance and certificate of payment was not recorded on the MRs by *Sarpanch*, Secretary of GP and Vigilance and Monitoring Committee (VMC).
- Measurement book references were not mentioned on MRs (particularly in works executed by GP).
- During MIS entry at the JP, the entries in the first copy of the MRs were changed by overwriting, while other three copies of MRs remained unchanged.

During the exit conference (August 2012), the ACS stated that necessary action will be taken to ensure preparation of MR correctly.

2.2.11.14 Physical verification of works

We conducted joint physical verification of 1400 works along with the officials of the Department in the selected GPs. The results of the physical verification were as under:

- Out of 1400 works verified, 66 *per cent* of the works were found complete and the remaining were incomplete.
- The information boards were not found in six works executed in Lamker GP of Bastar district.
- Five road works could not be put to use even after incurring expenditure of ₹ 19.60 lakh due to non completion of culverts.
- Funds amounting to ₹ 5 lakh was sanctioned for construction of playground, fencing and plantation in Bhaktar GP of Baikunthpur JP of Korea district. The work was stopped after incurring an expenditure of ₹ 0.35 lakh.
- Expenditure was incurred in excess of the sanctioned amount on two works executed by GP, Pongro of Kansabel JP (Jashpur district).
- One work executed by GP Palsapali of Mahasamund district was shown as complete even after the work was cancelled.
- Two works valuing ₹ 19.80 lakh though sanctioned in 2007-08 had not commenced till the date of audit (May 2012) in GP Newarikala of JP Balod.

Other irregularities reported to us during survey of 1400 beneficiaries conducted in 140 GPs were as follows:

- Six *per cent*, one *per cent*, 18 *per cent* and 84 *per cent* beneficiaries responded that facilities like Shade, Drinking water, First aid & Creche respectively were not made available at the work site.
- Only two *per cent* beneficiaries replied that Muster Rolls were not kept at the work place and out of them, 95 *per cent* confirmed that attendance was marked daily.
- Only 23 *per cent* beneficiaries responded that MNREGS works were not done for development of land belonging to SC/ST/BPL/Small or marginal farmers.

2.2.12 Empowerment of rural women

As per para 1.1.1 of Operational Guidelines of MNREGS, one of the auxiliary objectives of the scheme is empowerment of rural women through their participation for proper implementation of the scheme.

(a) As mentioned in para 2.2.10.2, the percentage of employment provided to women in the State was between 47 and 49 during 2008-09 to 2011-12. However, in the test checked districts, the same was between 46 and 48.

(b) During scrutiny of records in CEO, JP, Durg, Bastar and Basna we noticed that the percentage of women participating in implementation, execution and decision making of the scheme was very negligible as only 20 to 38 *per cent* posts of GRS and 10 to 18 *per cent* posts of mate were held by women, as shown in **Table 21**.

The percentage of women participation in implementation, execution and decision making of the scheme was very low.

Table 21: Statement showing the percentage of women holding the post of GRS and mate

JP/District	Category	Total number of post	Number of women post holders (percentage)
Durg/Durg	GRS	66	25 (38)
	Mate	626	68 (11)
Bastar/Bastar	GRS	66	13 (20)
	Mate	170	30 (18)
Basna/Mahasamund	GRS	83	28 (34)
	Mate	376	37 (10)

(Source: as per information furnished by the JPs)

In JP, Makdi, Bastar district, we further noticed that posts of mate was not filled up since 2007-08. In JP, Bakawand of the same district, all the 115 mates were men and no women were engaged as mates.

This indicates that the basic objective of empowering rural women have not been achieved due to their inadequate involvement in implementation and execution of the scheme.

2.2.13 Convergence of the scheme with other Rural Development Programmes

2.2.13.1 Wasteful expenditure of ₹ 8 lakh on plantation of Cashew plants under convergence with National Horticulture Mission

Para 13.1.2 of the Operational Guidelines of MNREGS stipulates for convergence with other schemes to create permanent assets under the scheme.

DPC, Bastar sanctioned ₹ 41.02 lakh in July 2009 for Cashew plantation work in 157 hectares at GP, Bhond and Lamker in Bastar block under the scheme in convergence (82:18) with National Horticulture Mission Scheme (NHM).

During scrutiny of records, we noticed that as against the sanctioned amount of ₹ 41.02 lakh, expenditure of only ₹ 8 lakh (20 per cent) was incurred on plantation works and completion certificates were issued. During joint physical verification (June 2012) of the site by the Audit team members and officials of the implementing agency, we noticed that no plants were alive which rendered the expenditure of ₹ 8 lakh wasteful.

Photographs of the cashew plantation work at Bhond GP taken on 15 June 2012



Further scrutiny of MRs and MB revealed the following irregularities;

- Furniture was purchased from the sanctioned amount, which was not permissible as per Para 5.1 of the Operational Guideline of MNREGS.

Expenditure of ₹ 8 lakh incurred on plantation under convergence was rendered wasteful.

- As per MR no. 235660 to 235664, works were executed between 21-10-09 and 27-10-09 but it was corrected by overwriting as 19-10-09 to 24-10-09.
- As per Muster Roll no. 130724 to 130725, payment to a labourer (Shri Ram Chandra/Sukalu) was made vide bank account number 401 while as per Muster Roll no. 237682 to 237875, payment to the same labourer was given vide bank account number 239.

Thus, taking up the plantation work without ensuring upkeep of the plants not only resulted in wasteful expenditure but also defeated the purpose of creation of permanent assets in convergence with other scheme.

During the exit conference (August 2012), the ACS stated that a detailed reply will be submitted after verification of records.

2.2.13.2 Blocking of funds due to non completion of Rajeev Gandhi Sewa Kendra

As per directives of Government of India, Rural Development Department, Bharat Nirman Rajeev Gandhi Sewa Kendras (RGSK) are to be constructed in every GPs/JPs to be used as Panchayat Secretariat with e-enabled services. The guidelines further provide that in the districts where BRGF scheme is in operation, the cost will be in the ratio of 20:80 from MNREGS and BRGF and in other areas, cent *per cent* expenditure will be met from MNREGS. The fund from MNREGS shall be spent only for payment of wages.

During 2010-12, 1235 RGSKs were sanctioned out of which only 49 RGSKs (four *per cent*) were completed.

Scrutiny of records in DPC, Durg (Non BRGF district) revealed that during 2010-12, a total of 353 RGSKs were sanctioned for completion within the same financial year. Out of these, 150 RGSKs were yet to be started, 187 were in progress and only 16 were completed. Due to delay in completion of RGSKs, there was blocking of funds to the tune of ₹ 5.67 crore in the incomplete works.

Similarly, during 2010-12, the DPC, Jashpur (BRGF district) had sanctioned 49 works aggregating ₹ 5.05 crore, out of which construction of one RGSK (in Champatoli, JP-Duldula) was completed and the remaining 48 RGSKs were in progress even after incurring expenditure of ₹ 1.55 crore.

Further, Jashpur being a BRGF district, only 20 *per cent* of the sanctioned cost was to be spent from MNREGS for payment of wages.

Scrutiny of records in four blocks of Jashpur district revealed that during 2010-11 to 2011-12, expenditure of ₹ 1.50 crore was incurred from MNREGS funds against the sanctioned cost of ₹ 2.65 crore for construction of 25 RGSKs. The expenditure was more than the prescribed limit (20 *per cent*) and included both the wages and material components.

Thus, the objective of developing panchayat secretariat with e-enabled services in convergence with BRGF could not be achieved to the desired extent due to delay in completion of the RGSKs.

On this being pointed out, Assistant Project Officer, MNREGS, Jashpur stated (May 2012) that expenditure was made from MNREGS due to non receipt of fund under BRGF, while the DPC, Durg did not furnish any reply.

The reply is not in consonance with the provisions of RGSK because the entire expenditure was incurred from MNREGS funds ignoring the admissible limits.

2.2.14 Record maintenance

Para 9.1 of the Operational Guidelines of MNREGS provides for maintenance of Muster Roll, Issue and Receipt Registers (B-5 and B-6), Application Registration Register (B-7), Job Card Register (B-8), Employment Register (B-9), Asset Register (B-10) and Complaint Register (B-11).

Scrutiny of records in selected GPs revealed that maintenance of the above records was incomplete. At JP level Employment Register, duplicate copy of Job Card Register and computerised Asset Register were not maintained. In absence of the above records, we could not verify compliance with the legal requirement of 100 days of employment on demand.

Non-maintenance of Asset Registers implied that there was no record of the durable assets created and it would not be possible to ensure their subsequent retention of ownership and maintenance. Due to deficiencies in updating information on MIS, reports like caste-wise registration, demand for work, 100 days employment, work status, material procurement reports, MRs, work expenditure, delay in payment of wages, wage material ratio analysis, fortnight-wise beneficiaries engaged etc. could not provide complete information in respect of the districts, blocks and GPs.

Further, as mentioned in Para 2.2.8.4 of this Report, there were discrepancies in the opening and closing balance of MPR due to improper maintenance of Cash book and MPR.

During the exit conference (August 2012), the ACS stated that instructions are being issued for proper maintenance of records.

2.2.15 Transparency in implementation of the Scheme

2.2.15.1 Works valuing ₹ 1.08 crore executed without administrative approval

As per Para 5.3.3 of the Operational Guidelines of MNREGS, AA and TS should be accorded and work should be executed thereafter.

During scrutiny of records of Divisional Forest Officer, Durg, we noticed that sanction order was issued on 15 July 2010 by the CEO for plantation of one lakh plants in 40 hectare area with an estimated cost of ₹ 1.08 crore in Nagpura, GP for the plantation work already organised on 9 July 2010. Further scrutiny revealed that transportation of plants was done during 30 May 2010 to 15 June 2010 and demarcation of land, digging of pits and plantation was done during 21 June 2010 to 10 July 2010. The fact was also got confirmed during joint physical verification of the site (May 2012) by Audit team members and officials of the implementing agency.

Plantation work of ₹ 1.08 crore was organised without administrative approval and technical sanction.

Photographs of the plantation work at Nagpura GP taken on 15 June 2012



It is evident from the above facts that the work was neither proposed by the concerned GP nor included in the annual plan for the year 2010-11. Further, the work was sanctioned under the scheme after execution.

During the exit conference (August 2012), the ACS stated that all relevant records will be called for and the position will be intimated to audit after detailed examination.

2.2.15.2 Providing employment for more than 100 days and release of payment by tampering records

Employment was provided for more than 100 days and wages were paid by tampering the records.

MNREGS guarantees 100 days employment in a year to every HH whose adult member is willing to do unskilled manual work. Further, on the basis of Muster Rolls received from GPs, the PO shall generate wage slips/lists and issue cheques to the relevant bank/post office of the GP. The bank/post office will credit the wage amount into the account of the beneficiaries. The wage slips/lists is an important and final record for issue of cheque. Therefore, it should be free from errors.

Scrutiny of vouchers for the month of March 2012 revealed that GP, Jamnapali, block Pathalgaon, district Jashpur had released payment of ₹ 67,339 vide cheque no. 210231 dated 28.03.2012 for payment to the beneficiaries engaged for construction of one minor tank and four land levelling works. However, the wage slips/lists enclosed with the vouchers for the above works were corrected in 23 instances and new names, bank account numbers and job card numbers were entered before sending to the bank/post office. Actually, 27 number of beneficiaries who had already completed their 100 days employment were engaged in construction of one minor tank (Jagar Sai/Dewar) and four land levelling works (Lubiyanuj/Ramkhalwa, Haval Sai/Mansai, Asha/Manju and Enjorsai/Somsai) and attendance recorded in nine muster rolls for the period between 30.1.2012 to 18.2.2012. As the MIS restricts entry in case of employment for more than 100 days, therefore the wage slips/lists were generated through MIS by using the details of 27 other beneficiaries (who had got employment for less than 100 days) like name, job card number, bank/post office account number etc. After getting wage slips/lists through the MIS, the actual entries were corrected in the wage slips/lists and furnished to the concerned bank/post office for payment.

This resulted in providing employment for more than 100 days and releasing payment by tampering with the original records. This indicates lack of transparency in implementation of the scheme.

During the exit conference (August 2012), the ACS stated that the matter will be enquired into and necessary action will be taken.

2.2.15.3 Payment of ₹ 1.21 lakh before submission of bill

CEO, ZP, Kanker had accorded AA for construction of check dam at Salhetola of Sarwandi GP in Narharpur block for ₹ 9.31 lakh on 29.12.2010 and GP was appointed as the executing agency.

Payment was released to the supplier prior to the sanction and before receipt of bill.

Scrutiny of records in CEO, JP, Narharpur revealed that Vandana Traders, Sarena had supplied construction material like cement and reinforcements and a bill (vide cash memo no 798 dated 25.12.2011) of ₹ 1.21 lakh was submitted to the GP for payment. The accountant of the Janpad Panchayat, Narharpur had submitted a voucher along with the note sheet for approval of the CEO on 1.12.2011 but the payment of ₹ 3.88 lakh (including ₹ 1.21 lakh) was made to the supplier. We further observed that the supplier had actually submitted the bill on 25.12.2011 to the CEO. Thus, not only was the payment of ₹ 1.21 lakh released to the supplier prior to approval of the competent authority but also before actual receipt of the bill (cash memo).

During the exit conference (August 2012), the ACS stated that relevant records will be called for from the CEO, JP, Naharpur and the matter will be enquired into.

2.2.15.4 Social audit

As per para 11.1.3 of the Operational Guidelines of MNREGS, social audit is to be conducted twice in a year on a regular basis by the GS or Village Monitoring Committee.

We observed from the social audit meetings of seven GPs¹² of three selected districts that the GS conducted social audit by reading out the agenda and details of MRs in the meetings and the procedure laid down in the guidelines was followed. However, the minimum attendance required to fulfill the quorum was not observed in all GPs except in Kolihapuri. In GP Kolihapuri (JP Durg) during social audit, actual attendance was more than the required quorum.

We also noticed in Korea and Bastar districts that OIA like PWD, WRD, Forest, RES, Agriculture/Horticulture/Fisheries Department etc. executed works in the area of GP by engaging beneficiaries of the concerned GP and maintained the records. However, the works executed by the line departments were not included in the social audit.

During the exit conference (August 2012), the ACS stated that efforts are being made to ensure more participation of the OIAs in social audit meetings. He further stated that a proposal for setting up of a separate Directorate for Social Audit has already been sent to GoI and approval is awaited.

¹² GP Kolihapuri (Durg district), Jarandi and Bhiragaon (Makdi) Karmari and Bagbeda (Bastar district), Harra and Bundeli (Korea district)

2.2.15.5 Non-disposal of complaints

As per directions (May 2008) of the Government of Chhattisgarh, an effective grievance redressal mechanism is to be established in State/District/JP level. The PO will conduct a preliminary enquiry within seven days on the complaint received at the JP level and if it is realised that a detailed enquiry is required, the case will be immediately forwarded to ZP, which will ensure redressal within a month. DPC and Deputy Director (Monitoring) will hold a review meeting every month at the district level and the State level respectively.

During scrutiny of records in DPC, Korea we noticed that a total of 475 complaints were received during the period 2007-12, out of which 45 and 58 cases were cleared between one to three months and 3 to 12 months respectively and the remaining 372 cases were pending till June 2012. In ZP, Mahasamund we observed that 183 cases of the year 2008 were pending till June 2012.

In Durg district, during the period 2007-08 to 2011-12, 24 cases were received from the State for redressal, out of which only 13 complaints were redressed and the remaining 11 cases were pending for one to three years.

During the exit conference (August 2012), the ACS stated that due to rush of work and lack of staff, disposal of the cases was delayed. However, he assured that the mechanism will be streamlined for timely disposal of complaints.

2.2.15.6 Delay in redressal of grievances through Ombudsman and non-recovery of penalty

As per instructions issued (September 2009) by GoI, the office of Ombudsman should be set up for expeditious redressal of the grievances. Accordingly, the P&RDD, Government of Chhattisgarh issued instructions and ordered for appointment of Ombudsmen in all districts.

Scrutiny of records in ZP, Durg revealed that during the period from July 2011 to March 2012, against the total 55 grievances received, only 32 grievances were redressed and 23 grievances were pending with delays ranging between 2 and 10 months. Further scrutiny revealed that against 32 grievances redressed, in six cases recommendation for recovery of ₹ 8,500 was made by the Ombudsman, which was not implemented. Similarly, in five cases recoveries of ₹ 1.13 lakh imposed against Panchayat officials were also not recovered till the date of audit (June 2012).

After we pointed this out, the DPC, Durg stated (June 2012) that due to non submission of relevant documents, some of the grievances could not be redressed and recoveries were being made through the JP.

The reply is not in accordance with the instructions as recovery of penal amount was not done and the purpose of expeditious redressal of the grievances was not achieved in contravention of GoI instruction.

Similarly, in Kanker district, 30 complaints were registered during the year 2011-12. Out of these, only eight cases were disposed of and the remaining 22 cases were pending till June 2012.

During the exit conference (August 2012), the ACS stated that due to rush of work and lack of staff, disposal of the cases was delayed. However, he assured that the mechanism will be streamlined for timely disposal of complaints.

2.2.15.7 Irregular payment through the contract for IEC programme under MNREGS

With a view to give wide publicity and create awareness among the villagers, DPC, Mahasamund issued instructions (September 2009) to organise cultural programmes through Information Education Communication (IEC) at GP level about the scheme and 70 *per cent* members of the cultural group (Kalajatha¹³) should be registered under MNREGA and the programmes are to be organised at the GPs level.

Test check of records revealed that M/s RAAG Foundation, Mahasamund (Cultural Group) was selected (October 2009) at the rate of ₹ 1600 per programme and awarded the contract. As per agreement, payment was to be released after successful completion of the programmes, subject to fulfillment of the following:

- (i) The firm was required to prepare a detailed schedule of programme and accordingly the programmes were to be arranged.
- (ii) The programme would be held in GP, earmarked by the CEO, JP, Basna.
- (iii) The firm was required to submit two photographs along with Execution Certificate signed by *Sarpanch*, Secretary and Gram Rojgar Sahayak for each programme.

Scrutiny of records revealed that a total of 240 cultural programmes were organised and out of these, schedules for only 78 programmes were found prepared. It was further observed that the firm had neither submitted any photographs in support of organising the programmes nor were the certificates in support of holding the programme signed by the *Sarpanch*, Secretary and GRS in 74 cases, 227 cases and 49 cases respectively. Despite non-fulfilment of the conditions of the agreements, CEO, JP released payment of ₹ 3.84 lakh to the firm between December 2009 and March 2010.

During the exit conference (August 2012), the ACS stated that matter will be examined and suitable action will be taken accordingly.

Further, we had conducted the beneficiary survey in the six selected districts and the outcome of the survey was as under:

- Thirty two *per cent* of the beneficiaries were not aware of Gram Sabhas and 18 *per cent*, 35 *per cent* and 14 *per cent* respondents replied that Gram Sabhas were held 1 to 2, 3 to 4 and more than 4 times respectively in a year.

¹³ It is a cultural group who performs drama in villages for publicity and awareness about the MNREGS

- Forty *per cent* of the beneficiaries were not aware of the venue of the Gram Sabha meetings.
- Thirty five *per cent* of the beneficiaries did not attend Gram Sabha meetings.
- Sixty seven *per cent* of the beneficiaries were ignorant about Social audit.
- Ninety four *per cent* of the beneficiaries felt that MNREGS was being implemented properly.

During the exit conference (August 2012), the ACS stated that necessary action will be taken on the observations made by audit.

2.2.16 Inspection, Monitoring and Evaluation

As per Para 8.2.1 of MNREGS Operational Guidelines, implementation of the scheme was to be monitored through National Quality Monitors (NQM), State Quality Monitors (SQM), District Quality Monitors (DQM) and 2 *per cent*, 10 *per cent* and 100 *per cent* works should be inspected at State, District and Block levels respectively by the monitors.

Scrutiny of records of the selected units revealed that no records were found to substantiate that inspections were carried out at State, district and block levels.

During the exit conference (August 2012), the ACS stated that instructions will be issued to maintain necessary records.

2.2.17 Internal Audit

Para 11.3.6 of the Operational Guidelines of MNREGS stipulates for conducting internal audit at the end of financial year.

During test check of records in the six selected districts, we noticed that Internal Audit Cell at the district level was not set up. Therefore, lapses in compliance of the guidelines of the Act, other financial rules, codal provisions, technical guidelines, manuals, etc. could not be detected to enable necessary action to prevent their recurrence.

During the exit conference (August 2012), the ACS stated that necessary action will be taken to set up the Internal Audit cell.

2.2.18 Other points of interest

On the basis of complaints received from the villagers of Kolihadevari GP (ZP Mahasamund), Audit conducted a physical verification of the work and muster roll in the presence of 82 beneficiaries and villagers, by reading out aloud the names entered in the MRs of two works and verifying the same from the beneficiaries present.

The following points were noticed:

- Names of five beneficiaries who did not reside in the village were found mentioned in the MR and payment of wages made to their post office accounts.
- Names of the parents of two beneficiaries were added in the job card and accounts in the post office were opened without any application for registration. Payments were credited to their account without doing work.
- One beneficiary present stated that though he did not work, payment was credited to his post office account.
- In respect of one beneficiary, the villagers informed that though he did not work, payment was credited to his post office account.
- Similarly, in 21 cases it came to notice that though the concerned persons did not work, their names were entered in the MR and payments credited to their accounts.
- Wage payments were made to four beneficiaries working as casual labour in the Forest Department, FCI, primary school and having own barber shop, despite their being not deployed in any of the two works.
- Some beneficiaries who had completed 100 days had used the job cards of other beneficiaries for obtaining work.
- On the same day, the same individual person had worked on his job Card and on the job card of another individual.

2.2.19 Conclusion

The State Government notified the MNREG Act in March 2006. The Performance Audit of the Scheme revealed that there were huge vacancies in the key positions and inadequate capacity building had adversely affected the smooth and effective implementation of the scheme. A Perspective Plan detailing the priority of works for long term employment generation and sustainable development was not prepared. Persistent shortfall in utilisation of the available fund was noticed. In disregard to the scheme guidelines, cheques were issued to *Sarpanches* of Bastar and Kanker districts for payments of wages to the beneficiaries and advances given to the *Sarpanches* were not adjusted. There were delay of 5 to 139 days in release of State share and funds were released to the District Programme Coordinator at the fag end of the financial year. Balance funds of SGRY and NFFWP were not transferred to MNREGS account. Door to door survey was not conducted to ensure the coverage of the eligible beneficiaries. The objective of the scheme to provide 100 days of the employment was not achieved as only nine *per cent* HHs were provided employment of 100 days. The percentage of HH provided 100 days of employment had declined from 11 in 2007-08 to 7 in 2011-12. Unemployment allowance was not paid to the beneficiaries despite non provision of employment within the prescribed period of 15 days. Similarly, compensation admissible under Payment of Wages Act was not paid even after delayed payment of wages. The District Programme Coordinators sanctioned the works to the implementing agencies throughout the year

without adhering to the time schedule prescribed in the guidelines. The Performance audit further revealed several deficiencies in execution of works such as execution of inadmissible works, payment to vendors for MIS work, sanction of works without approval of Gram Sabha, payments without measurement, delay in completion of works, cancellation of works after incurring expenditure, issue of completion certificates in respect of incomplete works and wasteful expenditure on works. Prescribed records including Muster rolls were not properly maintained as cases of overwriting/cutting, absence of signature, certificate of payment, incomplete information etc. were noticed. The participation of women in implementation, execution and decision making was not encouraging as only 10 to 38 *per cent* posts of mates and *Gram Rojgar Sahayak* were held by women. The objectives of the Scheme for creation of permanent assets through convergence with other schemes could not be achieved due to improper execution of the works. No records were maintained regarding inspections and monitoring done under the Scheme and the online MIS was incomplete. No internal audit was carried out during 2007-12.

2.2.20 Recommendations

In view of the various deficiencies noticed in the implementation of MNREGS, we recommend that the State Government consider implementing the following recommendations:

- Considering the huge vacancies in key positions, immediate steps may be taken for filling up all the vacant posts and capacity building of the staff may be ensured through necessary training;
- District Perspective Plan may be prepared including the priority of works for long term employment generation and sustainable development and Annual Action Plan may be prepared after taking inputs from *Gram Sabhas*;
- Preparation of labour budget may be ensured in accordance with the scheme guidelines;
- Steps may be taken to ensure optimum utilisation of available funds and timely release of State share;
- Door to door survey may be carried out to ensure coverage of all the eligible beneficiaries;
- It may be ensured that employment is provided within 15 days of application and that eligible beneficiaries are given at least 100 days of employment. The participation of more beneficiaries from weaker sections including women may be ensured;
- Payment of wages to the beneficiaries may be ensured in accordance with the guidelines/instructions and compensation may be paid to the beneficiaries for delayed payment of wages;
- Execution of works under the Scheme should be monitored closely to ensure that these are done efficiently, economically, effectively and as per the guidelines;

- Records including Job card register, cash book, muster roll, Measurement book, MPR etc. should be maintained in the prescribed format; and
- The frequency prescribed for social audit of the works executed under the scheme may be adhered to, the grievance redressal mechanism may be made effective and internal audit conducted.

FOOD, CIVIL SUPPLIES AND CONSUMER PROTECTION DEPARTMENT

2.3 Procurement and distribution of paddy by Chhattisgarh Marketing Federation (MARKFED)

2.3.1 Introduction

Chhattisgarh State Co-operative Marketing Federation Limited (MARKFED) is a Co-operative Marketing Society in the State of Chhattisgarh. It came into existence under Rule 9 (1) of Chhattisgarh Co-operative Societies Act, 1960 and was registered on 30 October 2000. MARKFED is responsible for procurement of paddy from the farmers at Minimum Support Price¹ (MSP) fixed by the Government of India (GoI), Department of Food and Public Distribution (DFPD) and to provide rice to the Food Corporation of India (FCI) and *Nagrik Apoorti Nigam* (NAN) at the rate of Custom Milled Rice (CMR). The paddy procured at MSP is issued to the millers for milling into rice (known as Custom Milled Rice). Millers are paid the cost of milling and the milled rice is sent to FCI and NAN, who in turn pay MARKFED as per rates fixed by GoI for the CMR. The CMR fixed by GoI is decided after including various incidental charges (incentive bonus, statutory charges, labour charges, transportation charges, driage, commission to Societies, interest charges, milling charges, administration charges and cost of gunny bags etc.) in the cost of paddy. The incidental expenditure incurred by MARKFED in excess of that included in the rate of CMR is submitted annually to the State Government as loss claim for reimbursement.

2.3.2 Funding pattern

In order to carry out its functions, MARKFED takes loans from various nationalised banks and the State Government. The State Government provides budgetary support under the head “Loss reimbursement to MARKFED” every year for reimbursement of loss incurred in procurement of paddy and delivery of rice to FCI/NAN. This, together with funds received from FCI and NAN against delivery of rice, are utilised by MARKFED for repayment of loan.

¹ GoI finalises the per quintal rate of paddy every year which is known as Minimum Support Price.

2.3.3 Organisational Structure

The organisational structure of MARKFED is depicted in the organogram below:



2.3.4 Scope and methodology of Audit

The audit of MARKFED covering the period 2006-07 to 2011-12 was carried out between April-June 2012. We scrutinised the records maintained in the office of Managing Director (MD), MARKFED along with the records of three (Raipur, Dhamtari and Durg) out of 16 District Marketing Officers² (DMOs).

2.3.5 Scope limitation

At the time of audit (June 2012), MARKFED had finalised its annual accounts and loss claim cases up to *Khariiff Marketing Season*³ (KMS) 2008-09. As a result, we scrutinised loss claim cases upto KMS 2008-09 only. As regards other transactions of MARKFED not forming part of loss claim, we examined records up to 2011-12.

2.3.6 Audit findings

During audit of the records of the Managing Director (MD), MARKFED, Raipur and the District Marketing Officers (DMOs), Dhamtari, Durg and Raipur we noticed the following irregularities:

² Ambikapur, Bastar, Bilaspur, Dantewada, Dhamtari, Durg, Janjgir-Champa, Jashpur, Kanker, Kawardha, Korea, Korba, Mahasamund, Raipur, Raigarh, and Rajnandgaon.

³ *Khariiff Marketing Season* is the season during which MARKFED procures paddy from the farmers at MSP decided by GoI. Every year the State Government declares the procurement period, which normally covers the period from October to March.

2.3.6.1 Excessive interest payment of ₹ 680.15 crore beyond norms fixed by Government of India in the cost sheet of Custom Milled Rice

During the *Khariff* Marketing Seasons (KMS) 2006-07 to 2008-09, MARKFED made interest payment of ₹ 800.58 crore to various banks, of which ₹ 120.43 crore (15 *per cent*) was received from FCI and NAN in accordance with the rates prescribed in the CMR cost sheet. The balance interest payment of ₹ 680.15 crore (85 *per cent*) was beyond the CMR norms which was claimed from the State Government as a loss included in the total loss claim case for ₹ 1045.13 crore as detailed in the following table:

Table 1 : Details of interest payments made to bank

(₹ in crore)

Year	Amount of loss claim submitted to State Government	Total amount of interest paid to the banks	Amount of interest received from FCI & NAN	Amount of interest claimed from State Government included in the loss claim amount as shown in Col.2 (Col.3-Col.4)	Percentage of claimed interest loss over total loss (Col.5 over Col.2)	Percentage increase in interest loss over the previous year
1.	2.	3.	4.	5.	6.	7.
2006-07	234.63	179.03	25.31	153.72	65.52	203.56
2007-08	302.04	241.23	37.57	203.66	67.42	32.49
2008-09	508.46	380.32	57.55	322.77	63.48	58.48
Total	1045.13	800.58	120.43	680.15	65.08	

Note: Since loss claim cases for the years 2009-10 to 2011-12 were not finalised by MARKFED, audit could not analyse the trend for these years.

(Source : Loss claim cases of MARKFED)

It is evident from the above table that every year the interest loss formed a major part of the total loss claim. Increase in 2006-07 over the previous year was 203.56 *per cent*, whereas it was 32.49 and 58.48 *per cent* in 2007-08 and 2008-09 respectively. MARKFED had to bear the interest burden due to delay in repayment of the loan which was mainly due to (i) delay in finalisation of loss claims and subsequent delay in release of funds by the State Government, (ii) delay in receipt of payments from FCI/NAN, (iii) blocking of funds with Director General Supplies and Disposal (GS&D) and (iv) delay in receipt of extra incidental expenditure from GoI due to non submission of claims by MARKFED, as discussed subsequently.

2.3.6.2 Delay in submission of loss claim cases by MARKFED and subsequent delay in release of funds by the State Government

The State Government, while issuing orders for procurement of paddy in the respective years, assured MARKFED that the loss incurred in paddy procurement would be reimbursed by the Government.

The status of submission of loss claim cases by MARKFED to State Government and subsequent reimbursement of loss by the Government is as follows:

Table 2: Details of release of funds by State Government

KMS period	Amount of loss claim submitted to State Government		Time taken for finalisation of loss claim by MARKFED from 31st March of respective KMS (approx)	Details of release of funds by the State Government		
	Amount (₹ in crore)	Date		Amount (₹ in crore)	Date	Period of time taken by the State Government for release of fund from date of finalisation of loss claim (approx)
01.11.2006 to 15.02.2007	234.63	21.10.2008	19 months	30.68	24-Mar-07	Advance
				112.75	08-Aug-09	9 months
				78.56	22-Jan-10	15 months
Total (A)				221.99		
01.11.2007 to 15.02.2008	302.04	31.07.2009	16 months	125.04	17-Mar-10	8 months
				175.00	28-Sep-10	14 months
				0.53	31-Mar-11	20 months
Total (B)				300.57		
20.10.2008 to 15.02.2009	508.46	17.06.2010	15 months	100.00	19-Feb-09	Advance
				175.00	14-Jan-10	Advance
Total (C)				275.00		
Grand Total (A+B+C)	1045.13			797.56		

(Source : Compiled from information provided by MARKFED)

It is evident from the above table that MARKFED submitted the loss claim cases to Government after a delay ranging between 15 and 19 months for the KMS 2006-07 to 2008-09 and loss claims for the years 2009-10 onwards were not finalised till March 2013. Further, even after delayed submission of the claims, funds were released by Government with delay of eight to 20 months. Thus, had MARKFED finalised its loss cases and submitted loss claims for reimbursement in time, it could have saved interest burden of ₹ 157.26 crore⁴.

During discussion (March 2013), the Secretary stated that after being pointed out in audit, from the current year, the Department has classified the loss component into two parts, viz (i) mandatory extra expenses over CMR as per policy of State Government as “extra expenditure” and (ii) extra incidental expenditure over CMR fixed by GoI as “loss”.

The fact remains that though MARKFED was able to repay the loan on getting funds from the State Government as per budget provision under mandatory “extra expenditure”, it could have made efforts to finalise and submit the loss claim cases for getting extra incidental expenditures reimbursed in a timely manner to avoid the interest burden.

2.3.6.3 Delay in receipt of payments from FCI and NAN

During audit of the records of MARKFED (June 2012) we observed that an amount of ₹ 861.50 crore (NAN: ₹ 749.87 crore and FCI: ₹ 111.63 crore) was outstanding as on June 2012 as receivables against the rice delivered to FCI

⁴ The interest was calculated in audit taking the rate as 9.7 per cent per annum, which was the minimum rate charged by banks for the period April 2006 to March 2012.

and NAN. The bills receivable from FCI and NAN were pertaining to the period 2006-07 to 2009-10. Due to delay in getting payments from FCI and NAN, MARKFED could not repay the loan amount in time which consequently increased its interest liability to the extent of ₹ 196.83 crore⁵.

During discussion (March 2013), the Secretary stated that the delay on the part of FCI was due to non-submission of certain documents by MARKFED and stated that necessary directions will be issued to MARKFED for future compliance. Further, as regards delay on the part of NAN, the Secretary stated that this was due to non release of funds to NAN from GoI. The delay in release of funds by GoI to NAN was also due to delay in finalisation of final cost sheet by GoI. The submission of expenditure details for finalisation of final cost sheet to GoI involves MARKFED as well as NAN.

The fact remains that the delay was on the part of MARKFED, as it failed to submit the expenditure details for finalisation of the final cost sheet in time due to non finalisation of annual accounts.

2.3.6.4 Blocking of funds towards cost of gunny bags from FCI

The gunny bags required for transporting paddy and rice are procured by MARKFED from Director General Supply and Disposal (DGS&D) every year. The cost of gunny bags is included in the CMR, which is to be reimbursed by FCI and NAN.

During audit (June 2012) of the records of DMOs, Raipur and Dhamtari we observed that payment amounting to ₹ 212.71 crore⁶ towards reimbursement of the cost of gunny bags was outstanding from FCI till the date of audit. Since MARKFED arranged the fund from interest bearing loan, the delay in receipt of reimbursement from FCI had increased the interest liability to the extent of ₹ 48.51 crore⁷.

During discussion (March 2013), the Secretary stated that delay was due to non reconciliation of stock with FCI. It further stated that the total outstanding has been brought down to ₹ 165.04 crore.

The fact remains that due to non reconciliation of stock with FCI, MARKFED increased its interest liability. Since the amount is ultimately reimbursed by the State Government to MARKFED to meet the interest liability, it results in drain to the State exchequer.

2.3.6.5 Avoidable payment of penal interest amounting to ₹ 62.21 crore due to non-adherence to the conditions of the agreement regarding maintenance of minimum stock balance

MARKFED takes loans from the State Bank of India (SBI) as per credit limit sanctioned by the Reserve Bank of India (RBI) after executing loan agreement

⁵ The interest was calculated in audit taking the rate as 9.7 per cent per annum, which was the minimum rate charged by the banks for the period April 2006 to March 2012.

⁶ (DMO Dhamtari- ₹ 90.33 crore and DMO Raipur - ₹ 122.38 crore)

⁷ The interest was calculated in audit taking rate of interest as 7.5 per cent per annum, which was minimum rate on which State Government provided loan to MARKFED.

between SBI and the Government of Chhattisgarh, Food, Civil Supplies and Consumer Protection Department, Raipur every year. As per para-6 read with para-9 (d) of the agreement, the borrower shall not be entitled to draw under the credit accounts any amount in excess of the credit limit and in any event not in excess of the value of the hypothecated goods valued on the basis of the procurement price or the issue price, whichever is lower. In case there is excess drawal, such drawal should be adjusted immediately, failing which the bank would be entitled to charge a higher rate of interest on such excess drawal at the rate of two *per cent* above the maximum lending rates prescribed by RBI from time to time, till such irregularity is fully adjusted to the satisfaction of the bank.

We observed that during 2006-07 to 2008-09, SBI charged penal interest at the rate of two *per cent* per annum above the applicable rate in the clean portion (outstanding stock not covered by stock of paddy with MARKFED) of the cash credit (food credit) account in terms of para 9 (d) of the loan agreement as detailed below :

Table 3: Details of penal interest charged by bank

(₹ in crore)

Year	Amount of penal interest charged	Reasons
2006-07	9.67	Failure to adjust the excess drawal in terms of para 9 (d) of loan agreement.
2007-08	17.97	
2008-09	34.57	
Total	62.21	

(Source : Furnished by MARKFED)

Since MARKFED was required to maintain the minimum stock as per the agreement, the non-maintenance of the same resulted in avoidable penal interest of ₹ 62.21 crore.

During discussion (March 2013), the Secretary stated that after being pointed out in audit, the Department had requested RBI to consider waiver of penal interest with certain justification. In the justification the Department submitted that according to the conditions of loan agreement, paddy stock both in raw and processed form (rice) were hypothecated to the bank. Hence the stock of rice delivered to FCI/NAN for which no payments were received by MARKFED should be treated as stock of MARKFED and considered as available hypothecated stocks in lieu of proportionate stock of paddy. In reply, RBI has advised the State Government to take up the matter with individual banks and necessary correspondence in this regard is made.

Thus, had MARKFED adhered to the loan agreement, penal interest burden to the extent of ₹ 62.21 crore could have been avoided.

2.3.6.6 Delay in receipt of outstanding payments of ₹ 3.24 crore from NAN

GoI implemented Food for Work Programme during 2001-02 to provide free food in drought-affected areas in Chhattisgarh. As per the orders of the State Government dated 28 April 2001, against the total allocation of 2,98,507 MT paddy by GoI, MARKFED was required to provide 2,02,507 MT and Civil Supplies Corporation (CSC) was required to provide 96,000 MT of paddy. The fund arrangement as per the programme was made through cash credit limit of SBI.

During audit (June 2012) of the records of MD, MARKFED we observed that for the above supply of paddy, NAN paid only ₹ 115.30 crore against the total bill of ₹ 118.54 crore raised by MARKFED in 2001-02. The remaining amount of ₹ 3.24 crore was not paid by NAN till the date of audit (June 2012). This amount was subsequently paid in December 2012. Since MARKFED had arranged funds as interest bearing loan, therefore, the delay in receipt of this amount had increased the interest burden of MARKFED by ₹ 6.89 crore⁸.

During discussion (March 2013), the Secretary stated that outstanding payment was already received (December 2012) from NAN. However efforts are being made to obtain the interest.

The reply is not acceptable as tangible efforts were not made by MARKFED to get the balance amount released from NAN in time to avoid payment of interest.

2.3.7 Avoidable loss of ₹ 58.33 crore in gunny bag transactions and blocking of fund amounting to ₹ 18.46 crore.

2.3.7.1 Loss of ₹ 39.02 crore due to recovery of gunny bags at lesser rates

MARKFED purchases gunny bags for storage, transportation and milling of paddy procured at MSP. The millers were provided paddy in these gunny bags. The miller takes 40 kg paddy in each gunny bag and in turn returns the same with 50 kg rice which is transferred to FCI/NAN. Further, against each quintal of paddy, the millers provide 67/68 *per cent* rice. GoI allows 40 *per cent* depreciation on gunny bags in the CMR cost sheet.

During scrutiny of loss cases pertaining to loss incurred due to depreciation on gunny bags KMS 2006-07 to 2008-09, we observed that MARKFED recovered the cost of gunny bags left with millers at the rate of ₹ 10 each while as per CMR it should have been recovered at the rate of 60 *per cent* of the cost of a new gunny bag. The recovery of cost of gunny bags at lesser rate resulted in avoidable loss of ₹ 39.02 crore as detailed below:

Table 4: Details showing loss due to recovery of gunny bags at lesser rates

KMS	Rate of gunny bag as per CMR (in ₹)	Number of gunny bags left with millers (in number)	Rate at which MARKFED recovered from millers (in ₹)	Total amount recovered from millers (₹ in crore) (Col.3 x Col.4)	Rate of recovery as per CMR cost sheet (in ₹) (60 <i>per cent</i> of Col.2)	Amount of short recovery (₹ in crore) {Col.3 x (Col.6-Col.4)}
1.	2.	3.	4.	5.	6.	7.
2006-07	24.26	26617252	10	26.62	14.56	12.13
2007-08	23.30	28493979	10	28.49	13.98	11.34
2008-09	24.36	33663825	10	33.66	14.62	15.55
Total						39.02

(Source: Information provided by MARKFED)

During discussion (March 2013), Secretary stated that the recoveries from

⁸ As per letter no. Accounts/Finance/108/5010/2013, dated 16.01.2013 issued by MARKFED to NAN.

millers for the gunny bags left with them are made at the rates fixed by the State Government. The idea behind this was to incentivise the millers to expedite the milling. However, the Secretary assured that as in the past, the rate at which money is to be recovered from rice millers in lieu of the left over gunny bags with them shall be fixed judiciously.

2.3.7.2 *Loss of ₹ 19.31 crore due to receipt of amount of gunny bags at lesser rates from FCI*

As per CMR cost sheet fixed by GoI, cost of one quintal of rice supplied to FCI included the cost of two gunny bags plus depreciation. The CMR cost sheet details the cost right from purchase of one quintal of paddy to its conversion into one quintal of rice.

We observed that during 2008-09, MARKFED had received only 60 per cent cost of two gunny bags supplied with one quintal of rice instead of getting the full cost of gunny bags along with depreciation as per cost sheet of CMR. No effort had been made by MARKFED to get the balance amount and the same was submitted to the State Government for reimbursement as loss. The amount receivable from FCI in this regard was ₹ 19.31 crore as detailed below:

Table 5: Details showing receivables from FCI

1.	Supply of gunny bags to FCI during 2008-09	95,64,464 pieces
2.	Rate of gunny bag as per CMR	₹ 24.36
3.	Depreciation as per CMR	₹ 9.75
4.	Amount which should have to be received from FCI	$95,64,464 \times (24.36 + 9.75) = ₹ 32.62 \text{ crore}$
5.	Amount received from FCI	₹ 13.31 crore
6.	Amount not received from FCI	₹ 19.31 crore (Sl. No.5 – Sl. No.4)

(Source: Compiled from the information provided by MARKFED)

During discussion (March 2013), the Secretary stated that MARKFED had not included the amount in the loss case for the relevant year. Further, the same was shown as receivables in the books of accounts.

The fact remains that an amount of ₹ 19.31 crore has remained unrecovered since 2008-09 till March 2013.

2.3.7.3 *Blocking of funds of ₹ 18.46 crore due to non receipt of cost of substandard gunny bags from jute mill suppliers*

As per condition of DGS&D⁹ supply orders, the supplier should replace the sub-standard/fungus affected gunny bags or refund the cost of the bags to MARKFED.

During scrutiny (June 2012) of records of MD, MARKFED we observed that jute millers supplied 12,61,693 bales¹⁰ of gunny bags during the period 2006-07 to 2011-12 at a cost of ₹ 1969.81 crore, out of which 10,007 bales of gunny bags were found sub-standard and were affected by fungus. These gunny bags were neither replaced by the jute millers nor was the cost of gunny bags of ₹ 18.46 crore refunded to MARKFED as detailed below:

⁹ Director General of Supplies and Disposal

¹⁰ A bale consists of 500 number of gunny bags.

Table 6: Details showing cost of substandard gunny bags not refunded to MARKFED

Year	Supply of gunny bags in quantity	Quantity of substandard gunny bags in bale (in bales)	Rate of gunny bags (per bale)	Cost of substandard gunny bags (₹ in lakh) (Col.3 x Col.4)
1.	2.	3.	4.	5.
2006-07	189528	56	11500	6.44
2007-08	200824	455	11300	51.42
2008-09	163177	404	12000	48.48
2009-10	180744	350	16700	58.45
2010-11	244053	1904	20000	380.80
2011-12	283367	6838	19020	1300.59
Total	1261693	10007		1846.18

(Source: Information provided by MARKFED)

During discussion (March 2013), the Secretary stated that it was the responsibility of DGS&D to act against the jute millers. He further stated that despite repeated efforts of MARKFED, DGS&D did not respond to requests to refund the cost of substandard gunny bags.

Audit pointed out that MARKFED should adjust the outstanding amount in the forthcoming payments to DGS&D. The Secretary stated that this was difficult as MARKFED is dependent on DGS&D for timely supply of gunny bales for procurement of paddy. He further stated that efforts will be undertaken at the State Government level also to get refund of the amount in question.

The fact remains that 10,007 bales of substandard gunny bags are yet to be replaced resulting in blocking of funds of ₹ 18.46 crore. Besides, chances of deterioration of the gunny bags lying since the last seven years can not be ruled out.

2.3.8 Non-submission of claims amounting to ₹ 154.68 crore to GoI on account of extra incidental expenditure incurred on delivery of CMR to FCI

As per orders issued annually by GoI, Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution, the rate/cost of CMR and other elements as indicated in the cost sheet are provisional. The State Government should send its claim for final incidental charges (statutory charges, labour charges, transportation charges, driage, commission to Societies, interest charges, milling charges administration charges and cost of gunny bags etc.) along with audited accounts and documentary proof and detailed justification for each item at the earliest after the end of the season.

We observed (June 2012) that the incidental expenditure incurred by MARKFED in procurement of paddy and delivery of rice to FCI at CMR cost was in excess of the GoI norms for the years 2006-07 to 2008-09. The claim for reimbursement of extra expenditure incurred by MARKFED on delivery of rice at cost of CMR was not submitted to GoI. Instead the total extra expenditure of ₹ 154.68 crore over the cost fixed in the CMR was submitted to the State Government as a loss claim for reimbursement as per details given below:

Table 7: Details showing extra incidental charges incurred by MARKFED

Year	Rice delivered to FCI (in Qtl)		Equivalent quantity of paddy (in Qtl) on rice delivered to FCI			Total procured paddy (in Qtl)	Total loss incurred in business in procurement of paddy (in crore)	Loss per Qtl (in `) (Col.8 / Col.7)	Loss on rice delivered to FCI
	Arwa	Usana	Arwa	Usana	Total				
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
2006-07	1061827	2355767	1584816	3516070	5100886	37078207	234.63	63.28	32.28
2007-08	374899	1410365	559551	2105022	2664573	31510047	302.04	95.86	25.54
2008-09	4777357	4875	7130384	7276	7137660	37470004	508.46	135.70	96.86
Total	6214083	3771007	9274751	5628368	14903119	106058258	1045.13		154.68

(Source: Compiled by audit from the information provided by MARKFED)

Thus, non-submission of claims to GoI for reimbursement of extra incidental charges incurred in the business process against delivery of rice at CMR cost to FCI resulted in loss of ₹ 154.68 crore to the State Government.

During discussion (March 2013), the Secretary agreed for timely submission of claims to GoI and stated that efforts have already been made to finalise the accounts for the years 2009-10 to 2011-12 and the same will be completed within four months. Now the losses to MARKFED are being reimbursed on provisional basis subject to the condition that after finalisation of final cost sheet of CMR from GoI, the money received from GoI will be refunded to the State Government. Any funds issued by the State Government towards loss compensation in previous years to MARKFED shall either be refunded by MARKFED or adjusted by State Government against future loss claims, to the extent such funds are received by MARKFED after finalisation of final costs of various years.

2.3.9 Inclusion of inflated charges in the loss claim amounting to ₹ 6.70 crore

2.3.9.1 Non-accountal of interest earned resulted in submission of excess loss claim of ₹ 3.35 crore

During scrutiny (June 2012) of General Ledger maintained by MARKFED for the year 2008-09 we observed that money received from the State Government and FCI/NAN on account of reimbursement of loss claim and delivery of rice respectively was kept in fixed deposits in the banks and an interest of ₹ 3.35 crore was earned during 2008-09. The loss claim submitted to State Government should have to be reduced to that extent, which was not done by MARKFED.

During discussion (March 2013), the Secretary agreed with the audit observation and assured that necessary adjustment of such excess loss will be made in the loss claim for the year 2009-10.

2.3.9.2 Inclusion of excessive transportation charges of ₹ 3.35 crore during 2008-09 beyond actual expenditure and subsequent submission of loss claim

A loss claim for ₹ 6.36 crore for KMS 2008-09 was submitted to Government towards transportation charges for transporting 26,96,793.07 quintal paddy from different societies to FCI depots.

During scrutiny of records pertaining to loss claim cases for the KMS 2008-09 we noticed that DMO, Raipur incurred an expenditure of ₹ 3.01 crore only for transporting paddy to FCI depot and accordingly FCI reimbursed the expenditure to MARKFED as per their claim (June 2009). Thus, the loss claim amounting to ₹ 3.35 crore was raised in excess of actual expenditure.

On this being pointed out, the DMO Raipur stated (June 2012) that the claim was raised as per average rate of transportation and actual expenditure was claimed from FCI.

During discussion (March 2013), the Secretary assured that necessary adjustment of excess claims will be made in the forthcoming loss claims.

2.3.10 Conclusion

MARKFED routinely incurs losses in procurement and distribution of paddy as it runs its business by taking interest-bearing loans from the banks. Hence, it is imperative that it adopts sound management practices. Steps taken by MARKFED to minimise its interest burden were inadequate due to non-finalisation of accounts and delayed submission of loss claim cases to the State Government, resulting in delayed release of funds by the Government. We noticed inadequate efforts in getting receivables from FCI & NAN, recovery at lower rates from millers in respect of gunny bags left over with them and blocking of funds with FCI and DGS&D. Delayed submission of claims for incidental charges to GoI incurred in excess of that admissible resulted in delay in finalisation of final cost sheet.

2.3.11 Recommendations

- *MARKFED should make efforts to minimise its interest burden by finalising its annual accounts timely and ensuring submission of loss claim cases at the earliest.*
- *Receivables due from FCI/NAN should be pursued effectively so as to reduce interest liability.*
- *A suitable mechanism should be instituted to ensure correctness of claims submitted to Government.*

2.4 Acquisition and Allotment of Land

2.4.1 Introduction

As per provisions contained in Article 300A of the Constitution of India, no person shall be deprived of his property save by the authority of law. The State Government may acquire private land under the Land Acquisition Act, 1894 (LA Act) for public purposes such as infrastructure development, irrigation/power and other projects. As per Madhya Pradesh Industries (Allotment of Shed, Plot and Land) Rules, 1974 (CG Industry Rules, 1974) (as adopted by the Government of Chhattisgarh) after receiving the application for requirement of land from firms/industries and after verification, a proposal for acquisition of private land or transfer of Government land is to be forwarded to the Collector. After acquisition, the land is to be transferred to the Department of Commerce and Industries which is further handed over to Chhattisgarh State Industrial Development Corporation (CSIDC). Thereafter, CSIDC issues a Letter of Intent (LOI) for allotment of land to the industry and after receiving the charges¹ from the industry, land is allotted for 99 years on lease basis.

2.4.2 Organisational structure

The Revenue and Disaster Management Department (RDM) is headed by the Principal Secretary at the Government level, who has been vested with the powers to issue notifications under various provisions of the LA Act for acquisition and allotment of the land. He is assisted by the Commissioner, Land Records and four² Divisional Commissioners. At the district level, the District Collector, assisted by Land Acquisition Officers (LAO) and *Tehsildars*, is responsible to administer land acquisition cases.

2.4.3 Scope of audit

We conducted the audit between May 2011 and March 2012, covering the period from 2007-08 to 2011-12. The records of the Revenue and Disaster Management Department, Managing Director (MD), CSIDC and Commissioner, Commerce and Industries at State level and Collectors, two³ Special LAOs, 10⁴ LAOs and General Manager (GM), District Trade and Industries Centre (DTIC) were test checked in five⁵ districts.

1 Premium, lease rent and service charges

2 Bastar, Bilaspur, Raipur and Surguja

3 Arang-Abhanpur and Tata Project

4 Bhatapara, Gharghoda, Hasdeo Project, Jagdalpur, Janjgir-Champa, Khairagarh, Kondagaon, Raigarh, Raipur and Rajnandgaon

5 Bastar, Janjgir-Champa, Raigarh, Raipur and Rajnandgaon

2.4.4 Audit Findings

2.4.4.1 Planning

The total land holding in the State (as on November 2000) is 137.90 lakh Ha⁶. However, the category-wise details of the land (agricultural, industrial, commercial, residential etc.) available at the time of formation of the State (November 2000) and thereafter was not maintained. In order to ensure the proper development of the State in all sectors such as social and economic sector etc., creation of a centralised database of private land acquired, compensation paid and land allotted/leased etc. is essential for proper planning.

During discussion (March 2013), the Secretary, RDM accepted the fact and stated that the State Government is in the process of developing a centralised database.

2.4.4.2 Acquisition and allotment of land

Whenever the Government feels that land in any locality is needed for public purpose, a notification under Section 4 (i) of the LA Act, 1894 to that effect shall be published by the Land Acquisition Officer (LAO)/Collector in the Official Gazette for survey. Thereafter, a declaration shall be made under Section 6 for publication of notification to the effect that the land is needed for public purpose. The Collector shall then cause a public notice to be given to persons interested stating that claims for compensation against acquisition of such land may be made to him under Section 9. The Collector shall proceed to enquire into objections (if any) under Section 11 pursuant to the notice given under Section 9 and shall make an appropriate award under his hand, within two years from the date of declaration under Section 6 (i).

As per the Government instructions (August 1977), for setting up Government projects, Government land should be allotted without any premium or on payment of a nominal amount of ₹ 25 and private land should be allotted only after acquisition of land and deposit of due amount of compensation and service charge by the concerned firm/industries/Department as per the LA Act and CG Industry Rules, 1974.

The State Government acquired 12778.737 Ha⁷ (Government land-3409.669 Ha and private land-9369.068 Ha) of land during 2007-08 to 2010-11 for different purposes as per the information furnished by 16 districts⁸ (out of 18 districts). In the five test checked districts, 8241.814 Ha of land comprising 2371.162 Ha of Government land and 5870.652 Ha of private land was acquired/allotted as detailed below:

⁶ Information as furnished by the Department- Forest land-63.49 lakh Ha, Agriculture land-55.61 lakh Ha, Barren/Waste land-10.20 lakh Ha and other land-8.60 lakh Ha

⁷ This includes the details of land acquired during the year 2007-08 to 2010-11. Though the information for the year 2011-12 has been called for, the same was not furnished to audit.

⁸ Bastar, Dantewada, Dhamtari, Durg, Janjgir-Champa, Jashpur, Kanker, Kawardha, Korba, Koria, Mahasamund, Narayanpur, Raigarh, Raipur, Rajnandgaon and Surguja

Table 1 District wise details of acquisition and allotment of land

(Area in Ha)					
Sl. No.	Name of District	Private land	Government land	Total land	Allotted land
1	Raipur	842.316	667.499	1509.815	1509.815
2	Janjgir-Champa	1897.708	1079.048	2976.756	2976.756
3	Raigarh	NA	230.857	230.857	230.857
4	Bastar	2150.650 ⁹	276.15	2426.80	489.160 ¹⁰
5	Rajnandgaon	979.978	117.608	1097.586	1097.586
	Total	5870.652	2371.162	8241.814	6304.174

(Source: Information furnished by the districts)

It may be seen from the above table that the entire acquired land (both private and Government) was allotted in the test checked districts except in Bastar, where only 489.160 Ha (20 per cent) land was allotted against 2426.80 Ha acquired land. Non-allotment of land in Bastar was mainly due to non-demarcation of the land by the District Collector for allotment to M/s Tata Iron and Steel Company Limited as discussed in paragraph no. 2.4.4.6.

2.4.4.3 Acquisition of “Shamilat Charagah” land for M/s Lanco Solar Private Limited

As per the proposal of MD, CSIDC (July 2007) for setting up of Integrated Infrastructure Development Centre at Village Mahroomkala in Rajnandgaon district, Directorate of Commerce and Industries sent a letter (July 2007) to the Collector, Rajnandgaon for transfer of 70.695 Ha Government land. Accordingly the process for transfer of Government land was initiated by the Collector (December 2009).

During audit of LAO, Khairagarh, we observed that out of 70.695 Ha Government land, 54.924 Ha land was treated as private land stating that the land was “*Shamilat Charagah*¹¹” and without ensuring the actual land owners, the process of acquisition for allotment of land to M/s Lanco Solar Private Limited for setting up of Photo Voltaic Manufacturing Plant and Coal Based Power Plant was initiated (March 2010). Award for compensation of ₹ 8.14 crore was passed in favour of a single land owner and others by the Collector (July 2010) and against this, an amount of ₹ 8.84 crore was deposited by M/s Lanco Solar Private Limited (August 2010). However, LAO, Khairagarh did not take initiative to pay the compensation even after lapse of more than two years to the land owners as of March 2013.

When we pointed this out, the Collector, Rajnandgaon accepted the facts and stated (January 2013) that a letter had been forwarded (November 2012) to the Government for taking necessary action on the issue with regard to opposition and boycott by the villagers in respect of acquisition of *Shamilat Charagah* land.

During discussion (March 2013), the Secretary, RDM accepted the facts and stated that the project is on hold and no compensation has been paid. It was

⁹ Private land includes 1764.61 Ha of private land acquired for Tata Steel Plant

¹⁰ 1937.64 Ha of land was not allotted to Tata Iron and Steel Company Limited.

¹¹ The land donated by the villagers for public use

further stated that necessary instructions will be issued to the Collector to declare it as Government land.

2.4.4.4 Short recovery of ₹ 48.83 crore due to allotment of Government land to industries at lower rate

The State Gazette Notification (March 2010) notified the minimum¹² rates of compensation for private land acquired for industrial purpose. The order was however, silent about allotment of Government land. Government land was being allotted at the rates of the area concerned prescribed in the guidelines issued by the Sub-Registrar for sale and purchase of land of the concerned district. However, as per the Department of Commerce and Industries circular (March 2012), the minimum rates of premium for Government lands allotted for industrial purpose should be as per paragraph 4.15 (a) of Rehabilitation Policy 2007 (₹ 6 lakh per acre). As per the instructions issued by the Department of Commerce and Industries (August 2009), the amount (premium and lease rent) received from the investor against allotment of Government land should be deposited in Government account through challan.

During audit of the records of MD, CSIDC, we observed that in 15 cases, Government land measuring 648.561 Ha was allotted for industrial purposes during March 2010 to December 2010 by CSIDC at rates less than the revised rate of barren land (₹ 6 lakh per acre). Thus, against the chargeable amount of ₹ 98.52 crore¹³, only ₹ 49.27 crore was levied which had resulted in short levy of ₹ 49.25 crore (*Appendix 2.4.1*).

When we pointed this out (December 2011), revised demand letters were issued by CSIDC between May and June 2012 to the industries in seven¹⁴ out of 15 cases after re-calculation of premium amount. Of these, M/s Lafarge India Private limited, Raipur had deposited the differential amount of ₹ 42.33 lakh¹⁵ (August 2012). However, revised demand letters in respect of the other eight industries were not issued as of March 2013. We also observed that in the revised demand letter issued to M/s KSK Mahanadi Limited, against the recoverable amount of ₹ 16.12 crore, revised demand for ₹ 7.26 crore only was issued, which was yet to be recovered (March 2013).

When we pointed this out (February 2013), MD, CSIDC accepted the facts and stated (March 2013) that revised demand letters were being issued to other industries. As regard short demand of ₹ 7.26 crore, no specific reply was furnished.

During discussion (March 2013), the Secretary, RDM stated that the audit observation pertains to CSIDC and a letter has been issued to Industry Department for submission of reply.

¹² ₹ 6 lakh per acre for Barren land, ₹ 8 lakh per acre for un-irrigated single crop land and ₹ 10 lakh per acre for irrigated dual crop land

¹³ Premium at the rate of ₹ 6 lakh per acre for 648.561 Ha of land allotted *plus* Lease rent at the rate of 2.5 *per cent* of premium.

¹⁴ 1) M/s Bajrang Power and Ispat Limited, 2) M/s Dhiru Power Generation Private Limited, Korba, 3) M/s Godawari Energy Limited, 4) M/s Jindal Steel and Power Limited Raigarh, 5) M/s KSK Mahanadi Power Company Limited, 6) M/s Lafarge India Private Limited, Raipur and 7) M/s Sona Power Private Limited, Janjgir

¹⁵ Premium-₹ 41.33 lakh and Lease rent-₹ 1.01 lakh

2.4.4.5 Irregular allotment of Government land

As per conditions of award (September 2008) passed by the Collector, Janjgir-Champa for allotment of Government land to M/s Wardha Power Company Limited, the acquired land should be allotted to the Company only after ensuring re-construction of all the structures and Government assets available or existing in the acquired area at its own cost.

We observed that though the award of 207.985 Ha Government land was allotted to M/s Wardha Power Company Limited, Hyderabad¹⁶. However, MD, CSIDC handed over (December 2008) the land to the Company without ensuring the re-construction of the structures and Government assets¹⁷ existing at the time of allotment of land. We further observed that the allotted land also included Rogda Dam involving 21.794 Ha of land.

When we pointed this out (May 2011), the Collector, Janjgir-Champa stated (May 2011) that the land was handed over to GM, DTIC Janjgir-Champa stipulating the requisite conditions. GM, DTIC stated (May 2011) that it was the responsibility of CSIDC to ensure that the conditions of allotment of land were fulfilled before allotment of the land. MD, CSIDC also stated (January 2012) that the records have been sent to the Committee constituted by the State Legislature for investigation but did not explain the reasons for non-observance of the conditions of award.

During discussion (March 2013) the Secretary, RDM stated that the audit observation pertains to CSIDC and a letter has been issued to Industry Department for submission of reply. It was also stated that DTIC should ensure the reconstruction of Government assets, before allotting the land to industry.

The fact remains that the handing over of the Government land to the Company without ensuring reconstruction of the structures and Government assets existing at the time of allotment of land was irregular.

2.4.4.6 Non-establishment of Tata Steel Plant due to non-allotment of land

For setting up Tata Steel Plant at Lohandiguda (Bastar), Memorandum of Understanding (MOU) was executed between Government of Chhattisgarh and Tata Iron and Steel Company Limited in June 2005. As per instruction of MD, CSIDC (March 2006), site verification was carried out by the District committee (April 2006) and an area of 2160.58 Ha (Government-178.99 Ha, Forest-120.31 Ha and Private-1861.28 Ha) land was earmarked for allotment. The Rehabilitation Policy of the State Government was approved in March 2006. The process of acquisition of land was initiated in July 2006 and award of ₹ 69.43 crore for 1764.61 Ha of private land was passed in October 2007 (1105.45 Ha), November 2007 (308.73 Ha) and February 2008 (350.43 Ha) respectively. The acquired land along with 170.31 Ha of Government land was handed over to DTIC (February and December 2008) which was further handed over to CSIDC (December 2008).

¹⁶ For setting up 1750 MW Thermal Power Plant at Tehsil-Akaltara

¹⁷ Canal, Tank, Road and Dam area

We observed that though compensation amounting to ₹ 72.89 crore¹⁸ (including service charge of ₹ 3.47 crore) was deposited by Tata Iron and Steel Company Limited between October 2007 and November 2008, an amount of ₹ 42.07 crore only (60 *per cent*) was disbursed to the land owners till the date of audit (February 2013). During joint physical verification of the site by Audit team members and officials of the Department (July 2011) it was found that farmers were growing crops on these lands and the land was not allotted to the Tata Iron and Steel Company Limited due to non demarcation of the land.

Photographs of the joint physical verification by Audit team members and officials of the Department at Village-Bandaji and Takraguda



When we pointed this out, MD, CSIDC stated (November 2011) that due to non-demarcation of the land by the Collector, Bastar, the acquired land could not be handed over to Tata Iron and Steel Company Limited. While accepting the fact, the Collector, Bastar stated (February 2013) that the land was handed over to the Commerce and Industry Department but as it was located in a highly sensitive area, physical possession of the land could not be made and concrete efforts are being made to expedite the process of handing over the land.

During discussion (March 2013), the Secretary, RDM stated that the audit observation pertains to CSIDC and a letter has been issued to Industry Department for submission of reply.

The fact remains that the land could not be handed over for intended use to Tata Iron and Steel Company Limited even after lapse of five years and remittance of ₹ 72.89 crore.

2.4.5 Non-utilisation of land

As per Rule 14 of CG Industries Rules, 1974, commercial production should be commenced within three years from the date of possession which can be extended for a further period of six months. We observed that there were instances where land was not utilised for the intended purpose as discussed in the succeeding paragraphs:

¹⁸ In October 2007- ₹ 21.01 crore, November 2007- ₹ 14.49 crore, December 2007- ₹ 10 crore, January 2008- ₹ 10 crore, November 2008- ₹ 15.74 crore and January 2009- ₹ 1.65 crore

2.4.5.1 Non-utilisation of land allotted to National Mineral Development Corporation for the intended purpose

As per the proposal (April 2000) of National Mineral Development Corporation (NMDC) for setting up an Iron and Steel plant based on Russian technique (Romelt) to utilise mining wastes of NMDC's Iron Ore Project Bailadila (District Bastar) which were harmful for environment, 403.82 Ha land (Private-289.81 Ha and Government-114.01 Ha) was allotted and handed over by the Collector and GM, DTIC Bastar (September and October 2001) respectively.

During audit of records of LAO, Jagdalpur, we observed that the said plant was not established even after lapse of 10 years and hence the land could not be put to use for the intended purpose. The fact was also got confirmed during joint physical verification of the site by Audit team members and officials of the Department (July 2011) that only an office building and boundary walls were constructed and levelling of land was under process.

Photographs of joint physical verification of the site by Audit team members and officials of the Department at Nagarnar (Bastar)



When we pointed this out (December 2011), the Collector, Bastar stated (February 2013) that the construction of the plant was in progress and the target of production is from the year 2015.

During discussion (March 2013), the Secretary, RDM stated that a letter has been issued to the Industry Department for submission of reply.

Thus, non-establishment of the plant even after lapse of 10 years defeated the purpose of the land acquisition and allotment of the land. Besides, the objective of utilising the mining waste could also not be achieved.

2.4.5.2 Non utilisation of land allotted to M/s Visa Steel Limited for the intended purpose

In order to set up an Integrated Steel and Captive Power Plant at Patrapali and Kotmar Village (District Raigarh), M/s Visa Steel Limited, Kolkata (Company) applied through DTIC, Raigarh for acquisition of 65.611 Ha of private land in April 2003. Accordingly, compensation amounting to ₹ 1.76 crore was provided to Collector, Raigarh by DTIC in September 2005 and after completion of land acquisition, the award for an area of 61.415 Ha

private land and compensation of ₹ 1.66 crore was passed in favour of the Company in October 2005, of which an area of 59.071 Ha¹⁹ land was handed over to CSIDC through DTIC in January 2006. Thereafter, the same was handed over to the Company in July 2006. MOU was executed between Government of Chhattisgarh and the Company in August 2008 with the condition that the Company had to commence the implementation of the project not later than two years from the date of signing of the MOU failing which the MOU would be deemed to have expired.

We observed that though the acquired land (59.071 Ha) was handed over to the Company in July 2006, the plant could not be established till July 2011. The fact was also got confirmed during joint physical verification of the site by Audit team members and officials of the Department (July 2011). Despite this, neither the allotment of land was cancelled nor was any action initiated against the Company.

Photographs of joint physical verification of the site by Audit team members and officials of the Department at Village Patarapali and Kotmar



When we pointed this out (July 2011), LAO, Raigarh accepted the facts and stated (February 2013) that a proposal for taking action against the Company through Chief GM, DTIC Raigarh had been sent to the Collector.

During discussion (March 2013), the Secretary, RDM stated that the matter pertains to CSIDC and a letter has been issued to Industry Department for submission of reply.

2.4.6 Assessment and payment of compensation

Section 23 of the LA Act, 1894 (as amended in 1984) provides that while determining the amount of compensation to be paid for land acquired under the Act, market value of land on the date of publication of the notification under Section 4 (1) including valuation of standing crops, trees, permanent structure and other components available on the land is to be considered. The State Government *inter alia* clarified (March 1965) that after collecting the sales instances²⁰ and annual sale rate issued by the office of Sub-Registrar of the district concerned, the higher one should be taken into account in determining the market value. As per Section 23-1A, in every case, in addition to market value of the land an award amount calculated at the rate of

¹⁹ After excluding 2.344 Ha land

²⁰ Average sales value of the last three years of the concerned area

12 *per cent* per annum on such market value shall be paid for the period commencing on and from the date of publication of notification under Section 4(1), in respect of such land to the date of the award order or the date of taking over possession of land, whichever is earlier. Further, under Section 23 (2) of the LA Act, a sum of 30 *per cent* of the market value of such land was to be paid as *Solatium*²¹.

2.4.6.1 Short levy of compensation due to erroneous calculation and fixation of market value of land of ₹4.01 crore

During audit of the records of LAO, Janjgir-Champa, we noticed that in two cases, assessment of market value was done ignoring the higher rate as prescribed in the guidelines of the Sub-Registrar and also additional compensation was calculated for 12 months instead of 13 months. This resulted in short levy of compensation amounting to ₹ 4.01 crore (*Appendix 2.4.2*).

When we pointed this out, Collector, Janjgir-Champa stated (March 2013) that the award was passed as per the Rehabilitation Policy, 2007 and the compensation was determined as per the guidelines of Sub-Registrar.

During discussion (March 2013), the Secretary, RDM accepted the fact and stated that the cases pointed out in audit will be examined and reply will be furnished.

2.4.6.2 Non/delayed payment of compensation amounting to ₹59.65 crore

As per Section 12(2) of the LA Act, the Collector should give immediate notice of award to the persons interested who are not personally or by their representatives present when the award is made. Sections 31(1) and (2) provide that on making an award under Section 11 of the LA Act, the Collector should tender payment of the compensation awarded by him to the entitled persons or deposit the compensation in the Court to which a reference under Section 18 would be submitted.

- We, however, noticed that in 89 cases in the five test checked districts, compensation of ₹ 302.08 crore for acquisition of private land measuring 2863.536 Ha was awarded between November 2007 and August 2011. Though the compensation amount was deposited with the LAOs, the compensation amounting to ₹ 56.12 crore (19 *per cent*) to 1376 land owners was not disbursed in 86 cases even after lapse of one to nine years. In the remaining three cases, though the land owners approached the Court, LAOs Jagdalpur and Raigarh had not deposited the compensation amounting to ₹ 2.14 crore in the Court, in gross violation of Section 31(1) and (2) of the LA Act (*Appendix 2.4.3*).
- In 13 cases of LAO, Raigarh, award of compensation amounting to ₹ 12.58 crore for 183.25 Ha of private land was passed between May 2008 and October 2009, out of which ₹ 1.39 crore was distributed to the land owners with delays ranging between three to 20 months after receipt of compensation amount from Water Resources Department (January 2010).

²¹ *Solatium* is an additional compensation/consolation required to be paid at the rate of 30 *per cent* on the compensation amount fixed

When we pointed this out, LAO, Raipur accepted the fact and stated (February 2013) that due to lack of interest shown by the land owners for receiving the compensation and non submission of succession certificates compensation was not paid. However, LAO, Arang-Abhanpur stated (February 2013) that compensation was not distributed due to non receipt of clarification from the Government and absence of the land owners, whereas LAO, Janjgir-Champa stated (March 2013) that due to demand of employment before accepting the compensation amount and personal dispute, compensation could not be paid. LAO, Raigarh stated (March 2013) that compensation could not be paid due to court cases pending in the Hon'ble High Court, absence of the land owners and personal dispute.

During discussion (March 2013), the Secretary, RDM stated that non/delayed payment of compensation occurred mainly due to absence of land owners, personal disputes and cases pending in courts.

The Department may pursue for early finalisation of the cases regarding payment of compensation to land owners so as to avoid any further financial liability.

2.4.7 Non-adherence to the provisions of LA Act

2.4.7.1 Completion of work without payment of compensation

As per Section 17 of the LA Act, in case of urgency, whenever the Government so directs, the Collector can, after 15 days of publication of notice under Section 9(1), take possession of land required for public purpose. The LA Act provides that 80 *per cent* of compensation shall be paid in advance to the interested land owners before taking over such possession.

We observed that in two cases, LAO, Kondagaon (Bastar) gave advance possession of 0.728 Ha²² of private land to Executive Engineer, Public Works Department (Bridge Division), Jagdalpur for construction of a bridge in January 2006 without ensuring deposit of 80 *per cent* compensation amount. The notifications under Section 4(1) and 6(1) were published in July 2010 and January 2011 respectively and the award was not passed as of June 2011. During joint physical verification of the site by Audit team members and officials of the Department (June 2011), it was found that the construction of the bridge had already been completed and the bridge was also inaugurated (May 2011).

²²

Mohlai-0.041 Ha and Pansangi-0.687 Ha

Photographs of joint physical verification of the site by Audit team members and officials of the Department at Mohlai



When we pointed this out (June 2011), LAO, Kondagaon accepted (June 2011) the facts and stated that due to misplacement of file, the process was initiated after completion of the work. In the second case, it was stated that the notification under Section 4(1) was in process (July 2011).

During discussion (March 2013), the Secretary, RDM accepted the fact and stated that due to public demand, the work was executed prior to payment of compensation and further stated that the process of acquisition is in progress.

The fact remains that even though the advance possession of the land was given and the construction works were completed, compensation was not paid to the land owners even after lapse of seven years. The Government may take necessary steps for payment of the compensation amount to the land owners early to avoid any additional financial liability.

2.4.7.2 Parking of funds amounting to ₹522.08 crore out of Government account and diversion of ₹21.50 lakh

As per instructions of the State Government (January 1998), the entire cost of land acquisition should be deposited in Government account²³ as the interest earned in bank account was very less whereas Government has to take loans at higher rates for creation of resources. During audit we observed that:-

- The compensation amount of ₹ 200.58 crore²⁴ received on account of land acquisition was retained in savings bank account instead of depositing in Personal Deposit (PD) account by five LAOs²⁵ as of March 2012. Moreover, service charges of ₹ 10.15 crore²⁶ received against acquisition of land and interest amounting to ₹ 20.60 crore²⁷ earned on savings bank account was also not deposited in Government account so far (February 2013).

²³ Compensation amount in Personal Deposit account (Treasury) and all other receipt in Government account (0029-Land revenue-800-other receipts)

²⁴ LAO-Arang-Abhanpur-₹ 61.01 crore, Khairagarh-₹ 9.75 crore, Raipur-₹ 90.64 crore, Rajnandgaon-₹ 7.73 crore and Tata Project-₹ 31.45 crore

²⁵ Arang-Abhanpur, Khairagarh, Raipur, Rajnandgaon and Tata Project

²⁶ LAO Raipur-₹ 9.47 crore and Arang-Abhanpur-₹ 0.68 crore

²⁷ LAO-Arang-Abhanpur-₹ 0.92 crore, Khairagarh-₹ 0.87 crore, Raipur-₹ 13.43 crore, Rajnandgaon-₹ 1.50 crore and Tata Project-₹ 3.88 crore

- MD, CSIDC had received ₹ 314.48 crore²⁸ towards various charges from industries against allotment of land for industrial purposes up to March 2012 and did not deposit the same in Government account as of February 2013.
- The premium amount of ₹ 7.02 crore received (July 2009) from the Executive Engineer, Chhattisgarh State Power Generation Company Limited (CSPGCL), Janjgir-Champa against allotment of Government land for Madwa-Tendubhata Thermal Power Project. The Collector, Janjgir-Champa deposited (December 2009) the amount in current account instead of PD account and after lapse of six months, the amount was deposited (July 2010) in PD account.
- As per the order of the Collector, Raipur (October 2011) for payment of the Digitisation and Computerisation of records work, LAO, Arang-Abhanpur paid (October 2011) ₹ 21.50 lakh, out of interest earned from land acquisition receipts in violation of Government instruction.

When we pointed this out, Collector, Janjgir-Champa stated (March 2013) that departmental enquiry had been instituted in this regard.

During discussion (March 2013), the Secretary, RDM accepted the facts and stated that instructions have already been issued for depositing the money in Government PD account and this will be reiterated again.

2.4.7.3 Unauthorised retention of ₹54.72 crore in Fixed Deposit

During audit of the records of LAO, Rajnandgaon, we observed that an amount of ₹ 28.90 crore received from DTIC for acquisition of 275.12 Ha private land for establishment of new Integrated Industrial Area at Joratarai (Rajnandgaon) was deposited in Fixed Deposit (FD) in Punjab National Bank. The notification under Section 4(1) was published in November 2006 and due to opposition raised by villagers for establishment of new Integrated Industrial Area at Joratarai, the acquisition process was cancelled (August 2008). Thereafter, MD, CSIDC requested (January 2009) to return the amount deposited for acquisition. Accordingly, after closing of the said FD (February 2009), ₹ 28.90 crore was returned to CSIDC (February 2009). Similarly, for construction of Bypass road, an amount of ₹ 25.82 crore²⁹ received from PWD for acquisition of land was also deposited in FD (April and November 2009), of which some were closed after maturity and six FDs of ₹ 5.11 crore were still in operation. Moreover, interest of ₹ 1.76 crore earned on FD was not deposited in Government account as of February 2013.

After this was pointed out in audit (February 2013), the Collector, Rajnandgaon stated (February 2013) that the process for opening of Treasury PD account is in progress and thereafter the amount of FD would be deposited in PD account. The reply is not acceptable as a similar reply was furnished in January 2012 but the PD account was not opened till February 2013.

During discussion (March 2013), the Secretary, RDM stated that instructions

²⁸ Premium amount-₹ 272.92 crore, Lease rent-₹ 41.38 crore and interest earned on Premium-₹ 0.18 crore

²⁹ In March 2009-₹ 4 crore and in November 2009-₹ 21.82 crore

will be issued for depositing the money in Government PD account.

2.4.7.4 Non-deduction of Income Tax at source of ₹42.46 lakh

Section 194 LA of the Income Tax Act 1961, provides that any person responsible for paying to a resident any sum, being in the nature of compensation or the enhanced compensation for acquisition of any immovable property (other than agricultural land), shall, at the time of payment, deduct an amount equal to 10 *per cent* of such amount as income tax thereon where the amount of compensation exceeds ₹ 1 lakh.

We observed that in three LAOs³⁰, income tax of ₹42.46 lakh was not deducted from 18 land owners who were paid compensation of more than ₹ 1 lakh in each case for other than agriculture land as detailed below:

Table 2: Details of cases in which TDS was not deducted from the compensation payment

(₹ in lakh)

Sl. No.	Name of LAO	No. of cases	Amount of compensation	TDS @10 per cent
1	Janjgir-Champa	04	263.88	26.39
2	Raipur	13	92.45	9.25
3	Raigarh	01	70.88	6.82
Total		18	427.21	42.46

(Source: Data compiled by the audit)

When we pointed this out, LAO, Janjgir-Champa stated (March 2013) that the acquired land was agricultural land. Hence, TDS was not deducted. The reply is not acceptable as the records furnished by the LAO, Janjgir-Champa indicated that the land was barren. Hence, income tax was deductible. LAO, Raipur stated (March 2013) that TDS was being deducted from December 2007 onwards whereas LAO, Raigarh stated (March 2013) that a reply would be furnished after scrutiny of the case.

During discussion (March 2013), the Secretary, RDM accepted the fact and stated that TDS would be deducted.

2.4.8 Rehabilitation and Resettlement

The State Government had framed the Rehabilitation Policy 2005 (as amended 2007) for displaced land owners. As per the Policy, implementation of the rehabilitation plan should be done simultaneously with the land acquisition process. The responsibility of monitoring of the Policy was entrusted to the State and District Level Committees. Emphasis was to be given on opening of training centres for job training security of those persons who had lost their land and employment was to be provided to a person from each family within two years from the date of taking possession of land by the firm/company, failing which un-employment allowance was to be paid equivalent to the rates prescribed in *Mahatma Gandhi National Rural Employment Guarantee Act* as per their qualification/eligibility.

During audit of the records of LAO, Janjgir-Champa, Raigarh and Bastar we

³⁰ Janjgir-Champa, Raigarh and Raipur

observed that an area measuring 1796.015 Ha of private land of 3298 land owners was acquired between September 2001 and August 2010 for setting up of industries. As per information furnished by the concerned LAOs, employment was provided to 1146 families, 39 families were benefitted in other manner and the remaining 2113 families were yet to be provided employment till March 2013 as detailed below:

Table 3: Statement showing the details of families rehabilitated

Sl. No.	Name of Plant and capacity	District	Area acquired in Ha	Date of allotment	Total Rehabilitated families	Employment provided	Benefitted in other manner	Not benefitted
1	KSK Mahanadi 3600 MW	Janjgir-Champa	625.554	Dec-2008	705	429	39	237
2	Athena power Limited.,1200 MW	Janjgir-Champa	307.87	NA	448	311	0	137
3	Madwa Tendu Bhata, 1000MW	Janjgir-Champa	195.97	NA	668	126	0	542
4	NMDC	Bastar	288.81	Sep-01	303	280	0	23
5	NMDC	Bastar	318.74	Aug-10	1052	0	0	1052
6	Visa Steel Limited	Raigarh	59.071	Jul-06	122	0	0	122
	Total		1796.015		3298	1146	39	2113

(Source: Information furnished by the department)

While accepting the fact, the Collectors, Bastar and Janjgir-Champa stated (February and March 2013) that the process of providing employment and rehabilitation was in progress whereas, LAO Raigarh accepted the fact and stated (February 2013) that a proposal has been sent to the Collector for taking action against M/s Visa Steel Limited.

During discussion (March 2013), the Secretary, RDM stated that Government is reviewing the Rehabilitation Policy and the revised policy will be implemented soon.

2.4.9 Conclusion

The implementation of the Land Acquisition Act and proceedings thereunder suffered from flaws and lapses. In the absence of a centralised database at Government level, the status of land acquired and allotted could not be monitored. Entrepreneurs were benefitted in allotment of Government land at lower rates and the use of allotted land for the intended purpose was not being ensured. Appropriate procedure for assessment of compensation was not adhered to. Timely payment of compensation to the land owners was not ensured. Further, the affected families have not been rehabilitated as per the Rehabilitation policy. Besides, cases of keeping funds out of Government account and non deduction of income tax on compensation paid were also noticed.

2.4.10 Recommendations

The Government may consider the following steps to improve the system of land acquisition and allotment:

- A centralised database of land, both allotted as well as leased out, should be maintained;
- A State Level Monitoring Committee should be constituted for ensuring utilisation of the allotted/leased land for the intended purpose;
- Extant instructions regarding timely and proper accountal and remittance of receipts should be enforced;
- Timely realisation and payment of compensation to the land owners should be ensured; and
- The affected land owners should be rehabilitated in accordance with the Rehabilitation policy.