

# Chapter 2

## Performance Audits

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## Chapter 2

### Performance Audits

This chapter contains the findings of Performance Audits on Allotment of Government land by General Administration (GA) Department in Bhubaneswar city for various purposes (2.1), implementation of Indira Awas Yojana (IAY) (2.2), Mo Kudia (2.3) and Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) (2.4).

#### 2.1 Allotment of Government land by General Administration (GA) Department in Bhubaneswar city for various purposes

##### *Executive summary*

*Odisha Government Rules of Business empower the General Administration (GA) Department to control, administer, manage and protect Government land within the geographical limits of capital city of Bhubaneswar i.e. Bhubaneswar Municipal Corporation (BMC) area. Although the GA department was entrusted with the management of this land since 1952, yet no rules, regulations, manuals for allotment of land have been framed by the Department for the last 60 years.*

*Performance Audit of “Allotment of government land by GA Department in Bhubaneswar City for various purposes” was conducted and it was observed that, though, the Department is the custodian of Government land in BMC area, it had no comprehensive data on total land available, allotted, and encroached upon.*

*The Department allotted 464.479 acre land in 337 cases during 2000-12 to individuals, government offices, government undertakings as well as private bodies for establishment of hotels, hospitals, educational institutions and non government organisations (NGOs). Of this 183.449 acre (39 per cent) land were allotted to other than Government institutions/ organisations.*

*On test check of 164 (49 per cent) out of total 337 cases allotted, it was noticed that the process of allotment of land lacked a defined policy and procedure. Absence of any rule or criteria to govern the allotment process gave room for arbitrariness in allotment. There was no uniformity in disposal of applications, sanction of concession on premium to be paid, changes in land use plan and resumption of encroached land.*

*Out of 164 cases test checked, 63 cases pertained to other than Government parties. In 16 of these 63 cases, applications for land were disposed off within a year, but in the remaining 47 cases, delays ranged from one year to 24 years. Proclamation inviting public objections as stipulated in Odisha Government Land Settlement Rules was not published in any of the test checked cases. Site Selection Committee (SSC), a body specifically constituted to examine the eligibility of allotment, was bypassed in 19 out of 164 test checked cases while allotting 112.157 acre of land. Recommendation of the*

*respective Administrative Departments was not obtained in 15 cases for allotment of 39.272 acre of land.*

*Premium payable on allotment of land was last revised in 1998. In 2009, bench mark rates with reference to market rates were decided. This resulted in extension of undue benefit to allottees during 1998-2009. Despite continuous rise of land price in the capital city, non revision of premium and non consideration of the prevailing market value of the land of the respective areas resulted in a loss of ₹ 251.92 crore to Government for the period 1998-2009.*

*Despite stipulation in the Acts and Rules to put the public land (for other than public purpose) into auction, the Department did not apply auction method in case of allotment of 154.473 acre though the prevailing market rate was 4.78 times more than the bench mark value, thereby foregoing the opportunity of earning substantial revenue.*

*It was also noticed that there was loss to Government due to charging of conversion fees at reduced rates in three cases (₹ 0.41 crore), non realisation of outstanding premium in eight cases (₹ 9.66 crore) and interest (₹ 21.51 crore) there on and non charging of consent fees in one case (₹ 0.51 crore).*

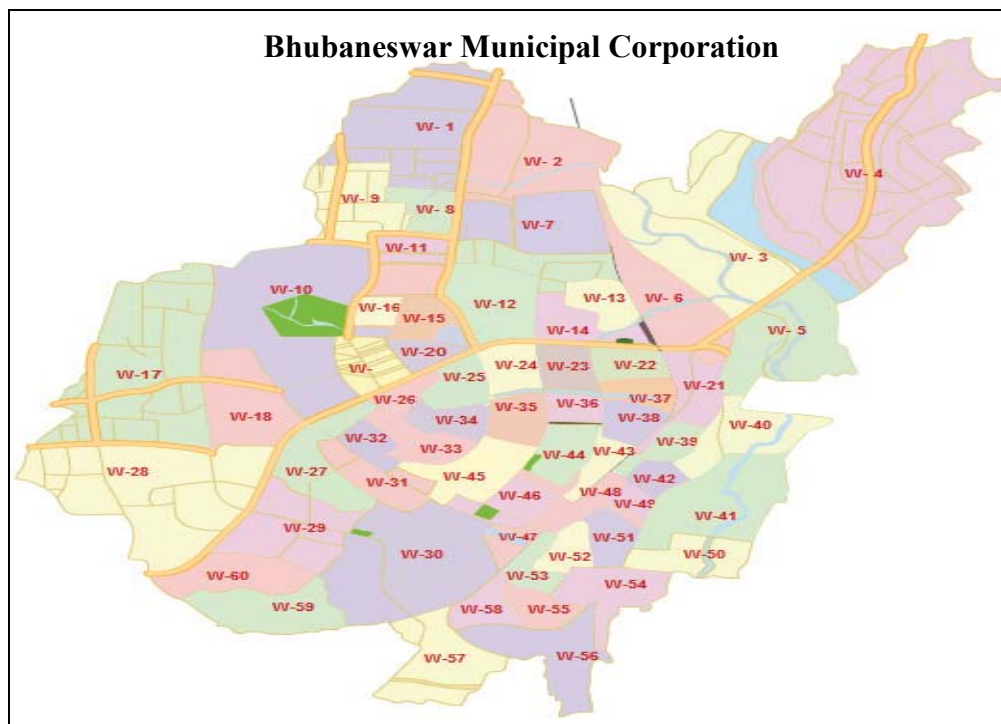
*6.051 acre encroached land valuing ₹ 18.89 crore, was regularised in 11 cases resulting in a loss of ₹ 14.15 crore to Government due to allotment at less than market rate. In addition, although 11.187 acre land valued at ₹ 84.21 crore was under the occupation of encroachers as of March 2012, no effective steps for eviction have been taken by the Department. Monitoring and inspection mechanism in the Department was non-existent due to acute shortage of personnel. Although lessees were not utilising allotted land for years together, the leases had been determined i.e. terminated only in a few cases*

### **2.1.1 Introduction**

The General Administration (GA) is a nodal Department for higher Civil Services i.e All India Services and Odisha administrative service and deals with the personnel management in the Government. It also performs Estate functions like Government land management in Bhubaneswar and administration of Government residential and non-residential estates and buildings located at Bhubaneswar and Cuttack and other Capital administration issue. For performance of these functions, the duties and rights have been described in Odisha Government Rules of Business. One of the duties assigned to the GA Department as per Rules of Business is management, control, protection and allotment of Government land within the urban limits of Capital City of Bhubaneswar.

In 1952, the capital, which was a Notified Area Council (NAC), had nine villages and the Government lands in such villages were transferred to the erstwhile Cabinet Department and Political Services Department which subsequently functioned as the GA Department. With the passage of time, other revenue villages were included within Bhubaneswar urban area. The Bhubaneswar Municipal Corporation currently consists of 60 revenue villages

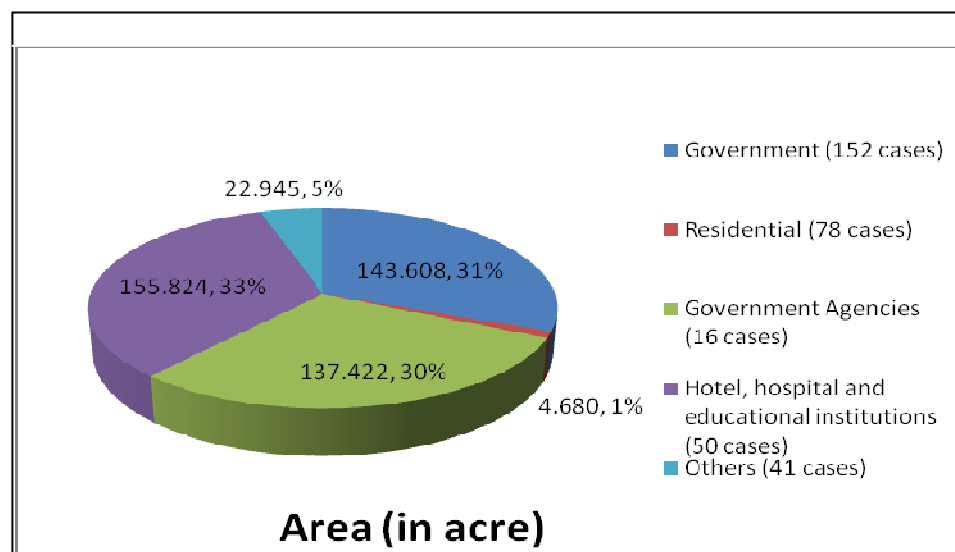
covering an area of 135 sq km (33359.226 acre) and at present, Government land measuring 15525 acre under Bhubaneswar Municipal Corporation is managed by the GA Department. The management of land by the GA Department includes allotment of land to individuals, institutions, organisations, Government departments for residential, industrial, commercial and other developmental purposes.



During 2000-12, the GA Department allotted 464.479 acre land in 337 cases. The sector wise area allotted is indicated in the chart below.

**Chart 1**

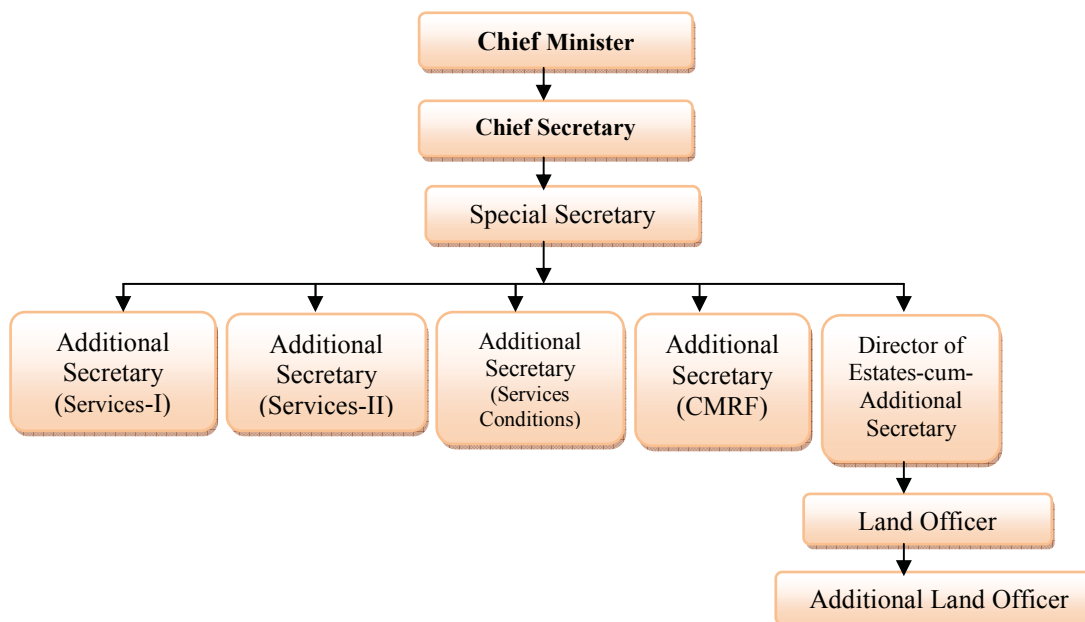
**Chart showing sector wise allotment of Government land by GA Department during 2000-2012**



### **2.1.2 Organisational Structure**

The General Administration Department is headed by the Chief Secretary who is assisted by a Special Secretary, a Director of Estates and ex-officio Additional Secretary, Land Officer/ Additional Land Officer (three) and other supporting staff. The Organisational Chart of the Department is given below

**Chart-2**  
**Organisational chart of GA Department**



The powers and duties of the officers associated with allotment of land are detailed in **Appendix 2.1.1**.

### **2.1.3 Process of land allotment**

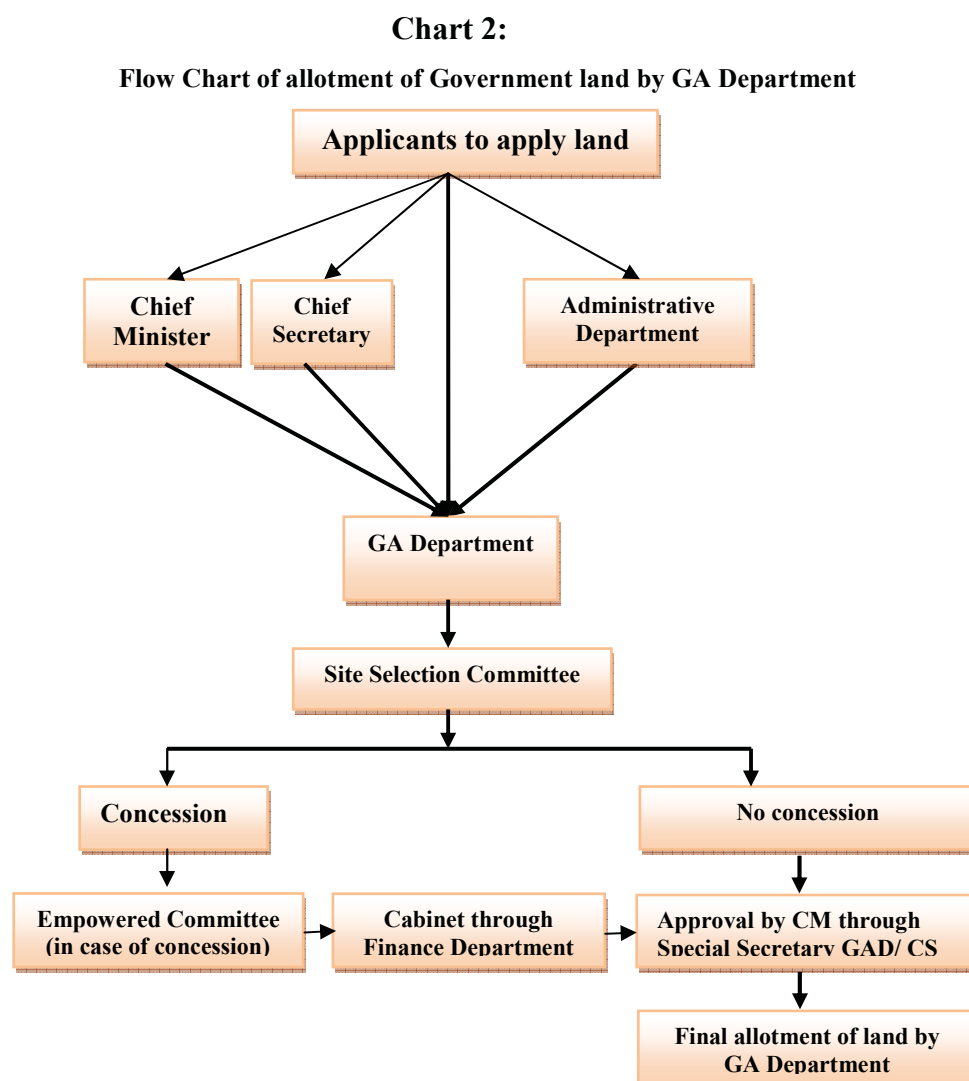
No rules, regulations and manuals were prescribed by the Government defining the criteria and procedure for allotment of Government land under the Bhubaneswar Municipality Corporation (BMC) area by the Department. In absence of prescribed procedure in disposal of application for allotment of land, the receipt of application were regulated through a procedure in GA Department directly or through concerned Administrative Departments, Chief Secretary(CS) and sometimes through the Chief Minister(CM). However, the Director of Estates stated (October 2012) that after applications are received, the Revenue Inspector (RI) has to visit the sites and identify the locations in view of the requirement of the applicants followed by a visit by the Director of Estates. The applications are then forwarded to the Site Selection Committee (SSC)<sup>1</sup> for recommendations. In case of allotment of land at concessional

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<sup>1</sup> The SSC earlier formed with the Director of Estates (Chairman), Chief Architect of the Government, Planning Member BDA and the Director, Town Planning (members). The Committee has been reconstituted w.e.f. December 2011 comprising Chief Secretary (Chairman), the Special Secretary, GA Department (Member Convener) and the Secretaries of Finance Department, Law Department,

rates, the applications, after recommended by the SSC, are also scrutinised by the Empowered Committee<sup>2</sup>, constituted in November 2000 and subsequently by the State Cabinet. Finally, all the applications being routed through Special Secretary, Chief Secretary are approved by the Chief Minister. The GA Department, after necessary approval allots the land only on lease basis for a period of 90 years through execution of a lease deed with the instruction to utilise the land for the specific purpose, within a specified period failing which the lease was to be determined (cancelled) and land resumed by the GA Department.

A flow Chart indicating the process of allotment of Government land is given below



Revenue and Disaster Management Department, and Housing and Urban Development Department (members)

<sup>2</sup> Empowered Committee constituted in November 2000 with five members including Development Commissioner, Commissioner-cum Secretary, School & Mass Education Department, Commissioner-cum Secretary, Culture Department, Special Secretary, GA department and Deputy Secretary, Finance Department

#### **2.1.4 Why we conducted this Audit**

The GA Department, as per the Odisha Government Rules of Business, is the Administrative Department responsible for management and allotment of land on lease basis in the capital city of Bhubaneswar. The Department has been allotting Government land for different purposes. Large number of buildings like hospitals, hotels and educational institutions etc. have been coming up in the capital city on Government land and the price of land as per the revenue records of District Sub Registrar (DSR) is continuously increasing, reaching ₹ 11 crore per acre (Jayadev Vihar) in 2012. The State Government has not adopted any Land Policy for prioritisation and utilisation of land in the capital city. Since land is a scarce and valuable resource, absence of a defined policy indicated a risk area meriting audit. There were also repeated media reports on allotment of land without any stated criteria in Bhubaneswar to various institutions and individuals as well as land not being used for intended purpose. Performance Audit on this issue was, therefore, taken up to assess whether policies and procedures in allotment of land in Bhubaneswar were in place and working effectively in ensuring optimum utilisation of land and protecting the revenue interests of the State.

#### **2.1.5 Audit objectives**

The Performance Audit was conducted with a view to assess whether:

- any long term strategic plan/ land use plan for the allotment of Government land was in place and if so, whether implemented in an effective manner;
- any policy and procedure was in place to ensure uniform, transparent and equitable allotment of land after properly assessing the need of the applicants and was followed consistently;
- land pricing policy was in place, operational and was followed to ensure optimum realisation of revenue;
- effective mechanism existed to detect all cases of encroachment of government land and when detected, such land was immediately vacated and resumed; and
- monitoring mechanism was in place and was effective to ensure that the land allotted was utilised for the intended purpose and to resume such land in case of protracted period of non-use or misuse.

#### **2.1.6 Audit criteria**

Audit criteria were derived from following documents:

- Government Grants Act, 1895, Odisha Government Rules of Business, The Orissa Government Land Settlement (OGLS) Act, 1962 and The Orissa Government Land Settlement(OGLS) Rules, 1983;
- Benchmark valuation (applicable w.e.f December 2009) by Revenue Department, Sale Statistics in the Government offices (applicable prior to December 2009);

- Instructions and circulars issued by the State Government and judicial pronouncements;
- The Orissa Prevention of Land Encroachment Act 1972 and The Orissa Prevention of Land Encroachment Rules 1985, The Orissa Public Premises (Eviction of Unauthorised Occupants) Act 1972 and The Forest (Conservation) Act 1980.

### **2.1.7 Scope and Methodology of Audit**

Performance Audit was conducted during March to July 2012 covering the allotments of Government land made by the GA Department during 2000-2012. Audit selected 167<sup>3</sup> cases (50 *per cent*) out of 337 cases of allotment on the basis of Stratified Random Sampling Without Replacement method. Of the remaining 170 cases, 15 cases were selected as an additional sample on judgmental basis due to perceived high level of risk, thus, leading the selected sample to a total of 182 cases. The sample also included one case on Kalamandal project which has already been reported vide *paragraph 3.1.3.2* of Audit Report (Civil) for the year ended 31 March 2011.

Audit objectives, criteria, scope and methodology of audit were shared with the Special Secretary, GA Department in the presence of the other departmental officers in an Entry Conference held on 29 February 2012 and agreed to by the Department.

Audit examined the records of GA Department, minutes of the meetings of SSC; Empowered Committee and the records of the District Sub Registrar, Khurda and Sub Registrar, Khandagiri for collection of sales statistics under BMC area. Joint physical inspection of allotted land in 98 cases was also conducted in the presence of authorised representatives of the Department and photographs were taken as audit evidence, wherever considered necessary. Replies received from the Department on audit findings were suitably incorporated in the report.

Audit findings were discussed in an Exit Conference held on 16 January 2013 in the presence of the Chief Secretary and the views of the Government are appropriately incorporated in the report.

### **2.1.8 Limitations in Audit**

Out of 182 allotment (444.529 acre) cases requisitioned, only 164 case (424.200 acre) records were produced to Audit and the remaining 18 records (*Appendix 2.1.2*) were not produced despite repeated persuasion and reminders and assurance by the Government. In the absence of these records, allotment of 20.329 acre of land valued at ₹ 23.29 crore<sup>4</sup> could not be scrutinised. Audit findings in respect of 164 (49 *per cent*) cases of allotment are discussed in succeeding paragraphs.

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<sup>3</sup> 103 cases (100 *per cent*) for allotment of land above one acre, 14 cases (50 *per cent*) in between 0.500 acre to one acre and balance 50 cases (25 *per cent*)

<sup>4</sup> As per the market value at the time of allotment of land of Bhubaneswar



### **2.1.9 Audit findings**

#### **2.1.10 Policy and procedures governing allotment of land**

During 2000-12, GA Department allotted 464.479 acre land. Despite such a huge volume of land being allotted during the period, there was no policy or procedure framed by the Government for allotment of Government land in Bhubaneswar. It was observed in Audit that apart from GA Department, various other Government authorities in Bhubaneswar; such as Bhubaneswar Development Authority (BDA) and Odisha Industrial Infrastructure Development Corporation (IDCO); were also allotting land for similar purposes *i.e.* educational institutions, hotels and hospitals. However, there was no clear demarcation regarding jurisdiction for allotment by these authorities.

On being enquired about the criteria for allotment of land, the Special Secretary, GA Department stated (September 2012) that the allotment of Government land in BMC area was governed by the Government Grants Act, 1895 (GG Act). It was also stated that some land was allotted for establishment of hotels which was recognised as industry generating substantial employment and for setting up hospitals for providing quality health services in the city.

It was, however, observed that GG Act only clarifies the authority of the State Government to allot land. It does not prescribe any objective criteria or guidelines for guiding the exercise of powers under the Act. Further, no rules have been framed under the Act by the State Government. Section 3 of the Act gives discretion to the State Government to allot/ cancel leases. It is this discretion that the State Government in the GA Department has been exercising to allot Government land.

In the absence of any stated policy or rules, Audit considered the Orissa Government Land Settlement Act, 1962 (OGLS Act) as one of the criteria to evaluate the performance of the GA Department in discharging its role in allotment of land. Further, audit also found several references to the OGLS Act in the GA Department files as well as in the Rules of Business (RoB) of the Government of Odisha framed for the administration of Government land by GA Department.

The GA Department stated (January 2013) that only the GG Act was applicable to the process of allotment of land and that the OGLS Act was not applicable. This stand was reiterated during the Exit Conference.

In the absence of any rules framed under the GG Act and lack of stated criteria to guide the discretion of the State, the process of allotment of land was prone to arbitrariness and lack of transparency. Since the OGLS Act and rules framed there under clearly spell out the procedure for settlement of Government land, Audit relied on the OGLS Act as one of the criteria for this Audit.

However, the replies of the GA Department and the views of the Government were considered and suitably incorporated in the report.

### **2.1.10.1 Functioning of Committees for land allotment policy**

The Government in Parliamentary Affairs Department constituted (September 2008) a Cabinet Sub-Committee for formulation of land allotment policy. The said Committee was further reconstituted (December 2009) under the Chairmanship of the Minister, Revenue & Disaster Management with the Special Secretary, GA Department as the Convener and other three<sup>5</sup> ministers as members/ special invitee of the committee. The mandate of the Committee was to formulate Government land allotment policy for Bhubaneswar, give proposals for sale of surplus Government land in Bhubaneswar, review the matter of unauthorised constructions and suggest appropriate measures for providing affordable housing to different categories of persons within the BMC area. During audit, it was observed that neither the previous Committee nor the subsequent one had given any proposal on the assigned matters. Proceedings of the Committees were also not available. Due to lack of initiative, no land allotment policy has been framed till date so as to regulate use of valuable land. Further, the GA Department has also not formulated any specific land use plan like Strategic Plan, Annual Plan, Development Plan etc. since 1952, when the land were transferred to GA Department (erstwhile Cabinet Department).

The GA Department replied (February 2013) that the Department had prepared a Land Allotment Policy which was placed (January 2013) before the Cabinet Sub Committee. However, during the period of audit coverage from 2000-12, the Department functioned without any policy in place.

### **2.1.10.2 Absence of comprehensive database on Government land**

For effective management of Government land, with rapidly increasing market value in BMC area, it was important to have a complete, accurate, reliable and updated database in respect of actual availability of Government land and its status to the extent of land alienated/ leased out or encroached upon. It was noticed that, though, the GA department maintained a web page based Land Management Information System, it did not reveal vital information as stated above. Basic data such as allotment of land through alienation/lease indicating serial number of application, date of application, name and address of the lessee, area leased, purpose, terms and conditions of allotment, amount of premium charged and paid and land use status etc., as necessary under OGLS Rules 1983 (Rule 5) were not available in the GA Department.

The Department stated (January 2013) that 15525 acre of Government land under BMC area were available and that a database on availability of land, allotment of land, cases of encroachment of Government land etc., was available in the Department and steps were being regularly taken to update the existing database as and when necessary. However, the Department failed to show the database to Audit.

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<sup>5</sup> Minister of Industries, Steel and Mines, Parliamentary Affairs, Minister of Law and Rural Development, and Minister of Housing and Urban Development as the special invitee

### **2.1.10.3 Non-categorisation of land for different users**

In order to have proper town planning, Rule 3 of OGLS Rules 1983 stipulates that the Government land in urban areas shall be arranged in such divided plots that straightness of the streets, safeguarding against overcrowding and suitable provision for drainage can be ensured. Further, the plots in urban areas were to be divided into five categories like; (i) land reserved for poor people, (ii) land reserved for middle class people, (iii) land required for future requirement of Government and other public purposes, (iv) land to be settled by public auction, and (v) land to be reserved for setting up small and medium scale industries. As the Department did not categorise the Government land available at different locations under Bhubaneswar Municipal Corporation (BMC), no land was reserved for the urban poor, thereby, depriving them of the opportunity to settle in the capital city though their presence was essential for the general interest of the public and business, trade and profession or any other legitimate reasons directly connected with their livelihood. In absence of earmarked area for urban poor, the possibilities of encroachment of Government land and development of slum in Capital City cannot be ruled out. The BMC, in collaboration with United States Agencies for International Development (USAID) under Fire (D) project, identified (August 2009) 377 slums developed under BMC area with a population of 3.09 lakh. In this background there was no option but for significant population living in slums to co-existed with urban poor in the city.

Further, it was observed in 63 (154.473 acre) out of 164 (424.200 acre) test checked cases where the allotments was made on *suo-motu* application by various private organisations for hotels (9), hospitals (14), educational institutions (14), individuals (12 ) and others (14)<sup>6</sup>, did not belong to the categories (i), (ii), (iii) and (v) mentioned above.

The Department replied (January 2013) that categorisation of Government land for different purposes was not done since there was no provision in the GG Act.

As mentioned earlier, the GG Act only clarifies the authority of the State Government to allot land. No rules have been framed under this Act. The reply of the Government that it was under no obligation to earmark Government land for different land use categories under the said Act is, thus, not tenable.

### **2.1.10.4 Multiplicity of agencies in land allotment process**

The Government has not framed any policy and procedure for allotment of Government land in Bhubaneswar. As a result, multiple bodies like Bhubaneswar Development Authority (BDA) and Odisha Industrial Infrastructure Development Corporation (IDCO) and GA Department itself were allotting land for similar purposes.

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<sup>6</sup> POSCO, Nayapalli community Care Association, Punjabi Arya Sanatan Biladri, Gurukula, Society of Nature Education and Health, Apeejay group IAS officers Wives Association, Bhubaneswar club, Vivekananda Rock Memorial, CYSD (NGO), Sriram Krishna Ashram, LIC HFL Care Home Limited, Neelachal Ispat Nigam, OMSA,

Audit scrutiny revealed that though the GA Department was leasing land to IDCO for industrial purposes and to BDA for residential purposes, they were in turn allotting land to educational institutions, hotels and hospitals, which was done directly by the GA Department as well. Details of land allotment by these bodies to hotels, hospitals and educational institutions are given below:

**Table 1: Statement of land allotted in Bhubaneswar by different authorities during 2000-12**  
{Figure in acre (Number of cases)}

Name of the Allottee	Educational Institutions	Hotels	Hospitals
GA Department	40.120(22)	22.448 (11)	93.901(17)
IDCO	175.377 (64)	19.068 (53)	12.139 (04)
BDA	Nil	Nil	19.700 (01)
<b>Total</b>	<b>215.497(86)</b>	<b>41.516 (64)</b>	<b>125.740(22)</b>

*Source: Information compiled by Audit*

As may be seen from the above, all these authorities have been allotting land for similar purposes in Bhubaneswar. In the absence of any demarcation of responsibilities in allotment of land to different sectors, applicants applied to each of these authorities in order to acquire valuable land in the State capital for similar activities or projects. There was no coordination and unified approach among the above three authorities in allotting land which were under their possession and the lands were allotted at the discretion of the authorities concerned, without any stated principles or criteria.

The GA Department replied (January 2013) that it was allotting land to different agencies including BDA and IDCO as per (GG) Act, 1895 and these organisations allotted the land available with them under different Acts.

The reply confirms the audit contention that there were multiple authorities in respect of allotment of land in Bhubaneswar for similar purposes.

### **2.1.11 Allotment of Government land**

As per procedure followed for allotment of land on lease basis by the GA Department, applications, after being processed are placed before the SSC for examination and recommendation. In case of concession of premium, the matter is referred to the Empowered Committee for recommendation. Finally, the allotment case is approved by the Chief Minister. The process of allotment has been described in *Paragraph 2.1.3* in detail.

Issues relating to the process of allotment of land by Government are discussed below:

#### **2.1.11.1 Time taken for disposal of applications**

Rule 5 of OGLS Rules 1983 stipulated the form and manner in which an application for settlement of Government land was to be made which *inter alia* mentioned that an application received was to be entered into a register chronologically, cause a verification to be made in respect of each such application with reference to the existing record of rights, maps and then ascertain the eligibility to get the land for the purpose for which applied.

Audit observed that the department was not maintaining any register documenting the list of applications received, considered for allotment and actually allotted or rejected. No particular principle was being followed in disposing the applications for allotment of land. Audit further observed that the time line for process of allotment was not uniform, transparent and lacked any policy and procedure. Out of 164 cases test checked, it was observed that the lands were allotted in 63 cases to individuals and private institutions of which 16 cases were disposed of within a year while 47 cases were disposed within a period from one to even 24 years as shown in table below:

**Table 2: Statement showing the period of disposal of allotment cases**

Category	Less than one year	1 to 5 Years	5 to 10 years	Above 10 years	Total
Hospitals	5	8	0	1	14
Educational institutions	3	8	2	1	14
Hotels	3	6	0		9
Individuals	0	6	1	5	12
Others	5	7	0	2	14
<b>Total</b>	<b>16</b>	<b>35</b>	<b>3</b>	<b>9</b>	<b>63</b>

*Source: Compiled by Audit from records of GA Department*

Audit noticed that out of 16 cases where land was allotted within a year, the GA Department allotted land in four cases within three months, though no public purpose was served. Similarly out of 47 delayed cases of more than one year, two schools were not given allotment even after seven years and in one case, allotment was delayed for a period of 24 years after receipt of their application. The time taken for allotment in these cases is tabulated below:

**Table 3: Statement showing time taken in allotment of land in seven cases**

SI No	Name of allottee	Date of application	Date of allotment	Time taken	Area allotted (in acre)
1	Root Corporation Limited	18.10.2004	04.12.2004	47 days	1.708
2	South Pac Hotel Private Limited	03.11.1998	28-12-1998	56 days	1.010
3	May Fair Hotel & Resort	17.12 .1999	26.02.2000	71 days	3.237
4	Sri Narasingha Mishra	13.12.1999	07.03.2000	85 days	0.041
5	Ekamra Saraswati Sishu Mandir, Kapila Prasad	11. 11.2000	09.05.2008	7 years 6 months	1.005
6	Blossom School, Bharatpur	30.08.2000	28.05.2008	7 years 9 months	1.000
7	Lt. Col P C Jena	01.03.1986	26.04.2010	24 years	0.055

*Source: Compiled by Audit from records of GA Department*

Further, in respect of Roots Corporation Limited, a subsidiary of Indian Hotels Company Limited applied (18 October 2004) for allotment of land in Samantapuri to develop a hotel. The SSC recommended (23 November 2004) allotment of 1.708 acre land, which was approved by the Government (December 2004) without ascertaining the prevailing land price in that area and the allotment was made in favour of Roots Corporation Ltd. The entire process from receipt of application to allotment was finalised within 47 days. The hotel is run purely on commercial basis and charging lease premium at ₹ 75 lakh per acre against the prevalent market value of the land of ₹ 2.25 crore per acre was not judicious.

In contrast Ekamra Saraswati Sishu Mandir at Kapila Prasad applied (November 2000) and Blossom School at Bharatpur applied (August 2000) for allotment of land for school, were allotted 1.005 acre and 1.000 acre respectively in May 2008 i.e. after a span of more than seven years.

The Department while confirming the facts stated (February 2013) that since the nature of cases varied widely, the time taken for disposal of cases was not uniform. The Department cited some of the reasons for delay in allotment as unwillingness of the allottee to accept the site selected, need for eviction in case of encroachment at selected site and applicants' oral request to delay the process of allotment in view of their financial position. The Department also stated that delays in cases that are more than ten years old cannot be explained without an enquiry to ascertain unrecorded facts and circumstances applicable to those cases. Further, it also consider oral requests from applicants to delay allotments.

The reply is not tenable as the site is identified by the Site Selection Committee considering larger public interest and it cannot be a prerogative of the applicant. Lack of an effective enforcement mechanism for eviction cannot be a cause for delays in allotment. Also, the encroached land should not have been selected in the first place. Not only is the possession of the land unauthorised, it also denies the use of land in the public interest.

#### 2.1.11.2 Allotment of land violating earmarked land use zone

Section 3 of OGLS Act 1962, empowered the Government to reserve land for residential, commercial, industrial or other purpose. But, the GA Department did not earmark any area in the capital city for these purposes for the land under its possession. However, Comprehensive Development Plan (CDP) prepared by BDA was to be referred by the GA Department before allotment to ascertain the land use zone prescribed by BDA. Out of 164 cases of allotment test checked, it was observed that in seven cases (four cases for hotel purposes, one case each for Guest house, housing project and individual allotment), 21.430 acre of land were allotted in deviation of the land use zone (six cases) and category of the land (one case). Details are given in the following table.

**Table 4: Statement showing details of change in land use zone**

Sl No	Name of allottee	Area allotted (in acre)	Purpose for which land allotted	Name of the zone as per CDP
1	Laxmi Franklin Hospitality Private Limited.	1.000	Hotel	Open Space use zone
2	Cabana Hotel Management Private Limited..	7.541	Hotel-cum-hospitality and Business Management Institute	Horticulture use zone
3	ITC Sonar Bangla Sheraton Hotels and Towers	5.124	Hotel	Horticulture use zone
4	Hotel Ambassador International/South Pac	1.010	Hotel	Residential
5	POSCO India Private Limited..	1.700	CMD residence-cum-Guest house	Commercial use zone
6	LIC HFL Care Homes Limited.	5.000	Housing project	Commercial use zone
7	Sarthak Behuria and Brothers	0.055	Residential	Road kissam
	<b>Total</b>	<b>21.430</b>		

*Source: Compiled by Audit from records of GA Department*

Some of the cases where land use zone was not adhered are discussed below:

- Land measuring 1.000 acre for setting up a budget hotel was allotted (December 2006) to Laxmi Franklin Hospitality Private Limited without ascertaining the zone admissibility from BDA. Later when GA Department approached BDA, it intimated (May 2007) that the said area was earmarked for open space use zone in the CDP, thus, the construction of hotel was not permissible. However, joint inspection revealed (June 2012) that the construction on the allotted land was at the final stage. It was also observed that



Laxmi Franklin hotel allotted land in violation of land use zone

the Government, while extending this undue benefit, also sustained a loss of ₹ 1.29 crore in allotment of the land, as the market rate was not considered for allotment of such land.

The Department replied (January 2013) that the said site which was earlier earmarked for open space was changed to institutional use zone in the new CDP where hotel use was permissible. The reply is not tenable as at the time of allotment (2006), the land use zone was open space and the new CDP was introduced from 2010 only.

- The Department allotted land measuring 5.124 acre to ITC Sonar Bangla Sheraton Hotels and Towers, Kolkata without ascertaining land use zone. Subsequently, when BDA was moved for allocating drawing number of the allotted plot to ascertain the land use zone, BDA declined (March 2009) to do so and stated that said site was earmarked for horticulture use with restriction in construction up to 10 metres height. The Department thus, not only disregarded the zonal regulations in allotment of land but also charged premium at a lower rate of ₹ 35 lakh per acre against the market value of ₹ 1.50 crore per acre resulting in a loss of ₹ 5.90 crore to the Government. The land is still vacant (June 2012).

The Department stated (January 2013) that it was allotted on the recommendations of the SSC in which the Planning Member of the BDA was also a member. The reply is not correct since the Department

only solicited the views of the Planning Member, BDA who was also a member of the Site Selection Committee. Deviation from zoning regulation on the basis of the individual views of Planning Member, BDA cannot be the basis for carrying out changes in land use plan *per se*, as it creates scope for arbitrariness.

- Upon an application for allotment of 2.000 acre land around Unit-8, Hotel Ambassador International was allotted 1.010 acre land as per recommendation of Government by changing land use zone from 'Residential' to 'Commercial'. The entire process of allotment was completed within 56 days and the applicant was allowed to pay premium at institutional rate (₹ 50 lakh per acre) against applicable commercial rate (₹ 75 lakh per acre), that too in eight installments as per its request. After one installment, the allottee requested to change the lease in favour of 'Hotel South Pac Private Limited', a company promoted by his family members for which approval was accorded and premium (₹6.32 lakh) already paid, was adjusted against the total premium of ₹50.50 lakh.



Photograph showing unused land allotted to 'Hotel South Pac Pvt. Ltd'

The lessee was required to complete construction by July 2003, it failed to do so. Due to non construction within the stipulated time, the allotment was required to be cancelled. The Government only issued a show-cause notice (February 2006) and took no other action. The Government instructed (May 2007) the lessee to complete construction within a year. However, despite this, the lessee received further extensions up to September 2012.

Besides, the company was extended undue benefit of ₹ 25 lakh by charging lease premium at ₹ 50 lakh per acre against the prevalent market value of the land of ₹ 75 lakh per acre.

The land continued to remain unused except construction of boundary wall and one small hut (October 2012). The State Government cancelled the lease (November 2012) and forfeited the premium and interest.

### 2.1.11.3 Allotment of additional land in phases

The Department had not prescribed any procedure to identify the adequacy of land requirement of the allottees. In the absence of a prescribed scale, the quantum of land allotted was without any basis or criteria. Audit scrutiny of 164 test checked cases revealed that in seven cases, lessees were allotted additional area of land without following any standard procedure. Allotment of 52.317 acre of land by the Department, as given in the table below, in a piece meal manner to the same applicants/ organisations indicated that the Department did not correctly assess the requirements of applicants.



**Table 5: Allotment of land in phases (Area in acre)**

Sl no	Name of the applicant	Allotment period	Area allotted
1	Mayfair Hotel and Resorts Private Limited.	March 1998	4.500
		May 1998	1.985
		February 1999	0.515
		February 2000	3.005
		February 2000	0.232
2	Asian Hospitals and Research Centre	February 2005	2.872
		November 2006	3.600
		March 2008	4.160
3	Medirad Tech India Limited (Hemalata Hopital and Research Centre)	November 1999	1.876
		February 2000	0.550
		December 2005	0.168
4	Bhubaneswar Eye Research Institute	February 2004	5.000
		August 2004	5.000
		October 2010	0.608
5	ODM Public School	October 2006	1.000
		July 2009	1.646
6	Siksha O Anusandhan	July 2008	6.000
		May 2009	4.600
7	Advance Medicare and Research Institute (AMRI), Aiginia	June 2007	4.500
		August 2007	0.500
<b>Total</b>			<b>52.317</b>

*(Source: Compiled from records of GA Department)*

Some of the cases where piecemeal allotment was made by the Department are discussed below:

- The GA Department allotted 10.237 acre of land in a prime location of the city (Jayadev Vihar) to Mayfair Hotels and Resorts Private Limited in five phases during March 1998 to February 2000 for construction of hotel buildings, quarters, mandap, sports complex etc. as indicated in table below:

**Table 6 Allotment of land to Mayfair hotel in phases**

Phases	Period of allotment	Plot Nos	Area in acre
1 <sup>st</sup> phase	March 1998	62 (Part), 63(P), 72(P) and 284(P)	4.500
2 <sup>nd</sup> phase	May 1998	62 (Part), 72(P) and 284(P)	1.985
3 <sup>rd</sup> phase	February 1999	62 (Part), 63(P)	0.515
4 <sup>th</sup> phase	February 2000	63(P), 64 (P)	3.005
5 <sup>th</sup> phase	February 2000	284(P)	0.232
<b>Total</b>			<b>10.237</b>

*Source: Information compiled from records of GA Department*

Scrutiny of records of the Department revealed that although the above hotel was already allotted 7.00 acre of land by February 1999, the lessee again applied (December 1999) for allotment of 3.005 acre land for sports complex and 0.232 acre for construction of staff quarters despite allotment of 0.515 acre earlier (February 1999) for the same purpose. The GA Department however, allotted the land requested (3.237 acre) in February 2000.

It was noticed that the entire allotment was made within two years, with the last phase of allotment (3.237 acre) carried out within three months. Further, the land was allotted without obtaining the land use plan and the recommendation of the Administrative Department as well as SSC. The lessee was allotted the entire 10.237 acre land out of

forest “Kisam” (Jungle-2) land without the concurrence of the Central Government in pursuance to the Forest Conservation Act, 1980. Further the hotel was allowed to pay lease premium in eight equal half yearly installments without the approval of the Finance Department though required. The lessee was also extended undue benefit of ₹ 19 lakh due to charging of lease premium at ₹1.62 crore against the prevalent market value of the land of ₹ 1.81 crore.

The Department stated (January 2013) that the allotment was made for establishment of hotel in a phased manner considering the entrepreneurial capacity of the allottee. It was also stated that the kisam of allotted land was detected as forest after allotment and realisation of one installment. Further, steps were being taken for diversion of this land to non forest kisam. The reply is not tenable since the department has not defined the ceiling to allot the land for different category of hotels.

- As against an application for allotment of 13.760 acre land by Asian Hospital and Research Centre, the Department allotted 10.632 acre in three phases as detailed below

**Table 7: Allotment of land to Asian Hospital & Research Centre in phases**

Phases	Period of allotment	Plot Number	Area (in acre)
1 <sup>st</sup> phase	February 2005	332/ 1803	2.872
2 <sup>nd</sup> phase	November 2006	332/ 1882	3.600
3 <sup>rd</sup> phase	March 2008	332/ 1950	4.160
<b>Total</b>			<b>10.632</b>

*Source: Compiled by audit from records of GA Department*

Although the promoter was to set up the hospital by February 2008, i.e. within 36 months of the receipt of allotment order, the land continued to remain vacant as noticed during joint physical inspection (July 2012) of the site.

It was further observed that, undue favour was extended in allotment of land as neither the hospital/ organisation was registered nor land use plan was framed. The lessee was also extended undue benefit of ₹ 32.83 crore due to charging of lease premium at ₹ 25 lakh per acre against the prevalent market value of the land ranging from ₹ 2.44 to ₹ 4.44 crore per acre.

The Department stated (January 2013) that the said land was under litigation and the allottee along with the Government is contesting in the Apex Court to free the land from litigation to start the hospital project. The reply is not convincing since the Department was allotting land in phases, though the Department was aware that the land was already under litigation and the allotted land in first phase was not put to use.

#### **2.1.11.4 Improper grant of concession**

The Department constituted (November 2000) an Empowered Committee (EC) to consider eligibility of applications received for allotment of land at concessional rate/ free of premium basis. The prescribed criteria for eligibility stipulated that

- the views of the concerned Department were to be obtained prior to the matter being placed before the Committee;
- the concession was to be to the extent of 25 *per cent* or 50 *per cent* of the premium rather than full waiver;
- the said concession should only be extended to institutions which would provide free service and there was no scope for making any kind of profit.

During scrutiny of 164 test checked cases, Audit noticed that undue favour was extended to three allottees ignoring the prescribed eligibility parameters in sanction of concession as mentioned below:

**Table 8: Statement showing concession allowed in allotment of Government land**  
(₹ in crore)

Sl No	Name of the allottee	Area allotted (in acre)	Rate of premium per acre	Premium to be charged	Percentage of concession allowed	Concession allowed
1	DAV Public School, Kalinga Nagar	2.000	0.25	0.50	50	0.25
2	Gurukul, Ghatikia	2.000	0.25	0.50	80	0.40
3	Bhubaneswar Eye Research Institute	10.000	0.25	2.50	80	2.00
<b>Total</b>		<b>14.000</b>		<b>3.50</b>		<b>2.65</b>

*Source: Compiled by Audit from records of GA Department*

These cases have been discussed below:

- DAV Public school, Kalinganagar, applied (August 2001) for allotment of 3.461 acre land in Kalinganagar for construction of school building. Accordingly, the land was allotted (August 2003) by the GA Department at a premium of ₹ 50 lakh upon the recommendation of the SSC.

On receipt of allotment order, the school applied (December 2003) for concession and the Empowered Committee, acceded to 50 *per cent* concession of premium without obtaining the views of the concerned Administrative Department. The Finance Minister objected (November 2004) to the concession as the school was functioning in a commercial manner. However, the Government approved (September 2005) the concession and a fresh allotment order was issued (October 2005) at concessional rate, resulting in undue benefit of ₹ 25 lakh to the lessee. It was also noticed that another school (School of Integral Education, Bhimpur) which applied for concession, was denied without any

reasons in spite of the recommendation of the EC stating that quality education would be available in the area.

The Department stated (February 2013) that DAV was a public trust and not a profit making organisation. The reply is not tenable since the institution was running in commercial manner as observed and objected to by the Finance Minister.

- Application was received for 2-3 acre land for establishment of Gurukul (a music school) in Bhubaneswar. Tourism Department also recommended allotment of the land on the basis of which, the GA Department proposed (February 2003) allotment of 1.000 acre land in Kalinga Nagar, Ghatikia on the submission of detailed project report and land use plan by the applicant. The applicant then made a representation to the Government that one acre of land with communication facilities within BMC area would be sufficient. However, the SSC recommended (December 2003) allotment of 2.000 acre land in the said area. This recommendation was in the absence of a detailed land use plan for the said school and 2.000 acre land was allotted for Gurukul.

The lessee was also charged lease premium at ₹ 50 lakh against the prevalent market value of the land of ₹ 84.44 lakh. It was also noticed that just one day after the allotment (25 February 2004), the Empowered Committee (EC)<sup>7</sup> recommended concession up to 50 *per cent* of the premium without any such recommendation from the Tourism Department, which was further enhanced (August 2004) to 80 *per cent* by the Cabinet.

Thus, the applicant was given undue benefit through allotment of excess land in absence of detailed land use plan, sanction of concession on lease premium and charging of premium lower than the market value of land.

- One individual<sup>8</sup> applied (October 2003) to GA department for allotment of 10.000 acre land for establishment of Bhubaneswar Eye Research Institute (BERI) on the outskirts of Bhubaneswar. Accordingly, the Department submitted that land adjacent to the All India Institute of Medical Sciences at Sijua, which was beyond BMC area, would be most suitable for establishment of BERI. However, the Government on receipt of the above, enquired whether any land was available within a specified location (Chandrasekharapur area) in the city. The SSC recommended (December 2003) allotment of 5.000 acre land at Patia and reserve another 5.000 acre for expansion of the Institute. After the recommendation of the SSC, 5.000 acre land was allotted within four months.

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<sup>7</sup> Committee members constituted/ Development Commissioner, Commissioner –cum Secretary, School & Mass Education Department, Commissioner-cum Secretary, Culture Department, Special Secretary GA department and Dy Secretary, Finance Department

<sup>8</sup> Dr Tara Prasad Das, Managing Director, LV Prasad Eye Hospital, Hyderabad

The GA Department charged a lease premium of ₹ 25 lakh per acre. However, the Empowered Committee recommended 50 *per cent* concession on the premium on the grounds that establishment of a super specialty eye care and research institute was in the interest of the people of Odisha. Later, the BERI requested for another 5.000 acre which was allotted (August 2004) at a concessional premium of 80 *per cent* by the Cabinet. Hence, 10.000 acre of land was allotted to the Institute.

Thus, the applicant was given undue benefit in the form of allotment of valuable land in prime location of the city, reservation of land for future use, and approval of 80 *per cent* concession on lease premium. Besides, the lessee was also extended undue benefit of ₹ 10.44 crore due to charging of lease premium at ₹ 50 lakh per acre against the prevalent market value of the land of ₹ 1.09 crore per acre.

The Department stated (February 2013) that all concessions have been given according to a Government Resolution (Number 15568) dated 09 November 2000, after careful consideration and within its competence as per Rules of Business.

The reply is not convincing since the concession was granted beyond the limit as well as conditions provided in the cited Resolution.

#### **2.1.11.5 Other miscellaneous issues**

- As per Section-4 (1) (b) (viii) of Manual 8 of Rules of Business, the SSC was constituted to examine the request for allotment of Government land for various purposes and recommend Government the eligible cases for consideration. But, it was observed that the Department arbitrarily allotted 112.157 acre land without approaching SSC in 19 cases.

The Department replied (February 2013) that the recommendation of the SSC was not binding on Government. The Committee was only a supporting mechanism and the Government may not accept the recommendation and may not require any recommendation as the same was not mandatory.

The reply is not tenable as the basis of reference to SSC cannot be arbitrary, even if reference to it is not mandatory. Besides, the role of SSC was also to recommend only eligible cases for consideration of allotment which was not ensured in these cases. Further, the reasons for referring applications to the SSC in some cases while not doing so in other cases have not been spelt out.

- The GA Department Resolution (November 2000) provided that the views of the concerned Administrative Department should be obtained before allotment of land to various organisations/ institutions. Audit scrutiny, however, revealed that 39.272 acre of land was allotted in 15

cases without obtaining the views of the concerned Administrative Departments.

The Department stated (February 2013) that where norms prescribed by Administrative Departments are available, separate reference to the Department is not necessary. The reply is not tenable since no reference was made regarding the standard norm prescribed by the administrative department, if any, while allotting the land.

- As per Rule 5 of OGLS Rules, 1983, before settlement of any lease, a proclamation is to be published widely to invite objections for settlement of land if any, from the public within 30 days. It was also held by the Government (October 2002) that it was necessary to publish an intimation in the local vernacular dailies for public knowledge and to invite objections and to process the case after the proclamation period of 30 days was over.

It was however, observed in all the test checked (164) cases that such proclamations were not published, thereby depriving the general public of the opportunity to air their objections and views on settlement of the land by the Government in favour of the applicants.

Audit also observed that since the Department allotted the land without publishing the proclamation, in four cases petitions were filed after allotment of land.

- The Government had not made any definite policy for discretionary allotment of Government land in respect of sports persons. In absence of the above, exact categories of sportspersons, their achievements and quantum of land to be allotted was not spelt out. Instead, benefits were extended at the discretion of the Government on a case to case basis, which was prone to arbitrariness. During scrutiny it was observed that out of eight sports persons allotted with government land, six were allotted (2009 and 2011) with 0.055 acre of land each while two<sup>9</sup> were allotted (2009) with 0.110 acre each. In absence of any policy or criteria, the allotment of land was arbitrary and discriminatory.

### **2.1.12 Pricing policy, fees and fines**

The GA Department was allotting land on lease basis on payment of lease premium to individuals, institutions and organisations for residential, industrial, commercial and other purposes and free of cost to other State Government Departments for setting up public utilities. Allotment of land by GA department was characterised by various irregularities as discussed in previous chapter. Further the allotment also featured charging premium at low rates without safeguarding the financial and socio-economic interest of the State as discussed in succeeding paragraphs.

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<sup>9</sup> Shradhanjali Samantray and Anuradha Biswal

**2.1.12.1 Non application of market value of land in allotment process**

Section-3(b) of OGLS Act, 1962 read with Land Acquisition Act 1894 stipulated that the premium on leased land was required to be charged based on the market value of the land and some other guiding factors such as locational advantage, area of the plots etc. Further, as per Rule 8 of OGLS Rules 1983, the fixation of premium was to be based on the market value in the vicinity and revised every three years with the approval of the Revenue Divisional Commissioner.

Audit scrutiny revealed that although the premium was to be revised every three years, the GA Department had not revised the rate of lease premium of Government land under BMC area for a period of 11 years i.e. from May 1998 to December 2009. Despite approval being accorded to the proposal for revision of premium by the Government in October 2002, the GA Department neither revised the rate of premium nor applied the highest sale value (as an indicator of market value) of the land as recorded by the District Sub-Registrar, Khurdha/ Sub Registrar, Khandagiri at Bhubaneswar while allotting Government land. Even though the Government (Revenue & Disaster Management Department) introduced a bench mark value (a floor price, not the market value) in 2008, the GA department applied this bench mark value for payment of lease premium only from December 2009 onwards. Thus during 2000-2009, the department charged premium from the allottees at a far lower than the market value prevailing at the time of allotment, thereby resulting in loss of ₹ 251.92 crore in allotment of 172.186 acre land in 70 cases as detailed in *Appendix 2.1.3*. This loss is exclusive of loss on account of allotment of undeveloped land (110.712 acre) to BDA and IDCO during the period at premium fixed in May 1998 for which comparable price are not available.

The Department stated that that the proposal for revision of premium was referred to the State Cabinet in 2004 which was deferred in their meeting on 28 September 2005 and that the GA Department was charging the benchmark value fixed by the Government since May 1998 to December 2009.

The reply is not tenable as the GA Department did not take any proactive steps to revise the premium for 11 years, despite the fact that the value of land in the capital city was continuously increasing during the period. As a result, there was a significant difference between the premium charged and the market value of land, which only served to increase scope for arbitrariness in the allotment process of valuable land resource.

**2.1.12.2 Non categorisation of land to be auctioned**

As per Rule 3(3) of OGLS Rules 1983, land in urban areas should be categorised into five<sup>10</sup> categories, which included one category of land to be settled by public auction.

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<sup>10</sup> Land reserved for (1) poor class people, (2) middle class people having no house sites, (3) future requirements of Government and other public purposes, (4) land to be settled by public auction and (5) for establishment of small and medium scale industries

Further, every action / decision of the State to confer benefits, such as allotment of land, must be founded on a sound, transparent, discernable and well defined policy, which should be made known to the public by publication in the official gazette and other recognised modes of publicity.

Scrutiny of records relating to 164 test checked cases revealed that the GA Department did not categorise the land under its possession. During 2000-12, 154.473 acre land was allotted to private persons for various commercial activities, thus, the same should have been put to auction which was not done.

It was observed during audit that the GA Department allotted (April 2001) land admeasuring 25.500 acre (Chandrasekharapur 13.000 acre, Gadakana 7.500 acre and Damana 5.000 acre) to BDA for residential and commercial purposes. BDA later on decided to develop the said land by way of PPP (Public Private Partnership) mode by inviting bids. The value of the land during 2011 as per bench mark value (considered for allotment of Government land) worked out to ₹ 90.80 crore<sup>11</sup>. BDA invited bids for the development of above land and awarded the contract for a sum ₹ 433.80 crore. Thus, the market value of the land which was ₹ 433.80 crore, was worked out to ₹ 90.80 crore (as per the methodology by the Government) which indicated that the market valuation is 4.78 times more than the bench mark valuation done by the Department. It was observed that during 2000-12, the Department allotted 154.473 acre land at ₹ 239.43 crore to private parties (*Appendix 2.1.4*) for which the Government did not follow any defined policy/ principle and the allotment was made arbitrarily without any auction as well as without intimating the public at large. Considering the prevailing market valuation being 4.78 times more than the bench mark valuation, the department has foregone the opportunity to earn substantial revenue due to non auctioning of land.

It is pertinent to mention that in various judgments of Hon'ble Supreme Court (SC), it was held that there cannot be any policy of allotting land without an invitation or advertisement by the State. Further, entertaining applications made by individuals, organisations or institutions for allotment of land, the State cannot exclude other eligible persons from lodging competing claims. Once a piece of land is earmarked or identified for specific purposes, allotment must be done in a manner consistent with the doctrine of equality and an advertisement incorporating therein the conditions of eligibility should be issued so as to enable all eligible persons, institutions/ organisations to participate in the process of allotment.

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<sup>11</sup> Bench mark value of BDA land for 25.500 acre at 2011 cost for (at Chandrasekharapur) @ ₹ 4.95 crore X 13 acre, at Damana @ ₹ 2.20 crore X 5.000 acre and at Gadakana @ ₹ 2.0625 crore X 7.500 acre)



**2.1.12.3 Arbitrary charging of premium**

In five out of 164 test checked cases, it was noticed that the Department without adopting any uniform procedure charged different rate of premium on the same category of allotments, as could be seen in table below:

**Table 9: Charging of premium at different rates for same category of allotment**

<i>(₹ in lakh)</i>					
Category	Name of the allottee	Locality	Period of allotment	Area allotted (in acre)	Premium per acre
Medical institution	Asian Heart institute & Research Centre	Chandrasekharpur	2005-2008	10.632	25.00
	Utkal Health Care	Chandrasekharpur	2008	2.500	35.00
	Thakur Anukul Chandra Caritable Hospital	Chandrasekharpur	2004	2.000	25.00
Hotel	Mayfair	Jayadev Vihar	2000	3.237	50.00
	Rashmi Plaza	Jayadev Vihar	2008	0.965	75.00

*Source: GA Department*

As mentioned above, Utkal Health Care Private Limited was charged premium at the rate of ₹ 35 lakh per acre for allotment of 2.500 acre land during 2008 where as Asian Heart Institute and Research Centre (AHIR) was charged premium at the rate of ₹ 25 lakh per acre for allotment of 10.632 acre land during 2005 to 2008, although in both cases the land were situated in same locality (Mouza Chandrasekharpur) and were allotted for the same purpose. Thus, the Department charged premium arbitrarily even to the same category of applicants.

The Department stated (February 2013) that AHIR and Thakur Ankul Chandra Hospital were allotted at institutional rate and Utkal Health Care being a commercial concern was charged at commercial rate.

The reply is not convincing since all the three allottees were hospitals and should have been charged at commercial rates as applicable to hospitals.

**2.1.12.4 Realisation of outstanding premium and interest**

As per the conditions laid down in the land allotment order of GA Department, the lessee was required to pay the premium within sixty days from the date of receipt of the allotment order to avoid cancellation and in cases where the premium was paid in installments, interest at the rate of 12<sup>12</sup> per cent per annum was to be charged on the outstanding balance.

We noticed in eight out of 164 test checked cases that premium of ₹ 9.66 crore (*Appendix 2.1.5*) remained outstanding against the lessees as of March 2012. Out of these, period of pendency of premium was more than one year in two cases, more than 2 years in one case and more than three years in two cases.

<sup>12</sup> 15 per cent with effect from August 15, 2000

- One such case was that the Lord Jagannath Mission Trust applied (August 2007) for allotment of land in Chandrasekharapur for Vivekananda Shiksha Kendra established by the trust. SSC recommended (January 2008) allotment of land measuring 1.000 acre to Lord Jagannath Mission Trust for this purpose at a premium of ₹.25 lakh per acre, stipulating that the premium was to be deposited within a period of 60 days from the date of issue of allotment order, failing which the order would stand cancelled. But the allottee deposited the premium in pay order after 11 months (September 2010) of issue the order. However, the Department directed (May 2011) to deposit the premium as per the benchmark value (applicable from December 2009) of ₹ three crore (at ₹ three crore per acre) and returned the pay order of ₹ 25 lakh which was deposited by the allottee earlier. The lessee did not deposit the revised premium to the Department (October 2012).

Despite non-payment of premium within the permissible period, the Department did not cancel the allotment of land. This was analogous to the allottees enjoying the economic value of those lands without having to pay the requisite amount of premium. Also, due to delay in payment of premium, interest of ₹ 21.51 crore (*Appendix 2.1.5*) has become due which also remained unrealised, as appropriate action in this regard was not taken by the Department.

The Department stated (January 2013) that interest is charged on outstanding premium from the date of default. The fact however, remained that there was pendency of premium for period ranging between one and three years.

#### 2.1.12.5 *Miscellaneous issues*

- Revenue and Excise Department order (May 1963) mandated that the annual ground rent on leased out land in all cases should be equal to one *per cent* of the market value of the land. The lessee was required to deposit the annual ground rent in the office of the Tahasildar concerned. The GA Department in lieu of endorsing the order of Revenue and Excise Department in respect of collection of annual ground rent on land, fixed (May 1998) ₹ 300 per acre *per annum* for the land leased under Bhubaneswar City. This rate has not been revised to date. Lack of periodic revision of ground rent in the capital city area has led to a significant potential loss of revenue to the GA Department. The issue regarding revision of ground rent needs to be addressed since it has a financial impact.
- As per the GA Department resolution<sup>13</sup> (July 2003), the conversion fees for converting leasehold land to the freehold land was to be charged at the rate of 10 *per cent* of the current premium in case of vacant plots and 20 *per cent* of the current premium in case of land used for institutional or commercial purposes.

<sup>13</sup> (8305 CA dated 18 July 2003)

Audit observed that, in three out of 164 test checked cases, the prevailing market value was not taken into consideration while determining the conversion fees leading to loss of revenue of ₹ 41 lakh.

- GA Department stipulated (April 2006) that a consent fee should be charged at 75 *per cent* of the prevailing premium in case of transfer of leasehold land (with building as per approved plan), by way of sale or gift within BMC area with effect from 16 April 2006. It was observed that in case of Hotel South Pac Private Limited., consent fee was not charged though the leasehold land was transferred in the name of another legal entity. The Government thus, suffered a loss of ₹ 51 lakh due to non charging of consent fee in deviation of its own stipulation on transfer of leasehold land.
- Rule-6(i) of Odisha Treasury Code Vol-I prescribed that Government dues collected was to be deposited into the Treasury within three days from the date of receipt. It was observed that in 30 out of 164 test checked cases, the lessee paid the lease premium by way of bank draft which was deposited by GA Department into the Government treasury with delays ranging from one day to 358 days, in violation of the codal provision. This resulted in a loss of interest amounting to ₹ 52 lakh (*Appendix 2.1.6*), calculated at the rate of interest of four *per cent per annum*.

### **2.1.13 Encroachments**

#### **2.1.13.1 Absence of reporting on encroachment**

Rule 3 of the Orissa Prevention of Land Encroachment Rules 1985 stipulated that Revenue Inspectors (RIs) were to report cases of unauthorised occupations to the Tahasildars and within 15 days of each financial year he was required to send a certificate that there were no further encroachments in the area except the encroachments already reported.

Audit scrutiny revealed that the Department did not observe the above provision due to which, total areas under encroachment were not known to the Department. Encroachments were detected only at the time when the encroachers applied for regularisation of their encroachment which existed in 17 out of 164 test checked cases. Due to the absence of an effective reporting system, land in capital city was being grabbed by the encroachers.

The Department replied (February 2013) that there were 60 revenue villages in the Bhubaneswar Municipal area and that the Department initiated eviction cases on getting information from the RIs. Further, in order to overcome the cases of encroachment, the Government (Revenue and Disaster Management Department) is contemplating to formulate Orissa Land Grabbing Prohibition) Act. The Department also admitted that its monitoring mechanism to prevent encroachments was not effective due to shortage of staff and the Department come to know the fact after encroachment took place.

### 2.1.13.2 Regularisation of encroachment

As per Orissa Prevention of Land Encroachment (OPLE) Act, 1972 and Rules framed there under (Rule 7), land under encroachment cannot be regularised unless the encroacher is a landless person. In this connection, the Government (Revenue and Disaster Management Department) ordered (November 2010) that the land occupied without the approval of the competent authority should be treated as encroachment and was liable for eviction. Further, as per practice, the Department, while regularising the encroachment, charges premium at double the rate existing at the time of allotment.

Scrutiny of records revealed that in 11 out of 17 selected cases of encroachment, the GA Department instead of evicting the land, allotted the encroached land in their favour at a premium less than the market value and thereby sustained a loss of ₹ 14.15 crore to Government, as detailed below:

**Table 10: Regularisation of encroached land by GA Department (₹ in crore)**

Name of the Encroachers	Mouza (village)	Area encroached (in acre)	Market value at the time of allotment	Premium paid at a lower rate	Less recovery of premium
Odisha Demonstration Multipurpose (ODM) Public School	Patia	2.646	9.85	1.10	8.75
Gitanjali Pattanayak	Saheednagar	0.051	0.72	0.31	0.41
Dr Niranjana Pradhan	-do-	0.031	0.28	0.01	0.27
N C Mishra	-do-	0.019	0.17	0.01	0.16
S Behuria	Laxmisagar	0.055	0.30	0.03	0.27
BDA	Gadakana	0.267	0.55	0.02	0.53
NALCO	Jayadev Vihar	0.463	0.51	0.46	0.05
Vivekananda Sikshya Kendra, BDA Colony	Chandra Sekhar Pur	0.492	1.48	0.12	1.36
Ekamra Saraswati Sisu Mandir, Kapilprasad	Kapilprasad	1.005	3.02	0.7	2.32
Institute of Technical Education and Research (ITER)	Jagamara	0.981	1.96	1.96	0.00
Narasingh Mishra	BJB Nagar	0.041	0.05	0.02	0.03
<b>Total</b>		<b>6.051</b>	<b>18.89</b>	<b>4.74</b>	<b>14.15</b>

Source: Compiled by audit from the information collected from GA department, DSR office

Some of such cases are discussed below:

- Vivekananda Shiksha Kendra, BDA Colony, Chandrasekharpur applied (September 2002) for regularisation of 0.492 acre already encroached by the Institute since 1994. The Department extended undue favour to the institution by regularising (June 2005) the encroachment on payment of premium at the rate of ₹ 25 lakh *per acre* without charging double the rate of premium, though, the Department was charging double the rate of the regular premium in case of encroachments. Thus, the Department did not adopt uniform procedure in charging premium for regularisation of encroachment and the process was arbitrary.

- An individual<sup>14</sup> who was allotted (March 1982) 0.055 acre Government land in Saheed Nagar encroached the adjacent vacant plot measuring 0.031 acre by constructing a temporary boundary wall which was reported (July 1984) by the RI. Subsequently, the request of the unauthorised occupant for regularisation of the encroached land in his favour was rejected (March 1986) by the Department since it was reserved for public purpose and he was instructed to remove the built structure within 15 days. Instead of complying with the instructions, the individual made two requests (June 1989 and January 2003) for permissive possession of the land for maintaining a garden, which was finally acceded to (October 2003) by the Department and Physical possession was given (November 2003), after realisation of five *per cent* of the premium value of the land i.e. ₹ 8265. Again citing examples of eight similar cases of allotment of two adjacent plots to the same person under BMC area, the individual applied (June 2004) for temporary construction of garage and watchman shed over the plot for which he was accorded permissive permission. The proposal despite being negated by the Special Secretary, permission was granted (August 2004) by the Director of Estates. Though, the SSC suggested (November 2005) allotment in his favour after retaining some *portion* for future expansion of the road, his reiteration (September 2005) for additional allotment of the land was turned down (January 2006) by the Government on the grounds that it could be allotted to another person or put to auction by following procedure, since it was a full plot.

However, the individual again applied (October 2006) to the Department for allotment of the same piece of land and the Government permitted (December 2006) the additional allotment of adjacent land with a premium of ₹ 92,975 instead of prevailing market value of ₹ 27.90 lakh. This resulted in extension of an undue favour of ₹ 26.97 lakh to the applicant, with consequential loss of revenue to the Government.

- The Department on receipt of application (July 2003) from Hotel Rashmi Plaza, allotted 0.965 acre land at Gadakana in Chandrasekharapur area charging premium of ₹ 33.78 lakh. But the possession of the land could not be handed over to the allottee as the land was found encroached by an NGO, the neighbouring allottee. Further, Rashmi Plaza applied (November 2005) for an alternative plot at Jayadev Vihar where the land was priced higher being at a prime location as compared to Chandrasekharapur area. Finally, though the land at Jaydev Vihaar was a forest land, the Department allotted (November 2008) 1.610 acre land to Rashmi Plaza at ₹ 1.21 crore against the current market value of ₹ 8.05 crore resulting in loss of revenue of ₹ 6.84 crore. Despite this, the land is still vacant (February 2013), though the construction was required to be completed by November 2011.

The Department replied (February 2013) that the hotel would commence construction after revision of records of rights (ROR) of the land, which was Jungle (forest) *kisam*, by the Tahasildar. The reply is not tenable as

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<sup>14</sup> Dr Niranjana Pradhan

the department was fully aware that it was a forest land for which approval from the Central Government was not obtained

- Three plots measuring 0.116 acre were reported (December 1998) by Revenue Inspector to be encroached by an individual<sup>15</sup> which were earmarked for construction of staff quarters of the Vigilance Department. Of this the individual applied (December 1999) for allotment of 0.080 acre of land and 0.041 acre was allotted to him (March 2000). The plot-wise area encroached and allotted are given in the table as under. The entire allotment process was completed within three months.

**Table 11: Allotment of encroached land**

Plot No	Area encroached (acre)	Area allotted (acre)
350	0.035	0.035
351	0.034	Nil
352/ part	0.047	0.006
<b>Total</b>	<b>0.116</b>	<b>0.041</b>

*Source: Information compiled from the records of GA Department*

The Department, after allotment of 0.041 acre, issued (June 2000) a letter to the encroacher to vacate the remaining encroached land of 0.075 acre before the execution of lease deed. The lease deed was executed with the applicant within one week of issue of letter directing to vacate encroachment. Hence 0.075 acre of land continued to remain under encroachment by the applicant (June 2012). Besides, the allottee was also extended undue benefit of ₹ 3 lakh due to charging of lease premium at ₹ 60 lakh per acre (double the premium<sup>16</sup>) against the prevalent market value of the land of ₹ 1.34 crore per acre. Since there is no provision for regularisation of encroachment under the OPP (EOU) Act, the allotment of land valued at ₹ 3 lakh at the current market rate should be cancelled forthwith.

The Department confirmed the audit observation while stating that the report of RI though included the fact regarding land reserved for staff quarters, but the same was not brought to the notice of the Government.

Thus, not only the regularisation of 6.051 acre land valuing ₹18.89 crore in favour of above 11 allottees was violation of law but also undue favour of ₹ 14.15 crore was extended to the allottees by charging lower premium.

On being enquired on the above, the Department stated (February 2013) that encroachments which were found unobjectionable were granted rights over the land. It also stated that the rights over the encroached land were granted at double the rate of premium applicable in some cases.

The reply is not tenable as both under OPLE Act as well as the Orissa Public Premises (Eviction of unauthorised occupants), Act encroached land is to be resumed after evicting the encroachers and there is no rule provision for

<sup>15</sup> Shri Narasingh Mishra, son of Late Sridhar Mishra of Chahali (Nayagarh)

<sup>16</sup> The Department was charging double the premium in case of regularisation of encroached land

regularisation of encroached land. Further, such regularisation or settlement of rights creates a perverse incentive for encroachment of land. Besides, the criteria to determine ‘unobjectionable’ have not been spelt out by the Department and disseminated to the public at large. Hence, such regularisation is prone to arbitrariness.

Thus, the Government failed to frame a mechanism for preventing and detecting encroachment and rather, regularised such encroachments giving incorrect perceptions for public at large.

### **2.1.13.3 Land still under encroachment**

It was noticed that even when cases of encroachment were coming to the knowledge of the Department; they failed to initiate adequate action to evict the encroachers. It was observed that in eight out of 17 test checked cases of encroachment, though 11.187 acre of land valued at ₹84.21 crore was under the unauthorised possession of eight encroachers, the Department failed to evict them, as detailed below:

**Table 12: Encroachment of land not evicted by the GA Department (₹ in crore)**

Name of the Encroachers	Mouza	Area encroached (in acre)	Value
Narasingh Mishra	BJB Nagar	0.075	0.45
Basudev Agrawal	Kharavel Nagar	0.470	3.10
Hotel Mayfair	Jayadev Vihar	3.237	35.61
Roots Corporation Limited	Jayadev Vihar	0.275	3.92
		0.081	
Medirad Tech. India Ltd (Hemalata hospital)	Chandrasekharpur	0.013	0.11
Adarsa Basti,	Chandrasekharpur	3.920	34.50
Group of people	Gadakana	3.099	6.39
Dr Niranjana Pradhan	Saheed nagar	0.017	0.13
<b>Total</b>		<b>11.187</b>	<b>84.21</b>

*Source:-Compiled by audit from the information collected from GA department, DSR office*

Some cases of encroachment have been discussed below:

- The SSC recommended (July 2008) allotment of 2.500 acre land to Quality Care India Limited, Hyderabad for Care Hospital, which could not be allotted, as the RI reported (September 2008) that 50-55 persons started constructing their houses over the said land. Failure of the Department to take prompt action to evict the few unauthorised occupants resulted in a slum area (Adarsha Basti) developing on the land. Similarly, another area (3.099 acre) in Gadakana was encroached upon by local people. As per RI report (May 2005), the local people claimed that they would obtain the recommendation from the MLA and Minister for allotment of land.

The Department did not take any step to resume the above land from the encroachers, thereby losing possession of land valued at ₹ 41 crore at the current benchmark value<sup>17</sup> in that locality.

- The Department allotted (February 1967) land measuring 0.500 acre to an individual<sup>18</sup> in Kharavel Nagar for setting of a Rolling Mill. Subsequently,

<sup>17</sup> ₹ 8.80 crore per acre at Chandrasekharpur and ₹ 2.06 crore at Gadakan

the lessee contravening the lease condition set up a petrol pump. As per the status report of the Director (December 1968) the lessee encroached adjoining government land of 22500 Sq feet and constructed pucca building, structure and boundary wall over this encroached land. Upon an order (January 1985) for determination of the lease of the plot, the lessee took shelter of court of Civil Judge (1988) against the eviction, which was dismissed in 1996 in favour of the Government. The lessee again moved to High Court in 1996 and obtained an interim relief. High Court directed the Government (March 2003) to settle 1965 Sq feet of encroached land in favour of the lessee with a premium of ₹ 4 lakh in supersession of lease determination order. Government filed a SLP in the Apex Court which was dismissed. Hence GA Department provisionally allotted (September 2003) 1965 Sq feet of encroached land to the lessee.

Government took no further steps, although the lessee was still in unauthorised occupation of 20535 Sq feet (around 0.470. acre).

The Department replied (February 2013) that it had undertaken 101 eviction drives jointly with the BDA and the BMC. It also stated that people were filing false cases of title on grounds of long possession in courts to obtain status quo orders and hence continued to occupy the land in an unauthorised manner till the disposal of suits/cases.

The reply was not tenable since the Department failed to take any proactive role to prevent encroachments, which only served to encourage land grabbers to occupy Government land. Further, no specific reply to the reported cases of encroachment has been offered.

#### 2.1.13.4 Allotment of forest land without clearance from the Ministry

As per the Forest (Conservation) Act 1980, prior approval of the Central Government was required for use of any forest land or any portion thereof for any non-forest purposes. We noticed that in four out of 164 cases, forest land (Jungle KISSAM-II) measuring 6.832 acre was irregularly allotted/ alienated by the GA Department without obtaining requisite forest clearance from the Ministry of Forest and Environment in favour of the following agencies/ bodies mentioned below.

**Table 13: Allotment of forest land without obtaining clearance from the Ministry**

Name of the lessee	Mouza	Purpose	Allotment of forest land (in acre)
Medirad Tech India Limited, Bhubaneswar	Jayadev vihar	Hospital	1.397
BDA, Bhubaneswar	Paikanagar	Development of park	0.588
Hotel Mayfair & Resorts Private Limited, Bhubaneswar	Jayadev Vihar	Sports complex, nursery and staff quarters	3.237
Hotel Rashmi Plaza	Jayadev Vihar	Hotel	1.610
<b>Total</b>			<b>6.832</b>

Source: GA Department

<sup>18</sup> Sri Basudev Agrawal



The Government stated (January 2013) that, steps are being taken for obtaining clearance from Ministry of Forest and Environment Department. The reply confirmed that the Department violated the provisions of the Act and extended undue benefit in allotment of the land

#### **2.1.14 Monitoring and Evaluation**

Monitoring and supervision by the GA Department was weak and ineffective as the lands were allotted by the Department without following a fixed timeline and without ensuring the intended use of land as discussed below:

##### **2.1.14.1 Change of land use plan after allotment without obtaining approval of Government**

As per the condition of lease deed, the lessee should use the land exclusively for the purpose for which the land was allotted and use of the land for any other purpose was not permissible without the consent of the lessor. It was found that in three cases the lessee had, without the consent of the GA Department, used the land for other purposes.

Instances have been discussed below:

- Sikhya O Anusandhan (SOA), a deemed university, applied (November 2004) for allotment of 15.000 acre land in Ghatikia mouza for establishment of medical, dental and nursing college, which was allotted (September 2006). During joint physical inspection of the allotted land by audit along with the Revenue Inspector of GA department (21 August 2009), it was noticed that apart from activities relating to the permissible purpose, a Law Institute and a + 2 Science college were also functioning in the area. The GA department thus, did not ensure utilisation of land for the purpose for which the land was allotted.
- Land measuring 2.646 acre was allotted to Orissa Demonstration Multipurpose (ODM) School in two phases (1.000 acre in October 2006 and 1.646 acre in July 2009) for construction of hostel and play ground. It was found on Joint Physical Inspection (June 2012) that the allotted land was utilised for the construction of various institutions like +2 science college and management institution instead of constructing for hostel and play ground The GA department thus did not ensure proper utilisation of land for the purpose for which the land was allotted.
- One individual<sup>19</sup> who had encroached 0.051 acre land in Saheed Nagar requested (February 2010) for allotment of the encroached land, which was allotted to her (August 2010) with a premium of ₹30.99 lakh for plantation. But the lessee was found to be utilising the land for running a school as verified during joint physical inspection (June 2012).

Thus, the land which had been allotted for a specific purpose was being mis-utilised by the lessees by diverting it for other purposes.

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<sup>19</sup> Smt. Geetanjali Patnaik

The Department stated (February 2013) that in some cases the leases have been cancelled and while in others, construction activity had already started.

The reply is not tenable, as even in cases where construction activity has already begun, the land has to be resumed in case it is not being used for the purpose intended.

#### **2.1.14.2 Adherence to stipulated time schedule for utilisation of land**

As per the procedure of allotment of land by the GA Department, the allottee was required to utilise the allotted land for the intended purpose within thirty six months from the date of taking over possession, failing which the allotted land was to be resumed.

Joint physical inspection of 98 sites by Audit with the Departmental officials revealed that in 33<sup>20</sup> cases, land was not utilised even after lapse of the stipulated time frame (*Appendix 2.1.7*). The delay ranged between three and 12 years. Out of these, four allotments remained unutilised for more than ten years. The department, thus, failed to monitor effectively the end use of allotted land. In 23 cases which have not been utilised so far, the Department stated that 5 allotments have been cancelled.

Some of the cases where the stipulated time schedule for utilisation of land was not adhered are discussed below:

- POSCO India Private Limited, applied (May 2006) for allotment a plot measuring 12000 square feet for its Chief Managing Director's (CMD) residence-cum-Guest house. It later enhanced the requirement twice- to 25000 square feet in April 2007 and later 2.000 acre for same purpose. Though the said area was earmarked in the CDP for commercial use, the company was allotted (January 2008) 1.700 acre on the recommendation of SSC at a premium of ₹ 25 lakh per acre against the prevalent market value of the land of ₹ 64 lakh per acre resulting in a loss of ₹ 66 lakh to the Government. It was also observed that the land was lying vacant (June 2012). The company, thus, was extended undue benefit in allotment of land disregarding zonal regulation and charging of premium at a reduced rate.
- The GA Department allotted (May 2007) 7.541 acre land in Duduma village to Cabana Hotel Management Private Limited for construction of 'Hotel-cum-hospitality and Business Management Institute' without ascertaining the land use zone from BDA. Subsequently, when BDA was contacted (May 2008), it clarified (October 2008) that the allotted land was in horticulture use zone with restriction in construction up to 10 metres height.

Further, the lessee was extended undue benefit of ₹ 14.87 crore due to charging of lease premium at ₹ 35 lakh per acre against the prevalent market value of the land of ₹ 2.32 crore per acre.

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<sup>20</sup> More than three years and less than five years (15 cases), above five years but less than seven years(8), above seven but less than 10 years (4) and above 10 years (4)

The Government, while accepting the views, cancelled the lease.

- The GA Department allotted (May 2006) 5.000 acre land to LIC HFL Care Homes Limited against application for 10.000 acre land. BDA subsequently intimated (August 2006) that the land came under commercial use zone and group housing was not permissible. Yet, joint physical inspection (June 2012), revealed that the construction work was in progress.

### **2.1.15 Conclusion**

Despite being engaged in the activity of allotment of land for more than 60 years, the GA Department did not formulate any definite policy or procedure for the same under BMC area. No data bank existed to indicate area wise availability of Government land, leased out land and encroachment etc. Besides, there was no specific land use plan, non-categorisation of land for different uses, engagement of multiple agencies in land allotment process without demarcating their responsibilities. Absence of any prescribed ceiling, scale and norm as well as discretionary quantum of land allotment gave undue benefits to allottees such as allotment of land on priority, allotment in deviation of land use zone, allotment without obtaining the views of the Administrative Departments or without the recommendations of SSC and non-application of uniform criteria for concession during allotment. Non revision of rates for allotment of land for 11 years resulted in significant difference between the premium charged and the market value of land, which only served to increase scope for arbitrariness in the allotment process of valuable land resource. Government also sustained losses due to non-adoption of market price/ bench mark valuation in the allotment of land, delay in execution of lease deed, conversion of lease hold land into free hold at lower value, non-charging of consent fee and pendency in payment of premium etc. The land to be auctioned has not been defined, thereby, depriving the Department of allotting land at actual prevailing market rate. Absence of an effective and adequate reporting mechanism on encroachment of Government land, failure of the Department to evict the encroachers timely, regularisation of encroachment cases, encouraged encroachment of precious Government land in the Capital city. This ultimately resulted in possession of land by grabbers at a cost less than market value. Monitoring of utilisation of allotted Government land by the Department was inadequate, ineffective and not outcome driven. The Department failed to initiate any action against non-utilisation and misutilisation of Government land.

### **2.1.16 Recommendations**

The Government may consider:

- formulation of procedure for allotment of land which is transparent, discernable and under a well defined policy made known to the public.

- demarcation of responsibilities of different authorities in allotment of Government land, creation of data bank of land and maintenance of coherent records;
- prescribing ceiling, scale, norms as well as grant of concessions for allotment of land;
- auctioning of land for allotment other than for public purposes as provided in OGLS Rules;
- ensuring timely fixation and realisation of lease premium; and
- Strengthening monitoring mechanism to prevent misutilisation and encroachment of land as well as reviewing all cases of violations including cancellation wherever warranted.

## **PANCHAYATI RAJ DEPARTMENT**

### **2.2 Implementation of Indira Awas Yojana**

#### *Executive summary*

*Performance Audit of “Implementation of Indira Awas Yojana” was conducted during October 2011 to October 2012 covering the period 2007-12. Audit revealed many deficiencies in both financial management and programme implementation.*

*Survey to identify eligible poor households was not conducted. The beneficiaries were not provided with basic services like drinking water and sanitation through convergence of the scheme with other programmes.*

*Financial management of the programme was inefficient as there was curtailment of central assistance of ₹ 223.95 crore during 2007-12 on account of low spending and excess carry over funds to subsequent year. There was short release of State matching share by ₹ 26.85 crore and delay in release of State share.*

*Districts submitted UCs for ₹ 250.18 crore fictitiously without actual utilisation of funds to avail the subsequent central share. Non-accounting of interest for ₹ 2.41 crore earned on scheme fund and diversion of funds of ₹ 31.12 crore for purposes not connected with the scheme etc were also noticed.*

*Programme implementation remained ineffective and marred by fraudulent payment of ₹ 1.03 crore to 655 beneficiaries without construction of any house based on false certificate furnished by supervising officers. Similarly, excess payment of ₹ 53.81 lakh was made to 579 beneficiaries on the false verification report of the field officials showing higher progress of construction of houses than that of actually constructed.*

*Fairness and transparency was overlooked in preparation of permanent waitlist, selection of beneficiaries and allotment of houses. Houses were irregularly allotted to persons not/low in the permanent waitlist.*

*Payment of ₹ 1.15 crore was made towards allotment of houses to 1144 Non BPL households. Irregular payment of ₹ 60.15 lakh was made to 321 fake BPL beneficiaries. Duplicate allotment of house was made to same BPL Number and same BPL family, resulted in irregular excess payment of ₹ 26.29 lakh and denial of claim of 118 deserving BPL households.*

*Needy 193 BPL households could not avail the benefit of the scheme as they did not own the homestead land.*

*Monitoring of the implementation of the programme and inspection of houses under the scheme was weak and unreliable. Grievance redressal mechanism remained inadequate.*

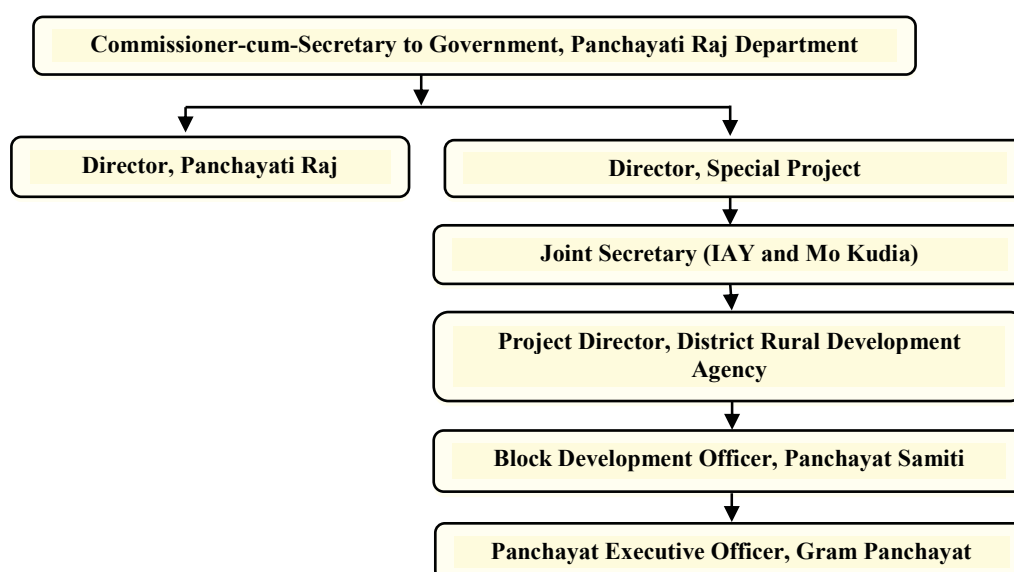
### 2.2.1 Introduction

Housing is one of the basic requirements for human survival and is a major indicator for quality of life of rural people. Indira Awas Yojana (IAY) is a flagship rural housing scheme of Government of India (GoI) which aims to provide houses to the poor in the rural areas. From its inception in 1996, the primary objective of IAY is to help construction/ upgradation of dwelling units for BPL rural households. As per IAY scheme guidelines, 60 per cent of funds were to be earmarked for SC/ ST BPL households. Three per cent of total funds were to be reserved for physically and mentally challenged persons, while five per cent of total funds were to be kept apart for meeting exigencies arising out of natural calamities and other emergent situations like riot, arson, fire, rehabilitation etc. Since 1999-2000, a number of initiatives have been taken to improve IAY, such as creating provision for upgradation of unserviceable katcha houses, providing credit with subsidy for certain sections of the poor and providing homestead sites to those rural BPL households who have neither agricultural land nor a house-site. Panchayati Raj Institutions are vital to the implementation of the scheme. Central assistance is directly released to the District Rural Development Agencies (DRDAs), which in turn release the assistance to the Panchayat Samitis (PSs) at the Block level.

### 2.2.2 Organisational set up

Commissioner-cum-Secretary, Panchayati Raj Department (PRD) is responsible for implementation of the scheme at the State level. The Commissioner is assisted by the Director, Special Projects, PRD. At the District level, Project Directors of DRDAs are responsible for management of funds. The programme is fully implemented by Panchayat Samitis. However, identification of beneficiaries and monitoring of the progress of execution is done at Gram Panchayat (GP) level.

*Chart-I*



Monitoring of the programme along with that of other rural development schemes at the State level is the responsibility of the State Level Vigilance and Monitoring Committee, comprising 22 members with the Minister of Agriculture and Co-operation and Fisheries and Animal Resources Development Department as Chairperson and Commissioner-cum-Secretary of the PRD as the Member Secretary. District Level Vigilance and Monitoring Committees (DLVMCs) headed by concerned MPs are responsible for monitoring at the district level.

### **2.2.3 Audit objective**

The objectives of this Performance Audit were to assess whether:

- planning for the programme was adequate, effective and based on credible data;
- funds were utilised efficiently and in an effective manner for the intended purpose;
- fairness and transparency were maintained in implementation of scheme and the activities were geared towards achieving the desired objectives and
- inspection, monitoring and evaluation mechanism was adequate, efficient and effective.

### **2.2.4 Audit criteria**

Audit was conducted based on criteria drawn from the following sources:

- IAY Guidelines prescribed by the GoI and Plan documents;
- Instructions issued by the State/ Central Government;
- Prescribed monitoring mechanism;
- BPL Survey Reports 1997, Household Survey Report 2002 and Census Report 2001.

### **2.2.5 Scope and methodology of Audit**

Performance Audit on implementation of IAY was conducted in nine districts<sup>21</sup> of the State during October 2011 to October 2012 covering the period 2007-12 through test check of records of Panchayati Raj Department at State level, nine DRDAs, 26 sampled PSs and 125 GPs. The districts and PSs were selected on the basis of stratified random sampling on number of houses allotted.

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<sup>21</sup> **1. Bhadrak** (Bhadrak and Tihidi), **2. Balasore**(Nilgiri, Khaira and Simulia), **3. Bolangir** (Belpara, Bangamunda and Titlagarh), **4. Dhenkanal** (Bhuban and Kamakhyanager), **5. Deogarh** (Barkote and Tileibani), **6. Jajpur** (Dharmasala, Bari and Binjharpur), **7. Jagatsinghpur** (Biridi, Tirtol and Jagatsinghpur), **8. Kendrapara** (Pattamundai, Garadpur, Rajnagar, Mahakalapara and Marsaghai) and **9. Mayurbhanj** (Badasahi, Morada and Rairangpur)

Entry Conference was held on 10 April 2012 in the presence of Director, Special Projects, PRD where the audit objectives, criteria, scope and methodology were discussed and agreed upon.

Audit also conducted joint physical inspection of 9694 IAY houses and interview of 1340 beneficiaries and 1225 non-beneficiaries in 125 GPs (*Appendix 2.2.1*). Photographs of IAY houses were taken as audit evidence, wherever considered necessary. The dates of this audit were announced in newspapers and suggestions from the public on issues to be examined in the implementation of the scheme were solicited. On the basis of the suggestions received on implementation of IAY in two PSs (Marshaghai-71 and Odagan-13), audit also carried out physical verification and verification of records in these PSs.

Audit findings incorporated into a draft report was submitted to the Government and comments were solicited on the same. Exit Conference was held on 15 January 2013 in the presence of Additional Secretary, PRD where the findings and audit analysis were discussed with representatives of the Department. Their views and comments on the audit findings were considered and incorporated, wherever necessary.

## Audit Findings

Performance Audit of IAY in nine districts of Odisha revealed deficiencies in planning, management of funds, process of allotment of houses and monitoring of the scheme.

### 2.2.6 Planning

Indira Awaas Yojana is a Centrally Sponsored Scheme funded on cost-sharing basis between the GoI and the State Governments in the ratio of 75:25. Under the scheme, Central assistance along with the district wise targets was directly released to the districts (DRDAs) among the States. The Central assistance and the targets for DRDAs were decided annually by Ministry of Rural Development, Government of India on the basis of 75 *per cent* weightage for rural housing shortage as per Census data and 25 *per cent* weightage for poverty ratio. Similarly, allocation between Blocks in a district was to be made on the same principle by DRDAs.

On the basis of allocation and targets earmarked for the district, the DRDAs are to decide the number of houses to be constructed Panchayat Samiti-wise under IAY during a particular financial year. Similarly, the Panchayat Samitis are to decide the number of houses to be constructed Gram Panchayat-wise under IAY during a particular financial year. The same is to be intimated to the Gram Panchayat concerned. Thereafter, the beneficiaries, restricted to the target number, are to be selected from the permanent IAY waitlists prepared on the basis of the BPL list, following the same order. Gram Panchayats are to draw out shelter-less families from the BPL list strictly as per the ordering of the BPL list. Payments to the beneficiaries are made on staggered basis on completion of different stages after verification of the construction sites by the field officials.



Audit observed inadequacies in the planning process for IAY. Rural housing shortage was not assessed accurately. Survey to identify the eligible poor households was not conducted and hence target beneficiaries were not identified correctly. Convergence of IAY with other programmes to provide basic services like drinking water supply and sanitation were also not addressed which are discussed in the succeeding paragraphs.

#### ***2.2.6.1 Non-assessment of housing shortage for inter district and inter-block allocation***

MoRD instructed (November 2005) the State Government to prepare fresh Permanent waitlists- one for SC/STs and the other for non-SC/STs in accordance with the BPL survey 2002. Further, in May 2008, MoRD pointed out that due to socio economic change and change in number of total households, households which had been identified as BPL as per the 1997 list might have crossed the poverty line. At the same time, a number of households which were poor might not have been mentioned in the 1997 BPL list. Thus, in order to avoid potential discrepancies in identification of beneficiaries, GoI directed the State Governments to prepare fresh Permanent IAY waitlist on the basis of BPL Census 2002.

Audit noticed that the State Government had failed to operate “Score Based Ranking” based on 2002 Survey. Identification, selection and allotment of IAY houses were made on the basis of 1997 BPL list during the period covered under audit. Besides, audit observed that Government had not conducted any baseline survey at its level to assess the housing shortage, housing requirement, identifying and enumerating homeless households and the number of rural poor living in kutcha houses. The State Government did not create a database on the housing shortage and list of target beneficiaries. The MoRD used the rural housing shortage data assessed by Registrar General of India (RGI) and the poverty ratio as per Census 2001 data for allocation of funds as well as fixing annual physical targets for DRDAs of the State.

The DRDAs then allocated the funds and physical targets to the PSs on the basis of total population, without considering actual housing need, share of BPL population and prioritisation of beneficiary categories. Thus the planning process was driven from the top, instead of following a need based and bottom up approach.

During the Exit Conference, the Additional Secretary, PRD agreed with the Audit observation that no base line survey was conducted by the Government for prioritising the selection of beneficiaries.

#### ***2.2.6.2 Non convergence of other flagship programmes with IAY***

GoI guidelines provide that DRDAs will make concerted efforts to identify the programmes/ schemes being implemented by various Ministries/ Departments of the Central Government like Total Sanitation Campaign (TSC) for constructing sanitary latrines, Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) for providing free electricity connections and National Rural Water Supply Programme (NRWSP) for making provision of drinking water to IAY

houses, which could be dovetailed with Indira Awaas Yojana so as to ensure that IAY beneficiaries also derive the benefits from these schemes intended for rural population.

Audit noticed that DRDAs neither had any co-ordination with other departments in identifying the schemes/ programmes that could be converged with IAY nor did they have any information on different facilities provided under TSC, RGGVY etc.

During beneficiary interviews conducted in 26 PSs in nine districts, 1058 (79 per cent) out of 1340 beneficiaries stated that their houses were not provided with sanitary latrines, even though the Total Sanitation Campaign was being implemented concurrently with IAY. Further, during joint physical verification with officials of PRD, it was seen that in two selected villages (Kaima and Choromuhan) of Dharmasala PS in Jajpur district, there was acute shortage of water due to non-supply of piped water to the houses, even though the National Rural Water Supply Programme was implemented concurrently. In Binjharpur and Dharmasala PSs in Jajpur district, it was seen that electricity supply under the Rajiv Gandhi Grameen Vidyutikaran Yojana had not been provided to houses constructed under IAY, although electric poles had been erected for this purpose.



Choromuhan village. No water supply was made



Kaima village. No water supply was made



Charulata Mallik (Normal IAY) Allotment year-2010-11 (Completed) Electric board fixed under RGGVY but power supply was not made since one year. Latrine not provided



Rama Mallik (Spl IAY) Status-Completed, Latrine not provided, Electric board fixed under RGGVY but power supply was not made since one and half Years.

Thus, due to lack of co-ordination of DRDAs with other departments in identifying the schemes/ programmes to be converged with IAY, the purpose of providing quality houses with all intended benefits under various Government programmes could not be achieved.

On this being pointed out, the PDs of concerned DRDAs stated that necessary steps would be taken to ensure convergence of other centrally sponsored schemes with IAY. The replies are not tenable as other schemes/ programmes such as TSC, NRWSP, and RGGVY are already under implementation separately in these sampled districts, but no effort had been initiated by the DRDAs to dovetail these programmes/ schemes with IAY.

Further, as per scheme guidelines of TSC, NRWSP and RGGVY, the district Collector and CEO, Zilla Parishad is the Co-Chairperson of both the District Water and Sanitation Mission and the District Electrical Committee. The Collector also supervises the implementation of IAY at the block level. Despite the fact that the Collector was in a position to ensure convergence between the different programmes, it could not be achieved. Lack of coordination in the implementation of these flagship programmes can thus be traced back to the district Collectors in the nine districts covered in this audit.

## 2.2.7 Financial Management

IAY scheme funds were required to be utilised efficiently and in an effective manner for the intended purposes. Audit of IAY in nine selected districts revealed inefficient funds management by the implementing authorities leading to diversion and misutilisation of funds, low spending efficiency, non-accounting of earned interest and non-submission of Utilisation Certificates (UCs) as discussed below.

### 2.2.7.1 Curtailment of Central assistance of ₹ 223.95 crore

IAY funds are operated by DRDAs at the district level. Central assistance is released every year directly to the DRDAs in two installments. As per IAY guidelines, a deduction of amount in the release in second installment of Central Assistance is to be effected in case of irregularities such as excess carryover of funds, unspent balances, short release of State share of funds and non submission of UCs and Audit Report by district authorities. These conditions have been included to ensure financial discipline and prudent financial management.

The total allocation and release of funds under IAY during the period 2007-12 for the State were as follows:

**Table No-1: Total sanction and release of funds under IAY (₹ in crore)**

Year	Sanctioned			Released			Deduction of central share
	Central share	State share	Total	Central share	State share	Total	
2007-08	215.89	69.64	285.53	202.80	65.28	268.08	13.09
2008-09	514.45	97.49	611.94	460.84	69.39	530.23	53.61
2009-10	514.82	139.68	654.50	460.26	140.20	600.46	54.56
2010-11	521.47	167.74	689.21	475.74	116.78	592.52	45.73
2011-12	491.55	163.85	655.40	434.59	111.20	545.79	56.96
<b>Total</b>	<b>2258.18</b>	<b>638.40</b>	<b>2896.58</b>	<b>2034.23</b>	<b>502.85</b>	<b>2537.08</b>	<b>223.95</b>

*Source: Grant register, Sanction orders/files at PRD*

Scrutiny of sanction orders and Grant Register of the Department revealed that during the period from 2007-08 to 2011-12, Central assistance of ₹223.95 crore was deducted by GoI in second installments of release of funds under IAY due to existence of such irregularities.

The amount that was curtailed would have been sufficient to construct 58966<sup>22</sup> houses under IAY. Thus, these many rural BPL households were deprived of benefits under IAY even though funds were available, due to the non fulfillment of grant conditions.

The PDs of DRDAs and BDOs of the blocks concerned are directly responsible for the above lapse. No reply was received from any of the concerned Project Directors or BDOs on this matter.

<sup>22</sup> 1309.238/0.25 (As unit cost during 2007-08 was ₹ 25000) + 5361.264/0.35 + 5455.709/0.35 + (As unit cost during 2008-10 was ₹ 35000) + 4573.607/0.45 + 5696.45/0.45 (As unit cost during 2010-12 was ₹ 45000)

### 2.2.7.2 *Short release of State matching share*

Verification of records of PRD revealed that during the period from 2007-08 to 2011-12, total State matching share due was ₹ 678.08 crore against the release of Central Share of ₹ 2034.23 crore. Out of ₹ 678.08 crore, State released ₹ 651.23 crore. Thus, there was short release of ₹ 26.85<sup>23</sup> crore as of March 2012.

### 2.2.7.3 *Low spending efficiency by BDOs*

As per the Scheme guidelines, the carry over funds at the close of the year should not be more than 10 *per cent* of the available funds in PSs. As such, maximum of 90 *per cent* expenditure is mandated to be incurred out of the available fund and expenditure below the level of 90 *per cent* for any PS shall be categorised as low spending unit.

Review of receipt and utilisation of funds in the test checked PSs revealed that during the period from 2007-08 to 2011-12, the spending efficiency (total expenditure as a percentage of total funds available) on IAY houses ranged between 16 *per cent* and 88 *per cent* (*Appendix 2.2.2*).

Therefore, the spending efficiency for these PSs as transpired is significantly lower than envisaged by the scheme. This adversely affected the achievement of physical targets.

The BDOs stated that the spending efficiency was low due to frequent transfers of BDOs and lack of adequate manpower to implement the scheme.

### 2.2.7.4 *Non accounting of accrued interest of ₹ 2.41 crore by BDOs*

As mandated by IAY Scheme guidelines, the interest earned on funds parked at banks would form part of the scheme funds. During test check of records Audit found that 13 out of 26 PSs had not accounted for interest of ₹ 2.41 crore earned on scheme fund despite credit by bank in the pass books (*Appendix 2.2.3*).

The concerned BDOs and Cashiers failed to fulfill their obligatory financial responsibilities, which resulted in under-statement of scheme funds to the extent of earned interest.

On being enquired by audit, the concerned BDOs stated that they would ensure utilisation of interest amount after accounting for the same in the cash books.

The reply is not tenable, as the interest amount earned should have been accounted for on time to ensure correct maintenance of accounts. The amount of earned interest would have been sufficient to provide houses to 535 (at ₹ 45000 per household) beneficiaries.

<sup>23</sup> ₹ 678.08 crore less ₹ 502.85 crore and ₹ 148.38 crore

**2.2.7.5 Incorrect reporting of facts and information to GOI by DRDAs for release of further installments of funds**

The DRDAs at the time of placing proposal for release of funds to GoI were required *inter alia* to submit the Audit Report of previous year prepared by the Chartered Accountant along with block-wise expenditure statements based on Utilisation Certificates (UCs), certificate regarding non diversion/ non-embezzlement of funds, information that opening balance during the current year was not in excess of 10 *per cent* of the available funds of the previous year etc. Scrutiny of records revealed instances of DRDAs reporting incorrect information on matters relating to UCs, diversion, mis-utilisation of fund etc as discussed below.

- ***Non submission of Utilisation Certificates for ₹ 250.18 crore by BDOs to DRDAs***

As per provisions of OGFR, UCs should be furnished in duplicate by the grantee institution in the prescribed Form of OGFR 7A, countersigned by the disbursing authorities so as to reach the administrative department by 1 June of succeeding year. One of the facets of prudent financial management and reporting by an implementing authority is effective utilisation of funds and prompt submission of utilisation certificates in support of such expenditure. However, Audit found that in 26 test checked PSs, UCs for ₹ 173.23 crore were submitted against total receipt of grants for ₹ 423.41 crore (as verified from PS Cash Books) during 2007-12 resulting in UCs for ₹ 250.18 crore (*Appendix 2.2.4*) pending for submission as of March 2012.

Due to non-submission of UCs by BDOs in time, the DRDAs were not aware of actual position of utilisation of grants at PS level. This weakened the monitoring capacity of DRDAs over the Panchayat Samitis.

On being enquired for reasons for such discrepancy, no reply was received from the concerned BDOs.

- ***Submission of UCs for ₹ 250.18 crore by DRDAs to GoI without incurring expenditures***

BDOs had submitted UCs for only ₹ 173.23 crore out of total receipt of ₹ 423.41 crore to the DRDAs. However, the concerned district Collectors and the PDs of DRDAs submitted UCs for the entire amount of ₹ 423.41 crore received during the period from 2007-12 to GoI through their proposal reports, in order to ensure release of further installments of funds. Thus, fictitious UCs for ₹ 250.18 crore were submitted to GoI by these district officials. This irregular practice in turn encouraged BDOs and other officers of lower formations to follow the same practice of submission of UCs without incurring actual expenditure.

Further, Audit found that eight PSs under four districts submitted inflated UCs for ₹ 19.39 crore (*Appendix 2.2.5*) in excess over their actual expenditure.

The practice of submission of inflated UCs increased the risk of embezzlement of funds, since UCs indicating completion of works had already been submitted for funds actually lying unutilised.

- ***Diversion of funds of ₹ 31.12 crore by BDOs without proper authority***

IAY guidelines strictly prohibited diversion of scheme funds to other schemes/purposes. As per clause 4.2(b) (vii) of IAY guidelines, DRDAs were required to submit non-diversion and non-embezzlement certificates while submitting proposals for release of subsequent installments of funds. DRDAs regularly certified that no diversion of funds took place in the districts by submitting non-diversion Certificates. However, test check of records in 26 PSs in nine districts revealed that in eight districts, diversion of IAY scheme funds amounting to ₹ 31.12 crore (*Appendix 2.2.6*) to other schemes like MGNREGS, Old Age Pension (OAP), MLALAD etc took place during 2007-12 without recoupment till the date of audit.

Such diversion, coupled with non-submission of UCs by the BDOs indicated that the district authorities like PD, DRDA and the Collector had no effective monitoring or control over the utilisation of funds.

- ***Incorrect projection of facts before GoI regarding utilisation of funds by DRDAs***

As per IAY guidelines, the opening cash balance of DRDAs should not exceed 10 *per cent* of funds available during the previous year. In case the opening balance exceeded this limit, the Central assistance to be received would be deducted proportionately at the time of release of next installment. During check of records of DRDAs, it was found that in nine districts, the closing cash balances exceeded the stipulated limit of 10 *per cent* of the available funds in the years 2007-08 to 2011-12 (*Appendix 2.2.7*).

Despite this persistent carry forward of balances in excess of the prescribed limit, the Collector and the PDs of DRDAs suppressed the fact while seeking release of further installments of funds. By misquoting and misreporting the factual position, the Collectors and the PD, DRDAs deviated from the canons of financial propriety.

On this being pointed out, the concerned PDs of DRDAs stated that the carry forward of balances was more than the stipulated limit due to the late receipt of funds at the fag end of the financial year. The reply is not acceptable since the carry forward balances ranged between 12 *per cent* and 100 *per cent* during the audit period.

#### ***2.2.7.6 Delay by State Government in release of funds***

As per IAY guidelines, State Government is to release State share of funds for IAY within a month from the date of sanction of Central share of funds.

However, in one out of nine districts covered in the audit, it was found that the State Government was responsible for delays beyond 30 days ranging between five (5) and 75 days in release of its matching share of funds for IAY, in violation of the guidelines for the scheme (*Appendix 2.2.8*).

Delays in release of State share of funds significantly increased the risk of non achievement of physical targets under the Scheme.

**2.2.7.7 *Non-utilisation of funds under Special IAY and IAY (Flood) components***

Verification of pass books maintained by the PS, Pattamundai in Kendrapara and PS, Binjharpur in Jajpur district revealed that funds of ₹ 1.40 crore and ₹ 1.33 crore received under Special (IAY) component was lying unutilised over a period of five to six years as of March 2012 respectively. Further, verification of cash book of IAY (Flood) component of PS, Pattamundai revealed that no transaction in the cash book took place after January 2010 and the cash book was closed with ₹ 2.76 lakh as the closing balance which had been lying unutilised as of March 2012. Thus, in total ₹ 2.76 crore was lying unutilised under Special IAY and IAY (Flood) in two PSs.

This indicated poor performance of the PS authorities in implementation of IAY (Special and Flood) components.

The BDO, Pattamundai stated that the unutilised funds under IAY (Special) component would be utilised after seeking permission of the DRDA and that the unspent balance under IAY (Flood) component would also be utilised.

This reply is not tenable as the PS received the funds under the Special component from the DRDA itself and hence there was no need to seek permission to utilise these funds. No satisfactory reply could be furnished by the BDO as to why the Flood component unspent balance had not been surrendered at the end of the year.

**2.2.7.8 *Non-maintenance of separate pass book and non-reconciliation of bank pass book balance with cash book***

GoI guidelines and subsequent instructions provide for maintenance of separate cash books as well as pass books for IAY Scheme funds for exhibition of correct account position and financial performance under the scheme. In contravention to this, two out of the 26 test checked PSs did not maintain separate pass books for IAY, though they received funds to the tune of ₹ 41.27 crore during the period 2007-12 (Mahakalapara- ₹ 19.85 crore and Dharmasala- ₹ 21.42 crore).

Therefore, the amount of interest accrued and earned on the unutilised IAY scheme funds and the exact expenditure position of IAY scheme wherever it was merged with other scheme funds could not be ascertained by Audit. Non-compliance with the Scheme guidelines by the BDOs and failure of district and State authorities to exercise required controls resulted in mismanagement of funds.

Regular reconciliation of the cash books at PS and GP level are also necessary, as non reconciliation leads to increased risk of misappropriation. During cross verification of cash book (IAY) at GP Sanamundabani with cash book (IAY)

of PS Morada in Mayurbhanj district, Audit found that an amount of ₹ 38000 had been misappropriated by the Sarpanch of the above GP.

On being pointed out, the BDO, Morada replied that steps would be taken to recover the amount from the concerned VLW.

### 2.2.8 Programme implementation

It is the responsibility of the implementing authorities at PS/ GP level to ensure that the scheme is operationalised efficiently and effectively so that the intended benefits of IAY reach the targeted beneficiaries on time. Audit observed that the scheme was not implemented as per the guidelines. Audit observed arbitrariness in the selection of beneficiaries, fraudulent payments to beneficiaries, non-earmarking of IAY houses to SC/ST households, full payment against incomplete houses, non-maintenance of inventory, absence of cluster approach and non-achievement of targets, as discussed in the succeeding paragraphs.

#### 2.2.8.1 Payment of ₹ 1.03 crore to beneficiaries by BDOs for houses not constructed

As per guidelines of GoI, IAY beneficiaries should commence work immediately after issue of work orders and receive assistance on staggered basis, depending on the progress of their work. The BDO or a field official such as Panchayat Executive Officer was required to verify the actual progress of work and furnish a certificate to the effect, on the basis of which further installments were to be released. Before payment of the last installment, the report of the Supervising Officer was to be cross examined by the BDO. In case of allotment under Special IAY component, payment was to be made to the beneficiaries in the shape of bearer-cheque, on installment basis.

During check of records and joint physical verification of IAY houses in 26 PSs, Audit found instances of payments without construction of houses in 11 PSs of Kendrapara, Jajpur, Jagatsinghpur and Balasore districts. Out of 6390 houses covered under joint physical verification in these 11 PSs, 655 beneficiaries (10 per cent) received funds of ₹1.03 crore on the basis of false certificates furnished by supervising Officers.

**Table No 2: Fraudulent payment of ₹ 1.03 crore to beneficiaries** (₹ in lakh)

Sl.No.	Name of the PS	Number of houses physically verified	Non-existence of physical structure of IAY house	Total financial amount involved
<b>Kendrapara</b>				
1	Pattamundai	233	31	4.81
2	Rajnagar	237	91	20.02
3	Mahakalapara	514	288	34.90
4	Marsaghai	525	42	7.88
5	Garadpur	907	89	17.05
<b>Jajpur</b>				
1	Bari	811	21	3.91
2	Binjharpur	631	22	4.02
<b>Jagatsinghpur</b>				
1	Biridi	673	46	6.00



Sl.No.	Name of the PS	Number of houses physically verified	Non-existence of physical structure of IAY house	Total financial amount involved
2	Tirtol	527	12	2.61
3	Jagatsinghpur	696	4	0.54
<b>Balasure</b>				
1	Nilgiri	636	9	1.25
	<b>Total</b>	<b>6390</b>	<b>655</b>	<b>102.99</b>

*Source: Cash book, Acquittance registers and payment documents*

The concerned BDOs were responsible for this fraudulent payment, as they should have cross checked the certificate furnished by the supervising officer before making final payment to the beneficiaries. In response to audit query, the concerned BDOs stated that appropriate action would be taken after examination of cases.

### **2.2.8.2 Inadmissible payment to beneficiaries for partially constructed houses by BDOs**

During joint physical verification of 5446 houses of 10 PSs in four districts, check of relevant records showed that ₹53.81 lakh was paid in excess to 579 households on the basis of false verification certificates of the field officials, showing greater progress of construction of houses than actually constructed, as given in the table below.

**Table 3: Inadmissible payment**

(In ₹)

Sl.No.	Name of the PS	No. of houses physically verified	Number of cases	Excess payment
<b>Mayurbhanj</b>				
1	Badasahi	387	6	105000
2	Morada	344	3	65000
<b>Jajpur</b>				
3	Bari	811	53	495220
4	Binjharpur	631	103	1068520
<b>Jagatsinghpur</b>				
5	Biridi	673	137	1086100
6	Tirtol	527	52	402440
7	Jagatsinghpur	696	48	396740
<b>Kendrapara</b>				
8	Garadpur	907	105	1151300
9	Pattamundai	233	68	540960
10	Rajnagar	237	4	70000
		<b>5446</b>	<b>579</b>	<b>5381280</b>

*Source: Work Register and case records in the respective PSs*

Such payment to the beneficiaries on false certificates given by the Panchayat Executive Officers is a serious irregularity and violated scheme guidelines. On this being pointed out, the concerned BDOs stated that facts in these cases would be verified.

### **2.2.8.3 Lack of fairness and transparency in preparation of permanent waitlist**

Guidelines provided for preparation of a permanent IAY waitlist on the basis of seniority, as per the 1997 BPL list. But in order to streamline the selection

procedure and ensure transparency, the PRD issued instructions (October 2004) that eligible persons were to apply to the Sarpanch/ Executive Officer of GPs with a deposit of ₹10 for consideration of their applications under IAY. Only those who applied by depositing the amount were to be included in the preparation of a five year waitlist (2005-10). A Committee comprising VLW/VAW, Executive Officer (EO) of the GP, Block Extension Officer in charge of the GP and the JE, were to enquire into the details of the application and submit the same to the Gram Sabha for final selection of beneficiaries. The EO of the GP was to ensure that the applicant was present at the Gram Sabha during selection. The selection list finalised by the Gram Sabha was to be published by the BDO and the allotment of houses was to be made from the empanelled list. During review of records of GPs it was found that although permanent wait-list was prepared, the procedure followed for selection of beneficiaries lacked fairness and transparency as detailed below:

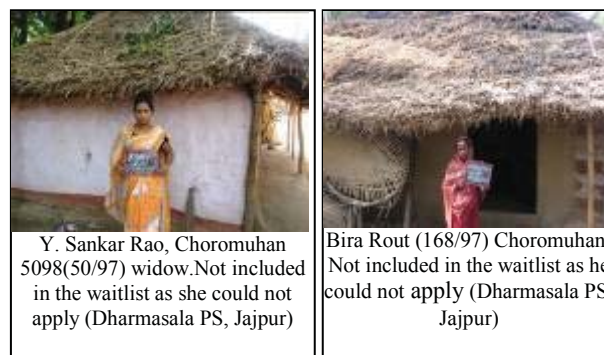
- ***Inadequate publicity regarding selection procedure for beneficiaries***

Audit observed that GPs did not take steps to disseminate details of the selection procedure to potential BPL beneficiaries. As a result, many of the target beneficiaries were not included in the waitlist. In all GPs, the EOs stated that information to members of the public on the selection procedure had been shared orally. They did not circulate any instruction or guidance notes through meetings, leaflets or wall posters and so no expenditure was incurred in this regard.

Audit scrutiny revealed that in 26 test checked PSs, omission of 7642 eligible BPL beneficiaries was found in eight PSs of three districts, (*Appendix 2.2.9*).

These beneficiaries were not aware of the need to apply for IAY benefits

and had to wait for five years to be enlisted in a new waitlist prepared for 2010-15 on the basis of a PRD order (April 2010).



- ***Inclusion and exclusion errors in preparation of the waitlist***

During test check of eight GPs of three PSs in Kendrapara and Jajpur districts, audit found that there were 5663 BPL households in all. Of these, 2798 (49 per cent) households applied for IAY houses and the rest (2865) beneficiaries failed to apply due to lack of awareness. Further, exclusion errors of 1781 applicants were found as given in the table below.

**Table No 4: Information on receipt of applications for IAY houses**

Sl.No.	Name of the PS	Total BPL households in test checked GPs	Applications received for IAY house	Number of BPL applicants enlisted in the five year permanent waitlist	Number of BPL applicants omitted
1.	Dharmasala	880	445	272	173
2.	Garadpur	1810	693	115	578
3.	Pattamundai	2973	1660	630	1030
		<b>5663</b>	<b>2798</b>	<b>1017</b>	<b>1781</b>

*Source: GP records*

Such low proportion of applications received from BPL families indicates that awareness on the process for identification of beneficiaries under the scheme was not adequate among the targeted population.

Further, Audit found that 16 BPL households of Dharmasala PS who had not applied for houses at all were included in the five year permanent waitlist for 2005-10 which indicates inclusion error.

Thus, both inclusion and exclusion errors were existent in the waitlist prepared due to lack of dissemination of adequate information to the target group. In this background arbitrariness and manipulation in the process of preparing the waitlist cannot be ruled out.

- ***Non constitution of Committee for scrutiny of applications and absence of Gram Sabha meetings***

Audit observed that the Committee responsible for scrutiny of applications was neither constituted nor was the Gram Sabha convened during October 2004 to December 2007 for the purpose of selection of IAY beneficiaries. The GP prepared the list suo motu, without observing any procedure stipulated by the Department. There was no participation of applicants in the selection procedure. This increased the risk of inclusion of ineligible beneficiaries in the list.

#### ***2.2.8.4 Deficiencies in allotment of IAY houses***

- As per the 1997 BPL survey report, each BPL household was allotted a number which became its unique identification number for availing the benefits extended under Government schemes, including allotment of a house under IAY. During test check of records of 26 sampled PSs in nine districts, it was revealed that 254 ineligible BPL beneficiaries were allotted IAY houses by indicating their names against BPL numbers of other genuine BPL households in two PSs in Kendrapara and Jagatsinghpur districts, as given in the table below.

**Table 5: Allotment of IAY houses to ineligible beneficiaries (₹ in lakh)**

Sl.No.	Name of the district	Name of the PS	Number of cases	Amount released to beneficiaries
1	Kendrapara	Marsaghai	198	45.65
2	Jagatsinghpur	Biridi	56	NA
	<b>Total</b>		<b>254</b>	<b>45.65</b>

*Source: Work Register and case records at respective PSs*

In Marsaghai PS of Kendrapara district, ₹ 45.65 lakh was released to 198 (**Appendix 2.2.10**) ineligible beneficiaries for construction of houses and

all the houses were lying incomplete over three years as of September 2012.

Further, in Marsaghai PS, it was found that irregular allotment of 67 IAY houses (*Appendix 2.2.10*) were made for the period 2007-12 in the name of a member of the family other than the member in whose name the BPL card had been issued. A total payment of ₹ 14.50 lakh had been made to the beneficiaries for construction of these houses.

As per the guidelines and subsequent instructions of GoI, IAY beneficiaries should commence work immediately after issue of work order and were to receive assistance on a staggered basis, depending on the progress of their work. PRD, Government of Odisha ( No.2876/October 2008 and 1602/15-01-09) stipulated that the Panchayat Executive Officer (PEO), while reporting stage-wise progress of construction, was required to attach photographs of the house with the beneficiary standing in front such that some fixed reference (land/building/tree features) could be seen in the photo. However, test check of records revealed that in all the 265 cases (198+67) related to Marsaghai PS, payments were made to the beneficiaries without any reporting with specified photographs. Photocopies of the BPL cards were found missing from the case records. This evidenced that allotment was made to ineligible beneficiaries resulting fraudulent payments.

When enquired by audit, the BDOs stated that they would look into the cases and report back. But no replies have been received (November 2012).

- During scrutiny of the Works Register, case records and other relevant records in Kendrapara, Jajpur, and Balasore districts it was found that 83 IAY houses were allotted against 39 BPL Numbers resulting in excess allotment of 44 houses (*Appendix 2.2.11*) and resultant irregular payment of ₹ 7.87 lakh as indicated below:

**Table 6: Irregular allotment of more than one house to same BPL Number (₹ in lakh)**

Sl.No.	Name of the District	Name of the PS	Total Number of houses allotted	Number of BPL cards used more than once for allotment of houses	Number of excess house allotted	Expenditure incurred on the excess houses
1.	Kendrapara	Marsaghai	37	16	21	5.10
2.		Mahakalapara	6	3	3	0.61
3	Balasore	Nilgiri	22	11	11	0
4	Jajpur	Bari	18	9	9	2.16
	<b>Total</b>		<b>83</b>	<b>39</b>	<b>44</b>	<b>7.87</b>

*Source case record, work register BPL-97 list*

- During scrutiny of the Works Register, case records and other relevant records in Kendrapara and Jajpur districts it was found that 142 IAY houses were allotted to 68 BPL families, resulting in excess allotment of 74 IAY houses (*Appendix 2.2.12*) and resultant irregular payment of ₹ 18.42 lakh as indicated below.

**Table 7: Allotment of more than one house to same family** (₹ in lakh)

Sl. No	Name of the District	Name of the PS	Total Number of houses allotted	Number of BPL families	Number of excess houses allotted	Expenditure incurred on the excess houses
1.	Jagatsinghpur	Biridi	54	27	27	9.40
2.	Jajpur	Bari	45	20	25	4.60
		Binjharpur	43	21	22	4.42
			<b>142</b>	<b>68</b>	<b>74</b>	<b>18.42</b>

*Source: Work Register of respective PS*

Such duplicate allotment of houses was unfair as there were other beneficiary families on the list, who were homeless. It resulted in denial of claim of 118 deserving BPL households, for which the officials of the implementing agencies of the respective PSs were responsible. This also indicated lack of control mechanism at the DRDA and Collector level to prevent such duplicate allotments.

On this being pointed out, BDOs replied that appropriate action would be taken against concerned officials after verification of the matter.

- Guidelines envisaged that only BPL families except in case of war victim were to be allotted with IAY houses. It was however found during scrutiny of records of Special and Normal IAY components in 26 PSs that in case of 12 PSs in four districts, 1144 non BPL households were allotted IAY houses during 2001-12. The names of the beneficiaries who had been allotted houses were not present in the BPL 1997 list.

Out of 1144 non BPL households, payments were authorised in 604 cases, against which expenditure of ₹ 1.15 crore was incurred, detailed below.

**Table 8: Irregular/ Fraudulent allotment of IAY houses**

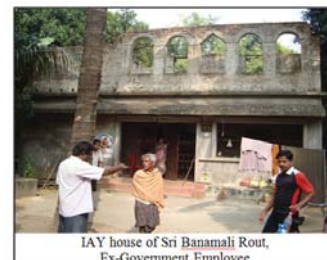
Sl.No.	Name of the PS	Number of Non-BPL households allotted IAY houses	Number of Non BPL cases for which expenditure figures were traced	Expenditure incurred on construction of these houses (₹ in lakh)
<b>Kendrapara</b>				
1	Mahakalapara	133	132	17.91
2	Marsaghai	146	146	33.55
3	Garadpur	345	--	NA
4.	Rajnagar	11	11	1.85
<b>Jajpur</b>				
5	Dharmasala	8	8	1.55
6	Bari	259	211	41.79
7	Binjharpur	93	84	16.47
<b>Jagatsinghpur</b>				
8	Biridi	58	--	NA
9	Tirtol	59	--	NA
10	Jagatsinghpur	20	--	NA
<b>Mayurbhanj</b>				
11	Morada	7	7	0.85
12	Rairangpur	5	5	1.30
	<b>Total</b>	<b>1144</b>	<b>604</b>	<b>115.27</b>

*Source: Physical verification reports*

Expenditure incurred on remaining 540 cases could not be verified during audit, as the concerned case records and other relevant records containing the payments details were missing.

Allotment of IAY houses to non-BPL households not only deprived genuine BPL families of housing facility, but also tantamount to misutilisation of Government funds towards ineligible beneficiaries.

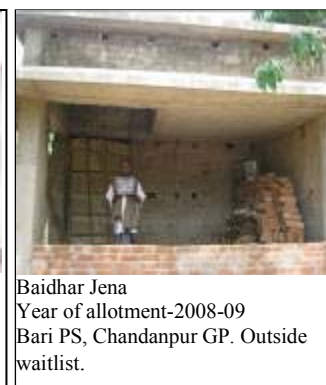
During physical verification of Bangalpur GP under Garadpur PS in Kendrapara district, it was observed that one Banamali Rout S/o Dolagobinda Rout, a pensioner (PPO No.06767) retired from the State Police Department, constructed a building (photograph shown) with assistance of ₹ 22000 under IAY scheme.



Though, this was noticed during physical verification, it raised the possibility of collusion between Panchayat Executive Officers, BDOs and ineligible beneficiaries to avail assistance under the scheme due to lack of transparency in the allotment process and adequate monitoring at the district level.

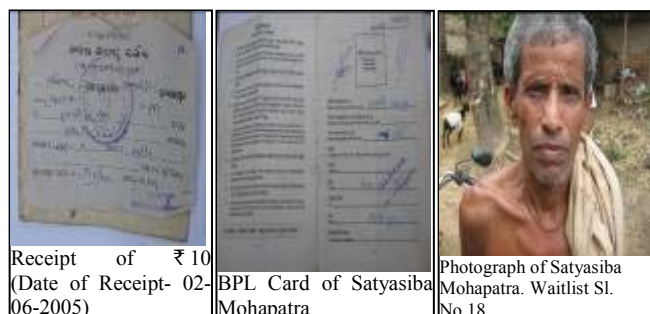
On being enquired, the BDO Garadpur stated that the above beneficiary despite being a Government servant, was included in the BPL 1997 list. Inclusion of a Government servant in the BPL list indicates negligence on the part of the concerned officials tasked with preparation of the BPL list. As such, responsibility needs to be fixed on the concerned officials.

- The IAY houses were to be provided to beneficiaries drawn from the permanent waitlist. Scrutiny of records revealed that 502 beneficiaries in eight PSs who had not been included in the waitlist (photographs



shown), were provided with houses (*Appendix 2.2.13*).

- Scrutiny further revealed that 437 BPL households in five PSs who had been included in the five year permanent waitlist (photographs receipt of application and BPL card of one



such beneficiary shown) had not been allotted IAY houses as on May-September 2012 (*Appendix 2.2.14*).

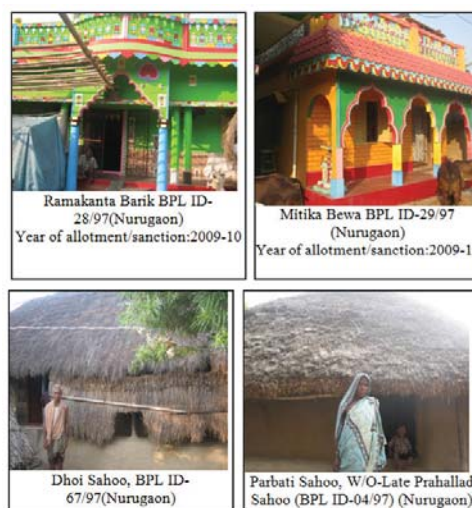
This indicated that the allotments were made arbitrarily, in violation of the provisions and instructions under the scheme.

- The IAY guidelines emphasised that the GP should prepare a waitlist drawn from the BPL list strictly in order of seniority and get it approved by the Gram Sabha for allocation of IAY houses. Selection by the Gram Sabha was final and needed no approval from any higher body.

Verification of records revealed that in 13 PSs in five districts, 482 BPL households were allotted IAY houses out of turn from the allotment of IAY houses during 2007-12, superseding other BPL families ahead in the permanent waitlist (*Appendix 2.2.15*).

Thus, deserving BPL families were denied housing benefits due to arbitrary allocation.

It was also seen during joint physical verification and verification of records that financial assistance was given to some beneficiaries to construct large buildings which implied that they were not in actual need of IAY houses but received financial assistance under the scheme to facilitate them with additional funds for construction of their buildings. On the other hand, deserving BPL households who were living in comparatively miserable condition were not allotted IAY houses despite their seniority in the BPL list.



- Scrutiny of records of 26 sampled PSs in nine districts revealed that the BPL 1997 list available with the DRDA and PSs in Jajpur district was different from the BPL 1997 list of other districts. In the BPL 1997 list for this district, the BPL households were assigned four digit IDs. In other districts, the BPL ID in each village under each GP starts with “1” and ends with the number of BPL households in that village. In Jajpur, however, new four-digit BPL IDs were assigned to households and this new list was used for preparation of the five year waitlist for IAY (2005-06 to 2009-10) which resulted in dilution of the order of original seniority. Seniors were pushed back where as juniors came forward. Audit detected one such instance of irregularity in Samalpur village of Kalyanpur GP of Binjharpur PS.

The DRDA, while assigning fresh four digit BPL numbers to each existing BPL 1997 ID number, overlooked the ordering of the BPL cards, due to which seniors were placed at the bottom where as juniors were placed at the top of the list.

So, the consideration for allotment of IAY house on the basis of the order of seniority, as envisaged in the guidelines, could not be ensured in Jajpur.

- As per guidelines, beneficiaries were to be allotted houses drawn from the permanent IAY waitlist. Scrutiny in audit revealed that in five PSs, houses were allotted on the recommendation of the MLA/ MP/ Chairpersons of the PSs. In one PS, Pattamundai in Kendrapara, the BDO allotted (2006-10) IAY houses to eight beneficiaries (**Appendix 2.2.16**) bypassing the waitlist reportedly on the recommendation of the local MLA<sup>24</sup>.

### 2.2.8.5 Doubtful payment of ₹ 1.81 lakh

From the scrutiny of Acquittance Registers and the concerned Verification Reports on the progress of work furnished by the GP officials in Kendrapara district, it was found that BDOs of Marshaghai, Rajnagar and Mahakalpada released an assistance of ₹4.28 lakh in installments (2004-07) to 25 beneficiaries (Kuhudi GP-6, Badihi-18 and Gogua-1 as per **Appendix 2.2.17**) for construction of IAY houses. During joint physical verification by Audit in the presence of authorised representative of the Block, the beneficiaries furnished written statements stating that they had received ₹ 2.48 lakh and not ₹ 4.28 lakh. Thus, doubtful payment of ₹ 1.81 lakh was carried out by showing fictitious payments.

In response to audit query, concerned BDOs stated that appropriate action would be taken after examination of the cases.

### 2.2.8.6 Non-completion of construction of houses worth ₹ 6.11 crore

As per IAY guidelines, the beneficiaries were to complete their houses within two years of allotment. Besides, Officers from the State headquarters dealing with IAY, including district and PS level officers were to closely monitor all phases of the construction through regular visits to work sites. Joint physical verification and verification of records of 10538 houses revealed that 3885 houses (**Appendix 2.2.18**), allotted during the period 2001-10 remained incomplete for over two to 12 years.



During verification of sites, Audit interviewed 1340 beneficiaries. Out of these, 416 (31 per cent) had completed construction of their houses. Of the remaining 924 (69 per cent) who could not complete their houses, 251 (27 per cent) beneficiaries could not complete construction due to inadequacy of funds as they built bigger houses, 211 (23 per cent) indicated that due to cost escalation, they could not complete their house, 72 (8 per cent) attributed to their poor economic condition, and remaining 59 (6 per cent) reasoned their non-construction due to delayed release of funds by the PS.

<sup>24</sup> MLA Pattamundai and MLA Rajnagar



Thus, laxity in monitoring and supervision of the works at sites resulted the buildings lying incomplete. The BDOs failed to motivate the beneficiaries to complete their houses by use of low cost technology and design in constructing IAY houses within the stipulated time and allocated funds. Due to non completion of buildings, not only did the beneficiaries fail to create permanent shelters for themselves but it also resulted in the expenditure of ₹ 6.11 crore incurred by the Government being rendered unfruitful, as of November 2012.

**2.2.8.7 Delay in release of financial assistance to the beneficiaries**

Scrutiny revealed that in three PSs, financial assistance was released with delays ranging from 20 days to 24 months as given below:

**Table 9 : Delay in release of financial assistance to the beneficiaries**

Sl No.	Name of the PS	Number of cases	Delay in release of first installment to the beneficiaries
1	Rajnagar	103	12 to 24 months
2	Jagatsinghpur	62	1 to 24 months
3	Binjharpur	10	20 days to 12 months
4	Nilgiri	34	1 to 12 months

*Source: Case records of individual beneficiary*

During physical verification and beneficiary interviews, eight beneficiaries out of 1340 gave written statements that illegal gratification was necessary to get the allotment of IAY houses and to get installments of funds released. The concerned BDOs/EOs failed to discharge their responsibilities, as envisaged in the guidelines, and are accountable for the irregularities.

Verification of records also revealed that in two PSs (Jagatsinghpur and Nilgiri), the implementing agencies (BDOs) delayed the issue of work orders, as detailed below.

**Table 10: Delay in issue of work orders**

Sl.No	Name of the Ps	Year	Month of receipt of target	Month of receipt of fund	Date of issue of work order
1	Jagatsinghpur	2007-08	May 2007	Aug 2007 to March 2008	July 2008 to December 2009
		2009-10	November 2009	March 2010	February 2010 to October 2011
2	Nilgiri	2009-10	August 2009	September 2009	May 2010 to December 2010

*Source: Work Register of the respective PS*

In order to ensure timely implementation of the scheme and to avoid the cost and time overruns, implementing agencies were required to issue work orders and release financial assistance to the beneficiaries on time, as per guidelines.

Non adherence to the guidelines in turn led to non-achievement of financial and physical targets under the scheme.

### 2.2.8.8 Inflation in number of BPL households

The BPL 1997 list made available to Audit at the DRDA in Jajpur and three selected PSs in the district was not the same as the BPL 1997 household list for the district, downloaded from the district website. The BPL 1997 list used by PSs in Jajpur had 4 digit serial numbers where as the BPL lists adopted in other districts of Odisha had serial numbers starting with number 1 and ending with the number of BPL households of the village concerned.

Cross verification of both BPL lists for Jajpur revealed that the BPL 1997 list adopted in by the DRDA included excess BPL households, as indicated below.

**Table 11: Inflation in number of BPL households**

Sl.No	PS	GP	Village	Excess BPL households included
1	Binjharpur	Samal	Kalyanpur	119
2	Binjharpur	Oleichandanpur	Oleichandanpur	4
3	Binjharpur	Sasanda	Tauntara	50
4	Binjharpur	Singhpur	Singhpur	4
5	Bari	Balia	Paramanandapur	36
6	Bari	Sarangpur	Bainsiria	33
7	Bari	Chanandpur	Chandanpur	94
8	Bari	Dharpur	Nathpur	36
9	Dharmasala	Kaima	Kaima	36
	<b>Total</b>			<b>412</b>

*Source: BPL list of the PSs*

On this being pointed out by Audit, the PD,DRDA stated that the BPL list 1997 starting with serial numbers one and ending with number of BPL households in each village was prepared for distribution of BPL rice only.

The reply is not tenable, as the BPL number is applicable to all schemes of the Government and cannot be for a specified purpose of the distribution of the rice. Availability of two BPL lists in the same district introduced opacity and ambiguity into the process of identification of beneficiaries for IAY.

### 2.2.8.9 Non-display of permanent waitlist in website/public place of GP/PS

As provided in guidelines, the permanent IAY waitlist was to be displayed at Gram Panchayat office and prominent places in the village to ensure transparency and publicity. Besides, the list was to be hosted in the website by the concerned DRDA for information of all concerned. Audit scrutiny and physical inspection of the sites revealed that such lists were painted on the walls of the GPs and printed copies were pasted on the walls of the PSs of Mayurbhanj district. In Jagatsinghpur district, waitlist had not been prepared. But in the remaining seven districts, such lists were neither displayed at prominent places of the GPs nor put on the website by the DRDAs. Failure of the EOs of the concerned GPs as well as Project Directors, DRDAs, in displaying the waitlist for information of all stakeholders made the entire process of selection non-transparent and as a result, the houses could be allotted to ineligible beneficiaries, as discussed in **Paragraph 2.2.8.4** above.

### **2.2.8.10 Non-allotment of IAY houses in the name of female members**

As per guidelines, allotment of dwelling units was to be made in the name of a female member of the household to empower the women and to give them social security. Alternatively, it could be allotted in the name of both husband and wife. The house could also be allotted to the male member, in case female member was not available / alive in the family. Check of records revealed that out of 26 sample PSs in nine districts, in 19 PSs in seven districts, 15827 (34 per cent) houses were allotted in the name of female members out of total 46663 houses allotted during the period 2007-08 to 2011-12 as detailed in **Appendix 2.2.19**.

Due to non allotment of house in the names of female members, retention of ownership of the house by the female after the death of her husband could not be ensured. During beneficiary interviews in Pattamundai PS, two old widows stated that their sons did not allow them to stay in the IAY houses allotted in the name of their husbands (photograph of one such beneficiary, Saraswati Mallik of Sanajharia GP appended above).



By not ensuring that houses were allotted to the extent possible in name of female members, the BDOs acted against the spirit of the guidelines of the scheme and severely jeopardised the security of the women members of BPL households. The concerned BDOs stated (October-September 2012) that henceforth they would allot the houses in the name of the female members of the households.

### **2.2.8.11 Non-allotment of houses to SC/ ST BPL families**

As provided in the guidelines, a separate list of SC/ST families in the order of their ranks may be derived from the larger IAY list, so that allotment of 60 per cent of houses to them is facilitated. Thus, there would be two IAY waitlists at any given point of time, one for SC/ST families and the other for non-SC/ST families.

Check of records revealed that out of 26 sampled PSs in nine districts, in case of 20 PSs in seven districts, 21422 houses were allotted to SC/ ST beneficiaries out of total 50928 houses allotted during the period 2007-08 to 2011-12 which was only 42 per cent as detailed in **Appendix 2.2.20**.

The concerned BDOs attributed reasons for less allotment of IAY houses to non-availability of eligible SC/ST households in their PSs. Reply is not tenable as it was noticed that for each year, targets were not met despite the subsequent years showing fresh allotments having been made to SC/ST beneficiaries. Thus, SC/ ST beneficiaries were not allotted houses despite their presence in the permanent waitlist.

### **2.2.8.12 Non-allotment of houses to landless BPL households**

Government of India vide Letter No H-11032/1/2005-RH (pt) Dated 11-April-2007 emphasised that BPL households were not to be overlooked from getting

the benefit under the scheme on the ground that they did not have the house sites to construct the IAY house. Government should make concerted effort to provide house sites so that the poorest can avail of the scheme.

During joint physical verification of houses in Badasahi and Morada PSs in Mayurbhanj districts, it was revealed that a total of 193 BPL households out of total allotment of 4150 had not been allotted IAY houses during the period 2007-08 to 2011-12 as they did not own homestead land in their names, as shown in Table below.

**Table 12: Non-allotment of houses to landless BPL households**

Name of District	Name of the PS	Name of the GP	No. of landless BPL households not allotted houses
Mayurbhanj	Morada	Bhaliadiha	19
	Morada	Chitrada	1
	Morada	Kohi	23
	Badasahi	Bireswarpur	104
	Badasahi	Madhapur	11
	Badasahi	Asthajharan	35
	<b>Total</b>		<b>193</b>

*Source: BPL list and work register of respective PS*

From verification of records of Tehsils and RI offices, it was observed that Government had not provided land to any landless BPL households of the selected GPs.

Thus, due to lack of initiative on the part of State Government and district authority, landless BPL households were deprived of getting the benefit under the scheme due to non-availability of homestead land in their names.

#### **2.2.8.13 Priority not given to the houseless beneficiaries from 2002 Survey list**

MoRD, had directed the State Government in 2008 to update the list as the BPL 1997 list was old. State Government was urged to prepare a list based on the 2002 BPL Survey. MoRD observed ( 2010) that although the waitlist on the basis of the 2002 BPL Survey was required to have been finalised by February 2006, none of the DRDAs of Odisha had done so and hence BPL 1997 list was in operation.

Audit scrutiny of records in Morada PS of Mayurbhanj district revealed that the permanent waitlist for 2005-06 to 2009-10 was prepared on the basis of the 2002 BPL Survey. But priority was not given in selection and allotment of IAY houses to the homeless as per that Survey. In five test checked villages in five GPs in Morada PS, 41 beneficiaries who had been allotted IAY houses during the period from 2007-08 to 2011-12 were actually not homeless.

#### **2.2.8.14 Lack of loan facility to IAY beneficiaries**

The guidelines stipulated that a beneficiary in addition to the assistance provided under the scheme, could also avail a loan of up to ₹ 20,000 per housing unit under Differential Rate of Interest (DRI) scheme, at an interest rate of 4 per cent per annum. It was the responsibility of the State

Governments/DRDAs concerned to coordinate with financial institutions to get this credit facility extended to interested beneficiaries.

Audit found that no housing loan was given to any beneficiary during 2007-12. Audit also conducted 1340 beneficiary interviews, where it was revealed that none of them had availed this facility. Beneficiaries were not even aware of any such facilities. Due to failure by the DRDAs and BDOs concerned to develop awareness, loan facility could not be extended to beneficiaries and so 924 houses remained incomplete for years in 26 sampled PSs in nine selected districts.

#### ***2.2.8.15 Absence of training on housing technologies to PS officials***

The guidelines provide that officers dealing with IAY at the State, districts and block level must be trained in various disaster resistant features to be adopted in the IAY houses and they should ensure during their field visits that these were complied with. However, it was observed that no district and block level officials were trained in adopting cost effective and environment friendly housing technologies and also disaster proof building practices, to assist the beneficiaries.

#### ***2.2.8.16 Non-maintenance of inventory***

The guidelines provided that the implementing agencies should have a complete inventory of houses constructed/upgraded under IAY giving details of the date of commencement of house and its completion, name of the village and Block in which the house is located; occupation and category of beneficiaries and other relevant particulars to ensure proper planning.

But it was seen that none of the blocks had maintained any such inventory for IAY houses. The work order register, only record maintained at the Block level showed the details of the beneficiary without accompanying payment and construction status. Due to non maintenance of detailed inventory, the Blocks/ DRDAs were not able to ascertain the total number of houses sanctioned to a PS/ GP, number of houses completed, number of houses left incomplete, funds released and utilised etc for a given period. As a result, the housing shortage for the balance rural BPL households could also not be assessed accurately.

#### ***2.2.9 Monitoring and evaluation***

Continuous monitoring and periodical evaluation helps to keep a tab on the quality of service, utilisation of resources and achievement of results. The Panchayati Raj Department at the state level, the DRDA at the district level and the BDOs at the block level, are responsible for effective implementation of IAY through adequate and effective monitoring. Besides, the EOs at the GP level were required to monitor the progress of house construction and submit timely and accurate reports to the BDOs, who in turn were to send a report on the same to the DRDA. The PD, DRDA was responsible for overall supervision and monitoring of IAY projects.

But Audit found serious lapses with regard to monitoring and supervision at all levels. The State Level Vigilance Monitoring Committee (SLVMC) and the District Level Vigilance Monitoring Committee (DLVMC) could not conduct periodic review meetings as required. There was also no effective grievance redressal mechanism to deal with the problems of the beneficiaries. Field visits by supervising authorities were casual and impact assessment was absent. These are discussed in succeeding paragraphs.

### **2.2.9.1 Ineffective monitoring of the State level Committee**

The programme was to be monitored at the State level by the SLVMC headed by the Minister, Panchayati Raj as the Chairperson and the Commissioner-Cum-Secretary, PRD as the Member Secretary. Besides, Ministers, MLAs and Secretaries of the other Departments were to be members of the Committee who were primarily responsible for ensuring that development schemes like IAY were implemented as per guidelines, that there was proper utilisation of funds and that all necessary measures were taken so that programme benefits reached the rural poor. The Committee was required to meet at least four times in a year.

Review of records revealed that the Committee was constituted in November 2009 and met only two times (January and October 2010) against the required eight meetings to be held during the above period. As per the proceedings of the meeting (20 October 2010) only financial and physical targets and achievements were discussed. Steps to be taken, suggestions for remedial action, proposals for new time lines etc. were not evident or on record.

### **2.2.9.2 Inadequate monitoring by the District level Vigilance and Monitoring Committee (DLVMC)**

The DLVMCs were required to meet at least once in a quarter to review the performance of the scheme for the entire district. Verification of records of DRDAs in eight out of nine selected districts revealed that against the required 20 DLVMC meetings to be held, the actual number of meetings held was inadequate, ranging from seven to 10 with a shortfall ranging between 50 and 65 per cent as given below.

**Table 13: Holding of DLVMC meetings**

Sl.No	Name of the District	No. of meetings supposed to be held during 2007-08 to 2011-12	No. of meetings actually held during 2007-08 to 2011-12
1	Bolangir	20	7
2	Bhadrak	20	9
3	Dhenkanal	20	9
4	Deogarh	20	4
5	Kendrapara	20	9
6	Jagatsinghpur	20	10
7	Jajpur	20	7
8	Mayurbhanj	20	9

*Source: DLVMC meeting file of respective DRDA*

Thus, the DLVMCs failed to fulfil their responsibility with regard to monitoring of the scheme to ensure that the benefits reached the target population.

### **2.2.9.3 *Absence of grievance redressal mechanism***

Grievance redressal mechanism is an important aid to higher management as it not only brings to light individual cases of denial of intended benefits to beneficiaries but also helps in obtaining feedback on grass root level implementation of the scheme. A well functioning grievance redressal system enhances quality of service delivery.

Test check of relevant records in the PRD pertaining to Kendrapara district revealed that the Department received 110 grievances during 2006-2012 which were forwarded to the district level for taking appropriate action . Out of the above, the Department received information on disposal of only three cases from the district and actions on the remaining grievances were not available with the Department. There was no follow up at periodic intervals and no official was assigned responsibility to supervise the resolution of the grievances.

During the scrutiny of records of 26 PSs and 125 GPs, it was seen that no grievance redressal mechanism existed and no record/register was maintained in these offices in this context .

### **2.2.9.4 *Inadequate inspection by State/District/PS level functionaries***

The guidelines provide that officers dealing with the IAY at State level should visit districts regularly and ascertain whether the programme was being implemented satisfactorily and construction of houses was being carried out in accordance with the prescribed procedure. Likewise, Officers at the district, subdivision and block levels were to closely monitor all aspects of the IAY through visits to the worksites. A schedule of inspection which prescribes a minimum number of field visits for each supervisory level functionary from the State level to the block level was to be drawn up and strictly adhered to.

But, it was observed that the PRD did not prescribe any schedule of inspection indicating minimum number of field visits for each supervisory level officer at State, district and block level. This led to casual, haphazard and adhoc field visits by the officers. Lack of regular and effective inspection was clearly evident from the fact that 3885 houses were left incomplete for years together, as detected by Audit during joint physical verification of sites.

### **2.2.9.5 *Involvement of NGOs in monitoring process***

As required under IAY guidelines, the NGOs with good track record were to be involved in supervision, guidance and monitoring of construction of IAY houses. This was to ensure greater transparency and penetration in rural areas. But no attempt was seen to have been made by the DRDA of the district and the BDOs concerned to involve NGOs for monitoring and supervision of the

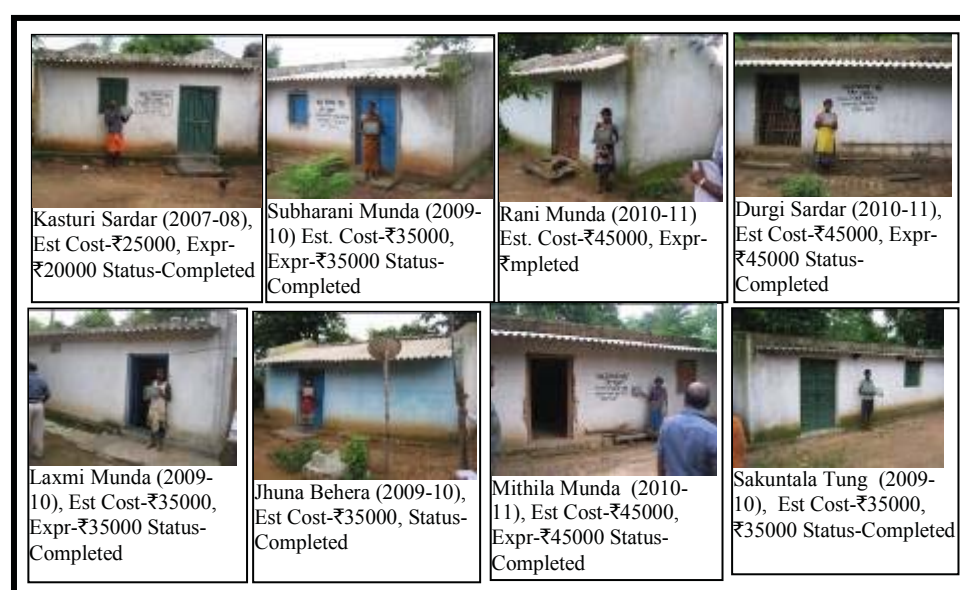
scheme, due to which community monitoring and transparency was found lacking.

### 2.2.9.6 Good practices in implementation of IAY in Rairangpur PS

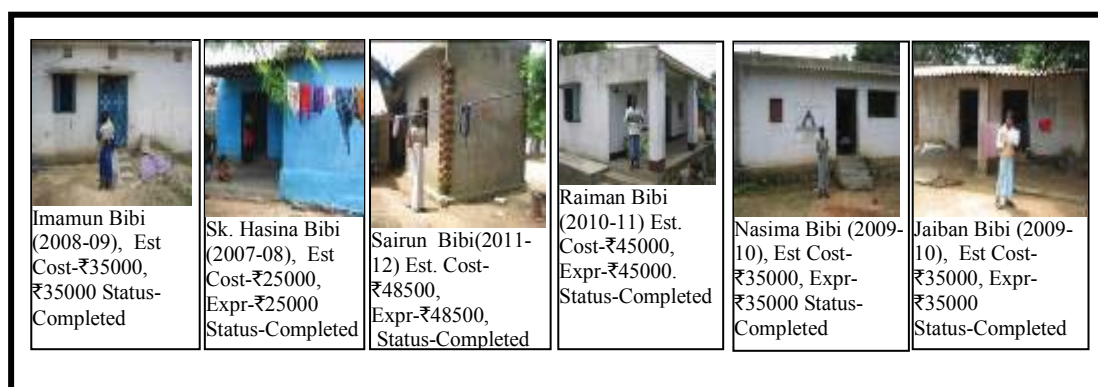
The finding that insufficient amount sanctioned under IAY to individual beneficiaries was a major reason for non-completion of IAY houses was not applicable to three test checked villages (Sundhal under Badamouda, Nagvan under Bhalubasa GP and Purunapani village under Purunapani GP) in Rairangpur PS, Mayurbhanj.

#### RAIRANGPUR PS, MAYURBHANJ

##### PHOTOGRAPHS OF IAY HOUSES IN SUNDHAL VILLAGE, BADAMOUDA GP



##### PHOTOGRAPHS OF IAY HOUSES IN NAGVAN VILLAGE UNDER BHALUBASA GP, RAIRANGPUR PS, MAYURBHANJ



In these villages, due to the concerted efforts of PS/ GP officials, implementation of IAY was successful. Despite the remoteness of locations, 56 out of 74 houses had been completed without cost or time overruns and with provisions of water supply and electricity connections. Some of these



houses with the proud new owners are shown in the photographs above. These houses indicated that the implementing authorities had been successful in ensuring convergence of IAY with other flagship programs. As such, these villages could be considered as “Model Villages” for implementation of IAY.

#### **2.2.10 Conclusion**

The objective of IAY in providing housing to the rural poor was not fulfilled to the extent originally envisaged due to multiple lapses across different stages of planning, implementation and monitoring of the scheme.

There were deficiencies in the planning process, beginning with the absence of credible data on housing shortage in rural areas leading to arbitrariness in identification of potential beneficiaries. Financial management was lacking, instances of diversion and misappropriation of scheme funds, submission of fictitious UCs and reduced utilisation efficiency were noticed besides gap in implementation of the scheme as envisaged in the guidelines, lack of transparency in the process of preparation of waitlists for beneficiaries as well as order of allotment of houses resulted in deprivation of housing to eligible BPL families. Other major deficiencies were:

- Payment to beneficiaries without construction of houses, payment in excess of milestone and payment to ineligible beneficiaries;
- Allotment of houses to ineligible beneficiaries as well as to same BPL household;
- Non completion of construction process and non allotment of houses to priority categories such as SC/ ST and landless beneficiaries.

Monitoring mechanism of the scheme was inadequate and ineffective, as the State and district level Committees did not take specific steps to exercise supervision. Absence of field visits by supervisory officers resulted in incomplete and delayed construction of houses, leading to non achievement of targets. On a positive note, it was seen that in Rairangpur PS of Mayurbhanj district in three test checked villages, out of 74 houses, 56 houses had been completed despite these are situated without sound communication facilities.

#### **2.2.11 Recommendations**

- Planning process should be carried out with reliable and credible data with updated baseline survey conducted by the Panchayati Raj Department.
- Financial management for the scheme should be bolstered with better information system, accurate accounting and continuous supervision to reduce the risk of non submission of UCs and diversion of funds.
- Cases of submission of false certificates and misappropriation should be investigated immediately by the State Government.

- Corrective action should be taken on the irregularities detected in the process of preparation of waitlist and allotment of houses.
- Schedule of monitoring and supervision at each level in the official hierarchy should be well established along with a grievance redressal mechanism to ensure accountability of implementing agencies.

## **2.3 Implementation of Mo Kudia**

### *Executive summary*

*Performance audit of the State scheme “Mo Kudia” revealed that the objective of the scheme in supplementing the IAY in providing housing to the rural poor not covered under IAY was not fulfilled to the extent envisaged due to the presence of multiple lapses across financial management, implementation and monitoring aspects.*

*Basic principles of financial propriety were over looked leading to instances of non-submission of UCs, submission of fictitious UCs to cover of the fact of unspent funds and reduced utilisation efficiency.*

*The implementation of the scheme was not effective as there was arbitrariness in the process of allotment of houses to eligible BPL families.*

*The monitoring mechanism of the scheme was inadequate and ineffective as the State and district level committees did not take specific steps to exercise proper supervision. Absence of field visits by supervisory officers resulted in incomplete and delayed construction of houses leading to non-achievement of targets*

### **2.3.1 Introduction**

Government of Odisha launched a State Plan housing scheme “Mo kudia” (My House) from the year 2008-09 for instant delivery of housing benefit to the most vulnerable BPL households or households not in the BPL list but otherwise genuinely poor. This scheme was introduced mainly to address the issues of under coverage and procedural inconveniencies of the Indira Awas Yojana.

The guidelines of Mo Kudia provided for allotment of a house jointly with spouse where applicable to the following categories-

- Poor women in distress, physically handicapped (over 40 *per cent*), mentally challenged, victims of domestic violence, destitute widows, women headed households, adult orphans of government registered institutions, victims of leprosy and AIDs
- Poor victims of ethnic and Naxal violence
- Tribal households whose houses have fully collapsed due to elephant menace
- Primitive Tribal Groups, with priority being given to these beneficiaries without insisting on title of land
- Mo Kudia to be linked with Mo Diha (My homestead land) in case of SC and ST persons.

### 2.3.2 Organisational structure for implementation of the scheme

Commissioner-cum-Secretary, Panchayati Raj (PR) Department assisted by Commissioner, Special Projects is responsible for implementation of the Mo Kudia scheme. At the District level, Project Directors of DRDAs are responsible for management of funds. The programme is implemented through Panchayat Samitis and Gram Panchayats. Identification of beneficiaries and monitoring of the progress of execution is done at GP level. The monitoring of the programme at the State level is the responsibility of the State Level Vigilance Monitoring Committee (SLVMC), comprising 22 members with the Minister of Agriculture and Co-operation as Chairperson and Commissioner-cum-Secretary as the Member Secretary. District Level Vigilance Monitoring Committees (DLVMCs) are responsible for monitoring at the district level.

### 2.3.3 Audit objective

The objectives of this Performance Audit of Mo Kudia were to assess whether:

- planning for the scheme was adequate, effective and based on credible data;
- funds were utilised efficiently and in an effective manner for the intended purpose;
- fairness and transparency were maintained in implementation of scheme and the activities were geared towards achieving the desired objectives;
- inspection, monitoring and evaluation mechanism was adequate, efficient and effective.

### 2.3.4 Audit criteria

Audit was conducted based on criteria drawn from the following sources:

- Mo Kudia Guidelines prescribed by the Government of Odisha;
- Instructions issued by the State Government from time to time;
- Prescribed monitoring mechanism.

### 2.3.5 Scope and methodology of Audit

Performance audit on implementation of Mo Kudia was conducted in nine districts<sup>25</sup> of Odisha during October 2011 to October 2012 covering the period 2008-12 through test check of records at Panchayat Raj Department at State level, nine DRDAs, 26 sampled PSs and 125 GPs (*Appendix 2.2.1*). The districts and PSs were

<sup>25</sup> **1. Bhadrak** (Bhadrak and Tihidi), **2. Balasore** (Nilgiri, Khaira and Simulia), **3. Bolangir** (Belpara, Bangamunda and Titlagarh), **4. Dhenkanal** (Bhuban and Kamakhyanagar), **5. Deogarh** (Barkote and Tileibani), **6. Jajpur** (Dharmasala, Bari and Binjharpur), **7. Jagatsinghpur** (Biridi, Tirtol and Jagatsinghpur), **8. Mayurbhanj** (Badasahi, Morada and Rairangpur) and **9. Kendrapara** (Pattamundai, Rajnagar, Gardpur, Marshaghai and Mahakalpada).

selected on the basis of stratified random sampling on number of houses allotted.

Entry Conference was held on 10 April 2012 in the presence of Director, Special Projects, PRD where the audit objectives, criteria, scope and methodology were discussed and agreed upon.

Exit Conference was held on 15 January 2013 in the presence of Additional Secretary, PRD where the findings and audit analysis were discussed with representatives of the Department. Their views and comments on the audit findings were considered and incorporated, wherever necessary.

## **Audit Findings**

Audit of the scheme in 26 sampled PSs in nine selected districts revealed that the achievement of objectives of the scheme could not be fulfilled due to irregularities and deficiencies in its implementation.

The rationale for the introduction of this parallel State Plan housing scheme was to cover those potential beneficiaries who could not avail the benefits of Indira Awas Yojana due to the fact that they were not included in the BPL list but were otherwise genuinely poor.

But implementation of the scheme suffered due to lack of effective planning, absence of internal controls to ensure transparency in financial management and arbitrariness, as discussed in the succeeding paragraphs.

### **2.3.6 Financial Management**

The State released ₹ 279.99 crore during the period 2008-12 to different districts under Mo Kudia. The year wise details are given below:

**Table 1: Release of funds under Mo Kudia** (₹ in lakh)

<b>Year</b>	<b>Amount released by the State</b>
2008-09	9999.85
2009-10	5999.70
2010-11	5999.85
2011-12	5999.80
<b>Total</b>	<b>27999.20</b>

*Source: Allotment register of PRD*

#### **2.3.6.1 Low Spending Efficiency**

Scrutiny of records revealed that except Simulia PS in Balasore district, the percentage of expenditure of funds under the scheme was significantly low, with only seven PSs having a spending efficiency (total expenditure as a percentage of total funds received) of greater than 60 per cent. The overall spending efficiency in the test checked PSs was 47 per cent. Against the total release of ₹ 21.96 crore, only an amount of ₹ 10.29 crore was spent by the PSs (*Appendix 2.3.1*).

On this being pointed out by Audit, the concerned BDOs stated that the funds received would be utilised.

### 2.3.6.2 Non-submission of UCs

Test check of records in 26 PSs revealed that in 20 PSs, Utilisation Certificates had been submitted for ₹ 6.65 crore against the total receipt of ₹ 17.39 crore by these PSs, resulting in the pendency of UCs worth ₹ 10.74 crore as of March 2012 (*Appendix 2.3.2*). Due to non-submission of UCs on time, the district and State authorities were not aware of the correct and up to date financial and physical progress achieved in the implementation of the scheme.

On this being pointed out, the concerned BDOs of PSs stated that the pending UCs would be submitted soon.

### 2.3.6.3 Submission of inflated UCs

Scrutiny of records revealed that nine PSs out of 26 test checked PSs submitted UCs for ₹ 4.94 crore against the actual expenditure of only ₹ 2.36 crore. Thus inflated UCs were submitted for an extra ₹ 2.58 crore. Submission of these UCs by the BDOs was not in order. The details are as under.

**Table 2: Submission of UC in excess of actual expenditure (In ₹)**

Sl. No	Name of the PS	Total Funds received during 2008-12	Expenditure incurred during 2008-12	Amount for which UC submitted during 2008-12	Excess amount for which UC submitted during 2008-12
1	Khaira	11192428	5443314	6095000	651686
2	Belpara	4879757	2210711	3240500	1029789
3	Tileibani	4703169	930545	3858000	2927455
4	Tirtol	14258110	5070000	5945000	875000
5	Binjharpur	10960000	3756300	10960000	7203700
6	Garadpur	4312000	0	650000	650000
7	Marsaghai	4877735	2668000	2905000	237000
8	Morada	4815000	2195942	2915000	719058
	<b>Total</b>	<b>76562523</b>	<b>23589512</b>	<b>49418500</b>	<b>25828988</b>

*Source: Mo Kudia Cash book and UC file )*

On this being pointed out, the concerned BDOs agreed with the contention of audit.

## 2.3.7 Programme Implementation

### 2.3.7.1 Achievement of physical targets

Scrutiny revealed that in four PSs, achievement of physical targets was less than 60 per cent, which indicated less issue of work order by the end of the year. The PSs do not maintain an inventory that indicated an overall completion status of the houses built under the scheme.

Apart from not meeting physical targets, four PSs also had a higher utilisation of funds compared to physical achievement of targets i.e., the finding clearly indicated cost overruns, which in turn led to incomplete houses. This also pointed to the risk of possible existence of milestone committed in terms of physical vis-à-vis financial progress were not achieved. In this background, cost overrun or diversion of funds to other schemes cannot be ruled out.

**Table 3: Physical performance under Mo Kudia**

Sl. No	Name of the PSs	Total target	Total achievement	Percentage of Physical achievement	Percentage of utilisation of funds
1	Belpara	116	40	34	45
2	Bangamunda	112	58	52	78
3	Titlagarh	132	132	100	54
4	Bhadrak	473	389	82	65
5	Tihidi	362	285	79	8
6	Jagatsinghpur	321	321	100	55
7	Tirtol	356	331	93	36
8	Biridi	182	182	100	70
9	Barkote	216	196	91	61
10	Tileibani	93	86	80	20
11	Simulia	238	238	100	94
12	Khaira	372	260	70	49
13	Nilgiri	366	275	75	57
14	Pattamundai	198	198	100	23
15	Rajnagar	148	148	100	38
16	Garadpur	127	127	100	0
17	Mahakalapara	189	7	4	1
18	Marsaghai	141	141	100	55
19	Binjharpur	361	333	202	61
20	Dharmasala	444	170	38	62
21	Bari	307	225	73	83

*Source: Work Register of respective PS*

### **2.3.7.2 Irregular allotment of houses**

Scrutiny of records under Mo kudia in Biridi PS in Jagatsinghpur district revealed that physical target for the PS was 36 for the year 2010-11. The BDO, Biridi PS issued work orders for 64 houses i.e. 28 above the target for that year without the requisite allotment of funds. These extra beneficiaries were also paid ₹ 7.20 lakh without the necessary verification reports of the field officials and without the prescribed photographs of the houses constructed.

On this being enquired by Audit, the BDO, Biridi stated that appropriate action would be taken after investigation.

### **2.3.8 Monitoring of the scheme**

The monitoring mechanism for the Mo Kudia scheme suffered from the same deficiencies and drawbacks as detailed in the above section on the same aspect for the Indira Awas Yojana scheme.

### **2.3.9 Conclusion**

The objective of Mo Kudia in supplementing the IAY in providing housing to the rural poor was not fulfilled to the extent envisaged due to the presence of

multiple lapses on financial management, implementation and monitoring aspects.

Basic principles of financial propriety were overlooked, leading to instances of non submission of UCs, submission of fictitious UCs and reduced utilisation efficiency. The implementation of the scheme was ineffective due to arbitrariness in the process of allotment of houses, inadequate monitoring mechanism and non achievement of targets.

#### ***2.3.10 Recommendations***

- Planning process should be strengthened to ensure the fulfillment of objective and the spirit of the scheme.
- Financial management for the scheme should be bolstered, with better information systems, accurate accounting and continuous supervision to reduce the risk of non submission of UCs and diversion of funds.
- The PRD should examine the irregularities detected by Audit and take corrective action.
- Schedule of monitoring and supervision at each level in the official hierarchy should be well established along with a grievance redressal mechanism to ensure accountability of implementing agencies.



**PANCHAYATI RAJ DEPARTMENT**

**2.4 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in the State**

*Executive Summary*

*The National Rural Employment Guarantee Act 2005 (NREGA) enacted (September 2005) by the Parliament and renamed (2 October 2009) as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), provided livelihood security to the rural poor by providing at least 100 days of guaranteed wage employment in a financial year to every registered household, whose adult members volunteer to do unskilled manual work. The scheme was launched in the State on 2 February 2006 in 19 districts and was extended to five more districts from 1 April 2007. The remaining six districts were covered from 1 April 2008. During 2007-12, ₹ 4452.30 crore was released by the Government of India (GoI) and ₹ 491.57 crore was released by the State as its share. Out of the total availability of ₹ 5160.26 crore during this period, ₹ 4864.36 crore (94 per cent) was utilised.*

*Performance Audit of implementation of the MGNREGS in 199 sample Gram Panchayats (GPs), 20 sample blocks of eight sample districts of the State revealed weak institutional arrangements, deficient planning, delay in payment of wages, wasteful expenditure on abandoned and incomplete works, creation of non-durable assets and lack of adequate awareness about the scheme among the target group. Use of labour displacing machines, non-transparent grievance redressal mechanism with feeble monitoring and evaluation mechanism were noticed. Audit also observed execution of the least prioritised items of work and creation of non-durable assets.*

*Financial management was ineffective leading to retention of scheme fund in private bank and cooperative bank in two units, incurring administrative contingency over and above the permissible limit in some test checked units, diversion of funds as well as irregular and improper maintenance of records. The response of SC/ST beneficiaries for employment under the scheme was encouraging while the demand for job by other categories remained low.*

**2.4.1 Introduction**

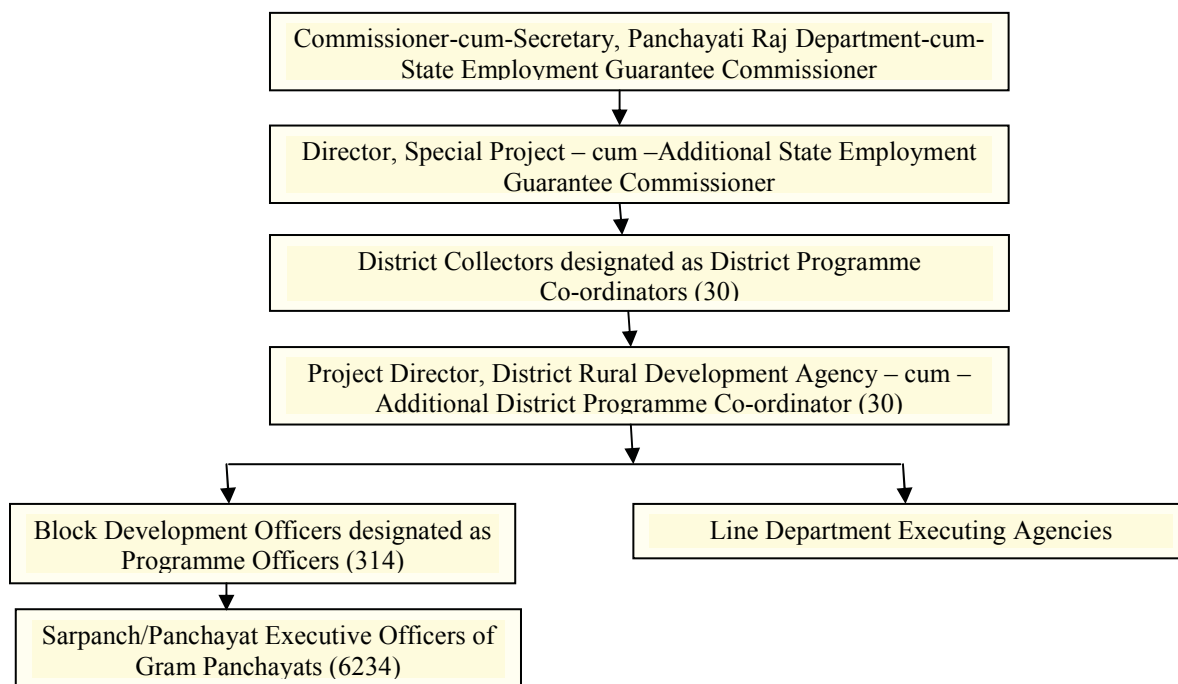
The National Rural Employment Guarantee Act 2005 (NREGA) enacted (September 2005) by the Parliament and renamed (2 October 2009) as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), provided livelihood security to the rural poor by providing at least 100 days of guaranteed wage employment in every financial year to every registered household, whose adult members volunteer to do unskilled manual work. The other objectives of the scheme included creation of durable assets, strengthening the livelihood resource base of rural poor, reduction of distress migration and raising economic productivity.

The Act requires timely and fair payment of wages as well as transparency in registration, employment and execution of works. It mandates payment of unemployment allowance to the registered workers who were not provided work within 15 days of application and the same was to be borne by the State Government. Under the scheme, the State Government was to bear 25 per cent of the cost of material and wages for semi-skilled/skilled workers, unemployment allowance and administrative expenses of the State Employment Guarantee Council (SEGC) while wages of unskilled workers and 75 per cent of the cost of material and wages for semi-skilled/skilled workers was to be borne by the Government of India (GoI). The State Employment Guarantee scheme was formulated in December 2006. The scheme was launched in the State on 2 February 2006 in 19 districts and was extended to five more districts from 1 April 2007. The remaining six districts were covered from 1 April 2008. The scheme was to be implemented in pursuance to the Operational Guidelines issued by Ministry of Rural Development (MoRD) in 2006 and 2008.

#### 2.4.2 Organisational Setup

The scheme was implemented by the Panchayati Raj Department (PRD) under the overall supervision of the Commissioner-cum-Secretary who also acted as the State Programme Coordinator and the State Employment Guarantee Commissioner. District Programme Coordinators (DPCs) and Programme Officers (POs) were responsible for implementation of the scheme at district and block levels respectively through their own staff as well as the executing line departments<sup>26</sup>. The organisational chart for implementation of the scheme is indicated in the **Chart 1** below.

**Chart-1: Organisational chart**



<sup>26</sup> Forest, Soil conservation, Horticulture, Rural Development, Water Resources, Fisheries and Agriculture

### **2.4.3     *Audit Objectives***

Objectives of Performance Audit on implementation of the scheme were to assess whether:

- structural mechanisms were put in place for implementation of the Act;
- procedures for preparing perspective and annual plan at different levels for estimating the likely demand for work, and preparing shelf of projects were followed and effective;
- funds were released, accounted for and utilised by the State Government in compliance with the Act/Rules;
- process of registration of households, issue of job cards and allocation of employment in compliance with the Act/Rules was effective;
- primary objective of ensuring the livelihood security by providing at least 100 days of annual employment to the targeted rural community at the specified wage rates was effectively achieved;
- works were properly planned and executed economically, efficiently and effectively in a timely manner and in compliance with the Act and Rules, and whether durable assets were created, maintained and properly accounted for;
- complete transparency was maintained in implementation of the Act by involving all stakeholders in various stages of its implementation from planning to monitoring and evaluation; and
- requisite records and data were maintained at various levels and that the same were automated completely and provided reliable, timely management information.

### **2.4.4     *Audit Criteria***

The criteria for the Performance Audit were drawn from the following list of documents.

- MGNREG Act-2005 and amendments thereto;
- Operational Guidelines 2006 and 2008 issued by Ministry of Rural development (MoRD), GoI;
- Circulars / instructions /guidelines issued by the State and Central Government from time to time for implementation of MGNREGS;
- Notification issued under Odisha Rural Employment Guarantee Scheme (OREGS);
- Performance indicators set by Government of India.

### 2.4.5 *Audit coverage and methodology*

Performance Audit was conducted during March to June 2012 covering the period 2007-12 through test check of records of PRD, eight<sup>27</sup> District Programme Coordinators (DPCs), 20 Panchayat Samitis (PS) of eight sample districts and 199 sample GPs along with executing agencies of various line departments. The districts and PSs were selected on the basis of Simple Random Sampling without Replacement method while GPs were selected using probability proportionate to size with replacement (PPSWR) method as well as risk criteria<sup>28</sup> assessed by audit parties on the spot (*Appendix 2.4.1*). Audit also conducted joint physical inspection of 1722 works in the presence of concerned engineers and Panchayati Raj Institution (PRI) officials and interview of 1990 beneficiaries of these 199 sample GPs.

Entry Conference was held with the Joint Secretary, PRD on 12 March 2012 in which the audit objectives, criteria, scope and methodologies of audit were discussed and agreed to. The audit findings were discussed with the Commissioner-cum Secretary, PRD at an Exit Conference held on 6 November 2012. Views expressed in the Exit Conference and replies of the Department, wherever, received were duly considered and incorporated at appropriate places in this report.

## **Audit Findings**

### 2.4.6 *Structural mechanism and capacity building measures*

The State Government formulated rules for implementation of the scheme in December 2006 though the MGNREG Act was enacted in September 2005 i.e. after more than one year of its enactment by GoI. The State Government made GP as the pivotal body for implementation of the scheme right from planning to convene the Grama Sabha for social audit and also for monitoring the implementation of the scheme at the village level. The State Employment Guarantee Council (SEGC) was constituted (November 2007) after 20 months of implementation of the scheme and about 11 months from the date of notification made by the State Government. The details of institutional arrangements for implementation of the scheme in the State and the shortcomings observed by audit are discussed in succeeding paragraphs.

#### 2.4.6.1 *Human Resources Management*

For effective implementation of MGNREGS, Operational Guidelines provided for appointment of Gram Rojgar Sevak (GRS) in each GP, a full time dedicated officer (either on deputation or on contract or on fresh appointment) as Programme Officer (PO) in each block, one computer assistant, one accounts assistant, two MGNREGS assistants at block level to assist the PO and one Gram Panchayat Technical Assistant (GPTA) for a cluster of GPs. Further, GoI guidelines required that when the responsibility of the PO would be discharged by the Block Development Officer (BDO), another person may

<sup>27</sup> Angul, Bhadrak, Bolangir, Gajapati, Ganjam, Kendrapara, Khurda and Sambalpur.

<sup>28</sup> Risk criteria adopted were expenditure under MGNREGS by GPs during 2007-12

be appointed as the Additional Programme Officer (APO). Various posts sanctioned vis-a-vis men in position in the State as on 31 March 2012 are given in the following table.

**Table 1: Staff strength vs men in position** (in Number)

Level	Category	Posts sanctioned	Men in position	Percentage of vacancy
District	MGNREGS Co-ordinator	33	33	NIL
	Social Audit Assistant	30	17	43.33
	Grievance Redressal Assistant	30	16	46.67
Block	Assistant Programme Officer (APOs)	314	260	17.20
	MGNREGS Assistant	628	277	55.89
	Additional Computer Programmer	314	297	5.41
Gram Panchayat	GPTA	1628	1474	9.46
	GRS	6234	5996	3.82

*Source: Records of State MGNREGS Cell*

It is evident from the table above that there were large scale vacancies, which affected the implementation of the scheme. Audit also found that

- The PRD prescribed (August 2007) duties and responsibilities of the GRS for maintenance of MGNREGS records. The GRSs were assigned additional work like disbursement of Old Age Pension, deployed during calamities and for Public Distribution System (PDS) activities etc. due to which the GRSs could not reportedly update the records of MGNREGS in the GPs.
- Similarly, though there were GPTAs in each PS for MGNREGS works of GPs, yet they were assigned with execution and inspection of works under other schemes.
- The PRD did not constitute (March 2012) panel of accredited engineers at PS level for assisting specifically in estimation and measurement of works relating to MGNREGS.

The matter was referred to the Government (October 2012); no reply has been received (February 2013).

#### **2.4.6.2 Training for capacity building**

The PRD entrusted State Institute for Rural Development (SIRD) for various trainings to be conducted under the scheme for different stakeholders. Though the guidelines stipulated that every mate (Gram Sathi) should receive training jointly with Gram Rozgar Sevaka (GRSs) / Panchayat Secretaries with coverage of topic on the scheme, work site facilities, transparency and safeguards at the worksites, muster roll maintenance and work measurement; yet audit noticed that no such joint training was conducted. As against a target of 187000, audit observed that 161043 trainees were imparted training with a shortfall of 25957 (14 per cent) during 2007-12.

The Department stated (July 2012) that the requisite training were imparted to all those called for training. The reply is not acceptable as detailed data on trainings imparted specifically to the GRSs and GPTAs could not be furnished to audit.

### 2.4.7 Deficiencies in Perspective Planning and preparation of Annual Action Plans

A key indicator of success under the scheme was the timely generation of employment within 15 days of demand by a job-seeker, while ensuring that the design and selection of works are such that durable assets were developed. The need to act within a time limit necessitated advanced planning. The District Programme Coordinator (DPC) is *inter alia* responsible for consolidating the plans prepared by the blocks and implementing agencies for preparation of a shelf of project for approval by the Zilla Parishad and review, monitor and supervise the performances of Programme Officers. The Government designated the Collectors as DPC. Audit reviewed the planning process and noticed the following deficiencies.

#### 2.4.7.1 Perspective Plan

GoI released (November 2007) ₹1.10 crore for 11<sup>29</sup> districts<sup>30</sup> of the state at ₹ 10 lakh each, for preparation of the perspective plan (2007-12). As per the directives of the PRD (May 2008), the DPCs placed (February 2010) the entire fund with Planning & Co-ordination (P&C) Department for preparation of the District wise Perspective Plans. Audit scrutiny revealed that District Programme Co-ordinators (DPCs) of two<sup>31</sup> districts, who were vested with overall responsibility of implementation of MGNREGS in the districts, did not receive their perspective plan as of March 2012. In case of one district (Ganjam), the perspective plan though stated to have been prepared by an agency, yet it was not submitted (March 2012) to DPC though the period of such plan prescribed by GoI was over.

It was further seen that Utilisation Certificate for the entire fund was submitted (October 2011) to GoI. Preparation of Perspective plan at a later date could not yield the desired result for which the long term plan was meant for. Thus, expenditure of ₹ 30 lakh incurred for the purpose for these three districts, proved to be nugatory.

#### 2.4.7.2 Annual Action Plan

The GoI guidelines provided that the GPs are to prepare the Annual Work Plan along with shelf of projects and the Gram Sabhas were to approve such Annual Action Plans (AAPs). While preparing the AAPs, the GP should make assessment of labour demand with identification of works to meet the same and estimated cost of the works and benefits expected in terms of employment generated. The Gram Sabha should be held on 2 October each year for identification and recommendation of the works.

Scrutiny of records revealed that the operational guidelines for preparation of AAPs were not adhered as detailed below.

<sup>29</sup> Angul, Balasore, Bargarh, Bhadrak, Cuttack Jagatsinghpur, Jajpur, Kendrapara, Khurda, Nayagarh and Puri

<sup>30</sup> Phase II and Phase III districts

<sup>31</sup> Bhadrak, Kendrapara

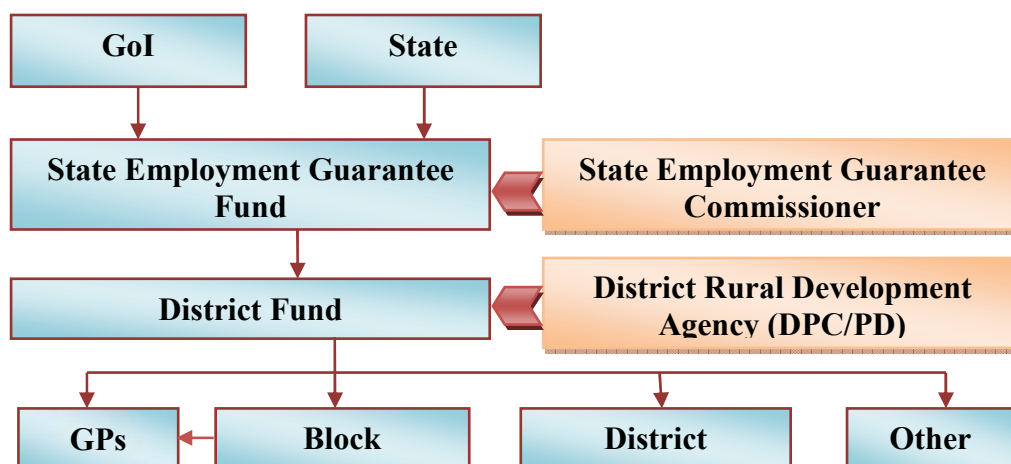
- In 15 GPs of one test checked district (Bhadrak), Gram Sabhas were not conducted on 2 October every year from 2007-12 for identification and recommendation of works for inclusion in the shelf of projects and Annual Action Plans were sent to the PS with delays ranging from 13 to 766 days.
- In all the 199 test checked GPs of eight sample districts, the GPs, with the approval of Gram Sabha, forwarded the list of works to POs without specifying assessment of labour demand, estimated wage cost and benefits expected in terms of employment generation. The GPs executed all those works which were approved by the district panchayat on sanction of the DPC.

#### 2.4.8 Financial management

Section 21(1) of the Act required each State to establish a State Employment Guarantee Fund. GoI guidelines required (Paragraph 8.2) that this Fund is to be expended and administered as a revolving fund for implementation of the Scheme and similar revolving funds was to be set up in each district, block and GP level. The fund flow mechanism under the scheme is depicted in the chart below:

**Chart-2**

#### Fund flow mechanism under MGNREGS



(Source:-MGNREGS Cell, Odisha and detailed scheme guidelines)

Fund flows from the SEGFF to the districts and from district to blocks, GPs and other implementing agencies. During the period 2007-12, of ₹ 5160.26 crore<sup>32</sup> was available under the scheme in the State, of which ₹ 4864.36 crore (94 per cent) was utilised. The Opening and Closing Balances were not in agreement for the year from 2008-09 to 2011-12 as indicated in the table below. The PRD did not furnish any reasons for such discrepancies.

<sup>32</sup> Unspent funds as on 1 April 2007: ₹166.99 crore, Central assistance: ₹ 4452.30 crore, State share: ₹ 491.57 crore, and miscellaneous receipts: ₹ 49.40 crore

**Table 2: Receipt and utilisation of fund under MGNREGS** (₹ in crore)

Year	Number of districts	Opening Balance	Release of last Year but Received during the current year		Availability of Fund				Expenditure	Percentage	Closing Balance
			Central	State	Central	State	Misc Receipt	Total <sup>33</sup>			
2007-08	24	166.99	12.34	4.11	553.04	52.80	2.65	791.93	690.59	87.20	101.34
2008-09	30	168.44	0.00	2.78	878.43	96.74	7.35	1153.74	678.29	58.79	475.45
2009-10	30	475.86	0.00	0.87	468.73	52.08	3.61	976.45	932.58	95.51	43.87
2010-11	30	47.88	0.00	0.00	1560.23	150.00	4.28	1762.39	1530.35	86.83	232.04
2011-12	30	227.94	0.00	23.35	979.53	108.84	31.51	1371.17	1032.55	75.30	338.62
<b>Total</b>			<b>12.34</b>	<b>31.11</b>	<b>4439.96</b>	<b>460.46</b>	<b>49.4</b>		<b>4864.36</b>		

Source:-Information furnished by MGNREGS Cell of Panchayati Raj department

Audit found that State Government failed to design an effective Financial Management System (FMS) for better management of funds. The deficiencies noticed are discussed in the succeeding paragraphs.

#### 2.4.8.1 Non maintenance of joint account

As per provisions in the MGNREGS guidelines, each Gram Panchayat would have an exclusive savings bank account under the scheme and the same was to be operated jointly by the President and the Secretary of the Gram Panchayat. GoI instruction of September 2008 required each State to issue necessary instruction regarding the second signatory of joint accounts of fund under MGNREGS at district and block level.

Audit noticed that in four PSs (Patnagarh, Muribahal, Aul and Rajnagar) out of 20 test checked blocks the bank account in block level was operated single handedly by the POs, and at one DRDA (Kendrapara) by the DPC. This indicated failure to operate the fund by a purported control mechanism under the scheme.

#### 2.4.8.2 Operation of MGNREGS fund in private banks

GoI guidelines provides for maintenance of scheme funds in public sector bank. Audit found that DRDAs of two<sup>34</sup> out of the eight test checked districts deposited ₹ 74.69 lakh in one private sector bank and one Cooperative bank. As of March 2012, ₹ 31.37 lakh remained unspent in these accounts.

<sup>33</sup> Total availability was arrived after deducting ₹24.70 crore refunded by the districts during 2009-10.

<sup>34</sup> Gajapati (ICICI Bank-₹70 lakh deposited during January 2009-March 2011) and Bolangir (District Central Cooperative Bank-₹4.69 lakh during 2006-07)



### 2.4.8.3 *Diversion of fund*

Diversion of fund from MGNREGS to other schemes is prohibited. Review of the cash books of three<sup>35</sup> out of eight test checked districts revealed that ₹ 96.92 lakh was diverted from MGNREGS to other schemes in four PSs (Basudevpur, Patnagarh, Aul and Rajnagar) during 2007-12 which remained un-recouped as of March 2012. Similarly, ₹ 5.89 crore was diverted from other schemes to MGNREGS during 2007-12 in five PSs<sup>36</sup> which remained un-recouped.

### 2.4.8.4 *Non-accountal of interest credited by banks to Cash Books*

Interest earned on scheme funds forms part of the fund and was to be accounted for immediately. Audit found that in eight PSs<sup>37</sup> of four<sup>38</sup> out of eight test checked districts, interest of ₹ 38.11 lakh credited by the banks in the pass books was not accounted for in the cash books as of March 2012. Thus, interest earned could not be utilised under the scheme.

### 2.4.8.5 *Incurring of administrative expenses in excess of the permissible limit and on inadmissible purposes*

Admissible contingent expenses under the scheme were four *per cent* of the total wage and material cost, which was increased to six *per cent* from April 2009. This ceiling on administrative contingency was to operate at the district level. In seven out of eight test checked districts, audit found that ₹ 6.25 crore was incurred in excess of the permissible limit during 2007-12 as indicated in **Table-3** below:

**Table 3:-District wise administrative expenditure**

(₹ in lakh)

District	Year	Total Expenditure on Labour and Material component	Admissible Administrative Expenditure	Actual Administrative Expenditure	Excess Expenditure	Percentage to admissible Administrative Contingency
Angul	2008-09	1317.29	52.69	88.27	35.58	67.52
Bhadrak	2007-08	1098.51	43.94	314.95	271.01	616.77
	2008-09	2160.35	86.41	129.02	42.61	49.30
	2011-12	1778.59	106.72	130.56	23.84	22.34
Bolangir	2008-09	3312.24	132.49	139.48	6.99	5.28
	2011-12	4260.39	255.62	306.55	50.93	19.92
Ganjam	2011-12	5183.33	311.00	335.29	24.29	7.81
Kendrapara	2008-09	92.46	3.70	34.80	31.10	840.95
	2011-12	2115.25	126.92	138.30	11.39	8.97
Khurda	2008-09	83.33	3.33	15.42	12.09	362.62
	2010-11	1194.69	71.68	90.10	18.42	25.70
	2011-12	972.52	58.35	96.31	37.96	65.05
Sambalpur	2008-09	2027.78	81.11	140.21	59.10	72.86
<b>Total</b>		<b>25596.73</b>	<b>1333.96</b>	<b>1959.26</b>	<b>625.30</b>	<b>46.87</b>

*Source: Information furnished by PRD*

<sup>35</sup> Bhadrak, Bolangir and Kendrapara

<sup>36</sup> Chandbali, Basudevpur, Aul, Rajnagar and Kuchinda

<sup>37</sup> PS., Agalpur, Aska, Chandbali, Digapahandi, Ganjam, Tangi, Khurda and Muribahal

<sup>38</sup> Bolangir: ₹ 7.77 lakh, Bhadrak: ₹ 6.90 lakh, Ganjam: ₹ 20.60 lakh and Khurda: ₹ 2.84 lakh

Excess expenditure under the administrative contingency ranged from 5.28 to 840.95 *per cent* compared with the permissible limit of expenditure. This reduced the availability of funds for execution of projects to that extent resulting in less creation of man days towards effective implementation of the scheme. Excess expenditure of the contingencies should be borne by the State Government.

Besides, contrary to GoI's instructions (March 2007) in three test checked units<sup>39</sup> ₹ 4.78 lakh was utilised during 2007-12 on inadmissible items like telephone and electricity expenses, patta (Record of rights) distribution, purchase of generator, furniture and meeting expenses under administrative contingency, which was irregular.

Thus, the Department did not exercise financial controls effectively to regulate the expenditure under administrative contingency.

#### **2.4.8.6 Non-closure of SGRY and NFFWP Accounts**

The GoI decided in March 2008 to close the SGRY programme and transfer all unspent funds to MGNREGS with immediate effect. Audit observed that ₹ 4.71 crore<sup>40</sup> kept unutilised in savings bank account under SGRY and National Food for Work Programme (NFFWP) as of March 2008 in 46 test checked GPs and seven test checked PSs of eight sample districts were not transferred to MGNREGS as of March 2012.

This led to idling of fund without utilisation in the MGNREGS, as envisaged in the scheme guidelines. All concerned POs and PEOs stated (April-May 2012) that the amount lying under SGRY / NFFWP would be transferred to MGNREGS shortly.

#### **2.4.8.7 Outstanding advance**

Provisions of Odisha Treasury Code (OTC) prescribed for submission of vouchers in respect of advance availed within one month of availing such advance failing which the salary of such staff was to be withheld and further advance was not to be paid till full recoupment. Further, Panchayati Raj Department instructed in December 2002 to adjust / recover the advances within one month of payment failing which the same was to be treated as temporary misappropriation of fund warranting initiation of disciplinary / criminal proceedings.

Audit found from the Advance Registers of four GPs<sup>41</sup>, 12 PSs and two DRDAs that advances of ₹ 3.43 crore remained outstanding against PRI staff, executants and Sarpanchs as of 31 March 2012 as detailed in **Appendix 2.4.2**.

<sup>39</sup> PSs: Patnagarh: ₹ 101074 (2008-12), Muribahal: ₹ 77907 (2007-08) , DRDA Bolangir: ₹ 298591 (2007-12),

<sup>40</sup> Angul: ₹1.32 lakh (10 GPs); Bolangir: ₹38.74 lakh (10 GPs and one PSs); Bhadrak: ₹286.04 lakh (one PS); Gajapati: ₹ 8.87 lakh (19 GPs); Ganjam ₹ 41.73 lakh (1 PS); Kendrapara: ₹ 69.46 lakh (one DRDA and two PSs) ; Sambalpur: ₹10 lakh (seven GPs and one PS) and Khurda: ₹14.93 lakh (one PS)

<sup>41</sup> Malisira, Chalki, Lebeda and Haldi

Out of ₹ 3.43 crore, an amount of ₹ 2.20 crore (64 *per cent*) remained outstanding for more than three years (March 2012).

No initiative was taken by the controlling officers at district and block level for recoupment of these outstanding advances (May 2012) met from the scheme fund.

#### **2.4.8.8 Irregularities in maintenance of Cash Book**

The Panchayat Executive Officer (PEO) was required to maintain the Cash Book as per Odisha Panchayat Samiti Accounting Procedure Rule 2002. Audit noticed irregularities in maintenance of Cash Book in two test checked GPs of Muribahal PS in Bolangir district which are detailed below.

- Less opening balance to the extent ₹ 2.94 lakh was taken (July 2010) by PEO of Lebeda GP. The Cash Book remained unreconciled as of March 2012. In reply, PEO stated that steps would be taken to recover the amount.
- Diverted amount of ₹ 1.25 lakh from MGNREGS to Public Distribution System (PDS) in Lakhana GP during 2007-08 was not accounted for in PDS Cash Book. The amount remained unaccounted as of March 2012.

#### **2.4.9 Registration and issue of job cards**

MGNREGS is open to all rural households willing to undertake unskilled manual work. The households who register under the scheme and apply for work are entitled to be provided with employment. Job cards are issued to registered households after verification within a fortnight from the date of receipt of application.

##### **2.4.9.1 Survey to identify eligible households for registration**

GoI guidelines required for undertaking a door to door survey to identify persons as well as eligible households willing to register under the Act. Such survey was to be conducted through officials as well as elected members of the GP and registration is to be made throughout the year. Orientation training was also to be given to all the survey team members at block / district level. During scrutiny Audit noticed that

- Door to door survey was not undertaken in seven<sup>42</sup> out of eight test checked districts to identify eligible households willing to register under the scheme. In Ganjam district, survey was undertaken during March 2012 without imparting training to the survey team members.
- Despite survey conducted by PO, Aska PS(March 2012), audit noticed that out of total 737 job card holders in two GPs (Kendupadar and Benapat) 259 job card holders had migrated and 107 job card holders

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<sup>42</sup> Angul, Bhadrak,, Bolangir, Gajapati, Kendrapara, Khurda and Sambalpur

were dead. The PO failed to take any steps (May 2012) for updation of job card registers by deletion of names of the dead and migrated.

#### 2.4.9.2 Registration for allotment of job cards

Under the scheme, the registration of households occupied a pivotal role since subsequent allotment of job cards and assignment of employment were dependent on the registered households. Scrutiny of register of registration, allotment of job cards and assignment of employment revealed as follows.

- Register of application received from the households in 100 test checked GPs in four selected districts (Bhadrak, Bolangir, Kendrapara, Khurda) did not contain the details of the date of registration, receipt of registration and other profile details of the applicants.
- In 70 out of 199 test checked GPs, oral request for registration was not entertained. Out of 1990 interviewed, 1105 beneficiaries stated that their oral request for registration was not entertained.
- In one test checked PS (Aul) of Kendrapara district, 6961 out of total households of 7683 were registered in a single day, i.e. 24 January 2008 without verification regarding local residence, household as an entity and that the applicants are adult members as required.
- None of the sample districts followed the practice of displaying the list of the names/household registered in the GP notice board as envisaged under the scheme.

#### 2.4.9.3 Issue of Job Cards

Scrutiny of job cards registers revealed the following.

- Job cards were not issued after verification within a fortnight of receipt of applications for registration in three<sup>43</sup> out of eight districts. Audit noticed that 224 job cards were issued in these districts with delay ranging from 52 days to 634 days.
- Audit also noticed that in three<sup>44</sup> sampled districts, 1915 applications remained unattended with a delay ranging from one year to five years. Due to non-issue and late issue of job cards, the beneficiaries were deprived of getting benefits under the scheme.
- Job card registers were not updated regularly in all the test checked GPs to take care of the additions on account of new entries and deletions for cases of death, migration etc.
- Audit interviewed 1990 beneficiaries in all the test checked 199 GPs and found that in 1253 cases (63 per cent), photographs of the

<sup>43</sup> Bhadrak, Ganjam and Kendrapara

<sup>44</sup> Ganjam, Kendrapara and Khurda

beneficiaries were not affixed on the job cards deviating from the guidelines.

The matter was pointed out in Audit (October 2012) to PRD.

#### **2.4.10 Provision of employment**

##### **2.4.10.1 Low demand for employment under the scheme**

The status of year wise registration, demand, employment and man days created in the State during 2007-12 is indicated in table below:

**Table 4 : Registration and employment under the scheme during 2007-12 in the State**

Year	Number of HH registered	Number of HH demanded work (percentage of registered HH)	Number of HH* provided work	Employment generated (in lakh man days)	HH provided with 100 days of employment during the year (percentage of HH demanded work)
2007-08	4359124	1259567(29)	1217093	430.90	43673(3)
2008-09	5357876	1220596(23)	1199006	432.58	52459(4)
2009-10	5659604	1413356(25)	1394076	551.59	81987(6)
2010-11	6067813	2028762(33)	2003519	975.59	203860(10)
2011-12	6160517	1391482(23)	1378597	453.74	47664(3)
Average	5454609	1462752(27)	1407581	554.02	82929

*Source: Information furnished by PRD;*

*\*HH: Households*

As may be seen from the table above, household demanded work ranged from 23 to 33 *per cent* of registered households and persons provided with 100 days of employment in a year ranged between three to 10 *per cent* of households demanded work during 2007-12 indicating poor response by the registered workers in seeking employment under the scheme. However, reason for the poor response was not analysed by the Department.

##### **2.4.10.2 Fostering social equity through employment of SC/ST**

With a view to fostering social equity, attempts are to be made to employ persons belonging to SC/ST category. Audit found that the number of SC/ST employed under the scheme during 2007-12 as indicated in the MGNREGS website for the State was not that discouraging.

Percentage of employment provided to SC categories during 2007-12 ranged between 18 to 20 *per cent* of total employment generated. The said figure of ST categories ranged from 36 to 42 *per cent* during the period as indicated in the table below.

**Table 5: Percentage of total employment provided to SC and ST households**

Year	Total man days generated	Mandays generated by SCs	percentage to the total mandays	Mandays generated by STs	percentage to the total mandays
2007-08	43090032	8808775	20	17917096	42
2008-09	43258398	8755218	20	15490316	36
2009-10	55158673	10582692	19	20008118	36
2010-11	97558647	17683922	18	34691379	36
2011-12	45374405	7942458	18	17317170	38

*Source: Information furnished by PRD*

This indicated that the response of SC and ST beneficiaries for employment under the scheme was encouraging.

#### **2.4.10.3 Delay in payment of wages**

The Act mandated timely payment of wages to the labourers on weekly basis and in any case not later than a fortnight after the date on which such work was done. However, audit found that there was delay ranging from three to 217 days in payment of wages of ₹ 1.07 crore in 16 test checked blocks as indicated in *Appendix 2.4.3*. There was no mechanism either at the level of the PO or at DPC to monitor timely payment of wages.

The BDOs attributed the delay to delay in measurement / check measurement of work. The reply is not tenable in audit as the GoI guidelines required measurement of works on daily basis in a transparent manner and the same was not ensured.

#### **2.4.10.4 Payment of wages without recording attendance and signature of beneficiaries**

As per the guidelines, attendance of workers engaged in the works were required to be taken by the mate/supervisor at the work site and their signature taken at the end of the week in token of acknowledgement of engagement. Audit found that wages of ₹ 46.01 lakh was paid in case of 41464 labourers in 147 muster rolls in one sample PS (Patnagarh) and eight GPs<sup>45</sup>, without recording attendance/signature of the beneficiaries. This being an act of malrepresentation needs further investigation by the Government.

#### **2.4.10.5 Deficiencies in maintenance of muster rolls**

The GoI guidelines provide for maintenance of muster rolls (MRs) with unique identity number by the implementing agencies in respect of all the works executed under the scheme. MRs are to be issued by the PO. However, audit found that the implementing agencies failed to maintain the MRs in prescribed manner as under:

- Tampering of entries like correcting, overwriting of period of work, rate of wages etc. in 119 muster rolls of 10 works was noticed in respect of payment of wages for ₹ 15.88 lakh as indicated in *Appendix 2.4.4*. A sample photo copy of one tampered muster roll collected from Kendrapara district is given in *Appendix 2.4.5*.
- In Chandbali block of Bhadrak district, two MRs bearing same serial number and which were not issued by the PO were used by Bhuinbruti GP to make payment (April 2008) of wages of ₹ 0.17 lakh under the authority of EO /Sarapanch under a work "CC road from Baulajoda to Krusnapur" of Bhuinbruti GP. The BDO stated that necessary action as deemed fit would be taken after completion of investigation.

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<sup>45</sup> Gerada, Sunamudi, Tendapadar, Dangabahal, Tamian, Maruan, Nuniapalli and Bansada

- In six muster rolls of Madhupur GP of Bhadrak district, names of 30 labourers in support of wage payment of ₹ 0.19 lakh mentioned on the original muster roll was not same as that found on online muster roll which indicated doubtfulness about genuineness of such muster rolls.
- In two test checked blocks (Chandbali and Aska) in 24 muster rolls of four works, duplicate engagement of 170 labourers were found in two different muster rolls of the same period of different/same work and wages of ₹ 1.22 lakh was paid. This financial irregularity needed to be further investigated by the PRD.

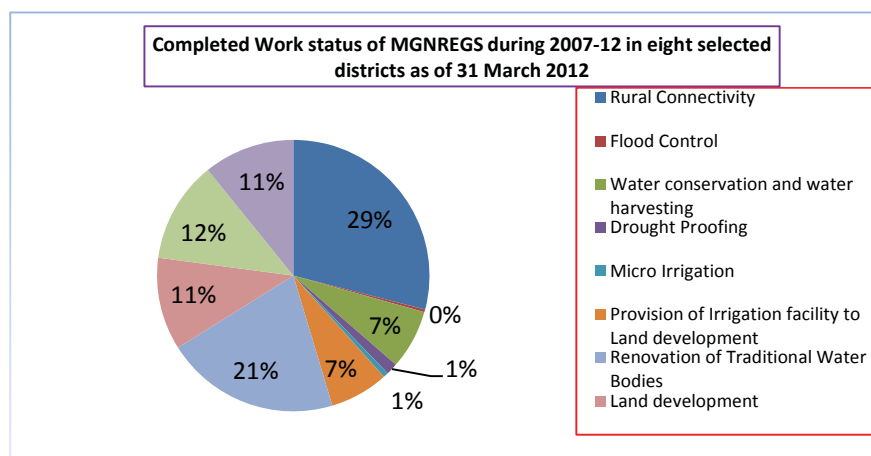
#### **2.4.11 Execution of works**

The Act prescribed the list of permissible works in order of priority at Schedule I and required creation of durable assets. No contractor was to be engaged for execution of any work under the scheme. It also prescribed for execution works using manual labour and as far as practicable without use of machines. GoI guidelines also prescribed that the ratio of wage costs to material cost was not to be less than the minimum norm of 60:40 at GP, block and district level. Worksite facilities like safe drinking water, shade for children, first aid and crèches etc, were to be provided as per the scheme guidelines. Audit, however noticed the following deficiencies:

##### **2.4.11.1 Non-prioritisation of works**

The Act gave highest priority to works relating to water conservation and water harvesting, drought proofing including afforestation and plantation etc and lowest priority to rural connectivity to provide all weather access. Yet audit noticed in the test checked districts that highest priority was given to road works under rural connectivity and 29 per cent of 70305 works executed at a cost of ₹ 12.36 crore related to this lowest prioritised work on rural connectivity. High priority works under water conservation and water harvesting, drought proofing, flood control, renovation of traditional water bodies etc remained 7, 1, 0 and 21 per cent of total value of works executed respectively during 2007-12 as indicated in the following chart.

**Chart 3**



Source: Online MIS data

The chart indicated that in taking up the works for execution, priority was not given to works as envisaged under the scheme.

#### 2.4.11.2 *Creation of non-durable assets: Construction/ improvement of earthen roads*

Schedule I of the Act permits execution of road works providing all weather access and also for creation of durable assets. However, audit scrutiny of record of 20 test checked blocks in eight sampled districts revealed that 218 earthen roads were constructed in 26 GPs of two PS (Patnagarh and Muribahal) during 2007-12 at ₹ 5.51 crore under the category 'Rural connectivity'. Such road works involving no material component do not guarantee reasonable quality of the works and durability of creation of such assets.

#### 2.4.11.3 *Infructuous expenditure on abandonment of works after part execution*

The primary objective of the works executed under the scheme was to provide employment to the rural households. The works which are included in the approved shelf of projects are to be executed by the implementing agencies after obtaining the administrative approval and technical sanction of the competent authority.

Audit noticed that two works with estimated cost of ₹ 40 lakh taken up for execution under the category rural connectivity and water harvesting in one (Bamra) test checked block and one GP (Kinabag) of one district (Sambalpur), were abandoned midway after incurring expenditure of ₹ 21.41 lakh due to non-availability of job seekers. Due to lack of planning, the works were included in the shelf of projects without examining the feasibility thereof. As a result, the objectives for which the works were taken up could not be fulfilled and entire expenditure of ₹ 21.41 lakh incurred on these works failed to create any durable asset.

#### 2.4.11.4 *Unfruitful expenditure on incomplete projects*

Works executed under the programme in addition to providing employment to the rural households also has to fulfill the purpose for which the same was executed. But, audit found that out of test checked 710 works in six out of 20 sampled blocks, 410 projects (57.75 per cent) were not completed as of March 2012 as indicated in table below.

**Table 6: Projects left incomplete in six blocks test checked** (₹ in lakh)

Name of the district	Name of the block	No of work case records test checked	No. of cases found incomplete	Number of works left incomplete for more than a year	Expenditure incurred up to March 2012 on incomplete projects
Bhadrak	Basudevpur	70	48	22	75.86
	Chandabali	68	39	29	63.28
Bolangir	Muribahal	295	174	121	95.07
	Patnagarh	184	81	103	53.44
Sambalpur	Rengali	22	15	7	2.30
	Bamara	71	53	28	98.60
<b>Total</b>		<b>710</b>	<b>410</b>	<b>310</b>	<b>388.55</b>

Source: Case records of concerned blocks



The expenditure incurred on such incomplete projects as of March 2012 amounted to ₹ 3.89 crore. As the projects remained incomplete, the intended purpose as envisaged in the development plan could not be achieved.

**2.4.11.5 Unfruitful expenditure due to non-achievement of desired objective for creation of the assets**

- The work Water Harvesting Structure (WHS) at Gadei bindha of Bideipur GP (Basudevpur PS) in Bhadrak district was included in the AAP for 2007-08 with allocation of ₹ 10 lakh for the project. Estimate for ₹ 5.11 lakh was prepared for the project and the work was commenced during 2007-08 and ₹ 2.34 lakh was incurred thereon up to March 2012. On Joint Physical Inspection of the project, Audit found (May 2012) that the work though shown as completed in the records, yet no inlet and outlet were constructed for irrigation purpose. The villagers during interaction confirmed (May 2012) that the WHS was not useful for the purpose of irrigation though the GP had planned to utilise the same as a farm-pond for prawn cultivation. Thus, the expenditure of ₹ 2.34 lakh utilised on execution of the work rendered unfruitful. Besides, against estimated generation of 11500 man- days, only 2600 man-days were generated. It also indicated that the work was over estimated as the same was declared completed utilising only 46 per cent of the estimated cost.
- The projects "Renovation of Gunudia Creek" and "Renovation of Ketuapal Creek" estimated at ₹ 10 lakh and ₹ 9.56 lakh respectively were executed by Panchayat Executive Officer during March 2010 to April 2011 in Ketuapal GP (Aul PS) by incurring expenditure of ₹ 7.28 lakh and ₹ 6.60 lakh respectively to provide irrigation facilities to the agricultural land situated on both sides of the creeks during lean period.



Renovation of Gunudia Creek

On physical verification of the projects, audit found that both the creeks were not connected to each other and were lying dry without water. The construction of the creeks was found left half way without linking them to the nearby river source (river Kani). Thus, the objective of providing irrigation remained




Renovation of Ketuapal Creek


unfulfilled besides rendering the entire expenditure of ₹ 13.88 lakh unfruitful.

In reply, PO Aul stated that the project was to catch the rain water and store it for irrigation purpose without connecting to the river Kani. The reply was not satisfactory as the creeks were lying without water and without being connected to the river for drawing water in the lean season.

- "Gunudia Natara Mound" was undertaken (March 2009) by Ketuapal GP (Aul PS) at an estimated cost of ₹ 7.75 lakh to provide relief and rescue operation to the people during flood. An amount of ₹ 1.62 lakh was spent till March 2011 and the work was left incomplete for non-availability of soil in the nearby vicinity. The expenditure of ₹ 1.62 lakh incurred thereon thus became infructuous as the intended objectives could not be achieved. In reply the PO stated that it was an ongoing project and related with the availability of soil without damaging the agriculture of the locality. The reply was not satisfactory as PO should have taken into account the availability of soil while approving the project.



Natara mound in Ketuapal
- The project "Improvement of road from Pitanda R&B road to Santosh house" estimated at ₹ 3.71 lakh was executed (June 2010) in Iswarpur GP (Rajnagar PS) by incurring an expenditure of ₹ 3.02 lakh. On joint physical inspection of the work (May 2012), audit noticed that the road was executed haphazardly with intervening gaps / missing links due to which it did not provide the required connectivity as envisaged in the estimate. Thus, the entire expenditure of ₹ 3.02 lakh incurred on this project was rendered unfruitful as the requisite connectivity could not be provided to the nearby villages and useful asset could simultaneously not be created. The PO stated that the project was done partly. The reply was not satisfactory as the work was executed with several intervening gaps as land for the purpose was not available.



Improvement of road from Pitanda R&B road to Santosh house

All these indicated improper planning on the part of the POs while approving the projects under the scheme.

**2.4.11.6 *Inadequate mechanism for avoiding duplication of works***

GoI guidelines provided for allotment of unique identity number for each work executed under the scheme to avoid duplication in execution. Further, transparent pillars were to be fixed at the work sites indicating commencement and completion dates of the works as well as other technical details. Besides, photographs of works were to be taken at the beginning, during and after completion of the works and documented.

However, during joint physical inspection of 1333 works in 16 test checked PSs of six districts, Audit noticed that transparent pillars were not installed in 573 cases and photographs of works before, during and after completion of works were not documented in respect of 1098 works. Audit also noticed that in Kumarpur GP of Basudevapur block a work titled "Excavation of GP tank" was executed twice in consecutive years for ₹ two lakh each and on interview with 12 local residents, they confirmed that the work was done once and they were not aware of the second work. Moreover, two transparent pillars were not available in the site in support of execution of the work twice. This is indicative of the absence of adequate mechanism to avoid duplication of payment for similar works.

**2.4.11.7 *Submission of bills without execution of work and check measurement***

It is the responsibility of the implementing agency to ensure timely execution of the approved project in accordance with the scheme guidelines. Audit noticed that the work "Renovation of Parvati Sagar" estimated at ₹ 5 lakh was executed in Ramgarh GP of Ganjam Block during 2010-11 for which ₹ 3.30 lakh was incurred as of March 2012 through three Running Account bills of which the third running bill for ₹ 1.95 lakh was paid (July 2010) on the basis of measurement of the Junior Engineer but without check measurement by the concerned Assistant Engineer. Joint physical verification (3 April 2012) of the pond revealed that the depth of the pond varied between four and five feet against the measurement of 10 feet recorded in the Measurement Book. On this being pointed out in Audit (April 2012), an enquiry was conducted by the concerned Assistant Engineer and misappropriation of ₹ 1.95 lakh through false bill was confirmed (November 2012). Follow up action on the same is awaited (January 2013).

**2.4.11.8 *Use of machine in execution of work***

The prime focus of the MGNREG Act is to provide at least 100 days of assured employment to each household whose adult members volunteer to do unskilled manual labour. The State Scheme also provided that no labour displacing machines can be used in the execution of works under the scheme. It also provided that in case, use of labour displacing machines would become inevitable then the same can be used by dovetailing funds from other schemes.

Audit, however, noticed that in six works indicated in table below though the execution was shown to have been done through manual labour, yet there was evidence about use of labour displacing machines in executing the works.

**Table 7: Showing use of machines in execution of works**

Name of the work (GP and block),	Amount spent (₹ in lakh)	Remarks
Excavation of Bhatua Matha tank (Chandiagadi/ Kendrapara)	4.67	During beneficiary interview, six households stated that JCB along with tractors were used to excavate the above pond. One beneficiary of Malapatna village told that they were four brothers and two of them stayed outside since last nine years. He and none of his brothers worked in the above pond but the Sarpanch deployed machine in the pond and took his job card, prepared the MR and withdrew the wages after obtaining his signature. Similarly, another beneficiary stated that he had not at all worked since date of receiving the job card but Sarpanch had taken the job card to withdraw the wage amount by preparing MR in his name although the work was executed by using machines. It was also found that four MRs (No 50760 to 50763) post-signed by the labourers without work / attendance, were retained with the GP (in the case record) for future use.
Bhinbruti GP/Chandbali PS (Metal moorum road from Baulajoda to Krushnapur: WC-2314738)	0.60	The work was executed with an estimated cost of ₹ 10 lakh. The work was commenced on 2 June 2011. As on the date of audit expenditure of ₹ 0.60 lakh was incurred. There was no muster roll in support of payment of wages of ₹ 0.60 lakh. During Joint Physical Inspection of the work 11 local residents submitted a written statement that the work was executed by machine and no wage payment was made. BDO, Chandbali stated that the GPs were instructed to execute work under the scheme as per Operational Guidelines and assured necessary action after investigation.
Renovation of Narendra pokhari (Panichhatra village of Kanpur GP of Khurda district)	4.03	During beneficiary interview and check of muster rolls, ten persons of Kanpur GP of Khurda PS stated that the work was executed through JCB. To regularise the payment for the said work, the previous Sarpanch took their job cards and used the same for preparing fake muster rolls. They also stated that they had neither worked nor received any payment for this work but the Sarpanch took all the job cards from them along with their signatures on muster rolls and cheques to facilitate withdrawal of money from the post office directly by him. The Assistant Engineer stated that further investigation will be carried out.

By using heavy machines for the works executed under MGNREGS, the scope for generation of unskilled labour days was narrowed down. The right to work of the people ensured by the scheme was not taken care of since machine was used in place of unskilled labour.

#### **2.4.11.9 Non implementation of MGNREG scheme**

Audit found in Rajnagar PS in Kendrapara district that the benefit of the scheme was not extended to the 441 registered households in the Koilipur GP for the period from 2008 to 2010 due to non-opening of MGNREGS accounts in favour of Sarpanch and Executive Officer of GP. The initial amount of ₹ 0.80 lakh released (May 2008) by BDO, Rajnagar to other GPs were not released to this GP due to non-opening of bank account and ₹ 0.80 lakh for

2008-09 released thereafter was credited to Savings Account of the Sarapanch of the concerned GP in SBI opened under the scheme only on 6 September 2010 i.e. after a lapse of two and half years from implementation of the scheme in the State. This resulted in depriving the right to 100 days of assured employment to about 441 families (105 SC, one ST and 335 other categories) under the scheme for the said period.

On this being pointed out, the Programme Officer, Rajnagar stated that job seekers were not interested to work with the wage provided under the scheme. The reply of the PO was not tenable as no step was taken to know the cause of denial to work under the scheme by the individual job seekers, which resulted in non implementation of the scheme in the above GP.

#### **2.4.12 Maintenance of requisite records and MIS data**

##### **2.4.12.1 Maintenance of records**

Proper maintenance of records is critical to maintaining accountability in the implementation of MGNREGS. Information on critical inputs, processes, outputs and outcomes have to be meticulously recorded in registers prescribed in GoI Guidelines at the levels of District Programme Coordinator, Programme Officer, Gram Panchayat and other Implementing Agencies. However, our scrutiny revealed the following deficiencies.

- The Muster Roll Receipt Register was not maintained in 20 sample GPs of two blocks in one district (Bhadrak) and were improperly maintained in 179 GPs of test checked 18 blocks of remaining seven sample districts.
- The Asset Register was not maintained in 17 sample GPs of two sample districts. However, the same were improperly maintained in 182 GPs.
- The Works Registers were not maintained in 27 sample GPs in two districts and were maintained improperly in sample 171 GPs.
- In all the 199 GPs of eight test checked districts, employment registers were not maintained properly in the prescribed proforma.

This indicated lack of transparency and accountability in implementation of the scheme.

##### **2.4.12.2 Monitoring and Information System (MIS) in implementation of MGNREGS**

Creation of a Monitoring and Information System (MIS) with a database on preferred works, resource requirements, registered households, payment of wages, mandays of employment provided to the registered employment seekers, funds received and expended at different levels and related matters is to be ensured by the implementing agencies. The reliability of the MIS depends on accurate and timely reflection of MGNREGS data uploaded on

MIS website based on original records. Scrutiny of records revealed the following deficiencies.

- In two (Kendrapara and Khurda) out of eight sampled districts figures entered in MIS did not match with the figures exhibited in the Cash Books. The details are given in *Appendix-2.4.6 and 2.4.7*. The variation was noticed between MIS data and original records.
- In Kendrapara, ₹ 1.71 lakh<sup>46</sup> was transferred by DPC to the POs of Aul and Rajnagar during February 2010 to April 2011 but the same was not reflected in the MIS.
- Funds transferred by PO, Aul during 2010-12 for ₹ 18.50 lakh<sup>47</sup> to the test checked GPs did not reflect correctly in online MIS. Similarly, funds of ₹ 29.70 lakh<sup>48</sup> though not transferred by the GPs was reflected in online MIS during 2010-12.
- There was wide variation in reflection of data under MIS with base records in respect of registration of Households and issue of job cards in the district of Bhadrak as detailed in *Appendix 2.4.8*.
- In four test checked districts, audit observed 54 cases<sup>49</sup> where more than one job card was issued to the same person with same bank account number. Likewise, 1371 cases<sup>50</sup> were detected where same household was issued with multiple job cards. No mechanism prevailed in MIS to control such irregularities.

### 2.4.13 Transparency, Monitoring and Evaluation

#### 2.4.13.1 Transparency and Grievances Redressal

GoI guidelines give utmost emphasis on speedy and effective grievance redressal. It requires for disposal of any complaint received within 15 days of its receipt and the complainant was to be intimated. Besides, complaint register was to be maintained at the GP/PO office, in the format prescribed in the Guidelines. The GoI instructions (15 November 2007) also required recording of each oral complaints and to set up complaint box in the office of the PO. The Government of Odisha vide their Notification dated 6 November 2010 prescribed the detailed guidelines for grievance redressal.

Deficiencies noticed in recording and disposal of grievances were as under:

- Such register maintained at PO/GP level, was not open to general public for lodging any complaints. The fact was confirmed from 1388 out of 1990 beneficiaries who stated that they were not aware of the stages/processes of the complaints;

<sup>46</sup> Aul PS:- ₹1.39 lakh; Rajnagar PS ₹ 0.32 lakh

<sup>47</sup> Tunga GP: ₹ 2.50 lakh; Ketuapal GP ₹ 16 lakh

<sup>48</sup> Ketuapal GP: ₹ 12.20 lakh (2011-12); ₹17.50 lakh (2010-11);

<sup>49</sup> Bolangir: 4, Ganjam-10, Kendrapara-30, Sambalpur-10;

<sup>50</sup> Bhadrak-463, Bolangir-4, Ganjam-10, Kendrapara-889, Sambalpur-5

- Though a complaint was to be disposed of within 15 days of receipt, yet 40 out of 50 cases were pending as of March 2012 with delay ranging from six to nine months in three<sup>51</sup> PSs.
- Complaint box was not available in PO office of test checked blocks and in any of the GPs test checked. Similarly, complaint register was not maintained by the test checked GPs and though a helpline was introduced for lodging complaints online on implementation of the scheme, the same was lying unattended as of May 2012.

These were indicative of absence of an efficient and effective recording of grievance and its redressal system at PO as well as at GP levels. Consequently, the deficiencies of the implementing agencies pointed out by the complainant through their petition remained unresolved.

#### **2.4.13.2 Social Audit**

As per section 17(2) of the Act, Gram Sabha has to conduct regular social audit of all projects taken up under the scheme within the area of the GP. The Department instructed (November.2009) for conducting social audit in each GP twice in a year in the month of April and October by giving wide publicity and beating of drums one month prior to the date fixed for social audit. The process includes public vigilance and verification of 11 stages of implementation of the scheme as detailed in the Operational Guidelines.

Test check of records relating to Social Audit in 199 tests checked GPs revealed that in three test checked GPs social audit meetings were conducted without quorum<sup>52</sup> as indicated in the following table.

**Table 8: Social Audit meetings held without quorum**

<b>Name of the GP (PS)</b>	<b>Total voters</b>	<b>Date of Grama Sabha in which social audit conducted</b>	<b>Numbers of voters required for quorum</b>	<b>Numbers of voters attended the meeting</b>	<b>Percentage of voters attended</b>
Demal(Aul)	6599	18.11.10	660	36	0.55
		01.12.11	670	9	0.14
Ketuapal(Aul)	2438	04.06.11	244	99	4
		29.01.11	244	70	2.87
Tunga(Aul)	2809	03.06.11	281	50	1.78
		01.12.11	283	129	4.55

As there was no quorum in the social audit meetings, the objectives of social audit to have the detailed discussion on the implementation of the scheme (11 stages) could not be achieved. Audit also noticed that:

- In one Ketuapal GP, the Sarapanch presided over the meetings held on 4 June 2010 and 19 November 2010 contrary to the provisions of the guidelines;

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<sup>51</sup> Aul, Rajnagar and Chandbali

<sup>52</sup> 10 per cent to total voters of the GP

- Except the verification of muster rolls, no other aspect of the implementation of the scheme was discussed in the meetings;
- In the Social Audit of Chandiagadi GP the works executed by the line departments like avenue plantation taken up by the DFO Rajnagar was not discussed.
- As Social Audit Forum (SAF) was not constituted in any of the test checked GPs, related records to be discussed in the social audit meetings were not made available well before the public hearing.

Hence, the basic aims and objectives of the social audit remained completely unachieved. The POs could not ensure the holding of social audit meetings in true spirit of the Act. Thus, one key instrument of infusing a culture of transparency in the implementation of the scheme remained unfulfilled.

#### **2.4.14 Monitoring and Inspection**

Operational guidelines 2008 of the Scheme stipulate constitution of a local Vigilance Monitoring Committee (VMC) to monitor the progress and quality of the work and final report of the committee should be attached with completion certificate of the work. It also required keeping copies of the muster rolls in the GPs and with the POs for public inspection. Besides, physical inspection of two and ten *per cent* of the works executed under the scheme were to be conducted by State and District level officers. The Guidelines also required, developing a model citizen charter covering duties of Panchayat and officials under the Act indicating minimum service levels.

Audit scrutiny, however, revealed that:

- Copies of Muster Rolls of works executed by the GPs and line departments were not kept with the Programme Officers of 20 test checked blocks for public inspection.
- The Government notified (December 2011) Additional Block Development Officer as Public Information Officer to deal with the Right to Information (RTI) cases. The related file of RTI on number of applications received and disposed under the scheme were, however, not made available to audit by the POs of the 20 test checked blocks.
- No Citizens Charter indicating minimum service level and duties of officials under the Act was displayed either in PO's office or in any of 199 sample GP offices. Besides, 1388 out of 1990 registered beneficiaries surveyed in Audit indicated that they were not aware of the provisions of the scheme;
- On test check of records of 1333 works in 199 sampled GPs of eight selected districts, audit found that in none of the cases, report of Local VMCs was available in the case records / annexed to final bills. As a result mandatory provisions for public vigilance could not be ensured;



- In the entire sample GPs, no record in support of physical inspection of two, 10 and 100 *per cent* of works by State, District and Block level officers respectively was produced to Audit.

#### **2.4.15 Absence of Impact assessment**

The scheme emphasises community participation in planning, implementation, monitoring and evaluation (Social Audit) of the programme. It also aims at enabling the local bodies to move towards good governance through the transparency and accountability mechanisms. It required that in order to transform outlays under the scheme to outcomes, regular evaluations were to be conducted. Audit, however, noticed that the following error signals were not followed up.

- The State Government entrusted (December 2007) National Institute of Rural Development (NIRD), Hyderabad for conducting social audit in 50 Gram Panchayats of 19<sup>53</sup> districts of which such audit was conducted by NIRD in 40 GPs of 18 districts during February-June 2008. The Hon'ble Supreme Court directed<sup>54</sup> the State Government to file exhaustive Action Taken Report on the observation of social audit report conducted by NIRD relating to MGNREGA. Accordingly, PR Department requested the district Collectors to go through the observation made in GP-wise Social Audit Report of NIRD relating to their district and submit further compliance/Action Taken Reports. But, no compliance was received by the Department as of June 2012.
- The broad guidelines for evaluation studies including MGNREGS assessment criteria by the State Employment Guarantee Council (SEGC) had not been framed as of June 2012 indicating laxity on the part of the State Government to act timely and non-utilisation of services of such Resource Support system for conducting the evaluation studies.
- Although, SEGC was formed under the chairmanship of Chief Minister, against the requirement of ten meetings (two meetings per year) during 2007-08 to 2011-12, only two meetings of the Council were held (25 January 2008 and 13 April 2010) as of March 2012. There was a short fall of eight meetings.
- Central Public Account Committee (PAC) discussed CAG's Audit Report on the scheme and made eight recommendations. The State Government accepted all the recommendations and submitted Action Taken Report. Action taken by the State Government on recommendation of PAC was not adequate as verified in field during the performance audit. The detailed commitment of the State

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<sup>53</sup> Bolangir, Boudh, Deogarh, Dhenkanal, Gajapati, Ganjam, Jharsuguda, Kalahandi, Kandhamal, Keonjhar, Koraput, Malkangiri, Mayurbhanj, Nabarangpur, Nuapada, Raygada, Sambalpur, Sonepur and Sundargarh.

<sup>54</sup> While hearing the pending W. P. (C) No. 645/2007

Government to the PAC and Audit observations thereon are given at *Appendix 2.4.9*.

#### **2.4.16 Conclusion**

Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in the eight selected districts in Odisha covered under Performance Audit revealed several shortcomings in its implementation. Basic thrust of the Act to foster the inclusive growth ranging from basic wage security to recharging rural economy remained unfulfilled, thereby, leaving gaps in transformative empowerment process of democracy.

Arrangement of structural mechanism with adequate capacity building was not made in terms of the provisions of the Act. Timely enunciation and effecting the perspective and annual plans prioritising the genuine and basic needs of the rural people was not made. Effective, efficient and economical utilisation of funds under the scheme ensuring the financial ethics and canon could not be ensured which resulted in gross financial irregularities of diversion of scheme fund, misappropriation, tampering of muster rolls, non-rendering accounts in respect of advances for years etc. There were gross irregularities in the execution of works with poor maintenance of work records, use of machines in the execution of the works etc., which made the scheme skeptical in providing the intended benefits. Employment provided to SC/ST under the scheme was encouraging with 18 to 20 *per cent* of person days generated by SCs and 36 to 42 person days by STs during 2007-12. Audit found MIS data not in conformity with the original records maintained by GPs. Social audit meetings were seen in many cases ineffective, not in line with the scheme guidelines. Lack of monitoring and supervision in implementation had also significant contribution to the failure of the scheme in the State.

#### **2.4.17 Recommendations**

- Government may take steps for filling up the vacant post of GRSs / EOs / GPTAs and take effective measures to strengthen the monitoring mechanism ensuring regular field visit by the State / DPC / PO as prescribed;
- Awareness generation campaign may be launched to make the rural households conscious of their right to work with active involvement in successful implementation of the scheme and the department may undertake another mass drive for registration of households;
- The department may ensure appropriate measures for execution of works and avoid misutilisation / misappropriation of scheme fund;
- Timely holding of Grama Sabha may be ensured with participation of adequate number of villagers for decision making on issues concerning MGNREGS with strengthening of monitoring mechanism for ensuring 100 days annual employment to the registered households;

- Timely and impactful social audits of the scheme may be conducted to ensure accountability of the implementing agencies;
- Timely action by the District Programme Coordinator (DPC) right from according approval for the shelf of projects to effective implementation of the works may be ensured.