

Chapter 5: Financial Management

5.1 Funding and Cost- Sharing

The IAY is funded on cost- sharing basis between the Government of India (GoI) and the state governments in the ratio of 75:25. However, in the case of North-Eastern states, funding is in the ratio of 90:10 whereas to Union Territories, the entire funds are provided by the GoI.

Central assistance under the IAY is allocated among states/UTs giving 75 *per cent* weightage to rural housing shortage as per census of 2001 and 25 *per cent* weightage to poverty ratio of state/UT as fixed by the Planning Commission in 2004-05.

Inter-district allocation within a state/UT is to be made giving 75 *per cent* weightage to rural housing shortage as per census of 2001 and 25 *per cent* weightage to rural SC/ST population of the concerned district. The annual financial allocations for the blocks within a district and village *panchayats* within the blocks are to be decided on the same principles.

We noted that in entire state of **Assam**, the above mentioned principles for allocation of funds to blocks and GPs were not followed during 2008-13.

In **Kerala**, Poverty Alleviation Units (PAUs) of three (Alappuzha, Thiruvananthapuram and Wayanad) out of the four selected districts did not follow the principle for allocation of funds to block *panchayats*. The PAUs of the districts did not give 25 *per cent* weightage to rural SC/ST population of the districts. Instead of allocating the funds on the basis of houseless families and SC/ST population, the PAU, Thiruvananthapuram allocated the fund by giving weightage to total population and PAU, Wayanad allocated the fund on the basis of total number of BPL households included in the BPL list 2002 upto 2009-10. From 2009-10, fund allocation was made on the basis of total number of houseless families as per Elamkulam Manakkal Sankaran (EMS) housing scheme list. Due to adoption of criteria different from that envisaged in the IAY guidelines for allocation of resources, some block *panchayats* in the districts received more funds than they were entitled to, while others got less funds. While the excess allocation of funds in 14 block *panchayats* ranged between ₹ 7.20 lakh and ₹ 117.00 lakh, the short allocation of funds ranged between ₹ 3.15 lakh and ₹ 193.50 lakh.

In three selected districts (Patiala, SAS Nagar and Tarn Taran) of **Punjab**, criteria stipulated in the IAY guidelines was not followed while transferring the funds to blocks as no data regarding housing shortage was available with the DRDAs/ZPs for 2008-13.

5.2. Earmarking and utilisation of funds for SC/ST/Minority beneficiaries

According to para 1.5 of the IAY guidelines, available resources were to be earmarked for various categories in a district as under:

- At least 60 *per cent* of the total funds and physical targets to be utilized for construction/upgradation of dwelling units for SC/ST BPL households.
- States/DRDAs to earmark 15 *per cent* of their financial /physical targets for the year, for minorities¹ from district to the *panchayat* level.

If any particular category exhausted or was not available in a district, the allocation was to be utilized for other categories as per priority given in the IAY guidelines after certification to that effect by the *Zilla Parishad*/DRDA concerned.

As per the statement of district-wise financial performance furnished by the Ministry, utilization of funds for SC, ST and minority beneficiaries was less than the prescribed level during 2008-13 as given in **Table-7** below:

Table-7: Expenditure on SC, ST and Minorities (₹ in crore)

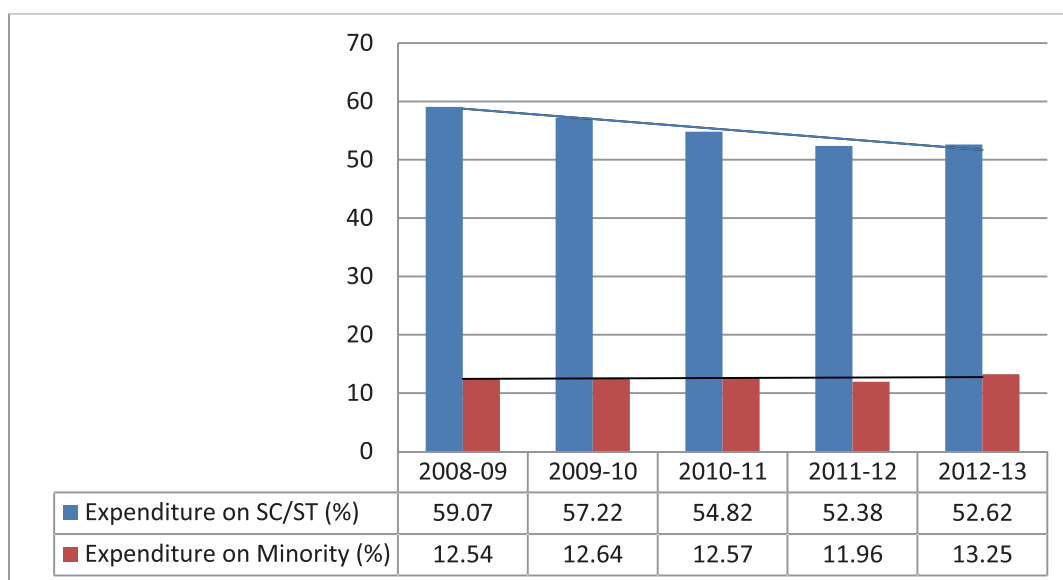
Financial year	Total Expenditure	Category-wise expenditure and percentage of expenditure ²					
		SC	ST	Total	Percentage	Minority	Percentage
2008-09	8,348.34	3,512.55	1,418.91	4,931.46	59.07	1,046.85	12.54
2009-10	13,292.46	5,201.30	2,405.18	7,606.48	57.22	1,680.70	12.64
2010-11	13,465.73	4,947.12	2,435.03	7,382.15	54.82	1,692.20	12.57
2011-12	12,926.33	4,306.30	2,464.60	6,770.90	52.38	1,545.94	11.96
2012-13	12,206.83	4,154.54	2,268.24	6,422.78	52.62	1,617.76	13.25
Total	60,239.69	22,121.81	10,991.96	33,113.77	54.97	7,583.45	12.59

¹ Eligible minorities were those notified under section 2(C) of the National Commission for Minorities Act, 1992- Muslims, Christians, Sikhs, Buddhists and Parsis. However, in the states where minorities are in a majority, the only other minority population is treated as minority. Muslims in Jammu & Kashmir, Sikhs in Punjab and Christians in Meghalaya, Mizoram and Nagaland are not treated as minorities in the respective states.

² Inclusive of Sikkim and Puducherry

As can be seen in the above table, percentage of expenditure under SC and ST categories was less than minimum level of 60 *per cent* during 2008-13. For minorities also percentage of expenditure was less than 15 *per cent* for 2008-13 as shown in **Chart-8**.

Chart-8 : Percentage of expenditure on SC/ST and Minority out of total expenditure



In November 2008, the Ministry clarified to *Zilla Parishads*/DRDAs concerned that in case there were no more eligible BPL minority households for availing the IAY houses in a state, a certificate in this regard may be furnished by the *Zilla Parishad*/DRDA to the Ministry so that the targets of the state could be transferred to some other state.

During audit examination of records in **Meghalaya** it was seen that in the entire state funds released to minorities during 2008-13 ranged between 0.50 and 6.47 *per cent* only. Out of the total funds (Central and state share) of ₹ 241.74 crore released to all the districts of the state, only ₹ 6.09 crore (2.51 *per cent*) were released to minorities by the districts during 2008-13.

The C&RD department of **Meghalaya** stated (August 2013) that being a Christian dominated state, the percentage of the minorities in the state was very negligible and most of them were confined only in district West Garo Hills. It further stated that though they were negligible in numbers, they were not left out for assistance under the IAY and target for them was always maintained.

The reply however does not explain why the state had not sent the prescribed certificate to the Ministry so that the targets of the state could be transferred to some other state.

As per 2001 Census data published in the Statistical Handbook *Mizoram* 2010, by the Directorate of Economics and Statistics, Government of **Mizoram**, the population of minorities in the eight districts of Mizoram was 13 *per cent* of the total population of the state. We noted that during 2008-13, not a single beneficiary was selected by any of the DRDAs in the state from the minorities. Thus, minorities constituting 13 *per cent* of the total population in the state were deprived of the benefits under the IAY.

In five (Muktsar, Nawan Shaher, SAS Nagar, Patiala and Tarn Taran) out of six selected districts of **Punjab** no record in respect of financial assistance provided to minorities was maintained for the period 2008-13. As such it could not be ascertained whether the benefits under the IAY were extended to them or not.

The ZPs of Bhilwara, Sikar, Karauli and Udaipur districts of **Rajasthan** stated that there was no pendency in the IAY waitlist in respect of minorities whereas as per information provided by the state government there was pendency of 46, 10, 165 and 122 minorities in the districts respectively.

The Ministry stated (June 2014) that with the passage of time housing shortage of SC/ST and minority categories was exhausted which was a welcome sign.

The reply of the Ministry is not convincing as it did not submit any supporting documents regarding exhaustion of such categories.

5.3 Deductions from Central allocation

According to para 4.2 (ii) of the IAY guidelines, deductions on account of excess carry forward of opening balance (in excess of 10 *per cent* of available funds) and shortfall in state share were to be made at the time of release of second instalment.

Audit examination and analysis of information pertaining to releases made by the Ministry to 27 states covered under this performance audit during 2008-09 to 2012-13 revealed that there was deduction of ₹ 2,451.84 crore from Central allocation on account of excess carryover (₹ 1,563.54 crore), short-release of states' share (₹ 251.56 crore), late receipt of proposal (₹ 98.85 crore) and other miscellaneous reasons (₹ 537.89 crore). Corresponding states' share on account of Central share deduction which would have been

contributed by them worked out to be to ₹ 810.08 crore. State-wise details are given in **Annex-5.1**

Thus, due to slow pace of utilization/under utilization of funds by the states and non-contribution of the matching share by them resulted in denial of assistance to 7.25 lakh targeted beneficiaries (@ ₹ 45,000 per beneficiary).

The Ministry stated (June/July 2014) that amount deducted from some districts was redistributed to the better performing districts within the state at the end of the year and no IAY funds were surrendered and thus, there was no reduction in the overall targets as the target got transferred from one district to another. The Ministry further added that the basic purpose for making these provisions was that the maximum funds were utilised and the proposals for second instalment were submitted on time, however this provision has been removed from the IAY guidelines revised in June, 2013.

The Ministry did not analyse reasons for the low absorption of IAY funds in the districts that were not able to provide houses to the targeted beneficiaries. Mere utilization of the entire budget allocation was not the purpose of the IAY.

5.4 Excess release of ₹ 163.14 crore due to overstatement of funds utilised

According to the provisions of the IAY guidelines, if unspent balance exceeded 10 *per cent* of available funds during the previous year, Central share of the excess was to be deducted proportionately at the time of release of second instalment. However, this cut was relaxed by the Ministry in case a district reported an expenditure of at least 75 *per cent* of available funds by 31 December of the relevant financial year.

We noted that five selected districts (Barpeta, Karbi Anglong, Nagaon and Sonitpur of **Assam** and Sholapur of **Maharashtra**) were released ₹ 163.14 crore during 2008-13 in contravention of the provision of the IAY guidelines. Barpeta district understated the amount of closing balance, Karbi Anglong and Sonitpur districts overstated utilization of funds by suppressing interest income and Nagaon district overstated utilization of funds. Sholapur district claimed the same expenditure in two years. Details of these irregularities are given in **Annex-5.2**.

5.5 Mismatch in financial reporting

As per the records of the Ministry, Central share of IAY in respect of 33 states/UTs was ₹ 45,838.43 crore. The financial performance in 31 states/UTs selected in audit during 2008-13 is given in **Table-8** below:

Table-8 : Mismatch in reporting of Financial Performance by States/UT

(₹ in crore)

Year	Funds availability and expenditure by the states and UTs (Data compiled from information provided by the states and UTs 31 states/UTs ²)						Information/data provided by the Ministry in respect of 31 states/UTs ³		Difference in releases	Difference in expenditure
	Opening balance	Central release	State release	Misc. receipts	Total	Expenditure	Releases to states and UTs	Expenditure		
2008-09	1824.07	7953.43	2117.33	151.04	12045.87	7907.93	8790.00	8341.24	836.57	433.34
2009-10	4140.25	8498.81	3961.20	308.08	16908.34	12583.77	8627.73	13284.27	128.92	700.47
2010-11	4324.80	9879.55	3823.15	366.03	18393.53	12468.44	10130.93	13452.44	251.38	984.01
2011-12	5925.09	9333.99	3580.52	502.99	19342.59	13588.17	9859.76	12916.09	525.77	(-) 672.10
2012-13	5754.42	8301.63	3569.78	489.11	18114.94	13184.11	7855.55	12201.43	(-) 446.08	(-) 982.67
Total		43967.41	17051.98	1817.25	64660.71	59732.42	45263.97	60195.47	1296.56	463.05

Against total funds availability of ₹ 64,660.71 crore, states/UTs had expended ₹ 59,732.42 crore (92 per cent)

The state /UT-wise details of funds released and expenditure incurred during 2008-13 are given in **Annex-5.3.1** to **5.3.5**.

During 2008-09 to 2011-12, the states and UTs had shown less receipt of Central share by ₹ 1,742.64 crore whereas during 2012-13 the same was shown in excess by ₹ 446.08 crore. In effect, states and UTs had shown short receipt of ₹ 1,296.56 crore during 2008-13. Major variations were observed in the states of **Assam, Bihar, Chhattisgarh, Gujarat** and **Odisha**. State/UT-wise details are given in **Annex-5.3.6**.

Expenditure figures provided by the Ministry and states/UTs also differed. For three years 2008-09, 2009-10 and 2010-11, expenditure incurred by the states/UTs were shown by the Ministry in excess by ₹ 433.34 crore, ₹ 700.47 crore and ₹ 984.01 crore respectively over the expenditure figures provided by the states and UTs, whereas for 2011-12 and 2012-12, expenditure figures of the Ministry were less by ₹ 672.10 crore and ₹ 982.67 crore respectively than those provided by the states and UTs. Major variations were observed in the states of **Assam, Bihar, Chhattisgarh, Jammu & Kashmir, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Rajasthan** and **Tamil Nadu**. State/UT-wise details are given in **Annex-5.3.7**.

³ Except Sikkim and Puducherry

There is need for urgent reconciliation of the data of the Ministry/states/UTs which lacks integrity as detailed above.

5.6 Non-accountal of interest on unspent balances

According to para 4.7 of the IAY guidelines, the IAY funds were to be kept in nationalized/scheduled or cooperative banks or a post office in an exclusive saving bank account by the DRDAs. Para 4.8 stipulated that interest amount accrued on the deposit of the IAY funds was to be treated as part of the IAY resources. Thus, proper reporting of interest accrued on deposits of the IAY was necessary for accounting for the same while releasing of funds by the Ministry. Audit examination of records in states revealed the following:

In **Andhra Pradesh**, the DRDAs of the respective districts transferred the Gol funds, on receipt from the Ministry, to the respective Project Directors (PDs) of Andhra Pradesh State Housing Corporation Limited (APSHCL) who in turn transferred the funds to Managing Director, APSHCL who maintained a central pool account exclusively for the IAY funds. These funds were further transferred to four nodal bank accounts for onward distribution to beneficiaries. As these nodal bank accounts were being maintained jointly for state housing scheme (INDIRAMMA) in addition to the IAY, the interest accrued on Gol share and state matching share of the IAY funds could not be ascertained, due to non-maintenance of exclusive account for the IAY funds. Audit observed that an amount of ₹ 1.52 crore accrued as interest on the IAY funds available in pool account maintained by MD, APSHCL for the period from January 2010 to January 2013 was not shown as IAY resources. This amount of interest accrued had been transferred to pool account of MD, APSHCL from the district offices.

Five districts (Cachar, Karbi Anglong, Karimganj, Sivsagar and Sonitpur), ₹ 2.68 crore and district Nagaon ₹ 36.91 lakh (out of ₹ 1.06 crore) of **Assam** also did not transfer interest accrued on funds available to the IAY account during 2008-13. Three selected districts of **Bihar** (Bhojpur, Madhubani and Supaul) earned interest of ₹ 3.73 crore but the same was not reflected in cash books.

In **Jharkhand**, 12 blocks and one DRDA under six selected districts⁴ had not accounted for interest totalling ₹ 1.05 crore earned on the IAY funds despite

⁴ block Madhupur of district Deoghar during 2008-13, blocks Chinia and Nagaruntari of district Garhwa during 2008-13; block Ghatsila (2012-13); block Gurabanda (2011-13) of district East Singhbhum; block Thakurgangtri of district Godda during 2008-13; blocks Chainpur, Medininagar Sadar, Lesliganj, Bishrampur of district Palamu during 2008-13; blocks Namkom (2009-10) and Ratu (2008-13) of district Ranchi and DRDA Ranchi during 2008-13

credit of this amount by banks in their pass books. Further, chartered accountants (CAs) of six test checked DRDAs of six selected districts reported that 85 blocks under the districts had not accounted for interest on available funds of ₹ 555 crore during 2008-13. The CAs suggested DRDAs to take appropriate action against the blocks for not incorporating accrued interest in cash books respectively in each year. However, DRDAs did not initiate any action against the blocks nor called for the reasons for non-accounting of bank interest from them. Resultantly, districts remained unaware of status of accrued interest on fund balances available with blocks. Under the circumstances, possibility of misutilisation/defalcation/misappropriation of government money could not be ruled out. Besides, non-accountal of interest was indicative of weak financial control.

5.7 Operating bank accounts

According to para 4.6 of the IAY guidelines, IAY funds (Central as well as state share) were to be kept in a nationalized/scheduled or cooperative bank or a post office in an exclusive separate saving bank account by the DRDAs.

Audit noted that multiple bank accounts (from 2 to 20) were operated in the selected districts and blocks in **Bihar, Jammu & Kashmir, Manipur, Punjab, Rajasthan** and **Uttar Pradesh** for keeping the IAY funds.

Further, the IAY funds were pooled with other Central scheme funds viz. Backward Region Grant Fund, Twelfth Finance Commission, etc. in **Andhra Pradesh, Bihar** and in four selected blocks (Mandar, Sadar Deoghar, Ghatshila and Gaurabanda) of **Jharkhand**. No separate bank accounts for the IAY funds were opened in seven out of 13 selected blocks in **Chhattisgarh** and in all selected blocks in **Tripura**.

In district Karimnagar of **Andhra Pradesh**, the IAY funds of ₹ 14.45 crore were kept (December 2010) in 63 various branches in fixed deposits by the PD, APSHCL. When pointed out by audit (September 2013), the State Government replied (December 2013) that the funds had been transferred to MD, APSHCL.

In **Gujarat**, funds received from Gol and state government for all schemes implemented by DRDAs were first credited into a common account and then transferred to the separate bank account maintained for the IAY. There was delay of upto 247 days in transferring of the IAY funds from common account to the IAY bank account.

In six selected districts of **Karnataka**, central share of the IAY grant was first credited directly to ZP general account (a common account to which Gol

directly credits schemes grant through e- transfer) and thereafter transferred to the separate IAY account of the ZP. We noted that five selected ZPs (Chikamagalur, Chitradurga, Gadag, Mandya, Ramanagara) credited the central share to the IAY accounts with delays ranging between 13 and 314 days. Further, interest earned of ₹ 39.25 lakh (approximately four *per cent* per annum) during this period was not transferred to the IAY bank accounts.

In **Odisha**, 11 blocks did not account for interest of ₹ 2.00 crore credited by bank on the IAY funds during 2008-13.

In **Punjab**, ₹ 28.70 crore received during 2008-13 from Gol was kept in separate bank accounts (other than for the IAY funds) and transferred to respective IAY bank accounts by the DRDAs/ZPs after 6 to 223 days. However, the interest amounting to ₹ 15.51 lakh was not transferred to the IAY accounts.

ZP (RD Cell) of district Sikar of **Rajasthan** on the instructions of higher authorities had withdrawn an amount of ₹ 50.00 lakh from the IAY saving bank account and transferred the same temporarily (March 2009) to another saving bank account with Canara bank.

In five selected districts of **Uttarakhand**, central share deposited in the master bank account was transferred to the IAY bank accounts after delays ranging between 10 and 349 days without interest of ₹ 54.00 lakh accrued on the IAY funds for the period kept in master bank account (@ four *per cent* per annum) during 2008-13.

IAY funds released by the Ministry to DRDA, North & Middle Andaman, had been credited to an account different from the IAY account till October 2011 and the same had to be transferred to the IAY account. The Ministry did not take adequate care while transferring funds in respect of the IAY to the correct account.

It was also observed that eight selected blocks and 24 selected districts of 11 states viz. **Assam** (one district), **Chhattisgarh** (one district), **Jammu & Kashmir** (one block), **Jharkhand** (two blocks), **Karnataka** (11 districts), **Mizoram** (two blocks), **Odisha** (one district), **Punjab** (two blocks), **Rajasthan** (six districts), **Uttar Pradesh** (two district) and **Uttarakhand** (one block and one district) kept IAY funds in current account or in personal ledger account. Further, audit noted a loss of interest of ₹ 4.22 crore in six states⁵ calculated at the

⁵ **Assam**(₹ 1.10 crore), **Jammu & Kashmir**(₹ 0.03 crore), **Karnataka**(₹ 2.51 crore), **Odisha** (₹ 0.10 crore), **Punjab**(₹ 0.08 crore), **Rajasthan**(₹ 0.40 crore)

prevailing rate of interest (3.5 and 4 *per cent* per annum) during 2008-13 due to keeping the amount in current accounts.

Thus, due to operation of multiple bank accounts, pooling of the IAY funds with other scheme funds, non-accountal of interest accrued on the unutilized IAY funds, the exact amount of expenditure wherever it was merged with other scheme funds could not be ascertained in audit.

The Ministry stated (July 2014) that as per revised procedure, only one bank account was to be maintained by a DRDA which is registered with the CPSMS and the funds were released electronically only in that account. The Ministry further added that from 2014-15, IAY funds were being released only to the consolidated funds of the states.

5.8 Short release of state share

Examination of the records of state governments relating to release of funds disclosed that in 11 states there was short release by state governments of their shares of IAY funds amounting to ₹ 255.71 crore for 2008-13. The details of short release are given in the **Annex-5.4**. The shortfall in states' share adversely affected the total availability of funds for the implementation of the IAY thereby reducing number of houses to be constructed for targeted BPL households.

The Ministry accepted (June 2014) the audit observation and stated that in case of short release or non-release of state share, the proportionate Central share was deducted from the second instalment of the concerned districts. The Ministry further added that the deducted amount was redistributed to the better performing districts within the state.

5.9 Delay in release of state share to implementing agencies

According to para 4.6 of the IAY guidelines, state share was to be released to the DRDAs within one month after the release of Central assistance and a copy of the same was to be endorsed to the Ministry.

In 19 states, the state share was released by state governments with delays of upto 744 days. Details are given in **Annex-5.5**. Delayed releases of funds led to delayed transfer of funds to the beneficiaries and thus affected adversely implementation of the IAY.

The Ministry accepted (June 2014) the audit observation and stated that due to financial constraints of the states or due to the late receipt of sanction orders releasing Central share, release of state share was sometimes delayed.

Case study: Execution of the IAY in Andhra Pradesh

- In **Andhra Pradesh**, the IAY was executed by **Andhra Pradesh State Housing Corporation Ltd. (APSHCL)**. In violation of the IAY guidelines, the state had devised its own fund flow system. As per this system, DRDAs of the respective districts would transfer the Gol funds, on receipt from Ministry, to the respective project directors of APSHCL who in turn would transfer the same to MD, APSHCL, Hyderabad wherein a central pool account was being maintained exclusively for the IAY funds. The state government released its matching share to personal deposit account of MD, APSHCL maintained exclusively for the operation of all the state funds. These funds were further transferred to four nodal bank accounts for onward distribution to beneficiaries. In addition to the IAY, these nodal bank accounts were being maintained for state housing programme viz. INDIRAMMA (Integrated Novel Development in Rural Areas and Model Municipal Areas) and therefore due to non-maintenance of exclusive bank account for the IAY funds interest that accrued on funds released by Gol and state matching share could not be ascertained.
- It was observed that houses already commenced/constructed during 2008-13 under INDIRMMA at lower cost (in comparison to unit cost of houses under the IAY received from Gol) had been converted to the IAY houses and accordingly beneficiaries were paid unit cost lower than specified in the IAY guidelines (@ ₹ 35,000 and ₹ 45,000). Due to short release of unit cost to beneficiaries, there was an amount of ₹ 367.59 crore (approx.) retained by the APSHCL (Central share: ₹ 275.57 crore and state matching share: ₹ 91.89 crore) for the period from 2008-09 to 2010-11.

5.10 Parking of funds

In five states of **Bihar, Jharkhand, Rajasthan, Tamil Nadu and Uttar Pradesh**, ₹ 86.16 crore remained parked/unutilized for periods ranging between one and eight years at district/block/GP levels as detailed in **Table-9** below:

Table-9 : Parking of funds

State	Observation
Bihar	IAY assistance of ₹ 10.60 crore (Central share ₹ 7.95 crore and state share ₹ 2.65 crore) received by district Kishanganj in March 2011 remained unutilized for two years. On being pointed out by audit (May 2013), the funds were released to blocks in June 2013. In district Supaul, the unspent balance of ₹ 3.04 crore under the IAY received in 2004-05 remained unutilized for eight years. In district West Champaran a sum of ₹ 5.68 crore remained unutilized with 18 <i>gram panchayats</i> since 2008-09. The unspent balance lying with <i>gram panchayats</i> was required to be transferred to the blocks.
Jharkhand	Due to non-assessment of actual requirement, ₹ 24.86 crore in 24 blocks of districts Godda, Palamu and Ranchi remained unutilized during 2008-13. In two DRDAs (Ranchi and East Singhbhum), cheques of ₹ 21.61 crore provided to blocks during 2010-11 were encashed during 2011-12. In DRDA Palamu, ₹ 48.00 lakh remained unutilized from 2011-12 to 2013-14 (as of September 2013). In DRDA, East Singhbhum, ₹ 1.75 crore pertaining to period prior to 2008-09 remained unutilised as of September 2013. Interest earned on account of the IAY fund during 2008-13 of ₹ 17.00 lakh was also not utilized till June 2013.
Rajasthan	Eight blocks of six districts had not refunded ₹ 1.00 crore to ZPs which remained unutilized with them and lying in personal deposit account/separate bank accounts instead of the IAY account.
Tamil Nadu	In three blocks (Thiruverambur – district Trichy, Srivaikuntam and Tiruchendur-district Tuticorin), ₹ 77 lakh was held in the savings bank account of 62 village <i>panchayats</i> as on 31 August 2013. Further, in three blocks (Kothagiri- district Nilgiris, Kammapuram-district Cuddalore and Ramanathapuram - district Ramanathapuram) ₹ 1.07 crore was held in the savings bank account from April 2012.
Uttar Pradesh	District Rampur had neither surrendered nor utilized ₹ 2.33 crore earmarked for SC/ST category for 2011-12 despite availability of beneficiaries in these categories. In Deoria district, ₹ 8.59 crore remained unutilised since 2011-12 as the beneficiaries under the SC/ST category was exhausted. In Meerut district, ₹ 4.38 crore remained unutilized since 2009-10 due to non-availability of eligible families for IAY assistance.

The Ministry stated that utilization of 60 *per cent* of available funds at district level was mandatory for release of further instalment and there was a possibility of some funds remaining unutilized at block or GP level out of balance of 40 *per cent*. The Ministry further added that matter was to be taken up with concerned states. However, some of the cases highlighted in Audit relate to releases made four or five years back and thus require attention.

5.11 Inflated expenditure in Utilisation Certificates (UC)

Three selected blocks (Raha under district Nagaon and Baghmara and Chaiduar both under district Sonitpur) of **Assam** had showed in their cash books ₹ 2.22 crore transferred to GPs during months of March 2008 and March 2012. However, the same were either transferred temporarily to a new account or call deposit receipts were prepared to show funds utilization in 2007-08 and 2011-12. Funds were actually transferred to GPs in the following financial years.

Thirty ZPs (₹ 331.75 crore) in **Karnataka** (except ZP Yadgir), two PAUs in **Kerala** (Alappuza and Wayanad ₹ 3.93 crore), two selected districts (₹ 23.35 crore) in **Odisha** (Balasore and Ganjam) and two selected districts (₹ 1.52 crore) in **Uttarakhand** (Tehri and Udham Singh Nagar) reported expenditure inflated by ₹ 360.55 crore in the UCs furnished to the Ministry during 2008-13.

Five selected blocks under two districts (Balasore and Ganjam) of **Odisha** also submitted UCs inflated by ₹ 12.62 crore over the actual expenditure during the period 2008-13. Six selected blocks in **Tripura** furnished the UCs of ₹ 7.60 crore without incurring expenditure during 2008-13. DRDA Tiruvannamalai (**Tamil Nadu**) utilized only 51.68 *per cent* of the available funds as per cash book whereas in the proposal for second instalment for the year 2011-12, it was reported as 72 *per cent*.

The Ministry stated that matter was to be taken up with concerned states.

5.12 Non- reconciliation of accounts

We noted that the monthly reconciliation of accounts was not carried out uniformly in the selected districts, blocks and GPs of seven states viz. **Bihar, Himachal Pradesh, Jammu & Kashmir, Kerala, Madhya Pradesh, Manipur** and **Odisha**. Reconciliation between bank balances and cash book balances was not done in Karimnagar district at any point of time during 2009-10 to 2012-13. As a result discrepancy of ₹ 23.38 crore between closing balances of cash book and pass book could not be vouchsafed by audit. Reconciliation between bank balances and cash books was not done in 28 out of 119 selected GPs in **Karnataka**.

5.13 Pending Utilization Certificates

Para 4.2 (b) (vi) of the IAY guidelines requires submission of a UC by *Zilla Parishad*/DRDA in the prescribed proforma along with fulfillment of other conditions for claiming second instalment. As per information provided by the Ministry, UCs for ₹ 137.52 crore pertaining to 2006-07 to 2011-12 were pending from 15 states as detailed in **Table-10** below:

Table-10 : Pending Utilisation Certificates

State	No. of Districts	Amount (₹ in lakh)	UC pertain to year
Arunachal Pradesh	1	4.76	2010-11
Assam	23	4,992.60	2008-09 and 2011-12
Himachal Pradesh	1	10.25	2010-11
Jammu & Kashmir	5	700.24	2010-11 and 2011-12
Jharkhand	9	4,748.19	2009-10 and 2010-11
Karnataka	1	26.25	2010-11
Madhya Pradesh	12	676.08	2005-06, 2007-08, 2009-10 and 2010-11
Maharashtra	15	305.39	2006-07, 2007-08 and 2010-11
Manipur	1	20.79	2010-11
Odisha	1	17.03	2009-10
Sikkim		126.00	2010-11
Tamil Nadu	1	59.44	2009-10
Tripura	1	22.34	2010-11
Uttar Pradesh	17	120.75	2009-10 and 2010-11
West Bengal	3	1,921.88	2011-12
	Total	13,751.99	

5.14 Diversion of funds and expenditure on inadmissible items

According to para 4.2 (b) (vii) of the IAY guidelines, DRDAs were to submit a non-diversion and non-embezzlement certificate while claiming the second instalment from the Ministry. Though DRDAs had submitted the non-diversion certificates, audit noted that ₹ 37.12 crore in 13 states and two UTs were diverted to other schemes viz. MGNREGS, SGSY, state housing schemes, etc. State specific findings are detailed in **Annex-5.6.1**. Out of the diverted funds, ₹ 28.40 crore had been recouped to the IAY fund with delays ranging between 10 and 261 days.

Further, ₹ 2.20 crore was incurred on inadmissible items other than specified under the IAY viz. payment of wages to beneficiaries, stationery, contingencies, etc. in seven states. These are detailed in **Annex-5.6.2**.

The Ministry stated (July 2014) that in case of diversion of funds to other schemes or for inadmissible purposes was noticed, DRDAs were advised to recoup the amount to the IAY immediately and release of funds withheld and in case time was short and financial year was closing, second instalment was released conditionally which was monitored next year.

5.15 Earmarking of funds for Natural Calamities

According to para 4.4.1 of the guidelines, five *per cent* of the total allocated funds under the IAY was to be kept apart at the central level to meet the exigencies arising out of natural calamities and other emergent situations like riot, arson, fire, rehabilitation under exceptional circumstances, etc. with a district-wise⁶ ceiling of 10 *per cent* of annual allocation (including state share) or ₹ 70.00 lakh whichever was higher.

Proposals for this purpose were to be received from state governments/administration of UTs showing the extent of damage and the estimated fund requirement in respect of the proposed IAY houses to be built provided assistance for construction a house was not obtained from any other source. The relief was to be as per the norms with regard to per unit ceiling of assistance for an IAY house prescribed under the IAY.

In order to facilitate timely relief to victims in case of fire, riots and arson and enable immediate reconstruction of damaged houses, district collectors/district magistrates/deputy commissioners at the district level were

⁶ State-wise ceiling of 10 *per cent* of annual allocation (including state share) vide Ministry's order No. H-11011/1/2002-RH dated 14/02/2012

authorized to first incur the expenditure and provide assistance to victims of such calamities. The expenditure could be met from their own resources or from the district's allocation. The central share of the expenditure so incurred was to be reimbursed by the Ministry on submission of a proposal for reimbursement along with the details of family assisted and UCs for the amount spent, duly signed by the collector. The collector was also to certify the occurrence and extent of the damage and provide a certificate to the effect that no assistance for construction of house had been extended to the said victims from any other source.

In district Nagaon of **Assam**, 114 non-BPL victims of flood erosion in block Laokhowa were provided ₹ 55.00 lakh for construction of houses and 137 storm affected victims of three blocks (Bajigaon, Barhampur and Jugijan) were provided ₹ 66.00 lakh for construction of houses without ascertaining the authenticity of occurrence of the incidence/storm and without any estimate being prepared. The certificate from collector on non-utilisation of funds for this purpose from any other sources, as required, was also not available on records. Fourteen districts of three states **Bihar** (Aurangabad, Bhagalpur, Bhojpur, Kishanganj, Madhubani, Saran and Supaul totaling ₹ 6.43 crore) **Uttar Pradesh** (Gonda, Hamirpur, Mainpuri and Rampur totaling ₹ 1.15 crore) and **Uttarakhand** (Nainital, Tehri Garhwal and U S Nagar totaling ₹ 12 lakh) incurred ₹ 7.70 crore for providing assistance to victims of natural calamities; however, 13 districts (except district Mainpuri) had not claimed central share from the Ministry. In Uttar Pradesh, in two districts (Gonda and Mainpuri) out of 14 selected districts, there were no records of actual occurrence of natural calamities but an expenditure of ₹ 1.01 crore was incurred on account of natural calamities.

DRDA (South), **Goa** released (October 2009) financial assistance to 115 flood victim families @ ₹ 20,000 each from the IAY fund. Out of 115 families, 50 families belonged to Above Poverty Line (APL). The Joint Secretary, Ministry of Rural Development directed (October 2009) DRDA (South) to prefer claim with collectorate, South Goa to get refund of the amount disbursed to APL families. Instead of preferring claim for refund of ₹ 10.00 lakh from the state government, all the above APL families were irregularly added in the BPL list to justify the action of DRDA (South).

In **Karnataka**, Gol released ₹ 9.85 crore and Government of Karnataka released ₹ 5.15 crore during December 2009 for natural calamities under the IAY. Out of ₹ 15.00 crore, ₹ 13.48 crore was utilised at the end of March 2013. Since no separate records were maintained either by the implementing

agency (RGRHCL⁷) or by the ZPs/GPs, audit could not ascertain the correctness of the expenditure incurred by the GPs for the victims of the natural calamities.

In **Manipur**, there was delay of one year and nine months to three years and 10 months in providing assistance to 114 victims out of 120 victims of massive landslide at village Sajouba in Tadubi sub-division of district Senapati in September 2007. Six victims could not be provided assistance for IAY house due to non-availability of funds.

In **Nagaland**, no expenditure was incurred under natural calamity except a reimbursement of ₹ 37.50 lakh pertaining to 2007-08 against DRDA Mokokchung during 2008-09.

Out of ₹ 166 lakh available with 12 districts (Banswara, Barmer, Chittorgarh, Dungarpur, Jaisalmer, Jalore, Jhalawar, Pali, Rajsamand, Sirohi, Udaipur and Tonk) of **Rajasthan**, only ₹ 86.00 lakh were utilised and ₹ 80.00 lakh remained unspent as on 31 March 2013. Neither UCs were submitted nor unspent balance was adjusted against normal IAY grant even after lapse of three years.

In **Tripura**, ₹ 2.45 crore were released by the collector to 10 implementing agencies in district West Tripura (during 2008-13) to provide houses under the IAY to 631 surrendered militants and ₹ 15.00 lakh in block Mungiakami (district Khowai) to provide 31 IAY houses to the surrendered militants during 2012-13. No approval was found to have been obtained from the Ministry for such deviation from the IAY guidelines which do not envisage coverage of surrendered militants under the IAY. The state government stated that militants were surrendered extremist and required to be rehabilitated on priority basis.

5.16 Unaccounted expenditure or misappropriation of funds

Para 4.2 (b) (vii) of the IAY guidelines requires DRDAs to submit non-embezzlement certificates while claiming the second instalment from the Ministry. We observed that DRDAs had submitted the non-embezzlement certificate in a routine manner and without exercising due vigilance. There were 15 confirmed cases of misappropriation of the IAY funds with a financial implication of ₹ 4.91 crore in **Assam, Bihar and Jharkhand**.

⁷ Rajiv Gandhi Rural Housing Corporation

Audit also noticed that in 15 cases in nine states of Assam, **Jammu & Kashmir, Jharkhand, Karnataka, Manipur, Nagaland, Odisha, Punjab and Uttar Pradesh**, there were no supporting vouchers/records relating to transfer of assistance to beneficiaries and payments for procurement of construction material. This had a financial implication of ₹ 9.76 crore. Suspected misappropriation of funds cannot be ruled out in these cases.

The details of confirmed and suspected cases of misappropriation are given in the **Annex-5.7**.

The Ministry stated that specific cases referred by audit would be inquired into and action taken would be submitted after taking inputs from concerned state governments.

5.17 Payment of assistance to beneficiaries

According to para 4.10 of the IAY guidelines, payment was to be made to the beneficiary on staggered basis depending on the progress of the work and the entire money was not paid in lump sum. Instalments of payment to be linked to the progress of work could be decided by the state government or at the district level. Ideally, the assistance was to be distributed in two instalments, first instalment with the sanction order and the second instalment when the construction had reached the lintel level. Peculiarities noted by audit in the disbursement of assistance to the beneficiaries are mentioned in the following case study:

Case study: Peculiarities in implementation of the IAY in Arunachal Pradesh, Nagaland and Tripura

In contravention of the IAY guidelines, implementation of the IAY in **Arunachal Pradesh** and **Nagaland** during 2008-13 was restricted to providing housing materials in the form of corrugated galvanised iron (CGI) sheets to beneficiaries. **Arunachal Pradesh** and **Nagaland** incurred expenditure of ₹ 202.30 crore and ₹ 214.20 crore respectively under the IAY during 2008-13 which was entirely on procurement of CGI sheets.

Against financial assistance stipulated in the IAY guidelines, each beneficiary in **Nagaland** was given five to seven bundles of CGI sheets and in **Arunachal Pradesh**, beneficiaries were given CGI sheets equal to the financial assistance admissible to them under the IAY.

By not providing financial assistance as stipulated in the IAY guidelines, beneficiaries were not given complete freedom as to the manner of construction of the house. Moreover, a complete house cannot be expected by providing only CGI sheets as the IAY beneficiary would require to bear the cost of other building material and labour for construction of a house.

In **Nagaland**, 68,805 beneficiaries (information provided by the Department of Rural Development, Nagaland) were provided assistance under the IAY during 2008-13. For these beneficiaries 4,43,553 bundles of CGI sheets were required to be procured (five bundles of sheets per beneficiary during 2008-09 for 19,041 beneficiaries and seven bundles of sheets per beneficiary during 2009-13 for 49,764 beneficiaries). However, the department had procured 4,38,268 bundles of CGI sheets only during 2008-13. Thus, there was short distribution of 5,285 bundles of CGI sheets to beneficiaries against the actual entitlement. This was corroborated during joint physical verification in three selected districts where 369 out of 720 beneficiaries confirmed that they had received only 1,744 bundles against their entitlement of 2,551 bundles of sheets during 2008-13. Due to short distribution of CGI sheets, achievement of annual targets was in excess for 2008-13 (68,805 houses were completed against targets of 41,189 numbers of houses). The department stated that the excess achievement was due to additional coverage of beneficiaries by utilising the amount saved from the short release of ₹ 12,500 per beneficiary (against the entitlement of CGI sheets of cost of ₹ 48,500, each beneficiary was distributed CGI sheets with cost of only ₹ 36,000). The department had covered more beneficiaries than targeted by distributing lesser number of CGI sheet bundles whose cost was less than the financial entitlements of a beneficiary as per IAY guidelines. Thus, the over achievement of the targets claimed by the department was at the cost of reduction in the entitlement of the IAY.

In district West Siang of **Arunachal Pradesh**, 3,032 beneficiaries were issued 1,545.65 metric ton of CGI sheets against their entitlement of 1,681.30 metric ton (0.4781 MT per beneficiary during 2008-10, 0.6118 MT per beneficiary during 2010-12). Thus, beneficiaries were deprived of the full benefits of the IAY. In district Lohit, 2,191 beneficiaries to whom assistance for construction of new house was provided were also provided assistance for upgradation of *kutch* houses amounting to ₹ 328.65 lakh during 2008-13. The DRDA stated that with a meagre amount of ₹ 38,500 (assistance for new constructions per unit), it was difficult to construct a house in topographically unfavourable hilly areas, so both the amounts meant for new construction and up-gradation were given to the same beneficiaries. The action of DRDA was against the provisions of the IAY guidelines and also resulted in excess release of ₹ 328.65 lakh to beneficiaries under new construction.

In **Tripura**, beneficiaries were not given complete freedom as to the manner of construction of houses during 2008-10. Construction of the IAY houses was entrusted to departmental implementing officers (*panchayat* secretaries/ junior engineers). After selection of beneficiaries by the village *panchayats*, work orders were issued in favour of the implementing officers for construction of the IAY houses for the selected beneficiaries. Apart from CGI sheets, tubular truss (black iron pipe made structure for roofing), RCC Pillar and bamboo-mat walling or mud walling were provided to the beneficiary. No cash money was provided to the beneficiary. CGI sheets and tubular truss were arranged by the rural development department while RCC Pillar, bamboo walling/mud walling and labour were arranged by the implementing officer from the IAY funds advanced to him and on completion of the IAY houses submitted adjustment of advances. All the above expenditure was restricted to assistance available per beneficiary under the IAY. During 2008-10 entire expenditure of ₹ 132.68 crore was incurred in this manner.

Sample pictures of houses made of CGI Sheets in Tripura and Nagaland



5.17.1 Payment of assistance on non- staggered basis

We observed that payment of ₹ 107.53 crore to 74,872 beneficiaries in 32 selected districts of 11 states (**Assam, Bihar, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal**) was made in lump sum/without linkages to progress of construction of houses. State-wise details are in **Annex-5.8**

5.17.2 Delay in Payment/Non-payment of assistance to beneficiaries

In 14 selected districts of five states (**Assam, Gujarat, Odisha, Rajasthan and Tamil Nadu**), disbursement of first/second instalment was made with delays ranging between 14 to 1,140 days from the due date. Details are given in **Annex-5.9.1**.

In **Goa** there was inordinate delay of more than eight months in issuing cheques amounting ₹ 1.42 crore to IAY beneficiaries from DRDA (South) due to delay in arranging public meeting on the convenience of the Minister.

In 17 selected districts of **Haryana, Jammu & Kashmir, Uttar Pradesh and West Bengal**, second instalment to 13,038 beneficiaries was not released. Utilisation of first instalment by these beneficiaries could not be ascertained in audit. Details are given in **Annex-5.9.2**.

In four blocks (Jalod, Limkheda, Keshod and Sankheda) of three selected districts of **Gujarat** (Dahod, Junagadh and Vadodara), 983 IAY beneficiaries did not get any financial assistance due to non-availability of bank accounts/mismatch in bank accounts.

In three selected districts of **Punjab** (Nawan Shahr, Patiala and SAS Nagar), 56 beneficiaries were not paid ₹ 13.28 lakh. In Kaliganj PS (district Nadia) and GP Domdoma under block Suri-II (district Bhirkhum) of **West Bengal**, though the beneficiaries were selected and funds of ₹ 4.32 crore and ₹ 51.00 lakh respectively were available, payments were not made to any beneficiary during 2008-11.

In district **Goa** (South), cheques drawn in favour of 123 beneficiaries amounting to ₹ 20.00 lakh were cancelled without recording any reason. As per the oral instructions of the Minister payments were made to some other beneficiaries who had applied later. In **Jammu & Kashmir**, the department had resorted to making payments to the beneficiaries through cheques in public meetings held by MPs/MLAs/Ministers which resulted in delayed payment of the assistance to the beneficiaries.

5.17.3 Unauthorized deduction of ₹ 139.37 crore from assistance to beneficiaries

In the following three states, audit observed that ₹ 139.37 crore was deducted from the assistance given to the IAY beneficiaries as under:

State	Deduction (₹ in crore)	Remarks
Andhra Pradesh	139.12	Recovered towards application fee, beneficiary contribution and administrative charges from 11.02 lakh beneficiaries during 2008-13.
Gujarat	0.11	Deduction made on account of non-installation/non-construction of smokeless <i>chulha</i> /sanitary latrine/IAY display board in cases of 2,298 beneficiaries during 2008-13 in four selected blocks (Anand, Tarapur, Zalod and Limkheda) of two selected districts (Anand and Dahod).
Jharkhand	0.14	In nine selected blocks (Sadar, Madhupur, Godda Sadar, Thakurgangti, Chinia, Dandai, Nagaruntari, Garhwa Sadar, Ratu and Mandar) of four selected districts (Deoghar, Garhwa, Godda and Ranchi) during 2008-12 from 2,925 beneficiaries on account of non-installation/non-construction of smokeless <i>chulha</i> /sanitary latrine/IAY display board.
Total	139.37	

This deduction was irregular as the IAY guidelines did not allow any deduction from assistance made to beneficiaries.

5.17.4 Irregularities in payments of assistance

In 16 selected districts of six states (**Assam, Gujarat, Jammu & Kashmir, Punjab, Tamil Nadu and Uttarakhand**), 21,413 beneficiaries were paid assistance of ₹ 19.07 crore at the rates lower than those prescribed. State-wise details are given in **Annex-5.10**.

As per records ₹ 47.00 lakh was shown paid to 131 beneficiaries in district Senapati of **Manipur**. However, during joint physical inspection it was noticed that these beneficiaries were given CGI sheets worth ₹ 19.00 lakh only. Further, amount received by 89 beneficiaries (whose houses were physically verified) in seven blocks was less than the amount released to

them by ₹ 14.67 lakh. In four selected districts (Churachandpur, Imphal East, Senapati, Thoubal) of **Manipur**, 336 beneficiaries were paid ₹ 78.68 lakh in excess of their eligibility.

Irregularities in payment of assistance to beneficiaries in Uttar Pradesh

In four selected districts (Amroha, Budaun, Deoria and Gonda) in **Uttar Pradesh**, 7,961 beneficiaries during 2008-13, were issued individual cheques totaling ₹ 22.34 crore. Due to non-availability of bank account details, the actual credit of financial assistance in the beneficiaries' accounts could not be ascertained in audit.

5.17.5 Payments made through cash/bearer cheques/self cheques/construction committee/sarpanches

According to para 4.10 of the IAY guidelines, assistance to beneficiaries should be transferred directly into his account in a bank or post office. We noted that in 12 selected districts of five states (**Gujarat, Jharkhand, Manipur, Meghalaya and Punjab**), payment of ₹ 28.97 crore to 8,964 beneficiaries was made in cash/bearer cheques/self cheques in violation of the IAY guidelines. State-wise details are given in **Annex-5.11**.

Out of this, 28 bearer cheques valuing ₹ 6.00 lakh issued to beneficiaries in block Tarn Taran of selected district Tarn Taran of **Punjab** remained uncashed till March 2013.

Further, assistance of ₹ 23.28 crore in 276 GPs of six selected districts of **Assam**⁸ and **Punjab**⁹ was first transferred to construction committee or sarpanches for onward payment to beneficiaries which was against the provision of the IAY guidelines. Records pertaining to utilization of funds of ₹ 2.15 crore were not available at block and GP levels in **Assam**. In the absence of this, audit could not ascertain actual utilization of funds on the houses constructed under the IAY.

⁸ Assam: ₹ 2.15 crore in 48 GPs of two selected districts

⁹ Punjab: ₹ 21.13 crore in 228 GPs of four selected districts

5.17.6 Double/Excess payments to the beneficiaries

In 11 selected districts of three states (**Bihar, Jammu & Kashmir and Rajasthan**) double/excess payment of ₹ 7.16 crore was made to 3,833 beneficiaries. Details are given in **Annex-5.12**.

Recommendation:

- Before sanctioning the assistance for construction/up-gradation of house under the IAY, it may be ensured that the beneficiary holds a bank account. The second instalment should be released in their bank accounts only after receipt of due verification certificate from the concerned authorities.