



Indian Audit & Accounts Department

Case Study

On

Payment of House Rent Allowance at Higher Rates

Prepared by:

**Regional Capacity Building and Knowledge Institute
Kolkata**

Website: <https://cag.gov.in/rti/kolkata/en>

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Preface

Regional Capacity Building and Knowledge Institute, Kolkata is the designated Knowledge Centre for Rural Local Body Audit, Railway Audit and Compliance Audit in the Indian Audit & Accounts Department. In pursuit of excellence in our designated knowledge areas, we prepare case studies highlighting the instances of frauds/deviations from rules and regulations, inefficiency in functioning of the existing system and their reasons as reported and reflected in the C&AG audit reports for Union Government/State Governments.

The case study on '***Payment of House Rent Allowance at Higher Rates (HRA)***' is based on the audit paragraph printed in the C&AG's report (*Paragraph No. 3.3 of Report No. 2 of 2021 of Union Government (Civil), Compliance Audit Observation*). Certain facts and circumstances of the case have been modified keeping in view the classroom requirements.

The design of the case study attempts to bring awareness amongst the participants, through a participatory approach, the necessity of anticipating responses to our audit findings, and collate evidence during the course of audit so that responses from auditable entities can be suitably addressed, apart from rules and regulations relating to HRA payment to the Central Government employees and importance of internal control system to be in place.

Disclaimer:

The information contained in this document is to be used as a case study example for training purposes only. The information in this case study is both factual and fictional. Opinions formulated and materials provided are intended to stimulate fruitful class discussion.

I hope that the readers would benefit from this case study. Suggestions, if any, are welcome for future development.

Anadi Misra
Principal Director

RCB&KI, Kolkata
September 2023

Section 1: Case Study for the Participants

1. Introduction:

1.1 The case study on '**Payment of House Rent Allowance at Higher Rates (HRA)**' is based on the audit paragraph printed in the C&AG's report (*Paragraph No. 3.3 of Report No. 2 of 2021 of Union Government (Civil), Compliance Audit Observation*). However, the facts and circumstances of the case have been modified keeping in view the classroom requirements.

1.2 Short brief of the case study:

1.2.1 House Rent Allowance is admissible with reference to the '*place of duty*' of the Government servant, irrespective of whether the Government servant is residing at that place or any other place and for deciding the classification of '*place of duty*', the limits of the locality within which these orders apply, shall be those of the named municipality or corporation and shall include such of the suburban municipalities, notified areas or cantonments as are contiguous to the named municipality; or corporation or other areas as the Central Government may from time to time notify.

1.2.2 In terms Office Memorandums relating to HRA as issued from time to time by the Ministry of Finance, the staff working in Central Government establishments within a distance of Eight kilometre (km) from the periphery of the municipal limits of a qualified city will be allowed House Rent Allowance at the rates admissible in that city even though they may not be residing within those municipal limits, provided, inter alia, that-

- (i) A certificate in the prescribed format from the Collector/Deputy Commissioner having jurisdiction over the area, is obtained by the Administrative Ministry/Department concerned and referred to the Ministry of Finance, Department of Expenditure for initial sanction of HRA for a period of 3 years.
- (ii) Further extensions for grant of HRA beyond the initial period of 3 years may be allowed by the Administrative Ministries/ Departments in consultation with their Financial Advisers and by the C&AG, in respect of staff serving under him.
- (iii) HRA will be payable to the Central Government employees within the area of the Urban Agglomeration (UA) of classified city at the rates admissible in the classified city. The existing provisions for the payment of House Rent Allowance under Paras 1.2.2 above, will, however, continue to be applicable only at places which are within 8 km of municipal limits of classified cities, but which are not included within UA of any city.
- (iv) The certificate of Dependency may be obtained from the Collector in all cases where the grant of HRA under above provisions is proposed.
- (v) Further, it is to be stated that in the certificate required to be obtained from the collector of a district for the purpose of HRA under the aforesaid orders, it was, inter alia, certified that there was no other municipality within the 8 km area in which the employees are to work and the same cannot be given where such

municipality exists even though the place is wholly dependent on the qualified city for its essential supplies. Again, the certificate requires to show that the place of question is a village/panchayat/town panchayat/non-municipal area and not a municipality/notified area/cantonment/UA. **(Annexure I)**

Department of Expenditure, Ministry of Finance, GoI has reclassified/upgraded the cities/towns (July 2015) based on Census 2011 for the purpose of House Rent Allowance (HRA) to Central Government Employees. The cities were classified as 'X', 'Y' and 'Z' for the purpose of grant of HRA. The rate of HRA in these cities were 30%, 20% and 10% respectively which were revised as 24%, 16% and 8% respectively consequent on implementation of VII CPC (July 2017). In addition, the cities, which were allowed higher rates of HRA than applicable to them, were mentioned separately.

In the instant case, the auditable entity paid HRA at a higher rate (20% and 16% during VI and VII CPC period respectively) instead of applicable rate (10% and 8%) as the auditable unit was situated in Z class city.

2. Background

2.1 Auditee Organisation:

The assignment was to audit an autonomous body namely National Institute of Science, Education and Research (NISER), Bhubaneswar under the administrative control of Department of Atomic Energy (DAE).

NISER campus is situated in *Jatni* town (*Jatni* has a Municipal Council), 25 Kms from the centre of the city of Bhubaneswar. The institute was officially founded on 6th September 2007 after it was announced on 28th August 2006 after the approval of the Union Cabinet. The Institute started functioning from the current campus in July 2015. The academic program was inaugurated on 10th September 2007 at the Institute of Physics campus. The Institute at *Jatni* campus was formally inaugurated on 7th February 2016, by the Honorable Prime Minister of India.

In terms of bye-laws of the entity, the pay and allowances of its employees are admissible as applicable to similarly placed employees of DAE i.e., in accordance with extant rules and instructions of Government of India (GoI).

2.2 Scope of Audit:

The authority for audit by the C&AG is derived from Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C&AG's (DPC) Act).

C&AG conducts audit of autonomous bodies, which are substantially financed by the Government, under Section 14 of the C&AG's (DPC) Act. Principles and methodologies for audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts issued by the C&AG.

2.3 Audit objectives:

The audit of accounts of autonomous institutions under Sections 14 of the Act is conducted to watch proper utilization of the financial assistance provided by Government and to probe into efficiency, performance, propriety issues in relation to the utilization of the resources made available to them by Government.

3. Main story of the Case

3.1 The Department of Expenditure, Ministry of Finance, reclassified (July 2015) cities/towns based on Census-2011 into 'X', 'Y' and 'Z' categories for the purpose of grant of House Rent Allowance (HRA). As per the said OM, Cuttack Urban Agglomeration (UA), Bhubaneswar UA and Rourkela UA were classified under the 'Y' category. The remaining cities/towns in Odisha were classified under the 'Z' category. HRA was payable at the rate of 20 per cent and 10 per cent for 'Y' and 'Z' categories respectively, which was revised to 16 per cent and 8 per cent from July 2017 (**Annexure II**).

The compliance audit of NISER, Bhubaneswar located in *Jatni* was undertaken during the month of December/January 2019. Audit observed that though *Jatni* belongs to the 'Z' category of city/town, the employees of NISER, Bhubaneswar located at *Jatni* were granted HRA at the rate applicable for the 'Y' class cities. The Audit team requested the Institute to furnish the reason for granting higher rates of House Rent Allowance to the employees along with any specific orders wherein the Administrative Ministry in consultation with the Ministry of Finance had issued orders for drawing HRA at the higher rates.

NISER replied that it is situated in *Jatni* Block, which is within the periphery of Bhubaneswar Development Authority (BDA). The entity also stated that in accordance with FRSR Part-IV (HRA and CCA) Rules, the limits of the locality, which in these orders apply, shall be those of the named Municipality, Corporation and shall include such of the suburban Municipality or Corporation or other areas as the Central Government may, from time to time, notify. It reiterated that the *Jatni* Municipality is contiguous to the Bhubaneswar Municipality and therefore HRA rates as applicable to Bhubaneswar is payable.

Consequent upon implementation of the recommendations of the Vth Central Pay Commission, certain cities / towns were placed in a lower classification as compared to their existing classification for HRA purpose, vide this Department's O.M. No.2(30)/97-E. II(B) dated 03.10.97. However, these cities/towns were allowed to retain their existing higher classification, vide Para 3 thereof; and further extended vide O.M. No.2(21)/E.II(B)/2004 dated 16.03.2005 & O.M. No.2(13)/2008-E.II(B) dated 07.01.2009.

Jatni town has been classified as a full-fledged Municipal Council and *Jatani* (UA) as per the Annexure appended to FRSR Part-IV (HRA and CCA) Rules (**Annexure III**) and also does not feature in the list of cities that were allowed to retain higher classification as per the aforementioned Office Memorandums of July 2015.

Further, Audit approached the Office of the Director of Census Operations, Odisha, Ministry of Home Affairs, Government of India (GoI) to confirm whether NISER, Bhubaneswar located

in *Jatni* was a part of the Bhubaneswar (UA) to which the respective authority replied (August 2020) that NISER, Bhubaneswar located in *Jatni* does not fall under Bhubaneswar UA (**Annexure IV**).

Hence, in terms of the criteria as elaborated in Para 1.2.1. and 1.2.2. along with the replies received by Audit from the auditee entity as well as other nodal authorities, Audit concluded that NISER, Bhubaneswar located in *Jatni* Municipality area was not a part of Bhubaneswar Urban Agglomeration (UA). Further, certificate from the Collector was also not available showing the *Jatani* is a village/panchayat/town panchayat/non-municipal area and not a municipality/notified area/cantonment/UA.

Thus, audit concluded that the payment of HRA of ₹2.80 crore during the period from July 2015 to February 2020 at higher rates by the auditable entity was irregular.

3.2 Justification given by the Administrative Department

The matter was referred to DAE in October 2020. Initially, DAE had not offered a reply. Later, DAE had submitted (October 2022) initial action taken note on the stated para after it was printed in CAG's report.

In its initial action note, DAE stated that they do not agree with the audit conclusions. In support of their reply, DAE replied that as per the orders on payment of HRA, Central Government employees working at places within 8 km of the periphery of a qualified city will be granted HRA applicable at the rate admissible for that city. Accordingly, NISER had taken up the matter with Survey of India, who has certified that the approximate distance between two points from the center point of NISER campus, *Jatni* to the nearest BMC border is 5.75 KM approx.

DAE also stated the following points in support of its reply:

- NISER, *Jatni* is fully dependent on Bhubaneswar for all practical purposes like schooling, hospital, marketing, travelling etc. BMC had issued dependency certificate also stating that NISER is generally dependent on BMC for availing essential services such as use of empaneled hospital, education of children, judiciary and court matters, airport facility etc.
- NISER is registered with the Registrar of Societies, Odisha as NISER, Bhubaneswar under Societies Act 1890.
- *Jatni* falls under the Commissionerate of Police Bhubaneswar-Cuttack Jurisdiction.

4. Assignment Questions

Instructor may encourage the participants to raise questions during the presentation (**Annexure V**) and they will be provided with assignment questions as shown in the below table which are required to be answered by the participants. Later, the answers to the assignment questions from the participants may be tallied with suggested answers to the assignment questions as drawn in this Case Study and draw conclusions on the observation.

(i) Assignment Questions:

Sl. No.	Question
1	Is House Rent Allowance dependent on the place of duty of the employee or the place of residence of the employee?
2	What are the conditions to be fulfilled for granting of HRA to the staff working in Central Government establishments within a distance of 8 kilometres from the periphery of the municipal limits of a qualified city, the HRA at the rates admissible in that city.
3	Who is the Competent Authority to issue dependency certificate for grant of House Rent Allowance at higher rates in respect of areas mentioned in Question No.-2?
4	What is the basis for upgradation of cities from one category to another?
5	What are the documents to be collected by an Auditor to ascertain that the payment of HRA at higher rate was not admissible to the employees of the Institute?
6	What are the documents to be collected by an Auditor for ascertaining the amount of excess payment of HRA made by the Institute to its employees?
7	Whether reply furnished by NISER, Bhubaneswar located at Jatni was acceptable.
8	Whether the reply of the DAE was acceptable.
9	Whether the Dependency Certificate from BMC was sufficient for payment of HRA at the rates applicable to Bhubaneswar UA (BUA).
10	Whether any other additional documents required to be collected by the audit for justification of its point of observation?
11	What is the other implication of the misclassification of the category of city that can be explored by Audit?

Section 2 – Teaching Notes for the Instructor

1. Synopsis:

Department of Expenditure, Ministry of Finance, GoI has reclassified/upgraded the cities/towns (July 2015) based on Census 2011 for the purpose of House Rent Allowance (HRA) to Central Government Employees. The cities were classified as 'X', 'Y' and 'Z' for the purpose of grant of HRA. The rate of HRA in these cities were 30%, 20% and 10% respectively which were revised as 24%, 16% and 8% respectively consequent on implementation of VII CPC (July 2017). In addition, the cities, which were allowed higher rates of HRA than applicable to them, were mentioned separately.

In the instant case, the auditable entity paid HRA at a higher rate (20% and 16% during VI and VII CPC period respectively) instead of applicable rate (10% and 8%) as the auditable unit was situated in Z class city.

2. Teaching and Learning Objectives

The case study is intended to achieve the following objectives:

- (i) To impart knowledge about the applicability of the provisions of grant of House Rent Allowance at higher rates.
- (ii) Making the participants understand an importance of Fundamental Rules & Service Rules as well as internal control system and gain knowledge on how the employees end up with undue benefits due to inadequate knowledge and wrong decision of the competent authority and lack of internal control.
- (iii) Improving the participant's ability to form (1) audit opinions, (2) anticipate responses to the audit opinions, and (3) collate or collect all essential evidences so that responses received from the auditee can be suitably analyzed and addressed.
- (iv) To refine the skills of the participants in tackling responses from the auditable entities in respect of the audit observations and prepare a proper refusal.

3. Target Audience

The case study is prepared for the auditors, which include Group A, B and C officers of the IA&AD.

4. Relevant Readings

Following topics/documents are relevant to the case study, which requires to be studied and disseminated to the participants for better understanding of the case study:

- (i) C&AG's Internal Control Standards
- (ii) CAG's (DPC) Act, 1971
- (iii) FRSR Part-IV (HRA and CCA) Rules

- (iv) Orders/Guidelines /Office Memorandums issued by Department of Expenditure, Ministry of Finance (MoF) on House Rent Allowance.
- (v) Orders/Guidelines/Office Memorandums issued by Department of Personnel and Training on ***“Recovery / waiver of the wrongful / excess payments made to Government servants. (DoPT’s OM No 18/26/2011-Estt (Pay-I) dated 06.02.2014 and DoPT’s OM No. 18/03/2015-Estt (Pay-I) dated 02.03.2016)”***

5. Assignment Questions

Instructor may encourage the participants to raise questions during the presentation and the following are audit questions that need to be raised:

Sl. No.	Question
1	Is House Rent Allowance dependent on the place of duty of the employee or the place of residence of the employee?
2	What are the conditions to be fulfilled for granting of HRA to the staff working in Central Government establishments within a distance of 8 kilometres from the periphery of the municipal limits of a qualified city, the HRA at the rates admissible in that city.
3	Who is the Competent Authority to issue dependency certificate for grant of House Rent Allowance at higher rates in respect of areas mentioned in Question No.-2?
4	What is the basis for upgradation of cities from one category to another?
5	What are the documents to be collected by an Auditor to ascertain that the payment of HRA at higher rate was not admissible to the employees of the Institute?
6	What are the documents to be collected by an Auditor for ascertaining the amount of excess payment of HRA made by the Institute to its employees?
7	Whether reply furnished by NISER, Bhubaneswar located at Jatni was acceptable.
8	Whether the reply of the DAE was acceptable.
9	Whether the Dependency Certificate from BMC was sufficient for payment of HRA at the rates applicable to Bhubaneswar UA (BUA).
10	Whether any other additional documents required to be collected by the audit for justification of its point of observation?
11	What is the other implication of the misclassification of the category of city that can be explored by Audit?

6. Teaching Plan:

6.1 Time allotment:

Particulars	Time allotted
Introduction and Setting up the situation	15 minutes
Discussion of background	10 minutes
Evaluating the alternatives	25 minutes
Discussion of “what happened”	15 Minutes
Case wrap-up	10 minutes

6.2 At first, the instructor will describe the background and facts of the event of the case study. Then, the participants will be given handouts which will give them an opportunity to study the case and present their audit opinions. The participants will also be given the assignment questions.

6.3 To improve the ability of the participants to form audit opinions and anticipate the replies from the auditable unit and counter the replies, the participants may be divided into two groups (Team A and Team B). Team A may present their views as an auditor and Team B may present their views as an auditable entity on the above case.

6.4 Thereafter, ask one or two participants from Team A to form audit findings, based on the evidences collected and Team B to counter/give suitable replies to the audit findings. The teams should counter arguments on observations and replies of Department.

6.5 The instructor may be the mediator throughout the process and give his/her opinion on each of the audit finding and reply. He/ She could also suggest the possible audit findings and replies, if the participants are unable to bring forth all the possible findings/replies.

6.6 At the end of the discussions, the instructor can frame a possible audit conclusion by summarizing the audit observations, replies and counter replies.

6.7 For instructor’s convenience, the possible replies of auditable entity and auditor’s rebuttal are detailed in the table below:

Auditable Entity’s view	Auditor’s comment
The unit stated that it is situated in <i>Jatni</i> Block, which is within the periphery of Bhubaneswar Development Authority (BDA) as may be seen from the enclosed map highlighted as Jatni Block. In accordance with FRSR Part-IV (HRA and CCA) Rules, the limits of the locality, which in these orders apply, shall be those of the named Municipality, Corporation and shall	<i>Jatni</i> town is situated at a distance of 25 km from the centre of Bhubaneswar city and has its own municipality. As per Census 2011, <i>Jatni</i> does not come within the Bhubaneswar Urban Agglomeration, which comprises of Bhubaneswar town (municipal Corporation) and 14 outgrowths namely – Industrial and Colony Area, Patrapada, Sijua, Ransinghapur, Sarakantara, Bahadalpur,

include such of the suburban Municipality or Corporation or other areas as the Central Government may, from time to time, notify. It is reiterated that the Jatni Municipality is contiguous to the Bhubaneswar Municipality and therefore HRA rates as applicable to Bhubaneswar is payable.	Ebaranga, Raghunathpurjali, Kalarahanga, Injana, Rokat, Kesora, Koradakanta and Bankual. As such, Census authority has also clarified that <i>Jatni</i> town does not come under Bhubaneswar UA. On being called for, the auditable unit could not furnish any document issued by a competent authority showing that <i>Jatni</i> is a part of Bhubaneswar Urban Agglomeration. As such, the rate of HRA applicable to the central government employees posted at town <i>Jatni</i> is 8% of Basic Pay (10% of the pre-revised basic pay till June 2017) and payment at higher rate to its employee was irregular and the unit incurred an excess expenditure of ₹2.80 crore.
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7. Suggested/possible answers to assignment questions:

Sl. No.	Question	Suggested reply
1	Is House Rent Allowance dependent on the place of duty of the employee or the place of residence of the employee?	House Rent Allowance is admissible with reference to the 'place of duty' of the Government servant, irrespective of whether the Government servant is residing at that place or any other place and for deciding the classification of 'place of duty', the limits of the locality within which these orders apply, shall be those of the named municipality or corporation and shall include such of the suburban municipalities, notified areas or cantonments as are contiguous to the named municipality; or corporation or other areas as the Central Government may from time to time notify.
2	What are the conditions to be fulfilled for granting of HRA to the staff working in	In terms of Ministry of Finance Office Memorandum relating to HRA as

	Central Government establishments within a distance of 8 kilometres from the periphery of the municipal limits of a qualified city, the HRA at the rates admissible in that city.	issued from time to time, the staff working in Central Government establishments within a distance of 8 kilometres (km) from the periphery of the municipal limits of a qualified city will be allowed House Rent Allowance at the rates admissible in that city even though they may not be residing within those municipal limits, provided, inter alia, that- (i) A certificate in the prescribed format (as per Annexure-I) from the Collector/Deputy Commissioner having jurisdiction over the area, is obtained by the Administrative Ministry/Department concerned and referred to the Ministry of Finance, Department of Expenditure for initial sanction of HRA for a period of 3 years. (ii) Further extensions for grant of HRA beyond the initial period of 3 years may be allowed by the Administrative Ministries/Departments in consultation with their Financial Advisers and by the C&AG, in respect of staff serving under him. (iii) HRA will be payable to the Central Government employees within the area of the Urban Agglomeration (UA) of classified city at the rates admissible in the classified city. The existing provisions for the payment of House Rent Allowance under Paras 1.2.2 above, will, however, continue to be applicable only at places which are within 8 km of municipal limits of classified cities, but which are not included within UA of any city.
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		(iv) The certificate of Dependency may be obtained from the Collector in all cases where the grant of HRA under above provisions is proposed. Further, it is to be stated that in the certificate required to be obtained from the collector of a district for the purpose of HRA under the aforesaid orders, it was, inter alia, certified that there was no other municipality within the 8 km area in which the employees are to work and the same cannot be given where such municipality exists even though the place is wholly dependent on the qualified city for its essential supplies. Again, the certificate requires to show that the place of question is a village/panchayat/town panchayat/non-municipal area and not a municipality/notified area/cantonment/UA.
3	Who is the Competent Authority to issue dependency certificate for grant of House Rent Allowance at higher rates in respect of areas mentioned in Question No.-2?	The certificate of Dependency may be obtained from the Collector/Dy. Commissioner in all cases where the grant of HRA at higher rates are to be paid.
4	What is the basis for upgradation of cities from one category to another?	The cities are upgraded on the basis of the assessment of the population done as per Census.
5	What are the documents to be collected by an Auditor to ascertain that the payment of HRA at higher rate was not admissible to the employees of the Institute?	1. Certificate of Dependency from the Collector for proving the dependency of the Jatani on Bhubaneswar UA indicating that it was a village/ panchayat/ town panchayat/ non-municipal area and not a municipality/ notified area/cantonment/UA.

		2. Any specific order of Ministry of Finance extending the benefit of higher HRA to NISER.
6	What are the documents to be collected by an Auditor for ascertaining the amount of excess payment of HRA made by the Institute to its employees?	1. The Pay Bill Registers/ Pay Slips of the employees. 2. Confirmation of the due & drawn statement in respect of HRA by the audit entity.
7	Whether reply furnished by NISER, Bhubaneswar located at Jatni was acceptable.	Jatani UA comprises of Jatani (M) and Industrial & Colony Area (OG) E. Block Nos. 92-99 as per Census 2001. As per the Department of Expenditure, Ministry of Finance, reclassified (July 2015) cities/towns based on Census-2011 into 'X', 'Y' and 'Z' categories for the purpose of grant of House Rent Allowance (HRA). Hence, the reply of NISER was not acceptable.
8	Whether the reply of the DAE was acceptable.	No, the reply of DAE was not acceptable.
9	Whether the Dependency Certificate from BMC was sufficient for payment of HRA at the rates applicable to Bhubaneswar UA (BUA).	The Certificate of Dependency may be obtained from the Collector in all cases where the grant of HRA under Para.1.2 above is proposed. Certificate of Dependency of Jatni on Bhubaneswar UA from the Collector indicating that it was a village/ panchayat/ town panchayat/ non-municipal area and not a municipality/ notified area/cantonment/UA for proving the higher HRA was also required. As the certificate has been obtained from BMC and not from the Collector/Dy. Commissioner indicating the above provision, the

		Certificate is not valid for grant of HRA at the rate applicable to BUA.
10	Whether any other additional documents required to be collected by the audit for justification of its point of observation?	Certificate of Dependency of Jatni on Bhubaneswar UA from the Collector indicating that it was a village/ panchayat/ town panchayat/ non-municipal area and not a municipality/ notified area/cantonment/UA was required to be produced by the auditable entity for payment of HRA applicable at the rate of BUA.
11	What is the other implication of the misclassification of the category of city that can be explored by Audit?	The wages paid to housekeeping staff (Sweeping and Cleaning Activities excluding manual scavengers and construction of dry latrines) is based on the area in which the office is located. Bhubaneswar (UA) is classified as Type B area whereas Jatani (UA) is a Type C area. Hence, NISER, Bhubaneswar located at Jatani may have been paying wages to above mentioned staff (if any) at higher rates than admissible. Audit may assess the records to look into this aspect.

8. Suggested teaching methods

- Power point presentation for presenting the case study;
- Handouts to be distributed to the participants;
- Group Discussion of the case along with reference documents;
- Questionnaire;
- Presentation by the participants.

9. What happened subsequently

The department responded through an Initial Action Taken Note, wherein they expressed their disagreement with the audit observation and provided justifications for their stance.

In alignment with the Department of Expenditure's consolidated Office Memorandum No. 2/4/2022-E.IIB dated 30.12.2022 issued from time to time, it is essential to underscore the significance of the dependency certificate. This certificate is mandated to be obtained from the District Collector, and is exclusively issued to areas classified as village/panchayat/town panchayat/non-municipal areas. This certificate cannot be issued for the area under municipalities, notified areas, cantonments, or Urban Agglomerations (UAs). In this case, *Jatni* UA comprises *Jatni* (M) and Industrial & Colony Area (OG) E. Block Nos. 92-99 as per Census 2001. Hence, it becomes evident that *Jatni* UA cannot be considered dependent on Bhubaneswar UA. Therefore, the contention of the administrative department is not acceptable. Non-acceptance of the audit observation is thus, can be termed as deliberate violations of codal provision by the auditable entity resulting in continued overpayment of HRA.

Furthermore, the Department of Personnel and Training (DoPT) has issued Office Memorandums (OMs) No. 18/26/2011-Estt (Pay-I) dated 06.02.2014 and No. 18/03/2015-Estt (Pay-I) dated 02.03.2016, summarizing situations where recoveries by employers would be impermissible by law. These situations include recoveries from Class-III and Class-IV service employees (or Group 'C' and Group 'D' service), recoveries from retired employees or those due to retire within a year of the recovery order, and recoveries for excess payments made over a period exceeding five years prior to the recovery order. Moreover, the principle of iniquity, harshness, or arbitrariness is cited as a critical factor to be considered in making recoveries.

In light of these findings and regulations, the disbursement of House Rent Allowance (HRA) amounting to ₹2.80 crore from July 2015 to February 2020, at higher rates by the audited entity, constitutes a irregularity. This non-compliant disbursement, compounded by the absence of recovery actions as per the existing codal provisions has resulted in a significant sum of public funds becoming irretrievable due to statutory time limitations.

This serves as a reminder of the importance of adhering to regulatory frameworks and sound financial practices to safeguard public funds and ensure their effective utilization. In the context of this training session, it underscores the critical role of auditors in identifying and rectifying such irregularities to uphold financial accountability and the efficient allocation of resources.

Annexure I: Department of Expenditure, Ministry of Finance's OM dated 30.12.2022

No.2/4/2022-E.IIB
Government of India
Ministry of Finance
Department of Expenditure

North Block, New Delhi.
Dated the 30th December, 2022.

OFFICE MEMORANDUM

Subject: Compendium of Instructions regarding grant of House Rent Allowance to Central Government employees -regarding

The Department of Expenditure, Ministry of Finance has issued various instructions from time to time regarding grant of House Rent Allowance to Central Government employees. Such instructions were issued a long back. Therefore, the existing instructions have been reviewed and in supersession of all earlier instructions issued on the subject, a consolidated Master O.M. is hereby circulated for compliance by all Ministries/ Departments.

2. This is issued with the approval of Finance Secretary & Secretary (Expenditure).


(Nirmala Dev)
Director

To,

All Ministries and Departments of the Government of India as per standard distribution list.

Copy to: C&AG and U.P.S.C. etc. as per standard endorsement list.

2. Classification of cities for the purpose of grant of HRA and rates of HRA:

2.1. Classification of cities for the purpose of HRA is based on the population of the area, as per the latest Census Report. On the basis of population, cities/towns have been classified for the purpose of grant of House Rent Allowance as under:

S. No.	Classification of Cities/Towns	Population Criteria	Rate of HRA as per 7 th CPC
1.	X	50 lakhs & above	24%
2.	Y	5 Lakhs to 50 Lakhs	16%
3.	Z	Below 5 Lakhs	8%

Note : The rates of HRA will be revised to 27%, 18%, 9% for X, Y & Z class cities respectively when Dearness Allowance(DA) crosses 25% and further revised to 30%, 20% & 10% when DA crosses 50%.

3. AREAS WHERE ADMISSIBLE:

3.1. HRA is admissible with reference to the 'place of duty' of the Government servant, irrespective of whether Government servant is residing at that place or any other place.

3.2. For deciding the classification of 'place of duty', the limits of the locality within which these orders apply, shall be those of the named municipality or corporation and shall include such of the suburban municipalities, notified areas or cantonments as are contiguous to the named municipality; or corporation or other areas as the Central Government may from time to time notify.

3.3. The instructions shall automatically apply/ cease to apply to areas which may be included within / excluded from the limits of the named UA or municipality or corporation by the State Government concerned, from the date of such inclusion/ exclusion.

3.4. Staff working in Central Government establishments within a distance of 8 kilometres from the periphery of the municipal limits of a qualified city will be allowed House Rent Allowance at the rates admissible in that city even though they may not be residing within those municipal limits, provided that-

- (i) A certificate in the prescribed format (as per Annexure-I) from the Collector/Deputy Commissioner having jurisdiction over the area, is obtained by the Administrative Ministry/Department concerned and referred to the Ministry of Finance, Department of Expenditure for initial sanction of HRA for a period of 3 years.



- (ii) Further extensions for grant of HRA beyond the initial period of 3 years may be allowed by the Administrative Ministries/ Departments in consultation with their Financial Advisers and by the C&AG, in respect of staff serving under him.
- (iii) Benefit of the concession of HRA may be extended to the employees working in a place which though a town panchayat is generally dependent for its essential supplies on a qualified city and is within the 8 kms. limit of the periphery of the qualified city.
- (iv) HRA will also be payable to the Central Government employees within the area of the Urban Agglomeration(UA) of classified city at the rates admissible in the classified city. The existing provisions for the payment of House Rent Allowance under Paras.3.4 above, will, however, continue to be applicable only at places which are within 8 kilometres of *municipal limits of classified cities*, but which are not included within UA of any city, subject to fulfilment of usual conditions laid down and subject to issue of specific sanctions therefore as before.
- (v) The certificate of Dependency may be obtained from the Collector in all cases where the grant of HRA under Para. 3.4 is proposed. In all cases where the Collector certified that the area in question depends for its essential supplies on the qualifying city even though there may be another municipal area within the 8 kms. radius, Government would consider on merits whether grant of House Rent Allowance in such cases would be justified.

4. ADMISSIBILITY OF HRA :

HRA shall be admissible subject to the following conditions:-

- 4.1. The allowance shall not be admissible to those who occupy General Pool Residential accommodation provided by the Government.
- 4.2. Where Government quarters are available for the staff of specified Departments or for specified categories of staff, the procedure for applying for accommodation for payment for HRA will be regulated under the rules of the Ministry/Department concerned for allotment of the accommodation.
- 4.3. HRA drawn by a Government servant, who accepts allotment of Government accommodation, shall be stopped from the date of actual handing-over of accommodation in immediate habitable condition to the Government servant. In case of refusal of allotment of Government accommodation, HRA shall cease to be admissible from the date of allotment of Government accommodation. In case of surrender of Government accommodation, the House Rent Allowance, if otherwise admissible, will be payable from the date of such surrender.
- 4.4. A Government servant debarred from allotment of Government accommodation due to unauthorized sub-letting, or for other breaches of rules, but excluding those covered by 4.3 above will be eligible for HRA during the period of such debarment.



ANNEXURE- I

CERTIFICATE

(The certificate on Official Letter head (in original) should be in respect of only one place. If there are more than one place in respect of which the proposal relates, appropriate certificates in respect of each of such places should be given.)

It is hereby certified that –

1. ¹ _____ is a ²Village/ Panchayat/ Town Panchayat/ Non- municipal area;
 2. ¹ _____ is not a Municipality or Notified Area or Cantonment;
 3. ¹ _____ is not part of any Urban Agglomeration (UA);
 4. ¹ _____ is within a distance of 8 kilometres from the periphery
of the municipal limits of _____ ³ _____
- _____

Signature of the District Collector/ Deputy
Commissioner having jurisdiction over the place

Seal of the District Collector/
Deputy Commissioner

Date

-
1. Name of the place in respect of which the proposal relates.
 2. The civic status of the place, i.e., Village, Panchayat, Town Panchayat, Non- Municipal area, etc., should be indicated.
 3. Name of the Municipality.



**Annexure II: Department of Expenditure, Ministry of Finance's OM dated 21.07.2015
& 07.07.2017**

No.2/5/2014-E.II(B)
Government of India
Ministry of Finance
Department of Expenditure

New Delhi, 21st July, 2015.

OFFICE MEMORANDUM

Subject:- Re-classification/Upgradation of Cities/Towns on the basis of Census-2011 for the purpose of grant of House Rent Allowance (HRA) to Central Government employees.

Reference is invited to this Department's O.M. No. 2(13)/2008-E.II(B) dated 29.08.2008 relating to grant of House Rent Allowance (HRA) to Central Government employees on the recommendations of the 6th Central Pay Commission (CPC) whereby a list of cities/towns classified as "X", "Y" and "Z" for the purpose of grant of HRA was enclosed as Annexure. The matter relating to re-classification of cities/towns on the basis of Census-2011 for the purpose of grant of HRA to Central Government employees has been considered by the Government.

2. The President is pleased to decide that in supersession of all the existing orders relating to classification of cities/towns for the purpose of grant of HRA to Central Government employees, cities/towns shall now be re-classified as "X", "Y" and "Z" for the purpose of HRA as enumerated in the Annexure to these orders.

3. Consequent upon implementation of the recommendations of the 5th Central Pay Commission, certain cities/towns were placed in a lower classification as compared to their existing classification for HRA purpose, vide this Department's O.M. No. 2(30)/97-E.II(B) dated 03.10.97. However, these cities/towns were allowed to retain their existing higher classification, vide Para 3 thereof; and further extended vide O.M. No. 2(21)/E.II(B)/2004 dated 16.03.2005 & O.M. No. 2(13)/2008-E.II(B) dated 07.01.2009. As other cities/towns to which protection of retaining earlier higher classification was allowed, got upgraded during the intervening period and as on date only two cities i.e. Ajmer in Rajasthan and Durgapur in West Bengal were retaining such protection. Consequent upon upgradation of these two cities also on the basis of their population as per Census-2011, provisions contained in Para 3 of this Department's O.M. No. 2(30)/97-E.II(B) dated 03.10.97 which were allowed to further continue vide O.M. dated 16.03.2005 & 07.01.2009, stand withdrawn/discontinued.

4. Special orders allowing continuance of HRA at Delhi ("X" class city) rates to Central Government employees posted at Faridabad, Ghaziabad, NOIDA and Gurgaon, at Jalandhar ("Y" class city) rates to Jalandhar Cantt., at "Y" class city rates to Shillong, Goa & Port Blair vide this Department's O.M. No.2(13)/2008-E.II(B) dated 29.08.2008, and continuance of HRA at par with Chandigarh ("Y" class city) to Panchkula vide this Department's O.M. No.2(13)/2008-E.II(B) dated 04.03.2011, shall continue to be applicable till the recommendations of 7th CPC are considered by the Government.

5. These orders shall take effect from 1st April, 2015.

ANNEXURE

To O.M. No.2/5/2017-E.II(B) dated 07.07.2017

**LIST OF CITIES/TOWNS CLASSIFIED FOR GRANT OF
HOUSE RENT ALLOWANCE TO CENTRAL GOVERNMENT EMPLOYEES**

Sl. No.	STATES/ UNION TERRITORIES	CITIES CLASSIFIED AS "X"	CITIES CLASSIFIED AS "Y"
1.	ANDAMAN & NICOBAR ISLANDS	—	—
2.	ANDHRA PRADESH/ TELANGANA	Hyderabad (UA)	Vijayawada (UA), Warangal (UA), Greater Visakhapatnam (M.Corp.), Guntur (UA), Nellore (UA)
3.	ARUNACHAL PRADESH	—	—
4.	ASSAM	—	Guwahati (UA)
5.	BIHAR	—	Patna (UA)
6.	CHANDIGARH	—	Chandigarh (UA)
7.	CHHATTISGARH	—	Durg-Bhilai Nagar (UA), Raipur (UA)
8.	DADRA & NAGAR HAVELI	—	—
9.	DAMAN & DIU	—	—
10.	DELHI	Delhi (UA)	—
11.	GOA	—	—
12.	GUJARAT	Ahmadabad (UA)	Rajkot (UA), Jamnagar (UA), Bhavnagar (UA), Vadodara (UA), Surat (UA)
13.	HARYANA	—	Faridabad*(M.Corp.), Gurgaon*(UA)
14.	HIMACHAL PRADESH	—	—
15.	JAMMU & KASHMIR	—	Srinagar (UA), Jammu (UA)
16.	JHARKHAND	—	Jamshedpur (UA), Dhanbad (UA), Ranchi (UA), Bokaro Steel City (UA)
17.	KARNATAKA	Bengalore/Bengaluru (UA)	Belgaum (UA), Hubli-Dharwad (M.Corp.), Mangalore (UA), Mysore (UA), Gulbarga (UA)
18.	KERALA	—	Kozhikode (UA), Kochi (UA), Thiruvananthapuram (UA), Thrissur (UA), Malappuram (UA), Kannur (UA), Kollam (UA)
19.	LAKSHADWEEP	—	—
20.	MADHYA PRADESH	—	Gwalior (UA), Indore (UA), Bhopal (UA), Jabalpur (UA), Ujjain (M. Corp.)

Sl. No.	STATES/ UNION TERRITORIES	CITIES CLASSIFIED AS "X"	CITIES CLASSIFIED AS "Y"
21.	MAHARASHTRA	Greater Mumbai (UA), Pune (UA)	Amravati (M.Corp.), Nagpur (UA), Aurangabad (UA), Nashik (UA), Bhiwandi (UA), Solapur (M.Corp.), Kolhapur (UA), Vasai-Virar City (M. Corp.), Malegaon (UA), Nanded-Waghala (M. Corp.), Sangli (UA)
22.	MANIPUR	---	---
23.	MEGHALAYA	---	---
24.	MIZORAM	---	---
25.	NAGALAND	---	---
26.	ODISHA	---	Guttack (UA), Bhubaneswar (UA), Raurkela (UA)
27.	PUDUCHERRY (PONDICHERRY)	---	Puducherry/Pondicherry (UA)
28.	PUNJAB	---	Amritsar (UA), Jalandhar (UA), Ludhiana (M. Corp.)
29.	RAJASTHAN	---	Bikaner (M.Corp.), Jaipur (M.Corp.), Jodhpur (UA), Kota (M.Corp.), Ajmer (UA)
30.	SIKKIM	---	---
31.	TAMIL NADU	Chennai (UA)	Salem (UA), Tiruppur (UA), Coimbatore (UA), Tiruchirappalli (UA), Madurai (UA), Erode (UA)
32.	TRIPURA	---	---
33.	UTTAR PRADESH	---	Moradabad (M.Corp.), Meerut (UA), Ghaziabad* (UA), Aligarh (UA), Agra (UA), Bareilly (UA), Lucknow (UA), Kanpur (UA), Allahabad (UA), Gorakhpur (UA), Varanasi (UA), Saharanpur (M.Corp.), Noida* (CT), Firozabad (NPP), Jhansi (UA)
34.	UTTARAKHAND	---	Dehradun (UA)
35.	WEST BENGAL	Kolkata (UA)	Asansol (UA), Siliguri (UA), Durgapur (UA)

* Only for the purpose of extending HRA on the basis of dependency:

NOTE

The remaining cities/towns in various States/UTs which are not covered by classification as "X" or "Y", are classified as "Z" for the purpose of HRA.

New Delhi, 7th July, 2017.

OFFICE MEMORANDUM

Subject:- Implementation of recommendations of the Seventh Central Pay Commission relating to grant of House Rent Allowance (HRA) to Central Government employees.

Consequent upon the decision taken by the Government on the recommendations of the Seventh Central Pay Commission, the President is pleased to decide that, in modification of this Ministry's O.M. No.2(37)-E.II(B)/64 dated 27.11.1965 as amended from time to time, O.M. No.2(13)/2008-E.II(B) dated 29.08.2008 and O.M. No.2/5/2014-E.II(B) dated 21.07.2015, the admissibility of House Rent Allowance (HRA) shall be as under:-

Classification of Cities/Towns	Rate of House Rent Allowance per month as a percentage of Basic Pay only
X	24 %
Y	16 %
Z	8%

2. The rates of HRA will not be less than Rs.5400/-, 3600/- & 1800/- at X, Y & Z class cities respectively.
3. The rates of HRA will be revised to 27% 18% & 9% for X, Y & Z class cities respectively when Dearness Allowance (DA) crosses 25% and further revised to 30%, 20% & 10% when DA crosses 50%.
4. The term "basic pay" in the revised pay structure means the pay drawn in the prescribed pay levels in the Pay Matrix and does not include Non-Practising Allowance (NPA), Military Service Pay (MSP), etc. or any other type of pay like special pay, etc.
5. The list of cities classified as 'X', 'Y' and 'Z' vide DoE's O.M. No.2/5/2014-E.II(B) dated 21.07.2015, for the purpose of grant of House Rent Allowance is enclosed as Annexure to these orders.
6. Special orders on continuance of HRA at Delhi ("X" class city) rates to Central Government employees posted at Faridabad, Ghaziabad, NOIDA and Gurgaon, at Jalandhar ("Y" class city) rates to Jalandhar Cantt., at "Y" class city rates to Shillong, Goa & Port Blair and HRA at par with Chandigarh ("Y" class city) to Panchkula, S.A.S. Nagar (Mohali) which have been allowed to continue vide Para '4' of this Ministry's O.M. No.2/5/2014-E.II(B) dated 21.07.2015 and O.M. No. 2/2/2016-E.II(B) dated 03.02.2017, shall continue till further orders.
7. All other conditions governing grant of HRA under existing orders, shall continue to apply.
8. These orders shall be effective from 1st July, 2017.
9. The orders will apply to all civilian employees of the Central Government. The orders will also be applicable to the civilian employees paid from the Defence Services Estimates. In respect of Armed Forces personnel and Railway employees, separate orders will be issued by the Ministry of Defence and the Ministry of Railways, respectively.
10. In so far as the persons serving in the Indian Audit and Accounts Department are concerned, these orders issue in consultation with the Comptroller & Auditor General of India.

Hindi version is attached.

Amathew

(Annie George Mathew)
Joint Secretary to the Government of India

To

All Ministries and Departments of the Govt. of India etc. as per standard distribution list.
Copy to: C&AG and U.P.S.C., etc. as per standard endorsement list.

Annexure III: Relevant Portions of FRSR Part IV (DA, DR & HRA)

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SWAMY'S — DA, DR AND HRA

- (c) "Family" means a Government servant's wife / husband, children and other persons residing with and wholly / dependent upon him / her. A husband / wife / child / parent having an independent source of income is not treated as a member belonging to the family of the Government servant except when such income including pension (inclusive of temporary increase in pension and pension equivalent of death-cum-retirement benefits) does not exceed Rs. 1,500 per month¹.

AREAS WHERE ADMISSIBLE

3. (a) (i) The limits of the locality which within these orders apply shall be those of the named Municipality, or Corporation and shall include such of the suburban Municipalities, notified areas or cantonments as are contiguous to the named Municipality or Corporation or other areas as the Central Government may, from time to time, notify.

- (ii) The orders contained will automatically apply / cease to apply to areas which may be included within / excluded from the limits of the named Municipality or Corporation by the State Government concerned, from the date of such inclusion / exclusion.

(b) (i) A Government servant whose place of duty falls within the qualifying limits of a city shall be eligible for both the Compensatory (City) and House Rent Allowances, irrespective of whether his place of residence is within such limits or outside.

NOTE 1.— Absence from place of duty during holidays, except those affixed to leave, will not affect the eligibility for the Compensatory (City) and House Rent Allowances.

NOTE 2.— For the period of tour, a Government servant's entitlement to these allowances shall be regulated with reference to his headquarters.

(ii) Government servants whose place of duty is in the proximity of a qualified city, and who, of necessity have to reside within the city, may be granted the Compensatory (City) and House Rent Allowances admissible in that city. The Administrative Ministries / Departments, and the Comptroller and Auditor-General in respect of staff serving under him, are authorized to sanction the allowances under this clause, provided they are satisfied that—

- (1) the distance between the place of duty and the periphery of the municipal limits of the qualified city does not exceed 8 km; and
- (2) the staff concerned have to reside within the qualified city out of necessity, i.e., for want of accommodation nearer their place of duty.

¹ As per G.I., M.F., O.M. No. 11046/2/E. IV/98, dated the 19th March, 1999.

H.R.A. — GENERAL RULES AND ORDERS

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(iii) Staff working in aerodromes, meteorological observatories, wireless stations and other Central Government establishments within a distance of 8 km from the periphery of the municipal limits of a qualified city will be allowed House Rent Allowance at the rates admissible in that city even though they may not be residing within those municipal limits, provided that—

- (1) Deleted vide O.M. No. 2 (1)-E. II (B)/92, dated the 25th January, 1993.
- (2)

NOTE 1.— Cases which attract provisions of Para. 3 (b) (iii), should be referred to the Ministry of Finance (instead of the Ministries / Departments themselves granting same) for issue of general orders so as to ensure uniformity in the matter of application of the above proviso.

Powers delegated to Administrative Ministries / Departments for continued grant of HRA / CCA.— The question of delegating powers to the Administrative Ministries / Departments for continued grant of HRA / CCA to the Central Government employees under the provisions of Note 1 below Para. 3 (b) (iii) of O.M. No. F. 2 (37)/E. II (B)/64, dated 27-11-1965, as amended / modified from time to time has been under consideration for some time past. In partial modification of the provisions contained therein, the President is now pleased to decide as follows:—

- (i) The initial order for grant of HRA/CCA under Para. 3 (b) (iii) of the O.M., dated 27-11-1965, will continue to be issued by the Ministry of Finance (Department of Expenditure).
- (ii) Further extensions of grant of HRA/CCA beyond the initial period of 3 years under Para. 3 (b) (iii) of the O.M., dated 27-11-1965, will be allowed by the Administrative Ministries / Departments in consultation with their Financial Advisers and by the C & AG, in respect of staff serving under him.

2. These orders take effect from the date of issue.

[G.I., M.F., O.M. No. 11023/3/86-E. II (B), dated the 1st December, 1989.]

NOTE 2.— The orders contained in sub-paragraphs (b) (ii) and (b) (iii) above will not apply to establishments entitled to House Rent Allowance, Compensatory (City) Allowance, Project Allowance, Remote Locality Allowance, Hill Areas Allowance or other such allowances under any other provision of this OM or other general or special orders.

Clarification 1.— It has been decided that the benefit of the concession of House Rent Allowance under Para. 3 (b) (iii) may be extended to the employees working in a place which though a town panchayat is generally dependent for its essential supplies on a qualified city and is within the 8 km limit of the periphery of the qualified city.

Clarification 2.— It has been decided in consultation with the Staff Side of the National Council (JCM) that House Rent Allowance will also now be payable to the Central Government employees within the area of the Urban Agglomeration of classified city at the rates admissible in the classified city. The existing provisions for the payment of House Rent Allowance under Paras. 3 (b) (ii) and 3 (b) (iii) of the Office Memorandum, dated 27-11-1965, will, however, continue to be applicable only at places which are within 8 km of municipal limits of classified cities, but which are not included within Urban Agglomeration of any city, subject to fulfilment of usual conditions laid down and subject to issue of specific sanctions therefor as before.

[G.I., M.F., O.M. No. 11021/6/76-E. II (B), dated the 26th October, 1977.]

Clarification 3.— It was pointed out that in the certificate required to be obtained from the Collector of a District for the purpose of grant of House Rent Allowance under the aforesaid orders, it was to be *inter alia* certified that there was no other Municipality within the 8 km area in which the employees have to work and the same cannot be given where such a municipality exists even though the place is wholly dependent on the qualified city for its essential supplies. While no amendment of the existing provision is considered necessary, it has been decided that henceforth, the enclosed certificate may be obtained from the Collector in all cases where the grant of House Rent Allowance under Para. 3 (b) (iii) is proposed. In all cases where the Collector certified that the area in question depends for its essential supplies on the qualifying city even though there may be another municipal area within the 8 km radius, Government would consider on merits whether grant of House Rent Allowance in such cases would be justified.

[G.I., M.F., O.M. No. 15 (5)-E. II (B)/74, dated the 5th December, 1975.]

CERTIFICATE

(The certificate should be in respect of only one place. If there are more than one place in respect of which the proposal relates, appropriate certificates in respect of each of such places should be given.)

It is hereby certified that—

1. ¹..... is a ²Village / Panchayat / non-municipal area;
2. ¹..... is not a Municipality or notified area or cantonment;
3. ¹..... is within a distance of 8 kilometres from the periphery of the municipal limits of ³.....

1. Name of the place in respect of which the proposal relates.
2. The civic status of the place, i.e., village, panchayat, non-municipal area, etc., should be indicated.
3. Name of the qualified town / city.

4. Deleted vide O.M. No. 2 (10)-E. II (B)/92, dated the 25th January, 1993.

Signature of the Collector / Deputy
Commissioner having jurisdiction
over the place

Seal of the Collector /
Deputy Commissioner

Date

THOSE OCCUPYING OR REFUSING GOVERNMENT ACCOMMODATION NOT ELIGIBLE FOR HOUSE RENT ALLOWANCE

4. The grant of House Rent Allowance shall be subject to the following conditions:—

- (a) (i) To those Government servants who are eligible for Government accommodation, the allowances will be admissible only if they have applied for such accommodation in accordance with the prescribed procedure, if any, but have not been provided with it, in places where due to availability of surplus Government accommodation, special orders are issued by the Ministry of Urban Development from time to time making it obligatory for employees concerned to obtain and furnish 'no accommodation' certificate in respect of Government residential accommodation at their place of posting. In all other places, no such certificate is necessary.
- (ii) Government servants posted in localities where there is at present no residential accommodation in the General Pool owned or requisitioned by the Central Government for allotment to them, need not apply for Government residential accommodation in order to become eligible for House Rent Allowance. But where Government quarters are available for the staff of specified Departments or for specified categories of staff, the procedure for applying for accommodation will be regulated under the rules of allotment of the Department concerned or of the local office of the Central Public Works Department, as the case may be.

Review of demand and availability of General Pool Accommodation controlled by the Directorate of Estates.— In supersession to this Directorate's OM of even number, dated 9-9-1988 on above cited subject, the undersigned is directed to say that the position of demand and availability of General Pool

Ichalkaranji UA

- (a) Ichalkaranji (M CL)
(b) Kabnur (CT)

Kamptee UA

- (a) Kamptee (CB)
(b) Kamptee (M CL)
(c) Kanhan (Pipri) (CT)
(d) Tekadi (CT)

Kolhapur UA

- (a) Gandhinagar (CT)
(b) Kolhapur (M Corp.)

Nagpur UA

- (a) Digidoh (CT)
(b) Nagpur (M Corp.)

- (c) Wadi (CT)

Nashik UA

- (a) Bhagur (M CL)
(b) Deolali (CB)
(c) Eklahare (CT)
(d) Nashik (M Corp.)

Pune UA

- (a) Dehu (CT)
(b) Dehu Road (CB)
(c) Kirkee (CB)
(d) Pimpri Chinchwad (M Corp.)
(e) Pune (CB)
(f) Pune (M Corp.)

MANIPUR

Imphal UA

- (a) Imphal (M CL + OG)
(i) Bijoy Govinda (OG)
(ii) Imphal (M CL)

- (iii) Kongkham Leikai (OG)
(iv) Porompat Plan Area (OG)
(v) Takyel (OG)
(b) Khongman (CT)

MEGHALAYA

Shillong UA

- (a) Madanrting (CT)
(b) Mawlai (CT)

- (c) Nongmynsong (CT)
(d) Nongthymmai (CT)
(e) Pynthorumkhras (CT)

Sangli UA

- (a) Madhavnagar (CT)
(b) Sangli-Miraj Kupwad (M Corp.)

Shrirampur UA

- (a) Shrirampur (M CL)
(b) Shrirampur (Rural) (CT)

Vasai UA

- (a) Navghar-Manikpur (M CL)
(b) Sandor (CT)
(c) Vasai (M CL)

Yavatmal UA

- (a) Umarsara (CT)
(b) Yavatmal (M CL)

- (c) Naoriya Pakhanglakpa (CT)
(d) Porompat (CT)
(e) Torban (Kshetri Leikai) (CT)

- (f) Shillong Cantt. (CB)
(g) Shillong (M)

ORISSA

Baleswar UA

- (a) Baleswar (M+OG)
(i) Baleswar (M)
(ii) Baleswar Industrial Estate (OG) E. Block Nos. 188-227, 229-231 and 234
(b) Remuna (NAC)

Baripada UA

- Baripada (M+OG)
(i) Baripada (M)
(ii) Podaastia Business Centre Area (OG) E. Block Nos. 178-183 and 198

- (iii) Subarnarekha Irrigation Project Colony Area (OG) E. Block Nos. 95-98 and 189

Bhubaneswar UA

- Bhubaneswar (M Corp+OG)
(i) Bhubaneswar (M Corp.)
(ii) Industrial and Colony Area (OG) E. Block Nos. 1088-1105

Byasanagar UA

- Byasanagar (M+OG)
(i) Byasanagar (M)

- (ii) Educational Area (OG) E. Block Nos. 62-66

Cuttack UA

- (a) Choudwar (M+OG)
(i) Choudwar (M)
(ii) Industrial Area (OG) E. Block Nos. 74-95
(b) Cuttack (M Corp.)

Gunupur UA

- Gunupur (NAC+OG)
(i) Gunupur (NAC)
(ii) Industrial & Educational Area (OG) E. Block Nos. 33-37

Jatani UA

Jatani (M+OG)

- (i) Industrial and Colony Area (OG) E. Block Nos. 92-99
(ii) Jatani (M)

Raurkela UA

- (a) Jaldi (CT)
(b) Raurkela (M+OG)
(i) Kulunga Industrial Estate and other Colony Area
(ii) Raurkela (M)

- (c) Raurkela Industrial Township (ITS+OG)

- (i) I.D.L. Factory & Other Colony Area (OG) E. Block Nos. 430-443
(ii) Raurkela Industrial Township (ITS)

Sambalpur UA

- (a) Burla (NAC+OG)
(i) Amsadha Katapali Area (OG) E. Block Nos. 79-84
(ii) Burla (NAC)

- (b) Hirakud (NAC)

- (c) Sambalpur (M+OG)

- (i) Dhankauda & Mathapali Area (OG) E. Block Nos. 241, 242, 243, 246-249
(ii) Sambalpur (M)

Titlagarh UA

- Titlagarh (NAC+OG)
(i) D.A.V. College Area (OG) E. Block Nos. 52-56
(ii) Titlagarh (NAC)

PONDICHERY

Pondicherry UA

- (a) Kurumbapet (GP+OG)
(i) Arasur (OG)
(ii) Ariyalayam (OG)
(iii) Arumbathapuram (OG)
(iv) Attuvaikalpet (OG)
(v) Guruvappanaickenpalayam (OG)
(vi) Kanuvapet (OG)

- (vii) Karayanpet (OG)

- (viii) Kottamedu (OG)
(ix) Kurumbapet (GP)
(x) Manavely (OG)
(xi) Odiampet (OG)
(xii) Periapet (OG)
(xiii) Sultanpet (OG)
(xiv) Thattanchavady (OG)
(xv) Uthiravagini (OG)

- (xvi) Valluvanpet (OG)

- (xvii) Villianur (OG)
(b) Ozhukarai (M)
(c) Pondicherry (M+OG)
(i) Ariankuppam (OG)
(ii) Kakayantope (OG)
(iii) Periaiveerampattinam (OG)
(iv) Pondicherry (M)

PUNJAB

Amritsar UA

Amritsar (M Corp+OG)

- (i) Abadi along Khairabad on Ram Tirath Road to Ajnala Road (OG)
(ii) Abadi Baba Darshan Singh on Ram Tirath Road (OG)
(iii) Abadi Baba Jiwan Singh on Ram Tirath Road (OG)
(iv) Abadi Khalsa Nagar Near Kot Mit Singh (OG)

- (v) Abadi Mirankot on Ajnala Road (OG)

- (vi) Abadi Naushera (OG)
(vii) Amritsar (M Corp.)
(viii) Baba Deep Singh Nagar (OG)
(ix) Bara Khankot Doburjee (OG)
(x) Basarka Bhaini (Attari Road) (OG)
(xi) Chand Avenue (OG)
(xii) Dashmesh Avenue on Majitha Road (OG)
(xiii) Daya Nand Nagar (OG)
(xiv) Ek Rup Avenue (OG)

- (xv) Factories on right side of Doburjee G.T. Road (OG)

- (xvi) Gumtala Colony on Jagdev Kalan Road (OG)
(xvii) Krishna Lane (OG)
(xviii) Mata Kamla Devi Avenue on Fatehgarh Churian Road (OG)
(xix) Mohan Avenue (OG)
(xx) Naushera Khurd (OG)
(xxi) Parti Vihar (OG)
(xxii) Preet Nagar (OG)
(xxiii) Prem Nagar on Ajnala Road (OG)
(xxiv) Ranjit Vihar (OG)

Annexure IV: Letter of Office of the Director of Census Operations, Odisha, Ministry of Home Affairs, GoI

File No.213/1/2019-CT

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सत्यमेव जयते

जनगणना कार्य निदेशालय, ओडिशा

गृह मंत्रालय, भारत सरकार

OFFICE OF THE DIRECTOR OF CENSUS OPERATIONS, ODISHA
Ministry of Home Affairs, Government of India

17/08/2020

To

Tushar Kanti Ghosh,
Sr. Audit Officer (Report)
O/o Director General of Audit (Environment & Scientific Department)
Kolkata Branch
234/4 A J C Bose Road, 2nd MSO Bldg., 6th Floor, Nizam Palace
Kolkata – 700020
E_mail: saoreport.kol.esd@cag.gov.in

Sub: - Information/ Census data on Bhubaneswar Urban Agglomeration - Regarding
Sir,

In inviting reference to your e-mail dated 14.08.2020 on the subject cited above, I am to inform you that NISER is not coming under Bhubaneswar Urban Agglomeration as per Census 2011. This is for your information.

Yours faithfully,

(Premananda Khuntia)
Director

 2021	जनगणना से जन कल्याण/ Census for People's Welfare जनपथ, युनिट-IX, भुवनेश्वर-751022/ Janapath, Unit-IX, Bhubaneswar-751022 Tel/ Fax-(0674)-2543492, Genl Tel-2542774, 2543075; E-mail:-dco-ori.rgi@censusindia.gov.in Website:-www.censusindia.gov.in	
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Annexure V: Presentation

Slide 1



Indian Audit & Accounts Department

Case Study On Payment of House Rent Allowance at Higher Rates

Prepared by:
Regional Capacity Building and Knowledge Institute
Kolkata

Website: <https://cag.gov.in/rti/kolkata/en>
September 2023

Slide-2

Introduction

- Case study based on the paragraph printed in the C&AG's report (*Paragraph No. 3.3 of Report No. 2 of 2021 of Union Government (Civil), Compliance Audit Observation*)
- House Rent Allowance (HRA) is admissible with reference to the '**place of duty**' of the Government servant, **irrespective** of whether the Government servant is residing at that place or any other place and for deciding the classification of 'place of duty', the limits of the locality within which these orders apply, shall be those of the named municipality or corporation and shall include such of the suburban municipalities, notified areas or cantonments as are contiguous to the named municipality; or corporation or other areas as the Central Government may from time to time notify.

Slide-3

Introduction...contd.

- According to the prescribed rules, the staff working in Central Government establishments within a distance of 8 kilometre (km) from the periphery of the municipal limits of a qualified city will be allowed HRA at the rates admissible in that city even though they may not be residing within those municipal limits, provided, inter alia, that-
 - A *certificate* in the prescribed format from the *Collector/Deputy Commissioner having jurisdiction over the area*, is obtained by the Administrative Ministry/Department concerned and referred to the *Ministry of Finance, Department of Expenditure* for initial sanction of HRA for a period of **3 years**.
 - Further extensions for grant of HRA *beyond the initial period of 3 years* may be allowed by the Administrative Ministries/ Departments in consultation with their *Financial Advisers* and by the C&AG, in respect of staff serving under him.
 - HRA will be payable to the Central Government employees within the area of the Urban Agglomeration (UA) of classified city at the rates admissible in the classified city.
 - The payment of HRA as stated above, will, however, continue to be applicable only at places which are *within 8 km of municipal limits of classified cities*, but which are **not included within UA of any city**.

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Introduction...contd.

- The *certificate of Dependency* may be obtained from the *Collector* in all cases where the grant of HRA under above provisions is proposed.
- The collector should certify that there was no other municipality within the 8 km area in which the employees are to work;
- Certificate cannot be given where such municipality exists even though the place is wholly dependent on the qualified city for its essential supplies.
- Certificate requires to show that the place is a village/panchayat/town panchayat/non-municipal area and ***not a municipality/notified area/cantonment/UA***. ([Annexure-I](#))
- Department of Expenditure, Ministry of Finance, GoI has reclassified/upgraded the cities/towns (July 2015) based on Census 2011 as 'X', 'Y' and 'Z' for the purpose of grant of HRA.
- HRA rates were @ 30%, 20% and 10% respectively which were revised as 24%, 16% and 8% respectively consequent on implementation of VII CPC (July 2017). In addition, the cities, which were allowed higher rates of HRA than applicable to them, were mentioned separately.

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Background

About the Auditee Organisation

- NISER campus situated in Jatni town (Jatni has a Municipal Council), **25 Kms** from Bhubaneswar.
- The Institute started functioning from the current campus in July 2015, nine years since 28th August 2006 i.e. date of announcement of the proposal for its establishment. The Institute at Jatni campus was formally inaugurated on 7th February, 2016.
- Pay and allowances admissible as applicable to similarly placed employees of Department of Atomic Energy (DAE) i.e. in accordance with extant rules and instructions of GoI

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Background...contd.

Scope of Audit

- Audit of autonomous bodies, substantially financed by the Government of India, is conducted under **Section 14** of the C&AG's (DPC) Act.
- Principles and methodologies for audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts 2020 issued by the C&AG.

Audit objectives

- Watch utilization of the financial assistance provided by Government and to probe into aspects relating to efficiency, performance, propriety, etc. in relation to the utilization of the resources made available to them by Government.

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Main Story

- Ministry of Finance, reclassified (July 2015) Cuttack Urban Agglomeration (UA), Bhubaneswar UA and Rourkela UA under the 'Y' category. The remaining cities/towns in Odisha were classified under the 'Z' category.
- HRA was payable @20 per cent and 10 per cent for 'Y' and 'Z' categories respectively; which was revised to 16 per cent and 8 per cent from July 2017 ([Annexure II](#)).
- In the instant case, NISER, Bhubaneswar paid HRA at a higher rate (20% and 16% during VI and VII CPC period respectively) instead of applicable rate (10% and 8%) as the auditable entity is situated in Z class city.

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Main Story...contd.

- **Reply of NISER, Bhubaneswar**

- Institute is located in Jatni Block, which is within the periphery of Bhubaneswar Development Authority (BDA) as may be seen from the map.
- In accordance with FRSR Part-IV (HRA and CCA) Rules, the limits of the locality, shall be those of the named Municipality, Corporation and shall include such of the suburban Municipality or Corporation or other areas as the Central Government may, from time to time, notify.
- Jatni Municipality is contiguous to the Bhubaneswar Municipality and therefore HRA rates as applicable to Bhubaneswar is payable.

- **Audit approach to the reply furnished by the Institute**

- Jatni town has been classified as a full-fledged Municipal Council and Jatani (UA) as per the Annexure appended to FRSR Part-IV (HRA and CCA) Rules ([Annexure III](#)) and does not feature in the list of cities that were allowed to retain higher classification as per the afore-mentioned OM of July 2015.
- Director of Census Operations, Odisha, Ministry of Home Affairs, Government of India (GoI) confirmed that NISER, Bhubaneswar located in Jatni does not fall under Bhubaneswar UA ([Annexure IV](#)).
- Certificate from the Collector not available showing the Jatani is a village/panchayat/town panchayat/non-municipal area and not a municipality/notified area/cantonment/UA.

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Main Story...contd.

- **Audit Conclusion**

- NISER, Bhubaneswar located in *Jatni* Municipality area and was not a part of Bhubaneswar Urban Agglomeration;
- Payment of HRA of ₹2.80 crore during July 2015 to February 2020 at higher rates was thus irregular.

- **Justification given by the Administrative Department**

DAE did not agree with the audit conclusions and replied that -

- (i) Central Government employees working at places within 8 km of the periphery of a qualified city will be granted HRA applicable at the rate admissible for that city. NISER had taken up the matter with Survey of India, which certified that the approximate distance between Jatni campus, to BMC border is 5.75 Km approx.
- (ii) NISER, Jatni is fully dependent on Bhubaneswar for all practical purposes like schooling, hospital, marketing, travelling etc. BMC had issued dependency certificate also stating that NISER is generally dependent on BMC for availing essential services such as use of empaneled hospital, education of children, judiciary and court matters, airport facility etc.
- (iii) NISER is registered with the Registrar of Societies, Odisha as NISER, Bhubaneswar under Societies Act 1890.
- (iv) Jatni falls under the Commissionerate of Police Bhubaneswar-Cuttack Jurisdiction.

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Assignment Questions

- Is House Rent Allowance dependent on the place of duty of the employee or the place of residence of the employee?
- What are the conditions to be fulfilled for granting of HRA to the staff working in Central Government establishments within a distance of 8 kilometres from the periphery of the municipal limits of a qualified city, the HRA at the rates admissible in that city.
- Who is the Competent Authority to issue dependency certificate for grant of House Rent Allowance at higher rates in respect of areas mentioned in Question No.-2?
- What is the basis for upgradation of cities from one category to another?
- What are the documents to be collected by an Auditor to ascertain that the payment of HRA at higher rate was not admissible to the employees of the Institute?
- What are the documents to be collected by an Auditor for ascertaining the amount of excess payment of HRA made by the Institute to its employees?

Assignment Questions...contd.

- Whether reply furnished by NISER, Bhubaneswar located at Jatni was acceptable.
- Whether the reply of the DAE was acceptable.
- Whether the Dependency Certificate from BMC was sufficient for payment of HRA at the rates applicable to Bhubaneswar UA (BUA).
- Whether any other additional documents required to be collected by the audit for justification of its point of observation?
- What is the other implication of the misclassification of the category of city that can be explored by Audit?

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