CHAPTER 4

Function based Audit of PRIs

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4.1 Introduction

This chapter presents the findings of the Function-based Audit with District Centric approach, conducted to assess the performance of selected districts with reference to service delivered by the PRIs under the devolved functions. This approach enabled audit to assess the extent of service delivery by PRIs under the devolved functions and evaluate their impact on beneficiaries.

4.2 Scope and methodology of Function-based Audit

The Function-based Audits were conducted in five[23] districts, for the period from FYs 2018-19 to 2022-23 covering five ZPs, 25 PSs and 125 GPs, as detailed in ***Appendix-4.1***. The sampled districts were selected based on the last audit conducted. The focus of the Audit was on service delivery under the function 'Maintenance of Assets' along with the activity on "Construction of assets" by these PRIs. Audit examined records of selected PRIs and conducted JPIs with authorised PRI representatives to gather evidence for audit conclusions.

4.3 Audit Criteria

Audit criteria were derived from the following documents:

- Recommendations of Central and State Finance Commissions, which outline the financial responsibilities and expectations from PRIs;
- Odisha Panchayat Samiti Accounting Procedure (OPSAP) Rules, 2002, which govern financial procedures and accountability;
- Odisha GP Act, 1964 outlining the powers and functions of the GPs;
- Instructions issued by the Government, providing operational and administrative guidelines for PRIs.

4.4 Overview of Functions in selected districts

4.4.1 Overview of the selected districts

Table 4.1: Profile of the selected districts

Parameter	Bargarh	Dhenkanal	Ganjam	Khordha	Nabarangpur
Area (In sqm)	5,837	4,452	8,206	2,813	5,294
Population (In lakh)	14.81	11.93	35.29	22.52	12.21
Rural Population (In lakh)	13.31	10.73	27.61	14.99	11.33
% of total population	90%	90%	78.4%	66.59 %	92.82%
Rural Sex-Ratio (females per 1000 males)	978	951	995	958	1,020

23 Baragarh, Dhenkanal, Ganjam, Khordha and Nabarangpur

Number of ZPs	1	1	1	1	1
Number of PSs	12	8	22	10	10
Number of GPs	253	212	503	190	189

***Sources**: Census 2011 and PR & DW Department*

4.4.2 Overview of Functions selected

The 73rd CAA, 1992, added the 11th schedule to the Constitution of India of which Entry 29 is "Maintenance of assets". As per the respective Acts of the PRIs, the details of responsibility of each tier of PRIs with respect to "Maintenance of assets" are as follows.

Table 4.2: Details of responsibility of each tier of PRIs

Role of GPs	Role of PSs	Role of ZPs
Maintenance of work and means of supply for public and private purposes, protection and maintenance of all properties entrusted to the GP for management, rendering all reasonable assistance to the PS in maintenance of primary schools, maintenance of markets and *haats and* maintenance of community assets.	Supervisory powers over the GPs within the PS.	Manage or maintenance of any work of public utility or any institution vested in it or under its control and management.

***Sources**: Respective Acts of the PRIs*

4.4.3 Overview of cross-cutting activities

The PRIs construct community assets from various scheme funds. In this chapter, certain audit findings pertaining to the construction of assets have also been included.

4.5 Service delivery on Maintenance of Assets

4.5.1 Defunct solar water supply system

As per instructions issued (August 2015 and May 2021) by PR&DW Department, the grants received under CFC shall be utilised, for the construction and maintenance of community assets. Further, as per the terms and conditions of the work orders for construction of assets issued by the Sarpanchs, the agencies who are entrusted with construction of assets, are to maintain the projects for at least five years.

Audit reviewed the records on maintenance of solar water supply systems in the selected districts and observed that in six GPs across two districts (Bargarh and Dhenkanal), nine solar-based water supply projects were constructed (between November 2019 and March 2021) out of CFC grants at a cost of ₹43.30 lakh ***(Appendix-4.2)***, intended to benefit approximately 28,820 people. Audit conducted JPIs between August and November 2023 and found all these projects to be non-functional for periods ranging from three months to three years due to lack of repair and maintenance. However, the exact date from which these became non-functional was not available on record. A summary of the implementation status is presented in ***Table 4.3*** and details are given in ***(Appendix-4.2)***

Table 4.3: District wise project status as per JPI

District	No. of Projects (jointly verified)	Total Cost (₹ in lakh)	Functional Projects (as of Nov 2023)	Percentage Functional
Dhenkanal	1	5.00	0	0%
Bargarh	8	38.30	0	0%
Total	**9**	**43.30**	**0**	**0%**

***Source*: Joint Physical Inspections, August-November 2023**

Representative instances are illustrated below:

Photograph No.- 4.1

Defunct solar water supply system at Kanapal GP of Bhuban PS

Photograph No.-4.2

Defunct solar water supply system at Kharmunda GP of Bijepur PS

Audit further observed that the respective GPs had neither enforced the five-year maintenance obligation on the executing agencies as stipulated in the work orders, nor had undertaken maintenance from dedicated grants from CFC and SFC for upkeep of community assets. Thus, despite an expenditure of ₹ 43.30 lakh incurred on the assets, these have stopped serving the 28,820 beneficiaries.

Confirming the facts, the PEOs stated (July 2023 to December 2023) that steps would be taken to make the water supply projects functional.

No reply has been received from the Department (October 2025).

4.5.2 Deficiencies in functioning of streetlight projects

As per Section 44 of Odisha GP Act, 1964, the GPs are responsible for maintenance of community assets. Funds for such maintenance of assets, are provisioned under CFC and SFC grants. Further, Para 20 of the Guidelines on procurement of goods issued (February 2012) by the Finance Department stipulates that, depending on the cost and nature of the goods to be purchased, it may be necessary to enter into maintenance contract of suitable period either with the supplier of the goods or with any other competent firm. Accordingly, PRIs were required to include a maintenance clause in the agreements/work orders for installation of streetlight projects or expected to meet maintenance costs from the available CFC/SFC grants or their own source of revenues.

Audit reviewed the functioning of streetlight projects in the test checked districts and noticed that, in one PS and 12 GPs across Bargarh and Dhenkanal districts, during FYs 2018-23, a total of 14 streetlight projects, three solar (27 points) and 11 electric streetlights (198 points) were implemented at a cost of ₹40.47 lakh, as detailed in ***Appendix-4.3***. However, JPIs of these projects revealed (August 2023) that only 50 *per cent* of test-checked projects were functional as detailed in ***Table 4.4***.

Table 4.4: Status of light points as per JPIs

Type of Light	Installed Points	Functional	Non-functional	Missing	% Functional
Solar	27	17	9	1	63%
Electric	198	96	31	71	48%
Total	**225**	**113**	**40**	**72**	**50%**

***Source**: JPIs conducted in August 2023*

As indicated above the following deficiencies were noticed during physical inspection:

- Out of 27 solar points, only 17 were found functional, nine were non-functional, while one was missing. **Photographs** below illustrate non-functional installations observed during JPIs.

Photograph No.- 4.3	***Photograph No.- 4.4***
	
Defunct solar streetlight point at Kandabindha GP of Odapada PS	***Defunct solar streetlight point without solar panel at Sankirda GP of Bheden PS***

- Of the 198 electric points, 96 were found functional, 71 were missing, while 31 were non-functional.
- Unauthorized power connections were used without DISCOM approval, and no electric meters were installed.
- Contracts lacked maintenance clauses, and no repairs were undertaken despite provisioning of funds for maintenance under CFC and SFC grants.

Moreover, information on specific components missing at the 71 electric points, the reasons for non-functionality of the 31 points, and the authority that permitted unauthorised power connections were not available on record.

Audit identified systematic gaps in project implementation and maintenance practices that resulted in half of the installed streetlight infrastructure being non-operational.

Confirming the facts, the PEOs assured (July 2023 to December 2023) to undertake repair of the defunct streetlight points. However, along with regular maintenance of these streetlights, the GPs may take steps for availing authorised connection from the DISCOM for uninterrupted power supply for the safety and security of the inhabitants.

No reply has been received from the Department (October 2025).

4.5.3 Unauthorised occupation of assets

PR&DW Department instructed (December 2019) that unauthorised occupants of the market complex buildings / *kalyan mandaps* constructed out of Government fund shall be either evicted or shall be settled, with up-to-date payment of arrear dues.

Audit reviewed ownership and usage status of community assets in one PS and 17 GPs across Bargarh and Dhenkanal districts. It was observed that 25 assets, comprising three market complexes and 22 *kalyan mandaps* constructed at a cost of ₹2.59 crore ***(Appendix-4.4)*** were under unauthorised occupation without any follow-up action. Notably, one ICICI Bank ATM was operating from one such market complex. Photographs from the site visits illustrate representative cases of unauthorized occupation:

Photograph No.- 4.5

Unauthorised occupation of shops at Pingua GP of Gondia PS

Photograph No.- 4.6

Kalyan mandap at Dhanger GP of Bargarh PS, unauthorizedly occupied

District-wise position shows that Dhenkanal district has only 07 *per cent* of test checked assets found under unauthorised occupation, whereas in Bargarh district, 16 *per cent* of the test checked assets were under such occupation as detailed in ***Table 4.5.***

Table 4.5: District wise status of unauthorised occupation of assets

District	No. of GPs	No. of Assets under Unauthorised Use	Total Assets Test-Checked	Percentage Unauthorised	Total Cost (₹ in crore)
Bargarh	14	22	135	16%	2.14
Dhenkanal	3	3	42	7%	0.45
Total	**17**	**25**	**177**	—	**2.59**

***Source**: JPIs conducted in August-November 2023*

Audit found that GPs had neither executed formal rental agreements nor collected rent from occupants across all 25 cases examined. Records did not document the rationale for non-implementation of the December 2019 departmental instructions requiring eviction or settlement of unauthorized occupants.

In reply, the PEOs stated (July 2023 to December 2023) that steps would be taken to allot these shops and *kalyan mandaps*. The reply is not tenable since allotment of shops was not possible without evicting the unauthorised occupants.

No reply has been received from the Department (October 2025).

4.5.4 Idling of assets

As per the instructions (January 2016) of the PR&DW Department, the commercial buildings/ shops should be put to auction. Gram Sabhas should be convened to fix the monthly rent of the assets with approval of the GPs.

Audit scrutiny revealed that various community assets constructed at a cost of ₹6.95 crore across selected PSs and GPs in Bargarh, Dhenkanal, Khordha and Nabarangpur districts remained idle. These included 21 market complexes (₹2.65 crore), 15 *kalyan mandaps* (₹3.06 crore), and 17 other facilities such as libraries and community centres (₹1.24 crore) as discussed below:

(A) Market Complexes

Audit noticed that, in five test checked PSs and 14 test checked GPs of four districts (Bargarh, Dhenkanal, Khordha and Nabarangpur), for providing marketing facilities, 21 market complexes were constructed (during FYs 2007-08 to 2022-23) at a cost of ₹ 2.65 crore, as detailed in ***Appendix-4.5***. However, these market complexes remained unutilised, due to factors such as:

- construction at locations distant from the habitations, limiting accessibility,
- Lack of demand for these facilities from the local population, *etc.*

Further, these PRIs had neither convened any Gram Sabhas for fixation of monthly rent nor allotted these market complexes to the beneficiaries nor had put these assets to the auction.

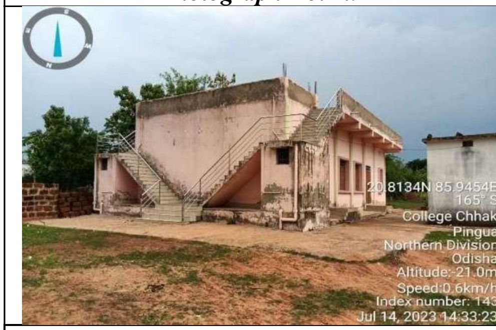
Photographic examples include:

Photograph No. 4.7	***Photograph No. 4.8***
	
Idle market complex at Kumelsingha GP of Attabira PS, Bargarh district since March 2021.	***Idle market complex at Barada GP of Gondia PS, Dhenkanal district since July 2018.***

(B) Kalyan Mandaps

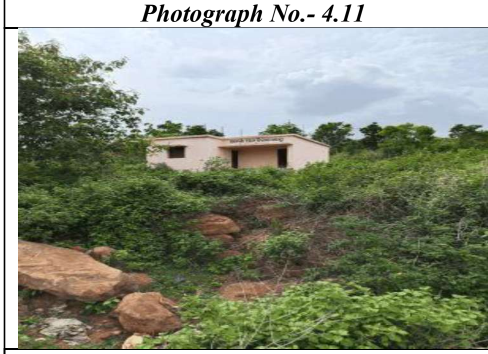
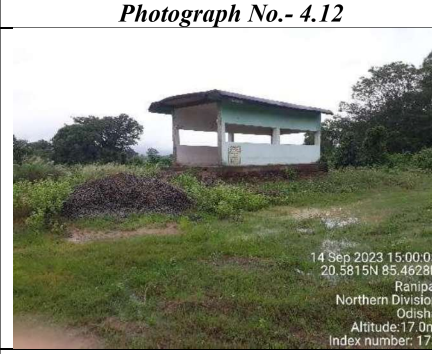
Similarly, in three test checked PSs and 10 test checked GPs of two districts (Bargarh and Dhenkanal), 15 *kalyan mandaps* were constructed at a cost of ₹ 3.06 crore for providing facilities for arranging social functions, as detailed in ***Appendix-4.6***. However, these remained unused as the PRIs did not make any arrangements for management of these *kalyan mandaps* like allotment and collection of rent, maintenance plans, *etc*., and also did not fix the charges to be paid by the beneficiaries. Further, one asset was created at an inaccessible place not suitable for use by the beneficiaries.

Photographic evidences include:

Photograph No. 4.9	*Photograph No. 4.10*
	
Idle kalyan mandap at Pingua GP of Gondia PS	***Idle kalyan mandap at Tumgaon GP of Bargarh PS***

(C) Other Community Assets

Further, in five test checked PSs and 11 test checked GPs of four districts (Bargarh, Dhenkanal, Khordha and Nabarangpur), 17 assets, *viz.* libraries, community centers, residential quarters, *etc*., were constructed at a cost of ₹1.24 crore, as detailed in ***Appendix-4.7***. However, these assets too remained idle due to reasons like non-availability of approach road, non-purchase of library books and required furniture, non-provision of electricity, water supply, *etc.* Further, as per available records, no funds were allocated to provide for these activities. Thus, the required benefit, intended from these assets, could not be made available to the beneficiaries. Photographic evidences include:

Photograph No.- 4.11	*Photograph No.- 4.12*
	
Community centre at Andharua GP of Bhubaneswar PS without any approach road	***Community centre at Gobindaprasad GP of Odapada PS without approach road and away from habitation***

Thus, audit identified that community assets valued at ₹6.95 crore across 53 facilities remained completely unutilised, with systematic implementation gaps including inadequate site selection, absence of operational management protocols, and lack of supporting infrastructure.

In reply, the concerned PEOs and the BDOs stated (July 2023 to December 2023) that steps would be taken to utilise these assets.

No reply has been received from the Department (October 2025).

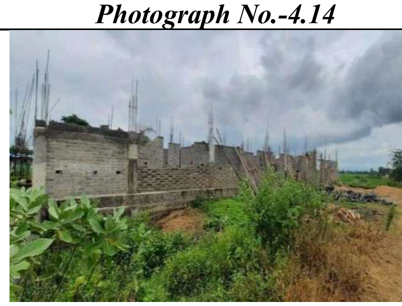
4.6 Other issues on construction of assets

4.6.1 Unrealistic work estimates, leading to non-completion of project

As per Rule 77 of OPSAP Rules, 2002, the estimate for a work, *inter alia*, will consist of a report, a design and a detailed statement of measurements, quantity of materials and their rates and cost, with an abstract showing the total estimated cost of each item. Further, as per Rule 29 (1) of the Odisha GP Rules, 2014, the BDO shall ensure that the assistance of engineering personnel is made available to the GPs in time, according to requirement for preparation of plans and estimates.

Audit observed that in nine PSs and 10 GPs across Bargarh, Dhenkanal, Khordha and Nabarangpur districts, 35 projects with an estimated cost of ₹3.73 crore were undertaken during FYs 2018–23. However, the estimates prepared by the Junior Engineers/ Assistant Engineers of the PSs concerned did not cover the full scope of work, leading to premature exhaustion of allocated funds.

JPI (July 2023 to December 2023) of these projects revealed that these projects remained incomplete at various stages-plinth, lintel, and roof levels. This indicated that the estimates were unrealistic and incomplete, resulting in non-functional assets and denial of intended services to the rural population, as detailed in ***Appendix-4.8.***

Photograph No.-4.13	***Photograph No.-4.14***
	
Incomplete kalyan mandap at Badalo GP of Odapada PS	***Incomplete kalyan mandap at Jharapali market of Bheden PS***

Confirming the facts, the concerned BDOs/PEOs stated (July 2023 to December 2023) that the arrangements would be made for sanction of additional funds for completion of the incomplete projects.

No reply has been received from the Department (October 2025).

4.6.2 Expenditure on inadmissible works/items

As per the guidelines for implementation of 14th CFC grants, basic grants were to be utilised for delivery of basic civic services, like water supply, sanitation, sewerage, solid waste management, storm water drainage, maintenance of community assets, maintenance of roads, street-lighting, cremation grounds. Similarly, as per the guidelines for the 15th CFC grants, basic grants were untied and could be used for location-specific felt needs, but not for salary or other establishment expenditure.

Audit found that the BDOs of two PSs and Sarpanch/PEOs of 19 GPs in Dhenkanal district incurred ₹1.39 crore from CFC grants during the FYs 2018–23 on inadmissible items such as construction of office buildings, procurement of electronics, and organisation of cultural events, as detailed in ***Appendix-4.9***. This resulted in ₹1.39 crore being utilised outside the prescribed CFC grant framework across 21 institutions.

Confirming these facts, the concerned BDOs and PEOs stated (July 2023 to December 2023) that they would not incur any expenditure on inadmissible projects/items, in future. However, they could not provide any justification for such inadmissible expenditure. Hence, responsibility may be fixed on the erring officials for such irregular expenditure.

No reply has been received from the Department (October 2025).

4.6.3 Execution of works without tender

As per guidelines issued (July 2018) by PR & DW Department, works costing more than ₹10 lakh are to be executed through transparent and competitive tender process.

Audit noticed that during FYs 2018–23, two PSs and eight GPs across four districts executed 14 works worth ₹3.30 crore (***Appendix-4.10)*** without inviting tenders, despite each exceeding the ₹10 lakh threshold. These works were executed departmentally, violating prescribed guidelines. Audit found that seven projects experienced delays ranging from 02 to 37 months, while seven others remained incomplete as of March 2023, resulting in ₹3.30 crore worth of works being executed outside prescribed procurement procedures.

In reply, the BDOs and the PEOs stated (July 2023 to December 2023) that the works would be executed following due procedure. The reply is not tenable since, the efficiency and transparency in execution of these works were affected and hence, responsibility may be fixed on the person concerned for such deficiencies.

No reply has been received from the Department (October 2025).

4.6.4 Splitting of works to avoid tender process

PR&DW Department instructed (July 2018) prescribing execution of works with estimated cost above ₹10 lakh through tender process to achieve competitive price and to maintain transparency in execution.

Audit observed that three PSs in Khordha and Dhenkanal districts received ₹1.30 crore between the FYs 2018 and 2022 for construction of four assets. Instead of following the tendering process, the BDOs split the projects into 15 components, each below ₹10 lakh, and executed them departmentally (***Appendix-4.11)***. This resulted in delays of up to 23 months across the affected projects.

In reply, the BDOs stated (July 2023 to December 2023) that in future the splitting of works would be avoided. However, the same may be ensured with strict internal control and action may also be taken for any such violations.

No reply has been received from the Department (October 2025).

4.6.5 Doubtful procurement of construction material

The PR&DW Department instructed (July 2018) that the departmental officers, in charge of execution of work, are required to furnish bills, in support of procurement of material from authorised suppliers having valid GST registration numbers.

In two PSs and three GPs across Bargarh and Khordha districts, ₹20.12 lakh was paid for procurement of minor minerals like sand, metal for civil construction work like construction of market complex, community center, *etc.,* using only handwritten receipts, without GST-compliant invoices as detailed in ***Appendix-4.12***. Transportation records showed motorcycles and mopeds as vehicles for bulk material transport, which is inconsistent with standard logistics practices for construction materials like sand and metal. These documentation irregularities prevent verification of the authenticity of the procurement through standard audit procedures and warrant further investigation by appropriate authorities.

Confirming the facts, the BDOs/ PEOs stated (June to December 2023) that due care would be taken, while submitting vouchers, in future. The reply is not tenable, as the veracity of these vouchers was doubtful, which needed further investigation.

No reply has been received from the Department (October 2025).

4.6.6 Excess payment due to preparation of inflated estimates

The PR&DW Department intimated (October 2016) the analysis of rates for excavation of earth of ponds and tanks with mechanical means and mechanical transportations.

Audit found that six PSs and 17 GPs in Bargarh, Khordha and Nabarangpur districts, executed 31 tank renovation works with inflated excavation rates, resulting in excess payments of ₹0.64 crore, as detailed in ***Appendix-4.13.*** The estimates used higher rates than those prescribed by the PR&DW Department, which vary based on transport distance.

In reply the concerned BDOs/PEOs stated (July 2023 to December 2023) that the matter would be examined and action, as deemed fit, would be taken.

No reply has been received from the Department (October 2025).

4.7 Conclusion

Examination of asset maintenance by test-checked PRIs revealed systematic non-compliance with prescribed rules, guidelines, and government instructions across multiple operational areas.

Infrastructure functionality showed significant gaps, with solar water supply systems costing ₹43.30 lakh remaining completely non-functional, while streetlight projects worth ₹40.47 lakh achieved only 50 *per cent* operational status. Community assets valued at ₹2.59 crore remained under unauthorized occupation across 25 facilities, and ₹6.95 crore invested in 53 community infrastructure projects including market complexes, kalyan mandaps, and community centers remained completely unutilised.

Project execution demonstrated substantial procedural violations, with 35 incomplete projects representing ₹3.73 crore in unrealistic estimates, ₹1.39 crore spent on inadmissible items violating CFC grant guidelines, and ₹3.30 crore worth of works executed without required tender processes. Additionally, ₹1.30 crore in projects were improperly split into smaller components to circumvent tendering requirements.

Financial irregularities included ₹20.12 lakh in payments supported only by handwritten receipts without GST-compliant documentation, and ₹0.64 crore in excess payments due to inflated excavation rate estimates.

These findings demonstrate substantial deviations between prescribed procedures and actual implementation practices across asset categories, procurement processes, and financial management systems within the test-checked institutions.

4.8 Recommendations:

The systematic compliance gaps identified can be addressed by strengthening existing control mechanisms within PRIs. The focus should be on operationalising established frameworks to ensure accountability and transparency.

Asset Functionality and Maintenance:

- Operationalise existing asset registers with mandatory quarterly condition assessments and photographic documentation for all community infrastructure.
- Activate prescribed maintenance fund allocation mechanisms under Finance Commission grants with quarterly utilisation reporting to ensure post-completion functionality.

Asset Utilisation and Occupancy:

- Enforce existing Gram Sabha approval processes for asset allotment and rental fixation, with mandatory monthly reporting on occupancy status and unauthorized occupation cases.
- Revive established site selection procedures requiring feasibility assessments and community demand studies before project approval.

Project Planning and Estimation:

- Strengthen existing technical support systems by ensuring qualified engineering personnel assist GPs in preparing comprehensive estimates covering full project scope.
- Activate prescribed rate analysis verification procedures to prevent inflated estimates and ensure compliance with departmental rate schedules.

Procurement and Financial Compliance:

- Implement existing tender threshold requirements strictly with documented justifications for any departmental execution above prescribed limits.
- Operationalise GST compliance verification procedures and CFC grant utilisation monitoring through prescribed monthly reporting mechanisms.