# Overview

# OVERVIEW

This Report of the Comptroller and Auditor General of India on Local Bodies in Odisha includes the results of one Performance Audit, two Function-based Service Delivery Audits, and six Compliance Audit paragraphs covering both Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). The significant audit observations are summarised below.

## Panchayati Raj Institutions

### Performance Audit on Implementation of 73$^{rd}$ Constitutional Amendment Act with focus on devolution of functions, funds and functionaries

Performance Audit on Implementation of 73$^{rd}$ Constitutional Amendment Act with focus on devolution of functions, funds and functionaries, covering a period of five years from 2018-19 to 2022-23 was conducted to ascertain whether the provisions of the 73$^{rd}$ CAA have adequately been covered in State Legislations and adequate functional devolutions have taken place; the PRIs have access to entitled funds and powers to raise their own financial resources commensurate with their functions; and the PRIs have powers to mobilise and manage functionaries commensurate with their functions.

Significant audit findings are briefed below:

- Out of 29 subjects enlisted in the 11$^{th}$ schedule of the Constitution for devolution to the PRIs, Government had devolved 21 subjects and remaining eight subjects were yet to be devolved. These included: Social forestry and farm forestry, Small scale industries including food processing industry, Khadi, village and cottage industry, Fuel and fodder, Rural electrification, including distribution of electricity, Technical training and vocational education, Libraries, and Cultural activities.

  ***(Paragraph 3.9.2)***

- Despite government instruction to the implementing Departments for approval of their plans for any schemes related to devolved subjects, in 78 test checked PRIs, plans and schemes of only four subjects of PR&DW Department were placed for discussion and approval in the meetings of appropriate level of PRIs. Three test-checked Departments prepared plans for 17 subjects independently, bypassing PRIs, contrary to government instructions.

  **(Paragraph 3.9.2)**

- Asset transfer orders were issued only in 2020, 27 years after the enactment of the 73$^{rd}$ CAA. Audit observed inadequate documentation and procedural lapses in the asset transfer process, which led to discrepancies and unreconciled records.

  **(Paragraph 3.9.3)**

- While the Gram Panchayats are competent to levy and collect certain taxes, rates and fees, subject to the provisions of the Act and the rules made thereunder, no such enabling provisions existed for the Panchayat Samitis and Zilla Parishads to levy or collect any form of tax or fee.

Thus, the Panchayat Samitis and Zilla Parishads were fully dependent on the grants from the Government for their functioning.

**(Paragraph 3.10.3)**

- Delayed execution of revenue generating assets, idling of completed assets, non-auction of ponds and non-realisation of shop rents, led to the underutilisation of income-generating potential at the grassroots level. As a result, the objective of augmentation of own sources of revenue by the GPs to enable them to function as local self-government, as envisioned in the 73rd CAA remained largely unfulfilled.

**(Paragraph 3.10.7)**

- Non-transfer of functionaries to PRIs relating to devolved functions, absence of power to recruit and control the functionaries, led to shortage of staff at their level, affecting independent functioning of the PRIs as a unit of self-government. Further, lack of training of the PRI representatives and functionaries to upgrade their skill, affected the functioning of the PRIs.

**(Paragraphs 3.11.2, 3.11.4, 3.11.5)**

- Due to short utilisation of available funds by State Institute for Rural Development and non-release of its share by the State Government, the Central share of ₹89.47 crore was not received, which could have provided further opportunity of enhancing the capacity of the PRI members.

**(Paragraph 3.11.5.4)**

***Recommendations***

***The State Government may:***

1. ***consider devolving the functions relating to the remaining eight subjects listed in the 11$^{th}$ Schedule of the Constitution to the PRIs, in alignment with the provisions of the 73$^{rd}$ CAA.***
2. ***ensure the ground level implementation of the devolved subjects by instituting a mechanism for regular monitoring of their implementation, including collection of regular feed-back from the PRIs and field level offices; and also by issuing guidance notes for addressing practical issues faced by these offices.***
3. ***empower all levels of PRIs to levy and collect taxes, tolls, etc., with provision for uniform ceilings or model rates to ensure equity across the State while allowing limited flexibility to address local conditions.***
4. ***explore all available opportunities to augment the own source of revenue of the PRIs, as recommended by the FCs.***
5. ***instruct the GPs to document the reasons for delay in completion of assets, non-utilisation of completed assets and lack of response to the***

***auction of any revenue generating assets and to report the same to the higher authorities for remedial action.***

6. ***take steps to transfer the functionaries to PRIs from the Departments of devolved subjects.***
7. ***empower the PRIs to assess the requirement, recruitment and control of their functionaries.***
8. ***ensure required capacity building activities for PRI functionaries and representatives for enabling the Local Bodies to discharge their assigned functions smoothly and meaningfully.***

**Function Based Service Delivery Audit of PRIs**

- **Non-functional Assets**: In six Gram Panchayats across two districts (Bargarh and Dhenkanal), nine solar-based water supply projects were constructed between November 2019 and March 2021 using CFC grants of ₹43.30 lakh, with the objective of benefiting 28,820 people. However, all these projects were found non-functional for periods ranging from three months to three years due to lack of repair and maintenance, depriving the residents of drinking water.

**(Paragraph 4.5.1)**

- **Unauthorised Occupation**: In one Panchayat Samiti and 17 Gram Panchayats of Bargarh and Dhenkanal districts, **25 assets** (three market complexes and 22 Kalyan Mandaps) constructed at a cost of **₹2.59 crore** were under unauthorised occupation without any follow-up action, resulting in loss of potential revenue to the PRIs.

**(Paragraph 4.5.3)**

- **Idle Assets**: Fifty-three community assets constructed at a cost of ₹6.95 crore across selected PSs and GPs in Bargarh, Dhenkanal, Khordha and Nabarangpur districts remained idle due to inadequate site selection, absence of operational management protocols, and lack of supporting infrastructure. 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).

**(Paragraph 4.5.4)**

- **Financial Irregularities**: 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 2018-23, without incorporating the full scope of work in the estimates, leading to premature exhaustion of allocated funds. The BDOs of two PSs and Sarpanch/PEOs of 19 GPs in Dhenkanal district incurred ₹1.39 crore from CFC grants during 2018-23 on inadmissible items such as construction of office buildings, procurement of electronics, and organisation of cultural events. During the same period, two PSs and eight GPs across four districts executed 14 works worth ₹3.30 crore without inviting tenders, despite each exceeding the ₹10 lakh threshold. Tender-splitting (involving ₹1.30 crore), inflated estimates (excess payments of ₹0.64 crore), and doubtful procurement practices involving ₹20.12 lakh were also observed.

**(Paragraphs 4.6.1 to 4.6.6)**

**Other Compliance Audit Observations – PRIs**

- During the period 2017-20, funds were drawn by 21 officials of Nimapara PS and 26 officials of the Gram Panchayats under the PS for disbursement of Social Security Pension. After disbursement of pension to the beneficiaries, the officials concerned neither refunded the undisbursed amounts to the BDO nor adjusted the advances. Instead, they unauthorisedly retained the balance amount of ₹77.80 lakh.

**(Paragraph 5.1.1)**

**Urban Local Bodies (ULBs)**

- Seventeen of the eighteen functions under the 12th Schedule were devolved to ULBs; one function ('fire services') was yet to be devolved.

**(Paragraph 6.2)**

- State Government amended (August 2015) Odisha Municipal Corporation Act, 2003 for formation of State Municipal Corporation Valuation Committee, for standardisation of property assessment and valuation across all Municipal Corporations in the State. However, the H&UD Department did not provide any documentation confirming establishment of these institutional mechanisms. In the absence of a centralized valuation mechanism, no standardized framework existed to govern property tax assessment procedures across the ULBs in Odisha, and the ULBs continued to carry out property valuation and assessment through their respective individual systems.

**(Paragraph 6.5)**

- Total ULB receipts increased from ₹3,373 crore in 2018–19 to ₹4,859 crore in 2022–23, representing 44 *per cent* growth over the five-year period. Own revenue collections increased from ₹263 crore in 2018-19 to ₹456 crore in 2022-23, representing 73 *per cent* growth over the five-year period.

**(Paragraph 6.6)**

**Audit of Municipal Corporations**

- **Suspected Fraudulent Payments**: Substantial deviations from the prescribed procedures including use of inappropriate vehicles and compressed operational timelines, were not in conformity with standard waste transportation practices. As a result, Rourkela Municipal Corporation made questionable payments amounting to ₹3.29 crore towards bio-mining and transportation of legacy waste during the period from June 2022 to January 2024.

**(Paragraph 7.1.1)**

- **Loss of Revenue**: Cuttack Municipal Corporation (CMC) was required to demand Shelter Fee of ₹6.40 crore from the developer while approving the plan for its projects (two Multi-storeyed Commercialcum-residential apartments). However, the same was not demanded by the CMC.

**(Paragraph 7.1.3)**

**Function-Based Service Delivery Audit of ULBs**

- Non-identification of new traders and non-renewal of lapsed trade licences resulted in the operation of unregulated businesses and consequent loss of revenue of ₹9.59 crore.

**(Paragraph 8.5.1)**

- In seven out of 26 test-checked ULBs across five districts, no MIS database was maintained in respect of property tax collection, indicating the absence of critical information such as the number of holdings, plinth area, number of floors, and type of properties. Further, in respect of Bhubaneswar Municipal Corporation, the property tax database was found to be incomplete and inconsistent. Absence of a property tax database resulted in inaccurate assessments and under-collection.

**(Paragraph 8.5.3.1)**

- Despite the availability of legal provisions for recovery, the ULBs did not initiate any action to recover outstanding dues of ₹23.10 crore towards Property Tax, ₹16.43 crore towards User Fees and 1.95 crore towards stall/shop rents.

**(Paragraphs 8.5.3.2, 8.5.4 & 8.5.2)**

- Only Bhubaneswar Municipal Corporation maintained a hospital facility, whereas the other 25 test-checked ULBs had not established healthcare facilities as mandated under the relevant Municipal Acts.

**(Paragraph 8.6)**

**Other Compliance Audit Observations – ULBs**

- During the period 2019-23, two ULBs, NAC Attabira and NAC Barpali, deposited funds pertaining to 12 different schemes in Savings accounts of various banks instead of keeping them in Flexi accounts in non-adherence to the instructions of the Finance Department. This resulted in loss of interest of ₹15.17 lakh.

**(Paragraph 9.1.1)**