

CHAPTER-V INTERNAL CONTROL SYSTEM IN GOVERNMENT DEPARTMENTS

REVENUE AND DISASTER MANAGEMENT DEPARTMENT

5.1 Internal Control System in Revenue and Disaster Management Department

Highlights

Internal Control is an integral component of management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently; financial reports and operational data are reliable and applicable; laws and regulations are complied with so as to achieve organisational objectives. A review of internal control on selected areas of the Department showed that budgetary and expenditure controls were weak leading to persistent savings, rush of expenditure in the last quarter and serious irregularities in cash management. Ineffective monitoring of land distribution, delayed disposal of mutation cases, non-fixation of benchmark valuation were some of the outcomes of poor compliance to manual provisions. Supervisory controls in terms of inspection of sub-ordinate offices were deficient. Internal audit also remained ineffective.

- **Persistent savings were noticed during the period 2004-06 indicating laxity in budgetary control. Budget estimates, prepared without inputs from field offices, rush of expenditure in the last quarter of the year, are some of the instances of budgetary indiscipline.**

(Paragraph 5.1.5.1)

- **Drawing and disbursing officers did not conduct physical verification of cash at the end of the month. In five offices, available cash of Rs 1.39 crore was irregularly spent for purposes for which no allotment of fund was received and the paid vouchers were kept without adjustment in the cash books for decades.**

(Paragraph 5.1.7)

- **Non-adherence to the provisions of the Mutation Manual by the test checked tehsils led to delay in finalisation and correction of records of rights. Besides, absence of supervisory control by the district collectors over the functioning of the tehsildars affected the disposal of pending mutation cases.**

(Paragraph 5.1.8.2)

- **Despite installation of computerised system in 14 registration offices in 2003-04, the Inspector General of Registration (IGR) did not issue instruction to the field formations on the internal control parameters to be followed by them as of August 2007 leading to several deficiencies in functioning of the system.**

(Paragraph 5.1.8.3)

* Abbreviations used in this Chapter have been expanded in the Glossary of abbreviations at pages 243-248.

- **There was delay in finalisation of benchmark valuation guidelines of 27 districts for assigning market value to immovable properties in the registered documents for over three years as no system was evolved to monitor the functioning of the tehsil and district level committee for ensuring speedy finalisation of the processes. Such delay had a bearing on the tax revenue of the Government.**

(Paragraph 5.1.8.7)

- **There was shortfall in conducting inspection by the two Revenue Divisional Commissioners ranging from 56 to 97 *per cent* and that of the Member, Board of Revenue from 46 to 54 *per cent* during 2004-07. Disposal of vigilance cases by the department was very slow, as only eight out of 53 cases were finalised during 2004-07.**

(Paragraphs 5.1.9.1 and 5.1.9.2)

- **Internal audit was ineffective as there was short coverage of units by the CCA of the department ranging from 24 to 27 *per cent* and the same was 62 to 66 *per cent* by the Internal Audit Organisation of the Board of Revenue during 2004-07.**

(Paragraph 5.1.9.3)

5.1.1 Introduction

The department apart from disaster management is entrusted with the job of protecting government land, providing land to the land less, distribution of Government waste land and ceiling surplus land for agricultural / homestead purposes, enforcement of prohibition of alienation of tribal land etc. Updating of land records, computerisation of registration and tehsil offices, preparation and distribution of land pass books are the other tasks carried out by the department for making the land administration more effective and responsive to the people. In the matter of transfer of property, particularly the transfer of immovable property, the Registration Offices play a key role in serving people and contributing to the resources of the State.

5.1.2 Organisational set-up

The Revenue and Disaster Management Department is headed by a Commissioner-cum-Secretary who is responsible for administration of land revenue in the State through the 30 Collectors, 58 Sub-Collectors, 171 Tehsildars at the district, sub-divisional and tehsil levels respectively. The department also functions through the Board of Revenue (BOR) headed by a member functioning as the head of the department with seven directorates i.e., Director of Land Records and Survey, Director of Consolidation, Commissioner of Land Records and Settlement, Secretary, Board of Revenue, Land Reforms Commissioner, Special Relief Commissioner and Inspector General of Registration (assisted by 176 District Sub Registrars and Sub-Registrars). Besides, in the matters of revenue administration they are assisted by three Revenue Divisional Commissioners (RDCs) at the division level viz., RDC (Northern Division) Sambalpur, RDC (Central Division) Cuttack and RDC (Southern Division) Berhampur.

5.1.3 Audit objectives

The review of internal control has been conducted to assess the extent of:

- working of internal controls contained in the Orissa Budget Manual and related accounting instructions of Finance Department;
- achievement of objectives in matters of land administration, mutation and correction of land records, distribution of land passbooks and benchmark valuation of immovable properties and related matters;
- internal control structure designed and put into operation for enforcing the management directions; and
- adequacy for information, communication, monitoring and evaluation including Internal Audit and Vigilance.

5.1.4 Audit Coverage

The records of the offices of the Commissioner-cum-Secretary of the department, Member, Board of Revenue (BOR), Director of Survey and Map Publication (DSMP), Director Land Records and Survey (DLRS), Land Reforms Commissioner (LRC), Inspector General of Registration (IGR), two Revenue Divisional Commissioners (RDCs), Cuttack and Sambalpur, four Collectors¹ along with offices of the Sub-Collectors, Tehsildars, District Sub-Registrars (DSR) located at Angul, Bhubaneswar, Cuttack, Puri and Sambalpur were test checked in audit during April to June 2007 covering the period 2004-2007.

Audit findings

5.1.5 Compliance with instructions in the Budget Manual

Internationally the best practices in internal control have been given in the COSO² framework, which is widely accepted model for internal controls. The Government of India has prescribed comprehensive instructions on maintenance of internal control in Government departments through Rule 64 of General Financial Rules 2005 enlisting the duties and responsibilities of the chief accounting authority i.e., the Secretary of a Ministry / Department. However, no such framework has been made in the Orissa General Financial Rules (August 2007).

The Orissa Budget Manual (OBM) requires the administrative departments to prepare budget estimates based on inputs from lower formations, incur expenditure within the budgeted provisions, avoid rush of expenditure towards the end of financial year and surrender anticipated savings in time. Review of Budgetary and Expenditure Control of the Department disclosed the following:

¹ Anugul, Cuttack, Puri and Sambalpur.

² Committee of sponsoring organisations of the National Commission on Fraudulent Financial Reporting or the Treadway Commission.

5.1.5.1 Budgetary control

Budget provision, expenditure incurred and savings / surrenders made by the department during 2004-07 were as under:

(Rupees in crore)

Year	Original provision	Supplementary provision	Total	Expenditure	Savings and percentage of savings over total provision	Amount surrendered	Excess/less surrender
2004-05	950.66	1.83	952.49	786.41	166.08 (17)	220.84	54.76
2005-06	978.73	8.69	987.42	858.04	129.38 (13)	109.15	20.23
2006-07	707.36	469.55	1176.91	743.66	433.25 (37)	433.25	0

Figures in brackets indicate percentage of savings.

It could be seen from the table above that there were savings ranging from 17 to 37 *per cent* during 2004-07 indicating unrealistic preparation of budget estimates. The reason for such savings was not available with the Financial Advisor of the Department.

Budget estimates were prepared without inputs from field units

According to the information furnished by the BOR, the district offices did not submit their estimates in time and the BOR as a matter of routine prepared the budget estimates taking into account the previous years' provision in the budget of the concerned establishments. Rule 61 (b) of OBM provides that provision should be made in the budget for men on duty excluding posts remaining vacant. But it was seen that the department made provision for vacant post for Rs 6.74 crore, Rs 13.16 lakh and Rs 7.95 crore during 2004-05, 2005-06 and 2006-07 respectively contrary to the provisions of the OBM. Thus, the provisions of the OBM were not adhered to either by the district offices or at the BOR.

Rush of expenditure in the last quarter of the year persisted

According to the provisions of the OBM rush of expenditure in the closing months was regarded as irregular. It was seen that the Department incurred 59 to 66 *per cent* of the annual plan expenditure during the last quarter of the year (January to March) during 2004-005 (Rs 3.18 crore out of total expenditure of Rs 4.80 crore) and 2005-06 (Rs 5.20 crore out of total expenditure of Rs 8.77 crore) respectively. Such hasty spending during the last quarter was likely to be imprudent besides being a breach of financial regularity.

Savings were surrendered on the last working day of the respective years

The OBM provided that all anticipated savings should be surrendered immediately after they are foreseen and latest by 10th March of the financial year. During 2004-07, the department surrendered the savings on the last working day of the respective financial years. However, even after taking more time, the surrenders did not conform to the savings, as there were excess surrenders (Rs 54.76 crore) in 2004-05 and less surrender (Rs 20.23 crore) in 2005-06. Thus, the financial discipline required in accordance with the provisions of the OBM was not exercised by the Controlling Officers of the department.

5.1.5.2 Non-adherence to rules governing advances to Government Servants

House Building Advances

The employees availing House Building Advances (HBA) are required to submit sale deeds failing which they are liable to refund the entire amount with penal interest within two months of receiving advances. Scrutiny of register of sanctions of HBA in the Department (March 2007) showed that a sum of Rs 59.46 lakh was sanctioned and paid to 35 officials towards first instalment of HBA during November 2004 to March 2007. Although 4 to 28 months elapsed since payment of the first instalment, neither the Government servants submitted sale deeds in support of acquisition of land etc. nor the department insisted for the same (March 2007) and took action as required under the rules.

Motor cycle / moped advance

Similarly, the employees availing advances for purchase of motorcycle / moped were required to submit mortgage bond and money receipt for purchases to the department within one month from the date on which the advance is drawn and must insure within one month from the date of purchase of the conveyance. In the event of failure to do so, the amount was to be recovered with penal interest. Advance of Rs 8.74 lakh was paid to 43 employees during 2004-07. Neither the Government servant submitted the required documents nor the department insisted for submission (March 2007) of the same.

Thus, in absence of purchase deeds and other documents, the advances remained unsecured. This became possible due to absence of defined controls for periodical submission of registers of advances to the higher authorities of the department.

5.1.6 Controls in Stores Management

The Orissa General Financial Rules (OGFR) prescribed the procedures for procurement, storage and disposal of stores. During the review of 25 test-checked offices, the following instances indicated non-compliance of various internal controls and safeguards in stores management.

- Fifteen³ offices did not carry out the annual physical verification of stores during 2004-07 (Rule 111).
- Storekeepers in 16 offices⁴ did not furnish any security deposit or bond as required under rule 269, in the absence of which, safeguard against losses due to pilferage etc. noticed, if any, by means of recovery was not ensured.

Personal advances to Government employees remained unsecured in absence of proper documentation

General disregard in observance of rules and procedures governing stores management

³ Revenue Department, BOR, IGR Cuttack, RDCs: CD Cuttack, ND Sambalpur, Collectors: Anugul and Puri, Sub-Collectors: Anugul, Cuttack and Puri, Tehsildars: Anugul, Bhubaneswar, Cuttack, Puri and Sambalpur.

⁴ Revenue Department, BOR, DDS&MP, IGR Cuttack, RDCs: CD Cuttack, ND Sambalpur, Collectors: Anugul, Cuttack, Puri and Sambalpur, Sub-Collectors: Anugul, Cuttack and Puri, Tehsildars: Anugul, Cuttack and Puri.

- As required (Rule 101), while issuing the stores and stock in 10 offices⁵ proper acknowledgements in several cases were not obtained from the officers to whom the stores were issued. Three offices⁶ did not maintain store account in prescribed form (OGFR 6) as required under Rules 106 and 107.

5.1.7 Failure in Compliance with State Treasury Rules

The Orissa Treasury Code (OTC) and the Orissa General Financial Rules (OGFR) provide certain controls in cash management which were not observed by the Drawing and Disbursing Officers (DDOs) of the 25 offices test checked as detailed below:

- 11 DDOs⁷ did not attest each entry in the cashbook in token of check.
- 16 DDOs⁸ did not conduct physical verification of cash required to be done at the end of each month. Besides, surprise verification of cash was not conducted in 16 test checked offices⁹ as required to be conducted by an authority other than the authority responsible for maintenance of cash book
- In 13 offices¹⁰ the totaling in the cash book were not verified by a person other than the writer of the cashbook.
- Analysis of the closing balance in the cashbook was not made in 13 offices¹¹. Of these, in eight offices, the required undisbursed pay and allowance register was also not maintained. Thus, the age-wise analysis of the unspent amounts and the reasons thereof were not ascertainable from the cash books at any given time.
- The DDOs of 16 offices¹² did not review the bill register during the period covered under review to prevent fraudulent drawal of funds.
- Requisite security deposit / bond was not furnished by the cashiers in 18 offices¹³.
- In five offices¹⁴ the cash balance amounting to Rs 1.39 crore was kept in shape of paid vouchers relating to 1948-2007 indicating that money had

Cash balance of Rs 1.39 crore relating to 1948-2007 kept in shape of paid vouchers without adjustment in the cash books

⁵ BOR, IGR Cuttack, RDC: ND Sambalpur, Collectors: Anugul and Puri, Sub-Collectors: Anugul and Cuttack, Tehsildars: Anugul, Bhubaneswar and Sambalpur.

⁶ **DDS&MP:** Cuttack, **Sub-Collector:** Cuttack and **Tehsildar:** Anugul.

⁷ **BOR:** Cuttack, **RDC:** ND Sambalpur, **Collectors:** Puri and Sambalpur, **Sub-Collectors:** Bhubaneswar, Cuttack, Puri and Sambalpur, **Tehsildars:** Bhubaneswar, Cuttack and Sambalpur.

⁸ Revenue Department, BOR Cuttack, **RDCs:** CD Cuttack and ND Sambalpur, **Collectors:** Anugul, Cuttack, Puri and Sambalpur, **Sub-Collectors:** Anugul, Cuttack and Sambalpur, **Tehsildars:** Anugul, Bhubaneswar, Cuttack, Puri and Sambalpur.

⁹ Revenue Department, BOR Cuttack, **RDCs:** CD Cuttack, ND Sambalpur, **Collectors:** Anugul and Cuttack, **Sub-Collectors:** Anugul, Bhubaneswar, Cuttack, Puri and Sambalpur, **Tehsildars:** Anugul, Bhubaneswar, Cuttack, Puri and Sambalpur.

¹⁰ Revenue Department, BOR Cuttack, RDC: ND Sambalpur, **Collectors:** Anugul, Puri and Sambalpur, **Sub-Collectors:** Anugul, Bhubaneswar, Cuttack and Sambalpur, **Tehsildars:** Anugul, Bhubaneswar and Cuttack.

¹¹ BOR Cuttack, **RDCs:** CD Cuttack, ND Sambalpur, **Collectors:** Anugul and Cuttack, **Sub-Collectors:** Bhubaneswar, Cuttack, Puri and Sambalpur, **Tehsildars:** Bhubaneswar, Cuttack, Puri and Sambalpur.

¹² Revenue Department, BOR Cuttack, **RDCs:** CD Cuttack, ND Sambalpur, **Collectors:** Anugul, Puri and Sambalpur, **Sub-Collectors:** Anugul, Bhubaneswar, Cuttack, Puri and Sambalpur, **Tehsildars:** Anugul, Bhubaneswar, Cuttack and Puri.

¹³ Revenue Department, BOR Cuttack, **RDCs:** CD Cuttack, ND Sambalpur, **Collectors:** Anugul, Cuttack, Puri and Sambalpur, **Sub-Collectors:** Anugul, Bhubaneswar, Cuttack, Puri and Sambalpur, **Tehsildars:** Anugul, Bhubaneswar, Cuttack, Puri and Sambalpur.

¹⁴ **RDCs:** CD Cuttack, ND Sambalpur, Collector: Cuttack, **Tehsildars:** Cuttack and Sambalpur.

been spent without sanction and allotment of fund. Belated adjustments of such vouchers could lead to fraudulent expenditure escaping detection.

- In 3 offices¹⁵ reconciliation between the bank balance shown in the cash book and the balance in the bank account was not carried out. In respect of Collectors, Sambalpur and Puri the difference was Rs 9.50 lakh and Rs 0.06 lakh as of March 2007 respectively.
- As per SR 509 of OTC volume I, advances given to government servants for various official purposes should be adjusted within the month of its payment. In 14 offices¹⁶ Rs 2.88 crore was kept in shape of advance as of March, 2007. The year-wise advance was not made available to audit. However, such advances amounting to Rs 22.56 lakh in the office of the Sub-Collector, Bhubaneswar was lying unadjusted since 1965.
- As per rule, liquid cash exceeding Rs 5000/- should not be kept in the cash chest as a measure of safety against theft, misappropriation or misutilisation of Government money. Heavy cash balance ranging from Rs 1.89 lakh to Rs 49.86 lakh was retained in five offices¹⁷ as of February/March 2007.

Thus, there were lapses in observance of rules and regulations prescribed by the Government, which, if not taken care of, might lead to embezzlement and fraud.

5.1.7.1 Irregular retention of money in shape of bank draft

The Orissa Treasury code and the instructions of the Finance Department (April and June 2001) stipulated that money should not be drawn from the treasury unless it is required for immediate disbursement and under no circumstances money should be drawn and kept in shape of bank drafts. The State Government sanctioned (December 2005) Rs 10 crore in favour of the Deputy Director, Survey and Map Publication, Cuttack (SMP) towards printing charges of one crore each of application forms and land pass books. Of the above, Rs 7.80 crore were drawn (January and March 2006) from the treasury and rupees three crore were spent by him for procurement of printing materials and the balance Rs 4.80 crore was kept (March and April 2006) in shape of bank drafts drawn in favour of different suppliers. The Joint Director, SMP, requested (October 2006/ February and April 2007) the Government to allow him to refund the unspent amount. The Government was yet to take decision on the matter (July 2007). Due to irregular drawal of Government funds without assessing requirement and keeping the same in shape of bank drafts by the DDO in violations of the treasury rules led to loss of interest¹⁸ amounting to Rs 37.29 lakh.

Irregular drawal from treasury and keeping of Government money of Rs 4.80 crore in shape of bank drafts for over one year leading to loss of interest of Rs 37.29 lakh

¹⁵ Collector: Puri, Sub-Collector: Sambalpur and Tehsildar: Samabalpur.

¹⁶ BOR, Cuttack; RDC: ND Sambalpur; **Collectors:** Anugul, Puri and Sambalpur; **Sub-Collectors:** Anugul, Bhubaneswar, Cuttack, Puri and Sambalpur.

¹⁷ Collector, Puri; Sub-Collector, Puri; **Tehsildars:** Bhubaneswar, Puri and Sambalpur.

¹⁸ Calculated at the Government's Market borrowing rate of 7.77 per cent -Government of Orissa State Development loan, 2015 raised in 2005-06.

5.1.8 Administration of land

5.1.8.1 Ineffective monitoring of distribution of land

The Orissa Government Land Settlement (OGLS) Act 1962 and rules made there under envisaged allotment and settlement of Government land in favour of the homesteadless families in the State. Government launched (May 2005) a crash programme 'Vasundhara' and set district and year wise targets for the period 2005-08 for distribution of 1.23 lakh acres of land to 2.49 lakh homesteadless families enumerated during 2003-04 for construction of houses.

Due to ineffective monitoring, there were shortfall in implementation of 'Vasundhara' programme in the State

As per the records of the administrative department, the overall achievement against the targets set for the district collectors during 2005-06 and 2006-07 was 87 and 92 *per cent* respectively. Records of the Collectors, Cuttack and Angul showed that a total number of 6063 and 22923 persons respectively were reported to have been distributed government land upto March 2007. A detail scrutiny, however, disclosed that 22333 persons in Angul district and 3633 persons in Cuttack district were actually distributed government land upto March 2007. Check of the records of the Tehsil office further showed that 260 beneficiaries, were neither given possession of such land nor issued with the 'pattas' (May 2007). Similarly, in the cases of the reported distribution of land to 37 scheduled tribe beneficiaries under the jurisdiction of tehsil office, Cuttack, a proposal for distribution of land to the above beneficiaries was pending for approval with the Sub-Collector concerned.

A monitoring cell, "Cell for land for homesteadless" created to review and monitor the achievement was confined to review of the MPRs received from the district Collectors only. This indicated that controls were not working and the tardy progress continued despite creation of a monitoring cell.

5.1.8.2 Deficiencies in handling of mutation cases

The Orissa Mutation Manual, 1962 required that the mutation was necessary for keeping the land records upto date and the Revenue authorities were responsible for the same. To ensure expeditious disposal of mutation cases, the Government (February 2004) authorised the Revenue Inspectors (RIs) to dispose of uncontested mutation cases subject to approval of the Tehsildars concerned. As per the records of the Government the disposal of mutation cases and correction of ROR in the State during 2004-07 were as under:

Year	Mutation cases				Position of correction of ROR			
	Opening balance	Cases instituted	Total	Cases disposed (percentage of disposal)	Opening balance awaiting disposal	Cases received after expiry of 45 days	Total	Cases disposed of by correction ROR (percentage of disposal)
2004-05	65611	330453	396064	304477 (77)	64046	57003	121049	54703 (45)
2005-06	91587	391004	482591	337407 (70)	66346	63808	130154	63012 (48)
2006-07	145184	402675	547859	395954 (72)	67142	203381	270523	231786 (86)

As would be seen from the above, the disposal of mutation cases during 2004-07 was less than cases instituted each of the years.

In the five test checked tehsil offices¹⁹ it was noticed that the percentage of pendency of mutation cases ranged from 12 to 56 *per cent*. In respect of correction of ROR the pendency was even up to 48 *per cent* during 2004-06. Besides, random check of records disclosed that the prescribed provisions of the manual and instructions of Government in regard to disposal of mutation cases and correction of ROR were not adhered to as discussed below:

- Contrary to the instructions (September 2004) of the Government, three DSRs²⁰ sent intimation to the tehsildars concerned in respect of 1325 registered (January 2006) documents after 15 to 115 days instead of sending the same within eight days of registration. Further, the DSR, Cuttack was yet to send the intimation in respect of 52 documents registered in January 2006 to the Tehsildar as of April 2007.
- In three tehsil offices²¹, after receipt of intimation in form-3 for 1236 cases from the registering officers, the cases were not entered in the mutation registers as required under the instructions (February 2004) of the Government for initiation of mutation proceedings within one week from the date of receipt of intimation vide para 17 (1) of mutation manual and instruction of Government (September 2004). In the Sambalpur tehsil, mutation proceedings of 149 cases were not initiated (May 2007) after receipt of the same in March 2006. Non-adherence to instructions were attributed by the Tehsildars to vacancy in the posts of staff and heavy workload of the existing staff. The contention of the tehsildars was not justified since the instruction of the Government was not followed for registering the cases which involved mere mentioning of case in the appropriate register.
- Para 23 of the manual stipulated that mutation proceedings shall be initiated by the Tehsildar on receipt of intimation in form 3 from the Registration offices. However, in the Angul Tehsil, mutation proceedings in respect of four cases were initiated during 2005-06 after a gap of more than 11 years, only after receiving application from the interested persons.
- As per para 63 of the manual, when no objection was received after 30 days of initiation of mutation proceedings, the Tehsildar was to pass final order. However, in seven cases of uncontested mutation cases relating to 2005-06, there was delayed submission of proceedings from 27 days to about five months by the RIs concerned to the Tehsildars²², due to which there was corresponding delay in issue of final orders by the Tehsildars.
- As per provision of para 75 of the manual, correction of ROR shall be made after expiry of 45 days from the date of final orders. In four offices²³ the correction of ROR in 18 cases was delayed for 27 days to 14 months.

Prescribed provisions of the mutation manual in regard to disposal of mutation cases and correction of ROR were not adhered to by the tehsil offices

Delay in correction of RoR up to 14 months in the test checked tehsils

¹⁹ Tehsils-Angul, Bhubaneswar, Cuttack, Puri and Sambalpur.

²⁰ DSRs: Angul (534 cases), Cuttack (238 cases) and Khurda (553 cases).

²¹ Tehsildars: Anugul (534 cases), Bhubaneswar (553 cases) and Sambalpur (149 cases).

²² Tehsildars: Anugul (4 cases) and Bhubaneswar (2 cases).

²³ Tehsildars: Anugul, Bhubaneswar, Puri and Sambalpur.

Submission of mutation applications to the Tehsildars delayed up to four months

- In two offices²⁴ the correction of ROR averaged three to five cases per day per Amin. The slow progress was attributed by the Tehsildars to heavy work load of these staff. However, no proposal for additional staff was submitted by the Tehsildars as required under the provisions of para 29 and 83 of the manual. The Department replied (June 2007) that the process of re-organisation of revenue field administration was in the active consideration of the Government.
- Para 29 of the manual stipulates that on receipt of mutation application, the record keeper shall verify the statement made in the application within three working days from the date of receipt of the application and submit the case to the Tehsildar for initiation of proceedings. In two offices²⁵, the record keeper / bench clerk submitted the application to the Tehsildar after a gap of one to four months from the date of receipt of application for initiation of mutation proceedings. No action was taken by the Tehsildar for such delayed submission indicating non-adherence to the prescribed control mechanism in the manual.

Delay up to 12 months in submission of MPRs on mutation cases by the Collectors to the Department

The Collectors were required (para 122 of the manual) to submit a consolidated monthly return of mutation cases of the district to the Government by 15th of every month. Sixteen collectors²⁶ submitted monthly progress reports (MPRs) relating to February to November 2006 (32 cases) with delays ranging from two to 12 months. The date of receipt of MPRs was not recorded in the register at the department level to watch their timely submission by the Collectors. However, reminders were issued to the defaulting collectors basing on the reports of the BOR.

In the Angul Tehsil, in 1095 cases relating to 2004, the columns meant for the name of the RI circle, name and address of the applicant, abstract of the case, and date of institution of case and date of order and abstract of order in the mutation register were left blank. In the Bhubaneswar tehsil, the column meant for the abstract of orders was left blank for the cases registered in the mutation register during the period of audit. This indicated failure of supervision in maintenance of the mutation registers by the concerned tehsildars.

As per the instructions (September 2004 and September 2005) of the Government, the district collectors were to fix targets for the tehsildars for holding camp courts for settlement of land disputes on the spot after assessing the pendency of such cases. However, from the MPR register of 2006 of the department it was noticed that 114 out of 171 Tehsils did not hold such camp courts during the year.

Non-exercise of various controls and absence of requisite monitoring at the level of Competent Authority thus led to pendency in disposal of mutation cases.

²⁴ **Tehsildars:** Anugul and Cuttack.

²⁵ **Tehsildars:** Anugul (3 cases) and Bhubaneswar (4 cases).

²⁶ **Collectors:** Balasore, Baragarh, Bhadrak, Deogarh, Ganjam, Gajapati, Kalahandi, Kendrapara, Koraput, Keonjhar, Khurda, Nuapada, Nabarangapur, Rayagada, Sambalpur and Subarnapur.

5.1.8.3 Computerisation of Registration Offices

As required (March 2003) by the Government, the IGR submitted a proposal for computerisation of registration offices adopting the Orissa Registration Information System (ORIS) developed by a State Government agency for approval. The proposed system, among others, contained protection of all master data in respect of registration, scanning of transacted documents and preservation of the same, issue of encumbrance certificates and certified copies, valuation of property etc with automated back office functions like indexing, accounting and preparation of reports through programmes all of which could be accomplished in a short time to provide quick service to the public. Besides, details of transaction of property of the registered documents could be transmitted to the tehsil office on line for ensuring quicker mutation of the same.

Guidelines for application controls and safeguards along with roles and responsibilities of the computerised registration offices were not issued by the IGR

Computerisation of 14-registration offices²⁷ with installation of the above system was meanwhile completed during 2003-04 though the Government was yet to approve the proposal (August 2007). On completion of the computerisation, the IGR instructed (November 2003) all the above 14 offices for switching over to the new system. However, it was noticed that no detailed instructions/ guidelines were issued by the IGR in respect of authorisation, application controls and safeguards along with roles and responsibilities entrusted to the field formations as of August 2007. It was observed that the DSR, Cuttack and Bhubaneswar, although switched over to the above system in November 2003, was not carrying out the scanning of the transactions for storage in the system. The on line connectivity with tehsil office computers were also not established for verification of record of rights before admitting the transactions for registration and transmission of data to tehsil offices for ensuring quicker mutation. Thus, absence of internal control parameters led to weakening of the system causing delay in delivery of services and likely errors in mutation cases.

5.1.8.4 Tardy disposal of Bhoodan land pending for confirmation

Despite instructions of Government, working committee at tehsil level were not constituted affecting monitoring the distribution of 4.40 lakh acres of Bhoodan land

Collection of donated land and distribution of the same to landless poor are regulated under the provisions of Orissa Bhoodan and Gramdan Act 1970 and rules made there under through the Orissa Bhoodan Yagna Samiti (OBYs), a registered society functioning under the department. As per the quarterly progress report (December 2000) sent by the State Government to the Ministry of Rural Development, Government of India, 6.39 lakh acres of land were received as donation by the Samiti out of which 5.80 lakh acres were shown distributed to 1.53 lakh beneficiaries and the balance 0.59 lakh acres were remaining undistributed. However, as per the monthly progress report (September 2005) submitted by the OBYs to the State Government, out of the above receipt of land, possession of land of only 1.99 lakh acres were handed over to the beneficiaries and the pendency was due to absence of confirmation of the status of land from different tehsildars. Subsequently, a high power committee constituted for the purpose decided (January and March 2006) to

²⁷ **DSRs:** Bhadrak, Balasore, Bolangir, Cuttack, Ganjam, Jajpur, Jagatsinghpur, Khurda, Kalahandi, Keonjhar, Puri, Sambalpur and Sundargarh, **SR:** Bhubaneswar.

form working committees at tehsil level consisting of Settlement and Consolidation officers to verify the status of both distributed and undistributed Bhoodan land, ascertain the cases relating to confirmation, mutation, correction of ROR and to complete the verification of land records within a period of three months. As there was no progress in the matter, the Government fixed (May 2006) monthly targets for the collectors to complete the work by January 2007. However, as per the progress report for March 2007 furnished by the OBYS to the Government, the position remained unchanged. The collectors ascribed the failure to non-constitution of working committees in the Tehsil. The said committee could have contributed to progress in Bhoodan movement through effective monitoring. However, due to non-submission of review report by the tehsil level working committee and monthly progress report of the collectors to the department, no review meeting of the high power committee was held since March 2006. Thus, even after specific instructions of the Government, the position of distribution and possession of Bhoodan land remained neglected (May 2007).

5.1.8.5 Short assessment of compensation money

According to the Land Acquisition Act, 1894 (Act) whenever land in any locality was to be acquired by the Government for any public purpose, the requisitioning authority would be asked to deposit the compensation money with the Government and the Collector under the Act shall make an award of the compensation money to the persons whose land was acquired. Section 23 (1) of the Act stipulated that in determining the compensation to be awarded, the prevailing market value of the land on the date of publication of notification under Section 4 (1) shall be taken into consideration. As per guidelines (September 1993) issued by the IGR the highest sale value of a particular class of land in the same village for the last three years will be taken into account for calculation of market value of the land subject to sale.

Under assessment of market value of land of Rs 53.09 lakh as the guidelines issued by the IGR were not adhered

Scrutiny of Land Acquisition case records of the Collectorate at Angul in favour of two private companies 'X' and 'Y' disclosed that in both the cases the notifications under Section 4 (1) were issued in January 2005 for acquisition of land in the Raijharon village. The Collectorate, in the proposal for assessment of market value of land in both the cases referred the same sale instances of earlier sale of land and submitted the proposal to the RDC (ND) for approval. The RDC, approved the case of the 'X', and returned (September 2005) the proposal for the "Y" on the ground that the basis applied were not reasonable. The Collectorate re-submitted the assessment report stating other sale instances with lower market value and did not refer the acceptance of proposal by RDC in case of the 'X'. This led to reassessment of value ignoring the sale instances with higher value as referred in the original assessment proposal and accepted in respect of "X". This had resulted in underassessment of market value of Rs 53.09 lakh. Thus, the administration had taken different approaches for determining the market value at the cost of the land owners by not adhering to the guidelines issued by the IGR for determination of the market value of land.

Absence of equity in decision making was serious erosion in internal control mechanism tarnishing the credibility of the system and the organisation.

5.1.8.6 Distribution of ceiling surplus land

As per the provisions of the Orissa Land Reforms Act, 1960 as amended from time to time, 70 *per cent* of ceiling surplus land taken possession by the Revenue Officers was to be distributed to the persons belonging to the Scheduled tribes or castes (ST / SC) in proportion to their respective population in the villages in which the lands are situated and the remaining land to others. The performance of the State Government under this activity was also being monitored by the Government of India as a part of the implementation of 20-point programme. Keeping this in view, the State Government fixed a target of 1800 acres of such land for distribution by the district collectors during 2004-07. The Land Reforms Commissioner (LRC) in the office of the Board of Revenue was to monitor the implementation of the instructions through monthly progress reports. The details of target and achievement during the period were as below:

Year	Target (in acre)	Achievement		Shortfall (in acre)	Percentage of achievement
		Number of beneficiaries	Area (in acre)		
2004-05	1000	438	360.74	639.26	36
2005-06	600	347	204.94	395.06	34
2006-07	200	108	124.03	75.97	62

It could be seen from the table above that the achievement ranged from 34 to 62 *per cent* of the targets set by the Government. It was, however, seen that neither the district collectors furnished the reasons for such shortfall nor the LRC enquired about the constraints faced by the Collectors for remedial action. As a result, 4207 acres of ceiling surplus land was remaining undistributed with the collectors as of March 2007.

Scrutiny of records of BOR revealed that Collector Angul did not submit the MPR since July 2006 and the Collector Bhubaneswar discontinued submission of MPR since 2004-05. The LRC stated (January 2007) that the deficiencies were due to non-submission of monthly progress reports timely by the Collectors in spite of several correspondences made to them. They also furnished different figures on different occasions for the same report. He also stated that the reasons for shortfall in achievement of targets would be called for. This indicated the operational control mechanism in place was not effective.

5.1.8.7 Benchmark valuation

The Orissa Stamp Rules 1952 was amended (January 2002) to determine the market value of immovable properties separately for each district so that the

benchmark value can be assigned with relatively greater assurance while registering an instrument.

The amended provision of the rules provided constitution of District and Sub-district (Tehsil) level valuation committee, headed by Collector and Sub-Collector respectively as the Chairman of the Committee. The committee were to collect information on different class of land, analyse the same and propose market value of the land for approval by the Government. In the tehsildars conference (July 2006) it was also decided that the district collectors, whose benchmark valuation had been approved by the Government, were to notify the rates in the websites of the districts and the State Government, so that the common men would not be harassed and would easily know the valuation of different classes of land for registering instruments. Besides, the market value guidelines so issued were to be revised biennially.

The Government targeted completion of the benchmark valuation of all the districts by December 2003. However, out of 30 districts, the valuation guidelines of 23 districts²⁸ were approved (3 districts: November 2004 and 20 districts: January 2006 to May 2007) by the Government and the same in respect of the remaining seven districts was pending for submission by the respective district committee as of July 2007. Besides, it was noticed that the districts (Bolangir, Ganjam and Malkangiri), the benchmark valuation guidelines of which were approved by the Government in November 2004 became due for biennial revision were not revised as of July 2007. No steps had been taken at the Government level to obtain the same from the districts concerned. The Financial Advisor-cum-Additional Secretary to Government stated that steps were being taken to finalise the benchmark valuation of the remaining seven districts²⁹ very soon. In one (Khurda) out of four test checked districts, the district level and tehsil level valuation committee although constituted in September 2002, took nearly five years to finalise the benchmark valuation (June 2007) yet the same was not submitted to the Government for approval (July 2007). Collector, Cuttack attributed the delay to late receipt of funds for making both the committees functional. Besides, Government had no information (July 2007) about displaying the approved benchmark value of immovable properties in the web sites of the 23 districts.

Collectors, Khurda and Cuttack failed to finalise the benchmark valuation of land for over three years

No system was evolved to monitor the functioning of the committee for ensuring speedy finalisation of the processes as the same had a bearing on the tax revenue of the Government. Thus, the desired correct reflection of market value of land in the instruments registered for sale could not be achieved for over three years in 27 districts. **As a result, evasion of registration fee and stamp duty due to under valuation, if any, remained unnoticed of the district authorities.** This also showed that the control structure as provided did not work and the system need to be monitored at the highest level in Government for implementation.

²⁸ Anugul, Balasore, Bolangir, Boudh, Bhadrak, Deogarh, Dhenkanal, Ganjam, Gajapati, Jagatsinghpur, Jharsuguda, Jajpur, Kendrapara, Kalahandi, Keonjhar, Koraput, Malkangiri, Nabarangpur, Nayagarh, Phulbani, Puri, Sambalpur and Sundargarh.

²⁹ Bargarh, Cuttack, Khurda, Mayurbhanj, Nuapada, Rayagada and Sonepur.

5.1.8.8 Non-recovery of leave salary and pension contribution in respect of staff sent on foreign service

According to the provision of Orissa Service Code, leave salary and pension contribution in respect of the Government servants sent on foreign service, was recoverable from the borrowing organisation. The lending department was to issue sanction orders regulating the terms and conditions of foreign service before the official were relieved for joining the foreign body.

Officers of the Orissa Administrative Service cadre numbering 192 were on foreign service to 27 different autonomous bodies / corporations of the Government. Test check of the records revealed that in 10 cases the sanction orders containing terms and conditions of foreign service were issued after three to 49 months of sending the officers on foreign service. This included three cases, where the sanction orders were issued after one to nine months from the dates of their reversion to parent department. The details of leave salary and pension contribution received and outstanding against the borrowing officers were not available with the department due to non-maintenance of register indicating the detailed particulars of officials sent on foreign service. This indicated absence of monitoring controls.

5.1.9 Monitoring, Vigilance arrangements and Internal Audit

5.1.9.1 Statutory inspection of sub-ordinate offices

The pattern and periodicity of inspection decided by the Government (June 1997) stipulated the number of offices to be inspected by the RDC, Member, BOR, Collector, Sub-Collector, Tehsildar are given in the *Appendix 5.1*.

There was shortfall in conducting annual inspection of subordinate offices by the RDCs and the Member, Board of Revenue during 2004-06 as indicated below:

Inspecting authority	Number of offices to be inspected	Number of offices inspected			Shortfall		
		2004	2005	2006	2004	2005	2006
RDC, Central Division	33	10	9	10	23	24	23
RDC, Northern Division	36	1	16	5	35	20	31
Member, Board of Revenue	13	7	7	6	6	6	7

Shortfall in inspection of subordinate offices by the RDCs and the BOR ranged from 46 to 97 per cent

It could be seen from the table above that the shortfall in inspection by the two RDCs ranged from 56 to 97 per cent and that of the Member, Board of Revenue was from 46 to 54 per cent during 2004-07. Further, it was noticed that no inspection of Sub-Collector and Tehsil offices was undertaken by the RDCs during 2004 and 2006. The RDC (CD), Cuttack took three to 11 months for issuing inspection notes of 18 out of the 29 offices inspected during 2004-06. The Member, BOR although inspected more number of units as per the norms fixed by the Government during 2004-06, but did not cover the offices of all the three Revenue Divisions resulting in shortfall in inspections. The inspection notes of the BOR required that the offices inspected were to furnish compliance within one month. Although compliance to 11 out of 29

inspection notes issued between January 2005 and February 2007 was not received in the BOR from the concerned offices, no follow up action was taken for non-compliance (April 2007).

Shortfall in inspection of subordinate offices by Collectors / Sub-Collectors indicating weak supervisory controls

In the other 12 test checked Collectors / Sub-Collectors / Tehsil offices the shortfall in conducting inspection by the concerned officers ranging between 32 to 100 *per cent* during 2004-06. While the Sub-Collector, Puri, Tehsildar Bhubaneswar did not inspect a single subordinate office during 2004, the Tehsildar, Cuttack did not conduct any inspection during 2004 and 2005. There were instances of delay in issuing of 23 inspection notes by three offices³⁰ to the offices inspected ranging from three to nine months. However, three offices³¹ failed to issue 29 inspection notes at all to the inspecting offices the inspection of which conducted during 2004-06. However, compliance to 91 inspection notes issued during the period was pending for receipt in five offices³² for which no follow up action was taken by them. The shortfall in the statutory inspections indicated that the top executives of the department could not keep themselves informed of the strengths and weaknesses of their field offices.

5.1.9.2 Vigilance Control

The Revenue Department did not have any vigilance cell for disposal of cases like misappropriation of Government money, fraud, theft, embezzlement etc. The vigilance wing of General Administration Department conducted vigilance raids and forwarded the findings to the Revenue and Disaster Management Department for further action. 27 cases were pending at the beginning of 2004-05, with the addition of 26 fresh cases during 2004-07, the number of such cases aggregated to 53 during the period. Of the above, only eight cases were finalised and the remaining 45 cases were pending for finalisation since 1993-94 to 2006-07. The status of the pending cases were as follows:

SI No.	Status of the cases	Number of cases	Period of pendency
(i)	Enquiry officer not appointed	12	2004-05 to 2006-07
(ii)	Enquiry officer appointed but not furnished enquiry report	15	2001-02 to 2006-07
(iii)	Enquiry officers furnished enquiry reports but disciplinary proceedings not finalised	11	2003-04 to 2006-07
(iv)	Sub-judice in vigilance courts	1	2000-01
(v)	Others	6	
	Total	45	

Delay in settlement of these cases facilitates the delinquent to escape unscathed.

5.1.9.3 Internal Audit

The functions relating to internal audit of field offices of the department were distributed among the following functionaries of the department:

³⁰ (1) **Collectors:** Cuttack: 14 out of 47 offices, Angul: 4 out of 35 offices, (2) **Sub-Collector,** Cuttack: 5 out of 14.

³¹ **Sub-Collectors:** (i) Angul: 14 (inspection conducted in 2004-06), (ii) Cuttack: 5 (inspection conducted in 2004-06) and **Tehsildar:** Cuttack: 10 (inspection conducted in 2006).

³² (1) **Collectors:** Angul: 18, Cuttack: 16, (2) **Sub-Collectors:** Cuttack: 9, Angul: 31, (3) **Tehsildar,** Anugul: 17.

(i) Revenue and Disaster Management Department, (ii) Board of Revenue, (iii) Land Reform Commissioner, (iv) Special Relief Commissioner and (v) Revenue Divisional Commissioners. The internal audit formations after completion of their audits, report the same to the respective functionaries and watch the compliance.

Review of the functioning of the internal audit organisations viz., the common cadre audit (CCA) under the direct disposal of the department and the Board of Revenue showed inadequate coverage of units as there were arrears in coverage of 24 to 66 *per cent* of units during 2004-06. In the review meeting taken (April 2004) by the Additional Secretary to Government, the Board of Revenue was asked to reduce the number of audit days by 50 *per cent* per each auditee office to cover all the offices in audit, which was not done. It was also observed that out of 107 posts of Auditors sanctioned, 23 posts were vacant at the department level (5) and BOR (18). Besides, one post of Audit Officer and two posts of Audit Superintendent were also lying vacant in the BOR. No training programme for the audit personnel of the department was conducted since 2004-05 although four existing auditors were yet to receive training (March 2007).

In the Board of Revenue, 174 audit reports for the years 2005-07 were not issued (July 2007) due to shortage of typists

Besides, in the Board of Revenue, 174 audit reports for the years 2005-07 were not issued (July 2007) due to shortage of typists.

The RDCs were assigned with the audit of the position of Abstract Contingent and Detailed Contingent bills of all the offices under their jurisdiction. However, the audit organisation of the RDC (CD), Cuttack became defunct from November 2002 due to non-posting of auditors in place of retired auditors.

991 out of 1013 audit reports relating to 1991-2005 in respect of 176 DSRs / SRs involving under valuation cases of Rs 23.49 crore were pending for settlement

It was seen that 4453 paragraphs of 1631 internal audit reports relating to the period from 1991-92 to 2006-07 were outstanding for settlement with the internal audit organisation of the Department. It was noticed that in 991 out of 1013 audit reports relating to 1991-2005 in respect of 176 DSRs / SRs involving under valuation cases of Rs 23.49 crore (Stamp duty: Rs 20.11 crore and Registration fee: Rs 3.38 crore) were pending for settlement as of October 2006. The pendency of audit paragraphs was attributed by the department to non-receipt of compliance from the auditee offices concerned. Besides, during test check, it was noticed that the first compliance to the audit report was submitted to the Board of Revenue by 10 offices after a gap of one to 18 years from the date of receipt of audit reports.

5.1.9.4 Response to CAG's audit

The Principal Accountant General (Civil Audit), Orissa conducts statutory audit of the Departments, Directorates and its subordinate offices. The major irregularities are reported through Inspection Reports (IRs). A half-yearly report on the pending inspection reports was also sent to the Commissioner-cum-Secretary of the department to facilitate monitoring and compliance of audit observations. As of June 2007, 4328 numbers of paragraphs of 1456 IRs issued up to March 2007 were pending for settlement. During test check it was

also noticed that 13 offices submitted first compliance to the Inspection Reports after a delay ranging from two months to 25 years. This showed the department's apathy towards responding to audit observations by taking remedial action.

5.1.10 Conclusion

Budgetary and expenditure controls as envisaged in the OBM were not adhered to. There was ineffective monitoring of distribution of land. There were delay in disposal of mutation cases due to non-adherence to the provisions of the mutation manual by the tehsildars. Several deficiencies in functioning of the computerised system of registration offices were noticed as internal control parameters to be followed by them were not issued by the IGR. Due to lukewarm approach of the tehsildars and non-constitution of working committees at tehsil level, 3.81 lakh acres of Bhoodan land could not be distributed to the beneficiaries for a long time. Lack of effective monitoring by the LRC led to ceiling surplus land of over 4000 acres remaining undistributed to the weaker sections. There was considerable delay in finalisation of benchmark valuation guidelines of the districts due to funds constraint and non-functioning of the committee at tehsil and district levels. Shortfall in inspection of subordinate offices was likely to affect sense of accountability among the field formations. Internal audit was ineffective and large number of under-valuation cases detected by the internal audit of the department was yet to be settled.

5.1.11 Recommendations

- To strengthen internal control mechanism a provision may be made in the Orissa General Financial Rules on the lines prescribed under Rule 64 of the General Financial Rules, 2005 of the Government of India.
- Strict adherence to the provisions of the Orissa Budget Manual and financial rules and procedures should be ensured
- Monitoring of land distribution to the landless poor should be strengthened.
- Mutation manual provisions should be strictly followed to avoid undue delay in disposal of mutation cases and correction of record of rights.
- Necessary instructions should be issued by the Inspector General of Registration to the field formations in respect of safeguards required for maintenance of information in the computerised environment.
- Benchmark valuation may be completed within a timeframe and monitored at the highest level as the delay would lead to loss of revenue on account of evasion of duty.
- Internal Audit wing should be strengthened, audit planning should be made on the basis of risk indicators and prompt response to internal audit observations should be ensured.

The Commissioner-cum-Secretary, during discussion (September 2007) assured that the observations and recommendations of audit would be taken care of by taking appropriate remedial action wherever necessary.

Bhubaneswar
The

(Sanat Kumar Mishra)
Principal Accountant General (Civil Audit)
Orissa

Countersigned

New Delhi
The

(Vijayendra N. Kaul)
Comptroller and Auditor General of India