

CHAPTER - II

RESULTS OF AUDIT

SECTION 'A' - PERFORMANCE REVIEW

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.1 District Rural Social Sector Audit

Executive Summary

With a view to improving the socio-economic conditions of the rural population, various centrally sponsored, central plan and state/district sector developmental programmes are implemented in the districts. A review of Rural Social Sector Audit of Tumkur and Koppal districts revealed that while no District Planning Committee was formed in Tumkur district, there was no vision for sectoral development in both the districts. Operational controls in implementation of rural social sector schemes were inadequate as evidenced by misappropriation of scheme funds, payment of wages on fictitious nominal muster rolls, increase in maternal mortality rate, lack of infrastructure facilities in elementary schools and health care units, abnormal delay in completion of water supply projects, *etc.* The monitoring and internal control mechanism was ineffective due to absence of internal audits, delay in preparation of monthly and annual accounts by Panchayat Raj Institutions.

2.1.1 Introduction

The important statistics on geographical area, population census and development index pertaining to Tumkur and Koppal districts are detailed in **Table 2.1** below:

Table 2.1: Statistics pertaining to Tumkur and Koppal districts

Indicator	Unit	Tumkur	Koppal
Area	Square Kilometres	10,598	8,458
Population	In lakh	26.81	13.89
Rural population	Percentage	77.52	83.15
Taluk Panchayats (TPs)	In numbers	10	04
Grama Panchayats (GPs)	In numbers	321	134
Human development index	Rank	15	24
Gender development index	Rank	15	24
Health Index	Rank	9	16
Poverty level index	Rank	20	24
Education level index	Rank	11	24
Income level index	Rank	22	14
Gender ratio	1,000 male	979	983
Poverty ratio	Percentage	31.40	32.56
Literacy	Percentage	74.32	57.93

Source: Economic Survey 2010-11 and as furnished by the Departments.

2.1.2 Organisational structure

The Chief Executive Officers (CEO) of Zilla Panchayats (ZPs) monitor the developmental activities and schemes implemented by Panchayat Raj Institutions (PRIs) and through line departments. The CEO of the ZP is also responsible for reporting the progress of works to the State level officers of the concerned departments. The organisational structure of State/district level officers is given in **Table 2.2** below:

Table 2.2: Organisational chart of PRIs and selected line departments

PRIs/Department	State level	ZP level	TP level	GP Level
ZP/TPs/GPs and Panchayat Raj Engineering Division (PRED)	Principal Secretary, Rural Development and Panchayat Raj (RDPR) Department, assisted by Directors-Panchayat Raj, Rural Infrastructure, Self Employment programme, MGNREGS, etc.	CEO assisted by Deputy Secretary, Chief Planning Officer (CPO), Chief Accounts Officer (CAO). Executive Engineer (EE) assisted by Assistant Executive Engineer in PRED	Executive Officer (EO)	GP Secretary/ Panchayat Development Officer (PDO)
Health and Family Welfare	Commissioner, Health and Family Welfare Services	District Health and Family Welfare Officer (DH&FWO)	Taluk Health Officer	-
Education	Commissioner for Public Instruction (CPI)	Deputy Directors of Public Instruction (DDPI)	Block Education Officers (BEO)	-

Source: Administrative Reports of Departments

Note: The taluk/district level officers of line departments report to the EOs of TPs/CEO, ZP respectively. The district level officers also report to the Heads of Administrative Department directly

2.1.3 Scope of audit and methodology

The performance review of District Rural Social Sector Audit of Tumkur and Koppal districts for the period 2006-07 to 2010-11 was conducted (April to October 2011) by test-check of records of two ZPs¹², seven TPs¹³, two GPs each¹⁴ of test-checked TPs, selected through monetary unit and simple random sampling methods, respectively. Two Panchayat Raj Engineering Divisions¹⁵ (PRED) and taluk/district level offices of line departments implementing rural social sector developmental programmes/schemes were also test-checked. The Entry Conference of the review was conducted with the CEO, ZP, Tumkur (April 2011) and Deputy Secretary of ZP, Koppal (May 2011) detailing the audit objectives, scope and methodology of audit. The Exit Conference was held with the CEO of the ZP, Tumkur and the Deputy Secretary of the ZP, Koppal during October/November 2011, who generally accepted the audit observations.

¹² Koppal and Tumkur

¹³ Gubbi, Koppal, Koratagere, Kushtagi, Madhugiri, Pavagada and Turuvekere

¹⁴ Gubbi (Ankasandra and G.Hosahalli), Koppal (Bisralli and Hatti), Koratagere (Budgavi and Kuramkote), Kushtagi (Dothihal and Hirebannigol), Madhugiri (Kaldevapura and Kavanadala), Pavagada (Vallur and Thirumani), and Turuvekere (Kondajji and Banasandra)

¹⁵ PRED, Koppal and PRED, Madhugiri

2.1.4 Audit objectives

The audit objectives of the review were to assess:

- the effectiveness of decentralised planning process and governance in the districts;
- whether the benefits of rural social sector programmes/schemes have reached the targeted beneficiaries; and
- the existence of monitoring mechanism and internal control system.

2.1.5 Audit criteria

The source of audit criteria adopted for the performance review were:

- The Karnataka Panchayat Raj (KPR) Act;
- Guidelines of the test-checked rural social sector developmental programmes/schemes; and
- Government orders, instructions issued by Government of India (GOI)/State Government from time to time.

2.1.6 District planning

2.1.6.1 The State Government accorded (May 2006) approval for formation of District Planning Committee (DPC) in Tumkur district with the objective of preparing an integrated plan for the district by consolidating draft plans prepared by PRIs and Urban Local Bodies (ULBs). However, no DPC has been formed yet (October 2011), indicating the lackadaisical attitude of the State Government in ensuring formation of DPC in time. The State Government stated (November 2011) that due to non-conducting of elections to ULBs, members could not be nominated.

In Koppal district, the DPC was formed during October 2001 but it has held only six meetings since inception. The last meeting was held during December 2008. The CPO of the ZP, Koppal stated (October 2011) that preparation of the District Development Plan (DDP) was entrusted (May 2011) to Karnatak University, Dharwad. However, this was in contravention of the instructions of the State Government (April 2011) wherein it was ordered only to avail of the services of technical agencies while preparing the DDP. Evidently, the entrustment of work of preparation of the DDP to an external agency defeated the very purpose of constitution of the DPC.

2.1.6.2 Delay in preparation of perspective plans

According to the guidelines issued by the State Government (April 2001), the DPC was to prepare at least once in five years, a perspective plan for the development of the district defining the goals of development in each sector *viz.*, Agriculture, Health and Sanitation, Education, Rural Development, *etc.* and outlining the strategy to be followed for the development of each sector with reference to the local conditions. The perspective plan should contain a set of projects for comprehensive development of the District for 10-15 years. However, the Comprehensive District Development Plans (CDDP) were prepared (May 2010-Tumkur/January 2012-Koppal) after a delay of three to five years from the commencement of the eleventh five year plan period (2007-12). Due to delay in preparation of the perspective plan, the DPC could

District Planning Committee did not visualise perspective development of the districts

not foresee the perspective development of the district during the initial year of the eleventh five year plan period.

The State Government had also decided (April 2001) to prepare a Development Perspective Plan (DPP) of all the districts in the State for the next 18-20 years *i.e.*, up to the year 2020. In order to avoid anarchic planning, the DPCs were to lead in preparation of the DPP considering the felt needs of the people and local resources and identify the gravity of development gaps and problems in each sector. The DPCs were to prioritise a shelf of integrated schemes in a scientific and participatory manner and implement these schemes by including them in Five Year Plans and Annual Plans by the Local Bodies, Boards and Corporations. However, the DPCs had not visualised such a DPP for the test-checked districts and the State Government had neither fixed any target date nor initiated follow-up action to ensure its preparation (October 2011).

2.1.6.3 Non-formulation of district vision

In the State workshop held during November 2003, it was decided to constitute sectoral sub-committees consisting of the members of the DPC to discuss the themes for development of each sector for inclusion in the draft sectoral vision document. However, it was noticed that though five sectoral sub-committees were formed (January 2004), the vision document had not been prepared (October 2011) in Koppal district. In the absence of DPC in Tumkur district, sectoral sub-committees were not formed (October 2011).

2.1.7 Decentralised governance

2.1.7.1 The State Government, with an intention to strengthen the independent functioning of PRIs, issued (August 2003) an Activity Map indicating the redistribution of functions specified among the PRIs. It had transferred 26 subjects out of 29 and 66 out of the 726 functions were yet to be distributed amongst PRIs. However, the State Government did not review the devolution of activities and their functions to PRIs thereafter.

2.1.7.2 Functioning of Standing Committees

The ZP was to meet once in two months for finalisation of Annual Action Plan (AAP), approval of budget, monitoring of ongoing works, *etc.* However, the ZP, Koppal held only two meetings during the year 2010-11. Deliberations during these meetings were limited to *post facto* sanction of works, allotment of shops, progress of works, *etc.*

Similarly, in test-checked TPs of Koppal, only four meetings were held during 2010-11. Interestingly, during this period, no meetings were held in any of the test-checked GPs of Koppal district.

In Koppal ZP, though the Standing Committees were constituted during 2005, only 10 meetings were held by each Committee during the last five years. Scrutiny of proceedings of the Standing Committees revealed that the Action Taken Reports on the previous meetings were not adequately deliberated upon to resolve issues.

2.1.7.3 The KPR Act also envisaged convening Grama Sabhas to meet twice in a year to discuss the accounts of the previous year along with the audit report

thereon, identify works for the AAP, prioritise works based on necessity and monitor the ongoing works of GPs. However, the Grama Sabhas did not conduct any meeting during the review period.

2.1.8 Financial position

2.1.8.1 Resources and application of funds

The details of funds available and expenditure incurred in Tumkur and Koppal districts for rural social sector developmental programmes/schemes during the years 2006-07 to 2010-11 are shown in **Table 2.3** below:

Table 2.3: Fund availability and expenditure

Year	Fund availability		Expenditure	
	Tumkur	Koppal	Tumkur	Koppal
2006-07	616.52	338.02	553.23	228.03
2007-08	632.58	348.43	602.86	239.84
2008-09	797.73	415.68	686.91	279.45
2009-10*	1,059.58	423.86	746.92	254.00
2010-11*	870.78	580.78	774.65	331.20

Source: Annual accounts of ZPs and TPs. Figures for GPs as furnished by the State Accounts Department (SAD) up to the year 2008-09;

* Figures for the years 2009-11 in respect of GPs were not furnished

Audit observed that the fund availability increased over the years but the expenditure did not increase proportionately. The drawing and disbursing officers of Tumkur and Koppal districts did not fully utilise the funds available during the years 2006-11, resulting in lapse of State grants and depriving the districts of the benefits of developmental programmes.

2.1.8.2 Fund flow mechanism for flagship rural social sector schemes

The fund flow mechanism to the implementing agencies from GOI and the State Government for important social sector schemes in the districts is shown in **Table 1.4**.

2.1.8.3 In addition to their own resources, funds are allocated to the PRIs through the State budget as well as directly released by GOI as grants towards various socio-economic and developmental schemes like District Rural Development Agency, MGNREGS, etc. The funds available and expenditure incurred under various developmental programmes/schemes in Tumkur and

Koppal districts during 2006-07 to 2010-11 is given in **Table 2.4** below:

Table 2.4: Funds availability and expenditure incurred for important rural development programmes in Tumkur and Koppal District

(₹ in crore)

Scheme	District	2006-07		2007-08		2008-09		2009-10		2010-11	
		FA	Ex	FA	Ex	FA	Ex	FA	Ex	FA	Ex
MGNREGS	Tumkur	-	-	-	-	4.48	0.81	146.87	176.43	152.21	159.98
	Koppal	-	-	0.68	0.01	88.23	4.07	94.24	85.79	64.82	64.62
IAY	Tumkur	9.08	3.21	16.25	6.19	33.19	11.25	49.08	31.81	55.83	26.49
	Koppal	7.50	5.66	9.76	3.79	26.41	10.04	37.58	27.27	32.49	24.23
Scholarship (SC/ST)	Tumkur	NF	NF	11.49	11.49	8.49	8.18	5.61	8.41	11.27	10.01
	Koppal	1.39	1.36	1.96	1.62	1.80	1.74	2.02	2.00	2.59	2.47
Scholarship (OBC)	Tumkur	0.37	0.37	0.40	0.39	0.45	0.45	0.57	0.57	0.62	0.62
	Koppal	0.10	0.10	0.16	0.15	0.24	0.24	0.60	0.60	0.47	0.47
ICDS	Tumkur	11.60	9.01	12.20	10.47	16.81	13.93	20.90	15.15	21.93	16.53
	Koppal	4.43	4.43	5.40	5.70	7.69	7.69	11.31	9.75	10.03	10.25
SSA	Tumkur	31.22	31.00	32.49	31.79	35.23	33.18	38.31	35.92	44.56	43.55
	Koppal	2.80	2.80	2.80	2.43	2.84	2.84	2.84	2.84	2.84	2.84
TFC	Tumkur	11.25	10.21	11.25	5.32	11.25	8.42	11.25	16.17	13.16	2.76
	Koppal	8.18	4.98	8.26	4.10	9.24	3.38	10.93	5.36	7.82	6.20
TSC	Tumkur	6.53	3.24	2.96	1.96	2.35	1.02	1.24	0.45	5.93	4.48
	Koppal	2.59	1.13	2.10	0.88	6.70	0.72	6.15	3.55	3.01	2.42
SGSY	Tumkur	3.89	2.89	6.44	5.07	7.09	5.48	9.35	6.45	7.61	9.26
	Koppal	3.12	2.36	5.31	3.82	6.61	5.32	7.49	4.63	6.79	6.78
NRHM	Tumkur	2.52	1.95	6.75	5.49	13.90	11.83	19.61	14.05	19.77	17.00
	Koppal	NA	NA	3.83	2.89	12.65	7.69	6.43	10.80	11.88	11.73

Source: Annual Accounts of ZPs, TPs and GPs; NF: Not furnished

IAY: Indira Awaas Yojana, SC/ST: Scheduled Caste/Scheduled Tribe, OBC: Other Backward Classes, ICDS: Integrated Child Development Scheme, TFC: Twelfth Finance Commission, TSC: Total Sanitation Campaign, SGSY: Swarnajayanthi Gram Swarozgar Yojana, FA: Fund availability, Ex: Expenditure

It is observed from the table above that the expenditure was in excess of fund availability under MGNREGS Scheme during 2009-11 in Tumkur district. This was due to incorrect reporting of expenditure on labour and material by GPs in the Management Information System (MIS) even before actual payment. This incorrect reporting in MIS was also not monitored at higher levels. This is a serious deficiency in the monitoring mechanism and is also a misrepresentation of the status of implementation of the Scheme.

The shortfall seen in the utilisation of funds under the IAY was due to non-release of grants to the beneficiaries for not contributing their share.

2.1.9 Implementation of Rural Social Sector Schemes

2.1.9.1 Mahatma Gandhi National Rural Employment Guarantee Scheme

The primary objective of the Scheme was to enhance livelihood security in rural areas by providing 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

The District Programme Coordinator (DPr.C) at district level and the Programme Officers (POs) at the taluk and village levels were responsible for the Scheme implementation. The Director, MGNREGS under the control of the Principal Secretary, RDPR Department, was to monitor the Scheme at the State level.

Audit findings are detailed in succeeding paragraphs:

(I) Planning process

(a) District Perspective Plan

Planning is critical to the successful implementation of the Scheme. The basic aim of the planning process is to ensure that the District is prepared to offer productive employment on demand.

Perspective Plan for the Scheme prepared by ZP, Tumkur, was not made available to Audit. While GOI had released ₹10 lakh (2007-08) under the Scheme for Information, Education and Communication (IEC) activities to the CEO of ZP, Tumkur for preparation of perspective plan, only ₹ one lakh was utilised. The task of preparation of perspective plan for the Scheme pertaining to ZP, Koppal was entrusted (May 2011) to the Karnatak University. Non-preparation of perspective plans indicated lack of seriousness and the apathy of the district administration towards the Scheme.

(b) Preparation of Action Plan

As per the Scheme guidelines, the Grama Sabhas were to meet on 2nd October every year for discussing the need-based works and to suggest the prioritised works to the GPs within 15 days. The GPs were to further consolidate the suggestions received from the Grama Sabhas and approve the AAPs and transmit them to the EOs of TPs by 15th November every year. However, it was observed that the test-checked GPs prepared the AAPs without conducting any Grama Sabhas. There was no effort to ensure that the approved AAPs were need-based.

All works included in the approved AAPs were not executed for the year 2008-09 in any of the test-checked GPs of Koppal ZP due to delay in release of funds by the EOs of TPs. As a result, only five *per cent* of the funds could be utilised as detailed under **Table 2.6**. There were also cases of execution of works not included in the AAPs in test-checked GPs of Koppal ZP.

(c) Mandays generation

The details of mandays generated during the years 2009-11 in test-checked districts are as shown in **Table 2.5** below:

Table 2.5: Statement showing mandays generated in test-checked districts during the years 2009-11

(Figures in lakh)

Year	Number of job cards issued to households		Number of households who demanded employment		Number of households provided employment		Mandays projected/generated		Number of households provided with 100 days of employment	
	Tumkur	Koppal	Tumkur	Koppal	Tumkur	Koppal	Tumkur	Koppal	Tumkur	Koppal
2009-10	4.11	2.08	2.57	1.48	2.50	1.46	411.00/ 152.47	208.00/ 102.25	0.47	0.59
2010-11	2.59	2.15	1.28	1.33	1.25	0.85	259.00/ 58.61	215.00/ 47.64	0.06	0.15

Source: MIS Reports.

It could be seen from the table above that in Tumkur district, the number of households provided with 100 days of employment was a meagre 18 *per cent*

and five per cent during 2009-10 and 2010-11 respectively, as against the number of households which had demanded employment. There was a substantial shortfall in the mandays generated during the years 2009-10 and 2010-11 which indicated unrealistic preparation of labour budget. It was therefore, clear that the DPr.Cs and POs did not initiate the plan process appropriately to generate employment even to the households who demanded employment. It is also possible that employment was generated, but availed of by ineligible people, as brought out in succeeding *paragraph 2.1.9.1 (III) (a)*.

(II) Financial Performance

(a) The Financial position of fund availability and expenditure incurred under the Scheme during the years 2008-09 to 2010-11 is given in **Table 2.6** below:

Table 2.6: Statement showing fund availability and expenditure incurred in test-checked districts during 2008-11

Year	Fund availability*		Expenditure		Percentage of excess(+)/shortfall(-)	
	Tumkur	Koppal	Tumkur	Koppal	Tumkur	Koppal
2008-09	4.48	88.23	0.81	4.07	(-)81.92	(-)95.39
2009-10	146.87	94.24	176.43	85.79	(+)20.13	(-)08.97
2010-11	152.21	64.82	159.98	64.62	(+)05.10	(-)00.31

Source: As furnished by the ZPs, Tumkur and Koppal *Includes opening balance

It is observed from the table above that there was excess utilisation of funds in Tumkur district during 2009-11. This was due to incorrect reporting of expenditure in MIS by the GPs without actually incurring it, as detailed in **Appendix 2.1**. In Koppal district, the application of funds was very meagre during 2008-09 which was due to release of funds during the end of the year by the State Government.

(b) Irregularities in utilisation of Scheme funds

(i) The EOs of TPs of ZP, Koppal had incurred an expenditure of ₹2.19 crore on purchase of iron display boards and multi-coloured wall calendars under the Scheme during 2009-11.

Audit scrutiny revealed that the EOs of TPs procured these items without inviting tenders and without approved action plans. Though the materials were taken to stock in GPs test-checked, details of issue of these materials were not produced to Audit as there were no stock/issue registers in these GPs. The calendars printed for the financial year 2010-11 were not distributed till date (October 2011), thereby rendering the expenditure wasteful. Similarly, the iron display boards were also not put to use till date (October 2011), resulting in unfruitful expenditure.

Thus, irregular purchase by the EOs of TPs without the sanction inviting tenders and non-utilisation of the material by the concerned GPs resulted in wasteful/unfruitful expenditure of Scheme funds worth ₹2.19crore. The CEO, ZP, Koppal replied (November 2011) that action would be initiated for detailed investigation.

(ii) The CEO of ZP, Tumkur released an amount of ₹7.50 lakh (March 2010) to KEONICS for installing a multi party audio and conferencing location software in the ZP office in order to interact with all the departmental officers

and secretaries of the GPs. The software had not been installed (October 2011), rendering the expenditure unfruitful.

(iii) Contrary to the Scheme guidelines, during the years 2007-10, the CEO of the ZP, Tumkur appropriated funds of ₹35.85 lakh allocated for the purpose of IEC activities under the Scheme and released it to the EOs of TPs for execution of works. As a result, creating awareness amongst the rural population, capacity building for the functionaries, etc., suffered.

(iv) For the purpose of asset management under the Scheme, the CEO of ZP, Tumkur released (October 2010) a sum of ₹30 lakh to Nirmithi Kendra as advance payment towards capturing the photographs of the assets created by using Global Positioning System software. The items of work included survey, inventory of assets, status of assets created, etc., for future reference. The work had not commenced (October 2011), thereby blocking Scheme funds for more than a year. Besides, the ZP had no comprehensive list of its assets.

(v) The CEO of ZP, Koppal released a sum of ₹68.33 crore during 2008-10 to the Koppal Head Post Office for distribution of wages to the labourers engaged in the works executed under the Scheme. However, the Head Post Master furnished expenditure details for ₹69.91 crore which was more than the funds released. This was due to the failure of the CEO of the ZP to monitor the funds released and reconcile the expenditure periodically.

(III) Scheme implementation

(a) Misappropriation of Scheme funds

Internal control failure resulted in misappropriation of Scheme funds of ₹57.53 lakh and payment of ₹1.44 crore on fictitious NMRs

The Scheme guidelines stipulated that wages for the labourers should be paid through banks or post offices. To avoid use of large number of cheques, a pay order or wage credit advice had to be generated in favour of a group of labourers as per the Nominal Muster Roll (NMR) and addressed to the Branch Manager of the bank/Post Master of the post office for crediting the amount shown against each labourer to his account. Further, the guidelines also stipulated that details of wages paid through the banks/post office network should be made public to maintain transparency as envisaged in the Act.

Audit scrutiny of records in three test-checked¹⁶ GPs revealed the following:

The bank accounts indicated in wage credit advices sent to Banks for payment and the bank accounts reflected in NMRs (manual/MIS generated) differed in test-checked cases. The differences amounted to ₹57.53 lakh in test-checked works costing ₹71.54 lakh during the year 2010-11. The President and the Secretary of these GPs failed to verify the correctness of wage payments as per NMRs and issued wage credit advice in a routine manner. Since payments were made to unauthorised persons, the possibility of the implementing authorities having nexus with them cannot be ruled out.

¹⁶ Kavanadala GP of Madhugiri Taluk, Thirumani and Vallur of Pavagada Taluk

(b) Fictitious Nominal Muster Rolls

As per the Scheme guidelines, the Secretary/PDO of GPs should inform the PO for issue of the required number of NMRs for recording the attendance of labourers employed in the works taken up for execution. Each NMR would possess a unique identity number and was to be certified by the PO on issue to the Implementing Officers. However, on test-check of the records of two GPs¹⁷ the following discrepancies were observed:

- The PO of TP, Kushtagi issued 2,040 NMRs (June 2008 to October 2009) to the Secretary, Hirebannigol GP, of which only 526 NMRs were utilised for the works taken up. While the remaining 1,514 NMRs were available, the Secretary of the GP utilised 615 NMRs which were not authenticated and issued by the PO. Labour payment of `92.26 lakh based on these NMRs not issued by the PO was made by PDO/Secretary of the GP.
- Similarly, the PO of TP, Kushtagi issued 990 NMRs (June 2008 to June 2009), to the Secretary of the GP, Dothihal, of which only 209 NMRs were utilised. Out of a total of 655 NMRs utilised for the works executed during 2009-10, only 206 NMRs were genuine and the remaining 449 NMRs were not issued by the PO and payment of `51.79 lakh was made by the PDO/Secretary of the GP based on these NMRs.
- Fifty seven works *viz.*, land development in individual farmers' land reported to have been executed in Dothihal GP as per these NMRs as well as NMRs issued by POs without the name of the farmer, survey number, copy of record of rights, check measurement in measurement books, *etc.*, were therefore doubtful.

The following internal control lapses led to misappropriation of Scheme funds and payment of wages on fictitious NMRs:

- The mandatory forms¹⁸ prescribed under the Scheme guidelines were either not maintained or were incomplete. As a result, the authenticity of labourers employed as per NMRs could not be verified;
- The GPs had not maintained work registers;
- The EOs of TPs had not inspected all the Scheme works and failed to analyse the data as submitted by the GPs. They also failed to ensure the receipt of entitlements by eligible beneficiaries;
- Progress report of ongoing works was not maintained in the test-checked GPs;
- Expenditure figures as per bank/post office pass books and the cash books of GPs for the Scheme were not reconciled;

¹⁷ Dothihal and Hirebannigol

¹⁸ Form 1-Application for Registration for employment; Form 2- Register of Applications; Form 3-Register of job seekers; Form 4-Details of employment provided and wages paid; Form 5 -Household job card issue register; Form 6 -Application for work; Form 7- Employment demand register; Form 8 -Notice for reporting for work; Form 9 -Public notice of intimation to report for work.

- Works executed were not as per the approved AAPs;
- The NMRs were without the signatures/thumb impression of 649 beneficiaries; and
- District Quality Monitors (DQMs) for verifying the quality of work executed were not identified in Koppal ZP. The CEO of Tumkur ZP did not provide details of DQMs identified and quality audits conducted by them.

Thus, the failure of control procedures by the Presidents and Secretaries of GPs and lack of supervisory control by the EOs of TPs resulted in diversion of Scheme funds amounting to ₹57.53 lakh to individual bank accounts of unauthorised persons. Further, the payment of wages of ₹1.44 crore on fictitious NMRs being irregular, execution of works was also doubtful. The matter calls for detailed investigation.

2.1.9.2 National Rural Health Mission

Government of India launched (April 2005) National Rural Health Mission (NRHM) to bridge gaps in healthcare facilities in the rural sector. Its main objectives were to provide accessible, affordable, accountable, effective and reliable healthcare facilities in rural areas with community participation. The goals of the Mission were to reduce Maternal Mortality Rate¹⁹ (MMR), Infant Mortality Rate²⁰ (IMR), enhance Total Fertility Rate, universal access to public health services, prevention and control of communicable and non-communicable diseases, institutional deliveries, safe deliveries, immunisation, etc.

(I) Organisational structure

Organisational set-up of NRHM indicating the involvement of PRIs and their responsibilities are detailed below:

Level	Agency	Involvement of PRIs	Responsibilities
State	State Health Society (SHS)	Two Presidents each from all the three tiers of PRIs are the nominated members. The CEOs of the ZPs are the official representatives	Planning, implementing, monitoring and evaluation of NRHM at State level. Monitors the fund flow for implementation of the Scheme
District	District Health Society (DHS)	The CEO of the ZP is the President of the Society and the DH&FWO is the member secretary	Participate in planning and implementation of the Scheme at the district level. Monitor the fund flow for the Scheme
Block/ Taluk	Arogya Raksha Samithis/Block Health Monitoring Committee (BHMC)	The President of the TP is the Chairperson, the EO of the TP is the Convenor of the Samithi and the ZP members representing the taluks are members	Planning and implementation of the Scheme at block/taluk level
Grama/ village	Health Advisory Committees	Presidents of the GPs and the ZP members are the members of the Committee	Preparation of village health plan by discussing the health issues at Grama Sabha. Reviews the implementation of the Scheme at village level
	Village Health and Sanitation Committees (VHSC)	Presidents of the GPs are the Chairmen and Secretaries of the GPs are the members	

Source: Scheme guidelines and as furnished by department

The State Government approved (December 2005) formation of a DHS in all districts. However, the DHS were formed only during June 2006 and January 2008 in Tumkur and Koppal districts, respectively. The DH&FWO was responsible for implementation of the Scheme at the district level till the

¹⁹ The number of maternal deaths per one lakh live births

²⁰ The number of infant deaths to 1,000 live births

society was formed. As per the guidelines, the society had to meet once in a month for devolution of funds and monitoring the implementation of the strategies under NRHM. The shortfall in conducting meetings was as shown in **Table 2.7** below:

Table 2.7: Details of meetings held by the Society

Year	Number of meetings conducted		Percentage of shortfall	
	Koppal	Tumkur	Koppal	Tumkur
2006-07	Nil	2	100	83
2007-08	2	4	83	67
2008-09	9	12	25	-
2009-10	6	9	50	25
2010-11	12	7	-	42

Source: As furnished by the DHS, Tumkur and Koppal

It is seen from the table above that the shortfall in conducting meetings ranged from 25 to 100 *per cent*. As a result, there were shortcomings in implementation of the Scheme as discussed in succeeding paragraphs.

(II) Planning

National Rural Health Mission envisaged participation of representatives of PRIs in planning at village level through VHSC, at taluk level through BHMC and at district level through DHS.

Audit observed that VHSCs had not met in six²¹ test-checked Primary Health Centres (PHCs) at village level (March 2011). Though the BHMCs were constituted in Koppal (2008-09) and in Tumkur (2010-11), none of them was functioning as of September 2011. Non-functioning of these committees resulted in non-utilisation of earmarked funds for addressing local issues as discussed in paragraph below. The DH&FWO, Tumkur replied (October 2011) that VHSCs were not functioning due to absenteeism of members of VHSC and Accredited Social Health Activist (ASHA) and assured that the issue would be reviewed and action taken for effective functioning.

(III) Financial Position

The financial position of NRHM in the test-checked districts is shown in **Table 2.8** below:

Table 2.8: Funds position of NRHM in test-checked districts

(₹ in crore)

Year	Opening balance		Funds received		Expenditure		Unspent balance	
	Tumkur	Koppal	Tumkur	Koppal	Tumkur	Koppal	Tumkur	Koppal
2006-07	0.06	Nil	2.47	Nil	1.95	Nil	0.58	Nil
2007-08	0.58	Nil	6.18	3.83	5.50	2.89	1.26	0.94
2008-09	1.26*	0.94	16.65	12.65	11.84	7.69	6.07	5.90
2009-10	5.11*	5.90	14.51	6.43	14.06	10.80	5.56	1.53
2010-11	5.07*	1.53	14.70	11.88	17.00	11.36	2.77	2.05

Source: As furnished by DHS, NRHM, Tumkur and Koppal

* Difference between opening and unspent balance is due to refunds.

It was observed that the DHS, Tumkur refunded ₹1.49 crore to the SHS during

²¹ Thovinakere, Yelarampura (Koratagere taluk), Vallur (Pavagada taluk) Bhagyanagar, Irkalgudu (Koppal) and Bevur (Yelburga)

the years 2008-11 due to non-utilisation of funds mainly from the untied grants allocated. Similarly, a sum of ₹14.62 lakh was refunded by DHS, Koppal during the year 2008-10. This indicated that the resources for community action at the local level were not fully utilised.

It was also observed that a sum of ₹27.37 lakh was pending utilisation with the VHSCs of Tumkur district as of March 2011. On an enquiry, it was replied (October 2011) by the DHS, Tumkur that the funds remained unutilised due to non-availability of ASHA workers, delay in training these workers, etc.

(IV) Implementation of the Scheme

Deficiencies in delivery of health services under the Scheme are discussed below:

(i) Infant Mortality Rate

Infant mortality is considered as the most sensitive indicator for a nation's socio-economic development and also of the public health services.

Year-wise details of IMR in test-checked districts are given in **Table 2.9** below:

Table 2.9: Year-wise details of IMR

Year	IMR	
	Tumkur	Koppal
2006-07	18.54	27.09
2007-08	20.27	27.05
2008-09	18.41	27.97
2009-10	18.10	24.44
2010-11	17.61	25.26

Source: As furnished by the department

Though there has been an overall decrease in IMR in both districts, the decrease was not significant and not stable, as IMR in Koppal increased in 2010-11 as compared to the previous year and similarly in Tumkur in 2007-08. Reasons for the increasing trend were mainly due to shortfall in institutional deliveries and non-provision of timely financial assistance to the expecting mothers as discussed in subsequent paragraphs.

(ii) Maternal Mortality Rate

(a) Year-wise details of MMR in test-checked districts are given in **Table 2.10** below:

Table 2.10: Year-wise details of MMR

Year	MMR	
	Tumkur	Koppal
2006-07	99.55	155.63
2007-08	143.28	151.61
2008-09	105.68	113.14
2009-10	119.21	157.24
2010-11	142.27	208.84

Source: As furnished by the Department

It could be seen from the table above that in Tumkur and Koppal districts, the MMR showed an increasing trend. In spite of a Committee headed by the Deputy Commissioner and the CEOs of ZPs inquiring into the reasons for the cause of death/deficiency in service delivery, the MMRs were alarming. The

maternal death were mainly due to anaemia, hypertension, non-availability of blood banks to administer blood, absence of doctor and staff nurse in PHCs at the time of delivery, etc. Despite this Scheme, the districts were unable to ensure and provide safe delivery and post partum facilities to the mothers.

(b) State Government introduced “Prasuthi Araiike” in 2008 for women from BPL families to encourage rest, provide nutritious food and medical care during first and second live births. Under the Scheme, ₹2,000 was to be provided to the pregnant women in two instalments, one during the second trimester of pregnancy and the other within 48 hours of delivery at any Government hospital. Scrutiny of records of two PHCs²² of Koratagere taluk revealed that the Medical Officers (MO) of these PHCs failed to provide financial assistance at the prescribed intervals. It was also noticed that payments were made to women long after the date of delivery, ranging from one to six months, thereby defeating the very purpose of the Scheme. The DH&FWO, Tumkur replied (October 2011) that due to belated release of funds by the State Government, the second instalment of financial assistance could not be provided in time.

(iii) Institutional deliveries

In order to reduce maternal deaths, the Scheme provides for encouraging institutional deliveries by creating awareness among the rural poor. Details of institutional deliveries when compared to the total deliveries in the test-checked districts are given in **Table 2.11** below:

Table 2.11: Details of institutional deliveries

Year	Total Number of deliveries		Number of institutional deliveries		Percentage of shortfall	
	Koppal	Tumkur	Koppal	Tumkur	Koppal	Tumkur
2009-10	29,949	40,094	24,808	38,413	17	4
2010-11	27,439	38,796	24,292	37,857	11	2

Source: As furnished by the Department

Though *cent per cent* objective could not be fulfilled, the reduction in percentage of shortfall during 2010-11 when compared to previous year was due to the active involvement of ASHA workers.

(iv) National Vector Borne Diseases Control Programme

The main objective of the programme was to control and eradicate vector borne diseases such as malaria, filaria, dengue, etc. The cases of dengue reported in test-checked ZPs are detailed in **Table 2.12** below:

Table 2.12: Details of dengue cases

Year	Koppal	Tumkur
2008	0	21
2009	7	37
2010	44	109
2011	7 (as of August 2011)	7 (as of October 2011)

Source: As furnished by the Department

It could be observed from the table above that the dengue cases showed an increasing trend, indicating that the eradication of vector borne diseases remained a distant objective.

²² Thovinakere PHC (17 cases) - ₹0.17 lakh and Yelarampura PHC (54 cases) - ₹0.54 lakh

(v) Strengthening of infrastructure

(a) National Rural Health Mission stipulates creation of new infrastructure/building for health centres and strengthening of the existing ones for improving accessibility and quality of healthcare delivery services.

A district hospital should have, *inter alia*, blood bank, critical care area, obstetrics and gynaecology unit, psychiatry unit, delivery suite unit, trauma centre, dermatology and venereology units, *etc.* A PHC should have communication facility, kitchen, and nurses' room. However, these facilities were not available (September 2011) in the district hospitals and PHCs test-checked in the districts. While, DH&FWO of Tumkur District replied (October 2011) that these facilities could not be provided from out of untied grants, the district surgeon of Koppal district stated (November 2011) that due to non-availability of these facilities, cases were referred to other hospitals. The reply of DH&FWO, Tumkur could not be accepted since untied funds were returned to SHS unutilised as discussed in *paragraph.2.1.9.2(III)*. Evidently, the envisaged healthcare facilities were not provided despite availability of sufficient funds under the Scheme.

(b) Shortfall in creation of Community Health Centres (CHCs) and PHCs

National Rural Health Mission envisaged creation of one PHC for every 30,000 and one CHC for every 1.20 lakh population. Details of PHCs/CHCs established in test-checked districts are shown in **Table 2.13** below:

Table 2.13: Details of PHCs/CHCs in test-checked districts

Name of the district	Total rural population (in lakh)	Number of centres to be established		Actually established		Shortfall (-)/ Excess (+)	
		PHC	CHC	PHC	CHC	PHC	CHC
Tumkur	20.78	70	17	141	4	(+)71	(-)13
Koppal	11.55	39	09	42	9	(+)03	Nil

Source: As furnished by the Department

It could be seen from the table above that there was shortfall of CHCs in Tumkur district, indicating non-availability of specialised services. However, it is creditable that against 70 PHCs to be set up, 141 have been established, thereby increasing accessibility to basic and emergency health services.

(c) Under the Scheme, 131 PHCs and four CHCs procured (2009-10) bio-metric machines at a cost of ₹20,000 each to check attendance of staff. In all the PHCs and CHCs of Tumkur district, it was observed that the bio-metric machines were not being put to use due to repairs of these machines after installation. The expenditure of ₹27 lakh was, therefore, rendered unfruitful, defeating the purpose of purchase of these machines. It was replied by DH&FWO (October 2011) that these machines were under maintenance.

(V) Human Resource Management

Under NRHM, ASHA is an important village level functionary. She acts as bridge between Auxiliary Nursing Midwife (ANM) and villagers and promotes universal immunisation, health care delivery programmes, *etc.* There was a requirement of 1,074 and 2,150 ASHAs in Koppal and Tumkur districts based on rural population, against which 802 and 1,785 ASHAs, respectively were working as of September 2011.

Similarly, while there was shortage of 44 per cent of MOs and 23 per cent of para-medical staff in CHCs and district hospital in Koppal district, there was shortage of 24 per cent of MOs and 31 per cent of para-medical staff in Tumkur district. It was replied (September 2011) by DH&FWO of Tumkur district that as the State Government did not accord approval for selection of ASHAs and MOs/para-medical staff, the vacancies could not be filled up. The shortfall in manpower hindered delivery of healthcare services to rural population as discussed in earlier paragraphs 2.1.9.2 (IV) (i) to (iv).

(VI) Monitoring and evaluation

(i) National Rural Health Mission envisaged formation of task group in each district for examining the new health financing mechanism of reimbursement of hospital bills for services rendered and to streamline the healthcare services. Audit observed that no such task force was formed, defeating the objective of implementing new health financing mechanism under NRHM.

(ii) National Rural Health Mission also envisaged external evaluation/social audit through professional bodies/NGOs, mid-term course reviews and appropriate correction. However, neither any external evaluation nor mid-term course review was conducted in the test-checked districts to improve the implementation of the Scheme.

2.1.9.3 Implementation of Sarva Shiksha Abhiyan

Government of India launched (January 2001) Sarva Shiksha Abhiyan (SSA) to achieve universalisation of elementary education by 2010 in a time-bound manner for all children in the age group of 6 to 14 years. SSA emphasises on bringing out-of-school children into mainstream education through innovative activities, opening of Education Guarantee Centres/Alternative Innovative Education for inaccessible habitations and inclusive education for children with special needs by involving PRIs/SDMCs/Non-Governmental Organisations (NGOs). SSA in the State is implemented through “Sarva Shiksha Abhiyan Samithi – Karnataka”, a Society established during January 2001.

(I) Organisational structure

Organisational set-up of SSA indicating the involvement of PRIs at all levels and their responsibilities are detailed below:

Level	Committee	Involvement of PRIs	Responsibilities
State	Executive Committee	Principal Secretary to Government of Karnataka, Department of Primary and Secondary Education is the Chairman, Secretaries of these departments are members and the State Project Director (SPD) is the member secretary	Overall monitoring and implementation of the Scheme at State level
District	District Implementation Committee	The President of the ZP is the President of the Committee, the CEO of the ZP is the working President assisted by DDPI and District Programme Officer (DPO) as working members of the committee	Planning, release of funds and monitoring the progress in implementation of the Scheme
Block/ Taluk	Block Implementation Committee	The President of the TP is the President of the Committee, the BEO is the member secretary assisted by other members of the TP	Preparation and approval of block level plans, monitoring of fund flow and supervision of Scheme implementation
Grama/ village	SDMC	President selected from the elected members (parents of the school children), Head Master of the School is the Member Secretary, and other members include Health Activist, Anganwadi teachers, Self Help Groups, Education expert, parents, etc.	Monitoring the physical and financial progress of works implemented under the Scheme as per the Action Plans prepared based on the needs of the school

Source: Scheme guidelines

(II) Preparatory activities

It was mandatory under SSA to track the progress of each and every child in the 0-14 age group. The DPO did not have the data of children of 0-6 age group in the districts test-checked. In the absence of such data, the eligible children for enrolment in school at elementary level could not be ascertained.

(III) Planning

Manual for appraisal of plans 2002 envisaged detailed planning process for achieving the objective of universalisation of education by 2010. However audit observed that while the core group was formed only during 2010-11 in Tumkur district, a core team exclusively for assessing learning level achievement was formed in July 2010 in Koppal district.

(IV) Financial position

The details of budget proposed, allocation, releases and expenditure in test-checked districts is as shown in **Table 2.14** below:

Table 2.14: Budget proposal, allocation, releases and expenditure in test-checked districts

(₹ in crore)

Year	Budget Proposal		Budget approved		Releases		Expenditure	
	Tumkur	Koppal	Tumkur	Koppal	Tumkur	Koppal	Tumkur	Koppal
2006-07	61.04	26.40	27.57	25.06	27.57	26.26	27.57	24.99
2007-08	177.69	57.17	31.87	20.68	31.70	20.05	31.70	20.05
2008-09	57.19	43.90	38.75	31.95	37.93	31.19	37.93	31.19
2009-10	54.03	61.94	40.00	34.05	39.22	34.05	39.69	29.43
2010-11	86.44	73.84	54.47	44.54	39.38	44.54	40.82	37.51

Source: As furnished by DPOs Tumkur and Koppal and Annual Work Plan and Budget (AWP&B)

It was observed that in Tumkur district, the expenditure was slightly more than the releases during 2009-11 which was incurred out of other sources such as interest on bank deposits, *etc.*, over and above the releases.

(V) Programme implementation

The programme implementation lays emphasis on improvement in the quality of infrastructure and support services, pre-service and in-service education of teachers, curriculum and teaching/learning materials, pupil education, monitoring and supervision, *etc.*

Major interventions under SSA are discussed in succeeding paragraphs.

(i) Audit noticed the following infrastructural deficiencies in 4,783 primary and upper primary schools²³ as given in **Table 2.15** below:

Table 2.15: Statement showing infrastructural deficiencies

Category	Number of Primary Schools and Upper Primary Schools	
	Tumkur (Percentage)	Koppal (Percentage)
Schools without common toilets	97 (3)	359 (29)
Schools without toilets for Girls	685 (19)	174 (14)
Schools without water	103 (3)	82 (7)
Schools without own building	15 (0.42)	8 (0.65)
Schools without ramps	1,895 (53)	135 (11)
Schools without boundary wall	2,732 (77)	276 (23)
Schools without electricity connections	20 (0.56)	67 (6)
Schools without play ground	2,096 (59)	427 (35)
Schools without library	119 (3)	154 (13)

Source: District Information System for Education (DISE) 2010-11

²³ 3,566-Tumkur and 1,217-Koppal

Despite lack of basic facilities, the DPO did not include the proposals received from the SDMCs and BEOs for creation of infrastructure facilities such as providing drinking water facility, toilets/urinals, etc., in the district AWP&B 2010-11.

(ii) SSA was to adopt zero rejection policy as per SSA manual and no child was to be left out of the school system. Children with special needs irrespective of the kind, category and degree of disability were to be provided education in an appropriate environment. Special fund was also available for this purpose. However, 1,188 children with special needs remained out-of-school in the test-checked districts as per Household Survey Statistics (HSS) data for 2010-11. Even though the DPOs prepared the action plans, the reasons for non-coverage were not furnished to Audit.

(iii) Early Childhood Care and Education (ECCE) Programme envisaged empowerment of anganwadi teachers to train young children by supply of educational and play materials. Audit observed that though the DPO had approved a sum of ₹15 lakh under this programme for the year 2010-11 in Tumkur district, no funds were released. Similarly, a provision of ₹15 lakh towards district level programme under ECCE was made in the AWP&B for 2010-11 of Koppal district, of which an expenditure of ₹10.71 lakh was incurred. It was replied (November 2011) by the Deputy Programme Coordinator (Dy.PC), Koppal that due to non-participation of anganwadi teachers, the balance amount could not be spent, indicating lack of capacity building of anganwadi teachers.

(iv) Under the envisaged intervention for SC/ST children, while an expenditure of ₹9.83 lakh out of target of ₹15 lakh was incurred in Koppal district, an amount of ₹22.31 lakh was spent in Tumkur district against the target of ₹15 lakh during 2010-11. The Dy.PC, Koppal replied (November 2011) that due to deviation in the proposed programme of study tour for SC/ST children, the allocated funds could not be utilised in full. This deprived the SC/ST children of their envisaged facilities.

(v) Enrolment and Retention of school children

Gross Enrolment Ratio (GER), Net Enrolment Ratio (NER) and Retention Rate (RR) of the children in the school system are performance indicators of the Scheme objective. NER indicates the percentage of enrolment corresponding to the targeted child population. RR refers to the percentage of students who continue to be in the school to the total number of students originally enrolled. As per the data furnished by DISE and HHS of Koppal and Tumkur districts for the year 2010-11, the GER, NER and RR as compared to benchmark of 100 per cent were as given in Table 2.16 below:

Table 2.16: Details of GER, NER and RR in test-checked districts

(Figures in percent)

School category	GER		NER		RR		Transition from PS to UPS	
	Koppal	Tumkur	Koppal	Tumkur	Koppal	Tumkur	Koppal	Tumkur
Primary School (PS)	106	98.53	93.99	88.89	97.24	96.57	84.10	95.48
Upper Primary School (UPS)	106	102.77	96.02	84.86	93.80	96.13		

Source: As furnished by DISE and HSS

It could be observed from the table above that there were shortfalls in NER, RR and transition percentage from PS to UPS. Increase in GER was due to enrolment of over-aged children who were not enrolled in the earlier years.

(vi) Interventions for out-of-school children

Allocation of funds is made for conducting bridge courses to mainstream out-of-school children. On scrutiny of records of the DPOs of Koppal and Tumkur, it was noticed that there was poor achievement in conducting bridge courses for the year 2010-11 as shown in **Table 2.17** below:

Table 2.17: Statement showing bridge courses for out-of-school children

(₹ in lakh)

Bridge courses	Physical target (Number of children)		Physical achievement (Number of children) (percentage)		Allocation		Expenditure	
	Tumkur	Koppal	Tumkur	Koppal	Tumkur	Koppal	Tumkur	Koppal
Residential bridge course for 12 months	156	500	43 (28)	216 (43)	15.60	50.00	0.40	31.99
Non-residential bridge course for 12 months	423	542	235 (56)	119 (22)	12.69	16.26	5.77	2.69
Bridge course for three months - Chinnara Angala	841	3,146	313 (37)	1,025 (33)	21.02	23.59	6.48	15.73
National Child Labour Project Schools	-	150	-	Nil	-	4.50	-	Nil

Source: As furnished by DPOs

It is observed from the table above that there was shortfall in providing bridge course training to the identified out-of-school children to bring them in to mainstream education, despite availability of funds. The DPO replied (November 2011) that the unwillingness of the parents to send their children for training resulted in the shortfall.

(VI) Resource support and capacity building

(i) Ten days each at block and cluster levels in-service training was to be provided to teachers every year. Accordingly, the DPOs made a provision of ₹55.15 lakh and ₹1.91 crore during 2010-11 with a target of in-service training to 11,030 teachers and 12,739 teachers in Koppal and Tumkur districts, respectively. However, in-service training was provided to only 4,714 teachers in Koppal district indicating shortfall of 57.26 per cent in imparting relevant training to the targeted teachers through effective teaching learning strategies. No funds were released to Tumkur district, resulting in non-imparting of training to the targeted teachers.

(ii) The DPO, Koppal had targeted 7,673 SDMC community leaders in villages during 2010-11 for three days training to enable them to participate qualitatively in planning, implementation and monitoring of elementary education in the schools at village level. Audit observed that though a provision of ₹14.36 lakh was made, no training was imparted by the DPO, Koppal.

An amount of ₹50.84 lakh was released (August 2011) to BEOs of taluks in Tumkur district for conducting training to 27,141 SDMC and 332 Civic

Amenities Committee members for the year 2010-11. However, the details of training conducted were not made available to Audit.

2.1.9.4 Water supply Schemes

Rural Drinking Water Supply Schemes

Rural population in Koppal district mainly depends on ground water sources for drinking water. In the majority of the villages, ground water is generally free from bacterial and chemical contamination when tapped from aquifers through bore wells.

Against 3,068 bore wells dug in the entire district, only 2,509 are working due to depletion in ground water level. Also due to this factor there were defunct Piped Water Supply (PWS) and Mini Water Supply (MWS) schemes as detailed in Table 2.18 below:

Table 2.18: Statement showing defunct PWS and MWS schemes in Koppal district

Sl. No.	Taluk	PWS	Defunct	MWS	Defunct
1	Gangavathi	142	8	253	43
2	Koppal	102	1	159	3

Source: As furnished by PRED, Koppal

It could be observed from the table above that out of 412 mini water supply schemes, 46 were defunct due to non-availability/depletion in ground water level.

(a) Planning

Long term perspective plan for coverage of rural population for providing safe drinking water in the district ought to be prepared by adopting scientific management of ground water resource data. However, it was noticed that a long term perspective plan for coverage of rural population of the Koppal district has not been prepared.

(b) Finance

Details of funds available and expenditure incurred for water supply schemes under Rajiv Gandhi Sub-mission projects in Koppal district were as shown in Table 2.19 below:

Table 2.19: Details of funds available and expenditure incurred

Year	Funds available*	Expenditure	Unspent Balance
2006-07	7.98	6.60	1.38
2007-08	27.02	11.18	15.84
2008-09	59.71	40.25	19.46
2009-10	40.92	17.93	22.99
2010-11	67.29	16.36	50.93

Source: As furnished by PRED, Koppal * includes opening balance

It was observed from the table above that a significant sum of ₹50.93 crore was pending utilisation as of March 2011. This was due to slow progress in work owing to land acquisition issues, change in scope of work etc. Inadequacies in implementation of the water supply schemes are discussed in the succeeding paragraphs.

Delay in execution of water supply projects deprived the rural population of safe drinking water

(c) Programme implementation

(i) Under Rajiv Gandhi Sub-Mission Scheme, the PRED, Koppal took up 14 water supply projects costing ₹168.30 crore to provide safe drinking water during the period from 2006-07 to 2009-10 covering 240 water quality affected habitations. Of these, four works were test checked and the irregularities noticed in two works costing ₹8.58 crore are detailed in **Table 2.20** below:

Table 2.20: Details of test-checked water supply projects

Name of the Work	Administrative Approval/ Technical Sanction	Estimated Cost/Revised Cost/Tendered amount (₹ in crore)	Date of Work order/Stipulated date of completion	Reasons for delay	Audit findings
Kanakagiri and nine other villages	27.08.2008/ 15.10.2008	5.98/8.16/8.49	06.02.2009/ 21.01.2010	Change of site for intake well was necessitated due to drawal of water for two schemes from the same source. The land was not acquired for construction of impounding reservoir and water treatment plant (WTP). Non-obtaining of permission to draw water from Tungabhadra Dam Canal before commencement of work.	The planning for the intake well for water supply scheme was improper as this was not noticed during the survey conducted by private consultants while preparing preliminary scheme report and detailed engineering study report. The EE, PRED did not acquire the required land before commencement of work as per codal provisions. Permission to draw water was obtained from EE, Tungabhadra Canal Division only during August 2011 which was more than 18 months from the stipulated date of completion.
Mangalore and two other villages	25.10.2007/ 27.03.2008	2.60/---/2.93	16.07.2008/ 17.09.2009	Due to delay in handing over of site to the contractor by nine months and also due to leakages in pure water raising main pipe line.	The EE, PRED failed to provide the mark out for jack well, intake well, balancing tank, pure water reservoir to the contractor before commencement of the work. The CE/EE did not ensure provision of adequate diameter of pipes for the pipeline of pure water raising main while according technical sanction, which necessitated replacement of pipes due to leakages on pumping pressure and also provision of additional intermediary service sump.

Source: Progress reports of PRED, Koppal

Thus, failure to monitor timely progress of drinking water supply works by CE, PRE Department and EE, PRED led to abnormal delay in completion, depriving the population of the basic facility of safe drinking water. Besides, the possibility of cost escalation for these projects could not be ruled out.

(ii) Wasteful expenditure on procurement of Field Kits

The CE, PRED, Bangalore placed (August 2008) supply order for 5,628 water quality testing field kits at a cost of ₹1.33 crore²⁴ for supply to 38 PREDs of Karnataka State. Accordingly, the firm supplied (December 2008) 134 water quality testing field kits to the PRE Division, Koppal worth ₹3.17 lakh. The EE, PRED, Koppal distributed (January 2009) the kits to the EOs of four TPS²⁵ for onward distribution to the GPs.

²⁴ ₹2,368 each

²⁵ Gangavathi, Koppal, Kushtagi and Yelburga

As per the guidelines of the supplier, the Water Quality Testing Field Kits had to be utilised within one year from the date of its manufacture, since the shelf life of the reagents provided in the kits was for a year only.

However, the water testing lab attached to PRED, Koppal stated (November 2011) that no such tests were conducted by them and no GP had approached for such kind of water test. The Secretaries of test-checked GPs also did not furnish any proof for having utilised these kits for water quality testing. Hence, it is evident that the water quality testing field kits supplied to the GPs were kept idle thereby resulting in wasteful expenditure of ₹3.17 lakh, and the objective of water quality testing was also not achieved.

2.1.10 Internal control mechanism

Effective internal control system helps to provide reasonable assurance of adherence to laws, rules, regulations and orders, safeguards against fraud, abuse and mismanagement and ensures reliable financial and management information to higher authorities. The control activities include documentation, system of authorisation and approval of payments, segregation of duties, reconciliation and verification, inspection and audit, review of operating performance and monitoring.

(a) As per provisions of ZP and TP (Finance and Accounts) Rules, 1996, the ZPs/TPs have to prepare monthly accounts by the 20th of the following month and submit them in the first meeting of the ZP/TP held after the 20th, for scrutiny. The test-checked TPs did not prepare monthly accounts on time and the accounts were in arrears for over a year.

According to provisions of the GPs (Budgeting and Accounting) Rules, 2006, the GPs have to prepare monthly accounts for submission to the planning and development standing committee for internal audit. In test-checked GPs, the monthly accounts were not prepared and the State Government had entrusted the work of preparation of annual accounts of GPs to Chartered Accountants (CAs). However, the CAs could not prepare as many as 56 annual accounts for the last five years due to failure of GPs to produce/complete updation of records as of September 2011.

(b) The GPs are required to maintain, *inter alia*, cash book, asset register, stock registers and measurement books. However, in all the four test-checked GPs of Koppal and Kushtagi taluks, these registers were not maintained. None of the test-checked GPs prepared bank reconciliation statements nor maintained asset register for keeping records of properties created under various social and rural development programmes. As a result, the total assets of these GPs could not be ascertained.

(c) Internal Audit

**Internal
Audit was
absent**

The CAOs of ZPs are required to conduct internal audit of all the institutions coming under their control. However, no audits were conducted during the period 2009-11 in Koppal. It was stated that since there was only one Accounts Superintendent against the sanctioned strength of four, internal audit could not be carried out. The CAO of ZP, Tumkur did not furnish the details of internal audit conducted under his jurisdiction.

(d) Social Audit

Social Audit is a process in which people verify the developmental activities through the public platform and enforce accountability and transparency. This aspect of public vigilance and social audit is achieved through formation of vigilance and monitoring committees and social audit committees. However, in the test-checked TPs, it was noticed that though vigilance and monitoring committees were formed, no training was imparted to the members. The detailed reports of Social Audit stated to have been conducted were also not produced to Audit.

2.1.11 Audit arrangements in PRIs**(I) External audit**

**External
audit was
deficient**

(a) State Accounts Department (SAD) is the statutory external auditor for GPs. Its duty, *inter-alia*, is to certify correctness of accounts, assess internal control system and report cases of loss, theft and fraud to audited entities and to the State Government. At the district level, the Assistant Controller (AC), Local Audit Circle (LAC) is responsible for audit planning and its implementation. It was observed that the SAD neither framed any auditing standards nor prepared audit manual to regulate audit functioning.

(b) There is no system of risk analysis of auditee units for inclusion in audit plan on priority or otherwise. The AC, LAC, Koppal replied (November 2011) that special audits are being proposed in GPs.

(c) There is shortage of staff in the office of the AC, LAC, Koppal. As against the requirement of six Auditors and one Accounts Superintendent for audit of PRIs in Koppal, only four Auditors are available since 2008, affecting audit effectiveness.

AC prescribed (November 1998) four to six mandays for audit of a GP. Due to shortage of staff, only two Auditors conducted audit of a GP for two days. AC conducted audit of only 17 to 78 *per cent* of GPs each year (2008-11) due to non-production of records. Shortfall in coverage and in manpower for Audit obviously resulted in irregularities in utilisation of funds as stated in earlier paragraphs.

(d) There is no time limit prescribed for the Auditor to submit the audit notes to the AC after conduct of audit of GPs. Out of 23 GPs audited during 2010-11, 10 audit notes are yet to be issued by the AC (September 2011). Scrutiny of audit notes of GPs issued for the years 2006-07 to 2009-10 revealed that the audit objections mostly pertained to non-realisation of taxes and amounts held under objection were due to non production of vouchers/records, indicating Audit ineffectiveness.

(e) As of March 2011, 6,980 audit Inspection Reports paragraphs were pending settlement in the office of the AC, Koppal. In most of the cases, the AC had not received replies from the auditee units (October 2011).

2.1.12 Conclusion

A review of rural social sector audit of Tumkur and Koppal districts revealed that the district planning was without a vision for the sectoral development of the district. Operational controls in implementation of rural social sector

schemes were inadequate as evidenced from misappropriation of scheme funds, payment of wages on fictitious nominal muster rolls, increase in maternal mortality rate, lack of infrastructure facilities in elementary schools and health care units, abnormal delay in completion of water supply projects, *etc.* Internal control mechanism was ineffective due to absence of internal audits, non-production of social audit reports, non-preparation of monthly and annual reports of PRIs, *etc.*

2.1.13 Recommendations

- DPC needs to prepare vision document to have a strategy for sectoral development in the districts.
- Stringent action has to be initiated against the authorities responsible for misappropriation of funds under MGNREGS.
- Health infrastructure and school infrastructure facilities including manpower must be provided on priority to ensure improvement in healthcare and educational facilities in rural areas.
- Departmental Officers should be made accountable for any deviations to the detailed project reports of water supply schemes causing abnormal delay in execution.

SECTION 'B' – THEMATIC AUDIT

2.2 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme

2.2.1 Introduction

2.2.1.1 Mahatma Gandhi National Rural Employment Guarantee Scheme-MGNREGS (Scheme) is the flagship programme of the Government of India (GOI) that directly touches the lives of the poor and attempts to enhance the livelihood security on a sustained basis by developing the economic and social infrastructure in rural areas. The most significant feature of the Scheme is that it vests the country's rural communities with rights to demand employment and binds the Government to honour and fulfill the demand within a time frame.

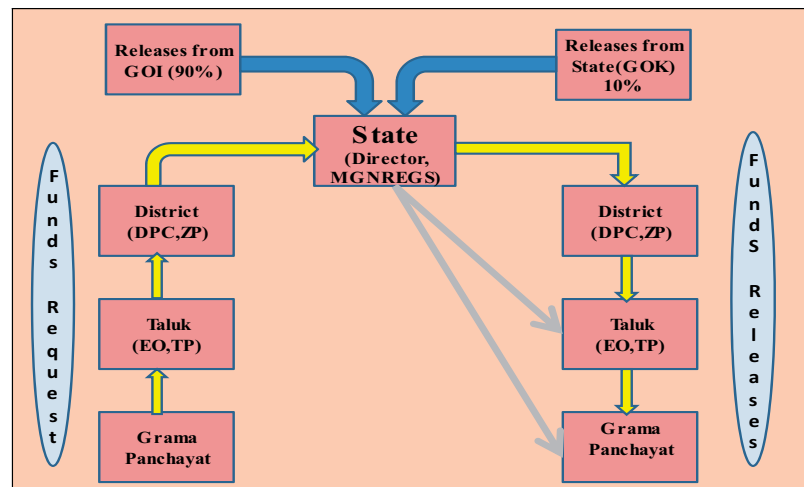
2.2.1.2 Consequent to GOI guidelines, the State Government notified the Karnataka Rural Employment Guarantee Scheme (KREGS) during February 2007. The KREGS envisaged provision of 100 days of guaranteed employment to every registered household whose adult members volunteer to do unskilled manual labour. The objectives of the Scheme, *inter-alia*, include-

- providing wage employment opportunities;
- creating sustainable rural livelihood through regeneration of the natural resource base *i.e.*, augmenting productivity and supporting creation of durable assets; and
- strengthening rural governance through decentralisation and process of transparency and accountability.

The Scheme is being implemented in the State as a Centrally Sponsored Scheme with sharing of funds between the GOI and State Government in the ratio of 90:10.

The fund flow in respect of the Scheme is as given in **Chart 2.1** below:

Chart 2.1: Fund flow under the Scheme in Karnataka



2.2.2 Organisational structure

Level	Authority responsible for implementation of the Scheme	Functions and responsibilities
State level	State Employment Guarantee Council ²⁶	Advising the State Government regarding implementation of the Scheme, determining the preferred works, reviewing the monitoring and redressal mechanism from time to time and preparation of annual report to be laid before the State Legislature
	State Programme Coordinator (Principal Secretary, Rural Development and Panchayat Raj Department (RDPR))	Overall supervision and monitoring of implementation of the Scheme in the State and to empanel reputed agencies to carry out impact assessment of the Scheme
District level	Zilla Panchayat (ZP)	Principal authority for planning and review of implementation of the Scheme, approving District/Taluk Rural Employment Guarantee Scheme plans, finalising and approving block wise shelf of projects, executing its own proposals and proposals received from other line departments and overall supervision and monitoring of implementation
	District Programme Coordinator (Chief Executive Officer(CEO) of ZP)	To assist the ZP in discharging its functions, consolidation of plans prepared by TP for inclusion in shelf of projects, according approval and coordinating with and supervising the performance of Programme Officers, and conducting periodic inspection of works in progress
Taluk level	Taluk Panchayat (TP)	Planning at the taluk level and prioritising the works and monitoring the implementation
	Programme Officer (Executive Officer(EO) of Taluk Panchayat)	Scrutinising the proposals submitted by Grama Panchayats for technical feasibility, matching employment opportunities with the demand for work at the taluk level and ensuring (i) execution of works as scheduled, (ii) payment of wages to labourers engaged and (iii) social audits
Village level	Grama Panchayat (GP)	Planning of works, registering households, issuing job cards, allocating employment, implementation of the Scheme and conducting social audits

2.2.3 Irregularities observed in earlier Audit Report

2.2.3.1 A review of the Scheme was conducted earlier and findings were reported in the Audit Report of the Comptroller and Auditor General of India (Panchayat Raj Institutions) for the year ended 31 March 2007. The Committee on Panchayat Raj Institutions (PRIs) and Local Bodies (LBs) also discussed this performance review and the recommendations made (December 2011) in respect of these irregularities are indicated against each of these findings.

Persistent irregularities observed by Audit	Recommendations of the Committee
Non-preparation of district perspective plan	District perspective plan needs to be compulsorily prepared in order to avoid execution of works not included in the priority list of works
Job cards acknowledged by same persons	The Committee stressed the need for proper enumeration to avoid issue of job cards to ineligible persons/households

²⁶ comprise Hon'ble Minister for RDPR Department as Chairman, Development Commissioner as Vice-Chairman, 16 members from various Departments

Persistent irregularities observed by Audit	Recommendations of the Committee
Provision of employment of 100 days to households	The Committee insisted on maintenance of employment register by the implementing agencies in order to ensure provision of 100 days of employment to all the households who demanded employment
Delay in payment of wages	The Committee recommended that the payment to labourers should be made within 15 days of employment provided to achieve the objective of the Scheme
Execution of works not recommended by the Grama Sabha	The Committee warned the programme officers to include only the works that were recommended by the Grama Sabhas in the Action plans
Social Audit not conducted	The Committee recommended that the State Government should instruct the ZPs to necessarily conduct Social Audit once in six months

Audit observed that certain irregularities still persisted, indicating lack of corrective measures.

Audit findings

The findings of the theme-based audit conducted for the period 2008-09 to 2010-11 are discussed in the succeeding paragraphs.

2.2.4 Registration and employment eligibility

2.2.4.1 Non-conducting of survey and issue of job cards

The provisions of the Scheme guidelines provided for door-to-door survey by GPs to identify persons willing to register for employment. Though a survey of the households was done initially, it was not repeated every year. Therefore, there was no updation of the initial lists of willing persons.

2.2.4.2 As per the provisions of the Scheme guidelines, unit of entitlement under the Scheme should be the households and the GPs should issue job cards only to the registered households. It also stipulated that the job cards should be issued within a fortnight from the date of receipt of the applications for registration, after affixing photographs of applicants for identification and ensuring transparency. However, it was observed that in nine²⁷ GPs, 5,534 job cards were issued against 9,056 applications received and there were delays ranging up to 150 days in issue of job cards. Photographs were not affixed to the job cards in 10.03 lakh cases in test-checked ZPs during 2009-10.

In Aladageri GP of Hirekerur TP, 1,403 job cards were issued against 1,045 applications, resulting in excess issue of 358 job cards. Audit observed in test-checked cases that multiple job cards ranging from three to six were issued to and acknowledged by the same persons.

2.2.4.3 It was observed that the enumeration procedure was deficient as it included registration of households more than once which was evidenced by issue of 2.47 lakh job cards as against 2.42 lakh rural households in six²⁸ TPs

Deficiencies in issue of job cards and in enumeration were observed

²⁷ Aralikatti, Halaga, Kalledevaru, Kodachawad, Makari, Mohishet, Nandagad, Nerli and Tadas

²⁸ Hukeri and Khanapur in Belgaum ZP, Byadgi and Hirekerur in Haveri ZP, Kolar and Mulbagal in Kolar ZP

during the year 2009-10. Audit also observed that in five GPs²⁹ of Kolar ZP, the maximum wages payable during 2009-10 were ₹5.68 crore (calculated by assuming that all the registered households were provided employment for 100 days). Against this, an amount of ₹9.53 crore was paid in these GPs. This clearly indicates that excess payment has been made due to incorrect enumeration, which proves that the job cards were not meticulously analysed at appropriate levels. The possibility of misappropriation and fraudulent payment in such cases was high as detailed in *paragraph 2.2.6.4*.

2.2.4.4 Demand for employment

The physical progress under the Scheme during the period 2008-11 was as detailed in **Table 2.21** below:

Table 2.21: Physical progress under the Scheme during the years 2008-09 to 2010-11

(Figures in lakh)

State/ZPs	Households registered			Job cards issued			Employment demanded			Employment provided		
	08-09	09-10	10-11	08-09	09-10	10-11	08-09	09-10	10-11	08-09	09-10	10-11
In the State	62.11	53.57	51.82	61.15	53.01	51.63	7.33	36.25	24.14	7.01	35.35	22.25
Belgaum	5.97	5.31	5.33	5.93	5.30	5.32	0.70	3.54	2.54	0.68	3.49	2.48
Haveri	1.71	1.72	1.69	1.71	1.72	1.69	0.09	1.14	0.73	0.09	1.14	0.70
Kolar	2.65	1.97	1.96	2.61	1.95	1.94	0.20	2.26	1.03	0.19	2.16	0.88

Source: Management Information System (MIS) reports (www.nrega.nic.in)

Audit observed that demand for employment was low during 2008-09, surged in 2009-10 and considerably declined in 2010-11, evidencing significant variation in number of job seekers under the Scheme. The increase in 2009-10 was due to deficiencies in the enumeration procedure which led to issue of excess job cards as discussed in the preceding paragraph.

The State Government endorsed (April 2012) the reply of the CEO, ZP, Haveri, who stated that the demand for employment during 2009-10 and 2010-11 increased over 2008-09 due to IEC activities and accordingly employment was provided.

It could be observed that the households that reportedly demanded and were provided employment in Kolar ZP during the year 2009-10 were more than the households registered/job cards issued. This clearly indicated that there was incorrect reporting which facilitated fraudulent transactions, as discussed in *paragraph 2.2.6.4*.

2.2.5 Labour budget and financing the Scheme

2.2.5.1 Unrealistic labour budget

Labour budgets in three ZPs were unrealistic

The Scheme guidelines stipulated preparation of a five year perspective plan to facilitate development of the district. The main purpose of the perspective plan is to identify the type of works to be encouraged in the district and the potential linkages between these works and long term employment generation and sustainable development. Audit observed that while district perspective plan was prepared in Kolar, no district perspective plans were prepared in Belgaum and Haveri. The Scheme continues to be implemented with *ad-hoc* annual action plans which were prepared by the Secretaries of the GPs and approved by the EOs of the TPs.

²⁹ Hebbani, Hirehalli, Kappalamadagu, Mudavadi and Thoradevandahalli

The CEOs were required to prepare in the month of December every year a labour budget for the next financial year containing the details of anticipated demand for unskilled manual work in the district and plan for engagement of labourers in the works covered under the Scheme. The labour budget so prepared was to be based on a realistic estimate for the number and kind of works to be taken up. However, the labour budgets in the three ZPs were not realistic as evidenced by huge differences in employment generation *vis-à-vis* annual projections by the District Officers during 2009-11 as detailed in **Table 2.22** below:

Table 2.22: Statement showing mandays projected and generated during 2009-11

Year	Name of ZP	Mandays projected	Actual mandays generated	Percentage (-) shortfall/ excess (+)
2009-10	Belgaum	2,28,79,023	1,95,29,645	(-) 15
	Haveri	31,33,182	62,70,482	(+) 100
	Kolar	92,97,115	1,32,85,516	(+) 43
2010-11	Belgaum	3,02,92,526	1,41,84,818	(-) 53
	Haveri	58,41,363	38,03,278	(-) 35
	Kolar	1,18,07,554	40,79,433	(-) 65

Source: MIS reports (www.nrega.nic.in)

2.2.5.2 The details of funds released and expenditure incurred during the years 2008-09 to 2010-11 in the State and in Belgaum, Haveri and Kolar ZPs were as shown in **Table 2.23** below:

Table 2.23: Financial position under the Scheme during the period 2008-11
(₹ in crore)

Year	In the State				In three ZPs			
	OB*	Total releases	Total availability of funds	Expenditure	OB	Total releases	Total availability of funds	Expenditure
2008-09	210.87	440.55	651.42	357.87	36.30	10.70	47.00	39.63
2009-10	254.10	2,772.19	3,026.29	2,641.88	18.90	486.96	505.86	526.08
2010-11	421.25	1,927.87	2,349.12	2,081.30	37.88	358.93	396.81	445.50
Total		5,140.61	6,026.83	5,081.05		856.59	949.67	1,011.21

Source: Annual Reports of RDPR for the years 2008-09 to 2010-11

* No reasons were furnished for variation in opening balance of subsequent years.

It could be observed from the table above that there was a sharp increase in release of funds for the Scheme from the year 2009-10 onwards. Audit observed in the above three ZPs that the expenditure incurred during 2009-11 was more than the availability of funds. This could be on account of incorrect reporting of expenditure as per MIS even though the expenditure had not been incurred towards labour payments in five³⁰ GPs of Kolar ZP as discussed in **paragraph 2.2.6.6**.

2.2.5.3 Non-reconciliation in transfer of funds

The provisions of the Scheme guidelines stipulated that the CEOs of the ZPs should monitor all aspects of the Scheme implementation including flow of funds and the State Government should design a complete financial management system for the transfer and use of funds. It was, however, observed that flow of funds was not monitored properly and there were

³⁰ Hebbani, Mudavadi, Seethi, Soolur and Thoradevandahalli

discrepancies between the financial statements forwarded to higher authorities through MIS and audit reports submitted by Chartered Accountants (CA) in the three ZPs, as detailed in **Table 2.24** below:

Table 2.24: Statement showing details of funds received and utilised as per MIS reports and CA reports

(₹ in crore)

Year	Belgaum				Haveri				Kolar			
	Funds availability as per		Expenditure as per		Funds availability as per		Expenditure as per		Funds availability as per		Expenditure as per	
	CA	RDPR	CA	RDPR	CA	RDPR	CA	RDPR	CA	RDPR	CA	RDPR
2008-09	41.76	37.20	27.90	29.29	5.22	2.86	4.13	2.40	10.20	6.94	9.32	7.94
2009-10	285.85	272.37	265.51	279.66	15.02	96.74	14.42	98.58	135.48	136.75	134.08	147.84
2010-11	NA	248.66	NA	290.83	NA	85.91	NA	75.70	62.93	62.24	47.06	78.98

Source: RDPR Annual Reports and CA Reports NA: Not available

It was evident that the process of financial reporting and accounting lacked adequate scrutiny. Audit could not, therefore, assess the correctness of the financial position as reported by RDPR Department and CA. A review of the Scheme records and CA Reports for the year 2009-10 revealed that funds transferred online by the State Government did not tally with the funds finally accounted for by the CEOs of the above mentioned ZPs. This was due to non-receipt of on-line grants by the CEOs of the ZPs, leading to ₹40 lakh³¹ remaining un-reconciled.

In Hebbani GP, the difference in expenditure figures as per bank account and MIS report amounted to ₹75.13 lakh during the year 2009-10.

2.2.5.4 Irregularities in utilisation of Scheme funds

A unique feature of the Scheme is that allocation is not predetermined and the funds are released to the districts as per the labour budget and requirement of funds based on demand for works. Also, the provisions of Scheme guidelines prohibit the utilisation of Scheme funds for other purposes under any circumstances. It was, however, observed that there were irregularities in utilisation of Scheme funds as discussed in the succeeding paragraphs.

- **Unauthorised administrative expenses**

The Scheme guidelines provide for incurring of administrative expenses on items contingent to administration and monitoring of the Scheme. In contravention, the CEO of the ZP, Belgaum incurred (2009-10) ₹49.10 lakh on providing capital assets to the ZP office building such as air conditioners, furniture, refrigerators and water purifiers, etc., which were not directly related to administration/monitoring of the Scheme.

- **Non-transparency in procurement**

As per Karnataka Transparency in Public Procurements Act 1999, purchases exceeding ₹ one lakh should be made on tender basis. It was, however, observed in four³² TPs that computers, name boards, seedlings, etc. amounting

³¹ Belgaum - ₹38 lakh and Haveri - ₹ two lakh

³² Byadgi - ₹4.20 lakh, Hirekerur - ₹2.52 lakh, Hukeri - ₹65.89 lakh and Khanapur - ₹49.20 lakh

to ₹1.22 crore were procured during 2009-11 without calling for tenders, resulting in denial of the benefits of competitive rates.

- ***Irregular investment of scheme funds in fixed deposits***

The provisions of the Scheme guidelines stipulated that the Scheme funds should be kept in savings account. It was observed that the CEO of the ZP, Belgaum invested ₹49 crore out of the Scheme funds in fixed deposits during the year 2007-08 and 2008-09 for a short term of 46 days.

- ***Doubtful payments to suppliers***

On a scrutiny of records in Mudavadi GP, it was observed that a sum of ₹1.07 crore was shown as expenditure incurred during the year 2009-10 towards cement, size stone, sand boulders, etc. issued to works such as desilting and construction of drains, check dams, etc. Audit could not ensure the genuineness of materials issued or utilised as there was no stock and issue register. Further, none of the above works have been completed in accordance with the approved estimates except earth work excavation and clearance of jungle.

As per the guidelines, the President of the GP has to conduct physical verification of all the works executed under the Scheme. However, there were no attestations of the GP President for having verified the works. Further, the engineer-in-charge of works had shown dereliction in performance of his duties as the entries in measurement books were made without check measuring the works.

The Secretary of the GP replied (September 2011) that the Junior Engineer neither visited the work spot nor provided completion reports. Payments were made without ensuring receipt of Nominal Muster Rolls (NMRs) or completion of work. Audit was therefore unable to verify whether payments had actually been made to the suppliers and whether materials had actually been received.

- ***Execution of inadmissible works***

The provisions of Scheme guidelines, while listing out permissible works under the Scheme, stipulated that cement concrete roads should not be taken up under the Scheme. However, in violation of the Scheme guidelines, a sum of ₹1.43 crore was incurred towards execution of 91 cement concrete road works in five GPs and one TP. Also, a sum of ₹32.11 lakh was spent towards inadmissible works such as construction of compound walls in burial grounds, ranga mandira, etc., in three GPs³³.

- ***Execution of works not recommended by Grama Sabha***

As per the Scheme guidelines, each GP should prepare an action plan for the next financial year based on the recommendations of the Grama Sabha and forward it to the CEO of ZP through the EO of TP for consolidation and approval. The participation of the likely beneficiaries was to be ensured in Grama Sabha and works prioritised by Grama Sabha were to be taken up. It was, however, noticed in three TPs³⁴ that check dam and afforestation works

³³ Hospet, Mudavadi and Thoradevandahalli

³⁴ Byadgi, Hukeri and Khanapur

amounting to ₹3.04 crore were executed through line departments without discussion in the respective Grama Sabhas, defeating the objective of empowerment at grass root level.

- ***Non -maintenance of plantations***

As per the provisions of Forest Manual, the plantations raised were required to be maintained for a period of three years for their upkeep and survival. Scrutiny of records in Belgaum and Haveri ZPs revealed that provision for maintenance of plantations was not sought and follow-up actions regarding their maintenance or details of survival/mortality rate were not kept on record. In the absence of these, the fruitfulness of expenditure of ₹6.12 crore incurred during 2007-10 towards block plantations in 3,027 hectares and road side plantations in 1,469 kms was not ascertainable in Audit.

- ***Non-adherence to the prescribed norms***

In order to ensure that adequate investments under the Scheme are channelised towards labour intensive programmes, such as water conservation, plantation, etc., the guidelines stipulated that road works could be taken up as a last priority but not exceeding 10 per cent of the value of all the works. However, it was observed in Belgaum, Haveri and Kolar ZPs that out of the total expenditure of ₹845.19 crore incurred on works during the years 2009-11, a sum of ₹148.89 crore (18 per cent) was incurred on 14,597 works under rural connectivity. Thus, it was evident that the CEOs of ZPs failed to adhere to the prescribed norms as per the guidelines. The State Programme Coordinator who was responsible for overall supervision also did not prevent deviations from the prescribed norms.

2.2.6 Wage payment management

2.2.6.1 Non-maintenance of Employment Demand Register

All registered job card holders were entitled to employment on demand within 15 days of such demand. For this purpose, the GP Secretary was required to accept applications for work from wage seekers and maintain an Employment Demand Register in Form-7 to list all such applications. It was, however, observed that none of the GPs of Belgaum, Haveri and Kolar ZPs maintained such registers. As a result, Audit could not check whether employment was provided in time to all those who had volunteered to do unskilled and manual work under the Scheme.

2.2.6.2 Unrealistic period of employment

As per the provisions of the Scheme, a period of employment should ordinarily be at least 14 days continuously with not more than six days in a week. However, it was seen that in two³⁵ GPs of Kolar TP, the labourers were engaged continuously for 28 days to 81 days on different works which not only contravened the guidelines but was also unrealistic. The details are given in **Table 2.25** below:

³⁵ Seethi and Soolur

Table 2.25: Statement showing the period of employment

Name of the GP	Name of the work/work code	Period of employment	Number of labourers	Number of days without a break
Soolur	Digging of trenches in the “a” and “b” blocks in the forest area of Antaragange	01.01.2010 to 22.03.2010	94	81 days
		21.02.2011 to 22.03.2011	91	30 days
Seethi	OP/44047	01.10.2009 to 20.11.2009	60	51 days
	RC/99451907	01.01.2010 to 15.02.2010	60	46 days
	IC/9996702	01.01.2010 to 15.02.2010	60	46 days
	RC/999785	01.09.2009 to 28.09.2009	60	28 days

Source: NMRs

Moreover, it was observed that a sum of ₹11.78 lakh paid as wage component in Soolur GP had become wasteful due to casing of mud on the trenches without executing plantation works.

2.2.6.3 Provision of 100 days of employment

The primary objective of the Scheme was to enhance livelihood security by providing 100 days of wage employment, on demand, in a financial year to each of the registered households. It was, however, observed that out of 6.79 lakh households employed during 2009 - 10 in Belgaum, Haveri and Kolar ZPs, 100 days of employment was provided only to 0.71 lakh households (11 per cent).

2.2.6.4 Misappropriation of Scheme funds

Scheme funds of ₹61.63 lakh were misappropriated. Instances of delay, excess and irregular payment of wages were observed

The Scheme guidelines stipulated that wages should be paid through Banks or Post Offices so that the payment agencies were different from the implementing agencies. Further, to avoid use of a large number of cheques, a pay order or wage credit advice should be generated in favour of a group of labourers as per the NMR, and addressed to the Branch Manager of the Bank/Post Office for crediting the amount shown against each labourer to his account. The guidelines also stipulated that details of wages paid through the Banks/Post Office network should be made public to maintain transparency.

Scrutiny of records in ten³⁶ GPs showed that the Presidents and the Secretaries of these GPs misused the said provision of generating wage credit advices and issued credit advices to Banks/Post offices indicating the bank accounts of unauthorised persons and not the eligible beneficiaries as per the NMRs. This resulted in diversion of ₹61.63 lakh of Scheme funds to the bank accounts of unauthorised persons. Possibility of nexus between the unauthorised persons and the implementing officers cannot be ruled out.

In Hebbani GP, bank accounts of four such unauthorised persons were repeated in several wage credit advices issued to Bank and wages amounting to ₹3.88 lakh were credited to these four accounts during 2009-10. These accounts were credited with a minimum of ₹0.87 lakh to maximum of ₹1.16 lakh which were more than 10-14 times of the wages

³⁶ Emmenatha, Gudipalli, Hebbani, Thoradevadahalli (Kolar ZP); Hospet, Kodachawad, Mavanur, Nandagad, Nerli (Belgaum ZP) and Karadikoppa (Dharwad ZP)

any labourer could have earned annually under the Scheme. Contrarily, in the same GP, it was observed that in the wage credit advice, the bank account numbers of 19 eligible beneficiaries were not mentioned against their names. As a result, the bank could not credit the wages of ₹0.61 lakh to the actual beneficiaries.

Audit also noticed that two banks³⁷ of Nakkundi and Mehkar GPs were unable to credit wages of ₹6.57 lakh to the beneficiary accounts due to incorrect credit advice/non-indication of bank accounts in the advices provided by the Secretaries of these two GPs. An amount of ₹2.24 lakh only was recredited to the Scheme account and details for the balance amount of ₹4.33 lakh were not provided. Further, there were no records to indicate that payment of wages was made subsequently to the labourers.

Scrutiny further revealed that the following control omission/lapses also facilitated misappropriation of Scheme funds:

- Details of wages paid through Banks/Post office network were not made public;
- The mandatory forms prescribed under the Scheme guidelines were either not maintained or were incomplete. As a result, the authenticity of labourers employed as per NMRs could not be verified;
- Acknowledgements of the labourers were not obtained in many of the NMRs test-checked. Instances of overwriting, erasures, blanks, smudges, etc., in NMRs were noticed;
- The EO, TP, Kolar leaked the password provided for uploading MIS to persons other than the PRI officials, resulting in feeding of incorrect data by unauthorised persons;
- Persons employed for work as per MIS data were more in number than the population of all the nine³⁸GPs of Belgaum and Kolar ZPs which indicated deficiency in survey for registration. Also, systemic deficiencies such as non-undertaking of the annual updating exercise of registration by GPs and non-affixing of photographs in job cards hampered the identification of genuine beneficiaries as mentioned in *paragraphs 2.2.4.1 and 2.2.4.2* respectively;
- Payments were made to labourers even though the NMRs maintained for such works were without the initials of the Officer responsible to verify attendance;
- Signatures of the beneficiaries differed from the names mentioned in the NMRs.
- Social Audit was not conducted ;

³⁷ Krishna Grameena Bank, Mehkar-₹4.33 lakh and Pragathi Grameena Bank, Nakkundi-₹2.24 lakh

³⁸ Emmenatha, Gudipalli, Hebbani, Thoradevandahalli (Kolar ZP); Hospet, Kodachawad, Mavanur, Nandagad, Nerli (Belgaum ZP)

- **Reconciliation of expenditure figures as per bank pass books and Cash Books of the Scheme was not done in these nine GPs;**
- **The EOs of TPs, Mulbagal and Kolar did not inspect all the Scheme works though the Scheme guidelines envisaged 100 per cent inspection of works. They also failed to analyse the data as submitted by GPs and ensure the receipt of entitlements by eligible beneficiaries; and**
- **The CEO of ZP, Kolar failed to initiate necessary action even though the MIS reports exhibited significant variation in employment demanded/provided as compared to the households registered/job cards issued.**

Thus, the failure of control procedures and lack of supervisory control by the EOs of TPs and the CEOs of ZPs resulted in diversion of Scheme funds amounting to ₹61.63 lakh to unauthorised persons.

2.2.6.5 Delay in payment of wages

As per the Scheme guidelines, payment of wages to the labourers should not be delayed under any circumstances and, in the event of any delay, workers are entitled to compensation as per the provisions of the Payment of Wages Act, 1936. However, it was seen that there were delays in payment of wages of ₹4.43 crore in 25 GPs³⁹ ranging from 11 to 280 days. Thus, the labourers were deprived of their timely wages, defeating the objective of livelihood security to the rural households.

2.2.6.6 Pending payment of wages to the labourers

In 14 GPs⁴⁰, it was observed that a total amount of ₹7.44 crore was still pending to be paid as wages to the labourers who were employed during the years 2009-10 and 2010-11. Thus, the labourers were deprived of their timely wages, defeating the objective of livelihood security to the rural households.

2.2.6.7 Wage-Material ratio not maintained

The guidelines stipulate that while executing works, expenditure on wage and material components has to be maintained in the ratio of 60:40 at all levels. However, it was observed in 15 GPs⁴¹ that the ratio of wage and material component was 47:53. The expenditure incurred on material component during 2009-11 was ₹5.87 crore against the admissible amount of ₹4.39 crore, resulting in excess expenditure of ₹1.48 crore on material besides denial of 1.48 lakh mandays of wage employment to the rural labourers.

Materials such as cement, steel, granite slabs, etc., procured (December 2009) for ₹7.93 lakh in two GPs⁴² were yet to be utilised (October 2011) indicating

³⁹ Eklura, Mirkhal, Yerandi (Bidar ZP), Belalu, Kollamogru, Mithabagilu (Dakshina Kannada ZP), Bhootaldinni, Ramatnal, Salagunda (Raichur ZP), Belavi, Halaga, Kodachawad, Mohishet, Nandagad, (Belgaum ZP), Aladageri, Aralikatti, Hirehalli, Kalladevaru, Makari, Sudambi, Tadas Yattinahalli MK, (Haveri ZP) Mudavadi, Seethi, Soolur (Kolar ZP)

⁴⁰ Anabi, Bijangera, Devargonal, Hebbani, Hesarughatta, Hodebeernalli, Hoogyam, Maladkal, Maniknagar, Mudavadi, Nakkundi, Seethi, Soolur and Thoradevandahalli

⁴¹ Anneswara, Bidaraguppe, Chikkajaala, Doddathoguru, Haragadde, Hasiruvalli, Hesarughatta, Jalige, Kannamangala, Lakkondahalli, Nalluru, Nelavagilu, Singanaayakanahalli, Sonnappanahalli, and Sulibele

⁴² Kannamangala- ₹5.58 lakh and Nalluru- ₹2.35 lakh

procurement of materials without immediate requirement and locking up of funds for almost two years. Besides, it was not clear whether these materials were fit to be used after a lapse of two years.

Audit also noticed that vouchers for payment made towards material procurements for ₹1.37 crore were not kept on record in nine⁴³ GPs for the years 2009-11.

2.2.7 Monitoring and evaluation

2.2.7.1 The Scheme guidelines envisaged verification and quality audit by external monitors at district level. The CEO of the ZP was to identify District Quality Monitors (DQMs) with the approval of the State Government. It was observed that the CEOs of test- checked ZPs have not designated/identified the DQMs at district level.

The guidelines also stipulated 100 *per cent* inspection of works taken up under the Scheme by the EOs at taluk level and 10 *per cent* by the CEOs at district level.

The CEOs of Belgaum and Haveri ZPs reportedly carried out verification of only 3,361 works (3.47 *per cent*) out of 96,788 works executed during 2009-11. The EOs of Byadgi and Khanapur TPs inspected 75 and 78 *per cent* of works respectively, whereas the EO of TP, Hirekerur did not inspect any of the 3,105 works carried out during 2009-11. However, none of the CEOs/EOs produced any documentary evidence including inspection notes to Audit, with the result that the contention of having inspected the works could not be confirmed.

The EOs of TPs were responsible for ensuring that Vigilance and Monitoring Committees (VMCs) were constituted to monitor the progress and quality of work while in progress. However, VMCs did not exist in 13 GPs⁴⁴. In other GPs, where the committees were constituted, there was no documentary evidence to prove that the committee had performed its prescribed role.

2.2.7.2 Grievance Redressal Mechanism

The State Government had issued (March 2009) notifications appointing the Secretary of GP, the EO of TP, and the CEO of ZP as Grievance Redressal Officers (GROs) at village, taluk and district levels, respectively. The EO of TP is accountable for the compliance and strict enforcement of the MGNREG Act and Rules at GP/TP level. It was also stipulated that complaint boxes should be installed at conspicuous places in the offices of GROs to facilitate submission of complaints. It was, however, observed that none of the test-checked GPs had installed complaint boxes.

2.2.7.3 Social Audit

An innovative feature of the Scheme was that it provided a pivotal role to Social Audit, a public assembly where all the details of the Scheme were to be scrutinised as a means of continuous public vigilance. The EOs were required

⁴³ Airasang, Anaji, Dadgi, Eklura, Hasiruvalli, Kalapur, Madkatti, Mehkar and Vishwanathapura

⁴⁴ Aladageri, Aralikatti, Belavi, Halaga, Hirehalli, Hospet, Kalledevaru, Kodachawad, Makari, Mavanur, Mohishet, Sudambi and Tadas

to convene the Social Audit at the Grama Sabhas. It was, however, seen that Social Audit of the Scheme has not been conducted in Hukeri and Khanapur TPs, indicating absence of public vigilance and accountability. In Hirekerur and Byadgi TPs, Social Audit was conducted during the year 2010-11 only and follow up action on the reports is yet to be initiated (December 2011).

2.2.8 Conclusion

The theme-based review of implementation of the Scheme revealed that lapses and irregularities such as non-preparation of district perspective plan, execution of works not recommended by Grama Sabhas, non-conducting of Social Audit, *etc.*, reported by Audit in earlier Audit Report (PRIs) – 2007 still persisted. Deficiencies in enumeration procedure, unrealistic labour budgets, irregularities in utilisation of funds and non-maintenance of mandatory control registers facilitated misappropriation of Scheme funds. Instances of delay in payment of wages, irregular payments and failure to provide 100 days of employment to majority of the households defeated the spirit of the Scheme. Monitoring of the Scheme was inadequate.

2.2.9 Recommendations

- Surveys need to be conducted periodically to identify and encourage unskilled labourers to avail of the benefits of the Scheme.
- Validation of Management Information System at all levels should be ensured to avoid incorrect reporting.
- Stringent action needs to be taken on the serious issue of payment of wages to persons other than the Scheme beneficiaries.
- The State Government should release funds only after ensuring conduct of Social Audit periodically and obtaining a satisfactory report on implementation of the Scheme.

**RURAL DEVELOPMENT AND PANCHAYAT RAJ
DEPARTMENT
AND
EDUCATION DEPARTMENT**

2.3 Supply of bicycles to school students

2.3.1 Introduction

There are 72,875 schools in the State, of which 26,302 are lower primary schools, 33,126 are higher primary schools and 13,447 are high schools. In 2006-07, the State Government introduced the Scheme of providing bicycles to girl students from below poverty line households, studying in VIII standard in Government and aided schools. This facility was extended to boys from 2007-08. The main objective of the Scheme was to motivate students to continue their schooling beyond elementary level, improve attendance and learning in classrooms and reduce the dropout rate by combating transportation constraints. Nodal officers for assessment, procurement, distribution and monitoring the Scheme of providing bicycles are Commissioner of Public Instruction (CPI), Deputy Directors of Public Instruction (DDPIs) and Block Education Officers (BEOs) at State, district and taluk levels, respectively. The Headmasters of the schools are to ensure the usage of bicycles by the students. During 2006-11, a sum of ₹475.75 crore was released, of which ₹474.36 crore was spent for purchase of bicycles.

Test-check of records of CPI, three DDPIs⁴⁵, six BEOs⁴⁶ and 36 schools (Appendix 2.2) revealed the following:

2.3.2 Avoidable extra expenditure on purchase of bicycles

The CPI, Bangalore invited (September 2010) tender for supply of 5.92 lakh bicycles by publishing in three national dailies and two local newspapers. In response to the tender notification, four companies⁴⁷ quoted a uniform rate of ₹2,750 and ₹2,795 per bicycle for boys and girls respectively. After negotiation, these companies agreed (October 2010) to supply bicycles for both boys and girls at a rate of ₹2,657 per unit. The State Government rejected the proposal (November 2010) and decided to invite fresh tenders for two academic years (2010-11 and 2011-12) to obtain competitive rates. Accordingly, e-tenders were invited (February 2011) but the fact of e-tendering was published only in those newspapers where earlier tender was invited. As a result, again only the same four companies, who had formed a cartel, participated in the retender and quoted a uniform rate of ₹2,880 and ₹2,970 correspondingly for supply of bicycles to boys and girls. On negotiation (March 2011), the companies agreed to reduce the price per unit to ₹2,768 (boys) and ₹2,858 (girls). The CPI recommended the matter to the High Level Committee (HLC) for re-negotiation as the price reduction was not

⁴⁵ DDPIs – Bagalkot, Hassan and Udupi

⁴⁶ Bagalkot, Belur, Hassan, Hungund, Kundapura and Udupi

⁴⁷ M/s. T I Cycles of India, Chennai, M/s. Avon Cycles Ltd., Ludhiana, M/s. Hero Cycles Ltd., Ludhiana and M/s. Atlas Cycles (Haryana) Ltd., Madhya Pradesh

substantial. On negotiation by the HLC with the four companies, the unit price was agreed to be reduced to ₹2,750 and ₹2,775 for supply of bicycles to boys and girls, respectively. The State Government accorded approval (May 2011) for purchase of 11,27,376⁴⁸ bicycles for the years 2010-11 and 2011-12 for a sum of ₹311.42 crore and supply order was placed (May 2011). Audit observed the following:

Extra expenditure of ₹5.90 crore due to tender cancellation

(a) The tender (September 2010) for purchase of bicycles was cancelled (January 2011) before expiry of the validity period of 120 days and fresh tenders were invited (February 2011). The CPI, Bangalore could have increased the quantity within the validity period of offer. Further, the Department did not provide wider publicity for the retender notification but again published in the same newspapers due to which competitive rates were not obtained as desired. This resulted in extra expenditure of ₹5.90 crore on the purchase of bicycles for the year 2010-11 as detailed in **Table 2.26** below:

Table 2.26: Details of extra expenditure on cancellation of tender

(Amount in ₹)

Category	Requirement of bicycles for 2010-11	Negotiated rate as per original tender	Total amount as per original tender	Rate accepted on re-tender	Amount paid for the year 2010-11	Extra expenditure
Boys	2,82,371	2,657	75,02,59,747	2,750	77,65,20,250	2,62,60,503
Girls	2,77,217	2,657	73,65,65,569	2,775	76,92,77,175	3,27,11,606
Total	5,59,588		148,68,25,316		154,57,97,425	5,89,72,109

Source: As furnished by CPI, Bangalore

The CPI, Bangalore stated (September 2011) that retendering was done to procure bicycles for two years (2010-11 and 2011-12) for all regions. He added that the Finance Department had also concurred so as to generate maximum competition since these companies had formed a cartel. The reply is not tenable as retendering was done within the validity period and the intention of the Department to procure bicycles for two years could have been conveyed to the tenderers for obtaining competitive rates.

(b) The supply of bicycles had to be completed within 90 days (August 2011) as per the supply order (May 2011). However, only 10.77 lakh bicycles were supplied as of June 2012 out of 11.27 lakh bicycles, defeating the very objective of the Scheme.

2.3.3 Purchase of bicycles in excess of requirement

The CPI, Bangalore instructed (November 2009) that purchase of bicycles should be assessed according to actual requirement for the years 2006-09 without resulting in any surplus/deficit buying. However, it was observed that

⁴⁸ Boys-5,70,216; Girls-5,57,160

bicycles were in excess at the end of each year from 2006-07 to 2009-10 as detailed in **Table 2.27** below:

Table 2.27: Details of bicycles procured

Academic Year	Opening balance	Purchases during the year	Total	Distribution during the year	Number of bicycles undistributed	Value of undistributed bicycles* (Figures in ₹)
2006-07	-	4,20,323	4,20,323	4,08,321	12,002	2,43,64,060
2007-08	12,002	4,35,000	4,47,002	4,43,961	3,041	62,34,050
2008-09	3,041	6,66,222	6,69,263	6,33,884	35,379	8,48,03,463
2009-10	35,379	5,32,392	5,67,771	5,60,165	7,606	1,81,78,340

Source: As furnished by CPI, Bangalore

*2006-07 @ ₹2,030; 2007-08 @ ₹2,050; 2008-09 @ ₹2,397; 2009-10 @ ₹2,390 per bicycle

It is observed that 7,606 bicycles remained undistributed at the end of 2009-10. The indents were placed based on the information furnished by the District Information System for Education (DISE) to CPI, Bangalore, in a routine manner. This indicated that the purchases were effected without proper survey/assessment. Further, the condition and quality of excess bicycles stored till they are distributed to the eligible students in the next academic year could not be ensured in audit.

2.3.4 Assessment of usage

On joint inspection of 36 schools by Audit and BEOs in the test-checked districts to ascertain the usage of bicycles by X standard students who were issued bicycles in VIII standard (2008-09), it was observed that only 862 bicycles were used as against 2,827 bicycles issued indicating poor usage at an average of 30 *per cent* as detailed in **Table 2.28** below. In three schools the cycles were not used at all.

Table 2.28: Statement showing details of bicycles issued and used by the students

ZPs test-checked	Number of schools	Number of bicycles issued	Number of bicycles used	Percentage of usage
Bagalkot	16	1,093	610	56
Hassan	8	698	101	14
Udupi	12	1,036	151	15
Total	36	2,827	862	30

Source: Joint inspection reports.

The reasons attributed by the Headmasters of the schools for poor usage were that the bicycles were of substandard quality and that the road conditions were bad, necessitating constant repairs of the bicycles. Penalty was levied in 2008-09 against the suppliers due to supply of substandard bicycles. However, no details about penalties imposed for the years 2009-10 and 2010-11 were furnished. In aided schools, it was stated that the students were not using the bicycles supplied as they possessed their own. Limited usage by students of aided schools indicates failure in identifying the genuine beneficiaries under the Scheme.

The State Government endorsed (April 2012) the reply of the CEO, ZP, Udupi, who stated that due to severe rains and bad roads in rural areas coupled

with the parents not insisting on the usage of bicycles, the students were not using their bicycles. Subsequently, after the parents were advised in this regard during the parents meetings, more students have started attending schools on their bicycles.

Thus, the decision of the State Government to cancel the tender for procurement of bicycles in 2010-11 not only resulted in extra expenditure of ₹5.90 crore but also deprived the students of the use of bicycles during the academic year.