CHAPTER III – RESULTS OF AUDIT

SECTION 'A' – PERFORMANCE AUDIT

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

3.1 Upgradation of rural roads under Namma Grama Namma Raste Yojane

Executive summary

With a view to giving priority and funds for improvement of rural roads, the State Government launched (October 2009) a Scheme, *Namma Grama Namma Raste Yojane*, for improvement of 10,000 kilometres (km) of rural roads in a phased manner. A performance audit of the Scheme covering the period 2010-15 was conducted between May and November 2015.

It was observed during audit that the objective of the Scheme of upgrading 10,000 km of rural roads by the end of March 2014 was not achieved owing to various deficiencies in planning, ineffective monitoring and operational deficiencies. Against the targeted length of 9,406.47 km for Phases I and II, only 5,725.09 km (61 *per cent*) of roads had been upgraded by March 2014.

The Programme Implementation Units did not maintain the updated status of connectivity and condition of roads under their jurisdiction. As a result, selection of road works was flawed and there were instances of selecting works which were not as per the priority list and taking up of works which did not conform to the prescribed provisions. There were deficiencies in detailed project reports, rendering many of them unreliable and unrealistic. This led to preparation of inflated estimates and consequential avoidable expenditure and higher costs of construction. Lack of coordination among various agencies implementing the road works in rural areas resulted in frequent changes to works and abandonment. The system of award of work was inadequate as there were cases of invitation of tenders without technical sanctions, acceptance of single tenders, delays in finalisation of tenders, and failure to ensure mandatory insurance of works. Execution of works was deficient as instances of substantial time overruns, abandonment of works, non-recovery of liquidated damages, non-maintenance of electronic measurement books, *etc.*, were noticed.

The three-tier quality control mechanism was not adequately operationalised and monitoring was ineffective, leading to execution of works in violation of the standard design and specifications prescribed in the Rural Roads Manual. Many of the road works completed under the Scheme for which huge investments were made, were not maintained properly, thereby not achieving the objective of providing good quality all-weather roads in the designated rural areas.

3.1.1 Introduction

Rural road connectivity and its sustained availability is a key component of rural development as it assures continuing access to economic and social services and is important for economic and developmental activities including employment opportunities.

Acknowledging the need and significance of rural roads, the State Government launched (October 2009) the *Namma Grama Namma Raste Yojane*[6] (NGNRY), for improvement of 10,000 kilometres (km) of rural roads in a phased manner.

The salient features of NGNRY were as under:

- A total of 50 km (20 km in Phase I and 30 km in Phase II) of roads to be upgraded in each of the 189 rural assembly constituencies. Phase I was to be completed during 2010-12 and Phase II during 2012-14. The cost for upgradation of one km was ₹28 lakh, as per Schedule of Rates (SR) of 2009-10, which was revised to ₹42.14 lakh during 2012-13 based on the SR of 2012-13.
- First priority was to be accorded to roads connecting habitations with population between 500 and 1,000. Habitations with a population below 500 were to be covered subsequently.
- Scheme would be implemented through the Karnataka Rural Road Development Agency (KRRDA) and the guidelines of the Pradhan Mantri Gram Sadak Yojana (PMGSY) would be followed.
- Scheme was to be 100 *per cent* funded by the State Government.
- Works were to be grouped in packages of appropriate size (₹10 to 15 crore) and tenders were to be invited through e-tendering with a view to maintain quality and transparency.
- Contractors were required to maintain the road for a period of five years after the completion of work.

The State Government accorded administrative approval for improvement of 3,678.35 km of roads under Phase I (October 2010) and 5,728.12 km of roads under Phase II (November 2012). The administrative approval for Phase III was accorded in March 2015 for improving another 20 km of rural roads in 189 constituencies (total 3,855 km), which included improvement of eight km of roads in areas predominantly inhabited by Scheduled Castes and Scheduled Tribes.

3.1.2 Organisational structure

The Rural Development and Panchayat Raj (RDPR) Department was the nodal department for the implementation of NGNRY. The State Level Standing Committee (SLSC) headed by the Chief Secretary and comprising Secretaries of RDPR, Transport, Finance, Forest and Environment, *etc*., and State Technical Agencies (STAs) as members, was to oversee the implementation of the Scheme. **Chart 3.1** depicts the role of various authorities in planning, execution and monitoring of NGNRY.

[6] Our Village Our Road Scheme

Chart 3.1: Organisational structure of NGNRY

State Level Standing Committee
Approves project proposals and reviews the progress of implementation

Rural Development and Panchayat Raj Department
Nodal department, allocates and releases funds to the nodal agency and supervises overall implementation

Karnataka Rural Road Development Agency
Nodal agency responsible for implementation of the Scheme, consolidates project proposals, releases funds to programme implementation units and reports the progress of implementation to the nodal department

State Quality Coordinator
Responsible for functioning of Quality Management System and follow up action on the reports of Quality Monitors

Programme Implementation Units
Prepare project proposals and implement road works

Finance Controller
Responsible for maintenance of accounts and auditing

3.1.3 Audit objectives

The objectives of the performance audit were to ascertain whether:

- appropriate planning and institutional mechanism were in place to implement the upgradation of rural roads during Phase I and Phase II of the Scheme;
- identification of rural road for upgradation was done after following prescribed procedure and necessary exercise as per norms, rules and criteria; and
- the objective of upgradation of rural roads was achieved as a result of the implementation of the Scheme.

3.1.4 Audit criteria

The main sources of audit criteria for the performance audit were:

- PMGSY guidelines (2004) and Operations Manual (2005);
- Orders and instructions issued by the State Government for implementation of the Scheme;
- Rural Roads Manual and Indian Roads Congress (IRC) specifications;
- Karnataka Transparency in Public Procurements (KTPP) Act, 1999, and KTPP Rules, 2000; and
- Karnataka Public Works Departmental (KPWD) and Accounts Code.

3.1.5 Audit scope and methodology

The performance audit of NGNRY covering the period 2010-15 was conducted (May-November 2015) through test-check of records at RDPR Department, KRRDA, and eight[7] out of 29 Programme Implementation Units (PIUs) in the State. The PIUs were selected by adopting 'probability proportional to size without replacement' method, with expenditure as size measure.

Audit selected 38 packages (455 roads) out of 113 packages (1,119 roads) in the eight PIUs for detailed scrutiny and conducted Joint Physical Verification (JPV) of 119 out of 455 roads in selected packages (detailed in **Appendices 3.1** and **3.2**).

The Entry Conference was held on 16 April 2015 to discuss the audit objectives and methodology of the performance audit with the Additional Chief Secretary to Government, RDPR Department (ACS). The Exit Conference was held with the ACS on 22 January 2016.

Acknowledgement

Audit acknowledges the cooperation extended by the officials of the State Government, the RDPR Department, the KRRDA and PIUs in conducting the performance audit.

Audit findings

The audit findings arising out of the performance audit have been discussed in succeeding paragraphs.

3.1.6 Planning

The District Rural Road Plan (DRRP) is a compendium of the existing and proposed road network in a district which clearly identifies the proposed roads for connecting the unconnected habitations in an economic and efficient way. A Core Network (CNW) is to be extracted out of DRRP to identify the roads required to ensure that each eligible habitation has access (single all-weather road connectivity) to essential social and economic services. The roads for upgradation would be selected on the basis of road condition survey of the CNW which would establish a Pavement Condition Index (PCI) on a rating scale[8] of 1 to 5. After the road condition survey is completed, the PIUs would prepare a Comprehensive Upgradation Priority List (CUPL) and propose the works on the basis of priority accorded. The roads to be included in CUPL would be through routes or a main rural link which is already a part of CNW. Sealed surface all-weather roads with PCI more than 2 and sealed surface all-weather roads which are less than 10 years old (even if the PCI is less than 2) would not be taken up for upgradation. It was, however, seen during audit that

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[7] Belagavi, Bengaluru Rural, Davanagere, Kalaburagi, Karwar, Koppal, Mandya and Shivamogga

[8] 1-very poor; 2-poor; 3-fair; 4-good and 5-very good

the procedures prescribed for selection of road works were not followed. Instances of deficiencies in planning and selection of works have been discussed below:

3.1.6.1 Selection of roads not forming part of DRRP and CNW

As per PMGSY guidelines which had to be followed for NGNRY also, road works should not be taken up unless they form part of the CNW that is carved out of the DRRP. The Government modified this condition while according administrative approval for Phase II works and stipulated (November 2012) that roads selected for upgradation should be at least in DRRP if not available in CNW, as some of the rural assembly constituencies were not having sufficient number of rural roads fulfilling the objective criteria.

It was seen in test-checked PIUs that 47 works involving length of 145.20 km and expenditure of ₹46.00 crore were taken up in Phase I which did not form part of the CNW. Similarly, seven works (length-14.65 km and expenditure-₹3.59 crore) were taken up in Phase II though these were not included in the DRRP.

The selection/execution of works not included in the CNW/DRRP contravened the stipulated provisions. As a result, the expenditure of ₹49.59 crore incurred on these 54 works was irregular.

The State Government replied (February 2016) that certain road works proposed by the elected representatives in Phase I were not from the approved CUPL, but were in the DRRP and all the road works proposed in Phase II were from DRRP.

The reply was not acceptable as Phase I works should have been from CNW. Further, the scrutiny of records showed that seven road works taken up in Phase II were not from the DRRP.

3.1.6.2 Selection of roads not appearing in the CUPL

Paragraph 6.11 of PMGSY guidelines stipulates that the order of priority and the CUPL will be the twin basis for making proposals for selection of works. Where road works of a higher order of priority were still remaining to be taken up, road works of a lower order of priority should not be taken up in the same district.

It was observed that out of 1,119 road works taken up for upgradation in the test-checked PIUs, an expenditure of ₹532.24 crore was incurred on 673 works (60 *per cent*) which were not traced to the CUPL of respective districts. Further, 355 works having PCI value of 1 (very bad roads) were not taken up, evidencing that the order of priority was not followed in the test-checked PIUs. Selection of works not included in the CUPL and ignoring the order of priority not only contravened the guidelines but also deprived upgradation to most eligible habitations.

The State Government replied (February 2016) that majority of works selected were from CUPL only, however, some of the originally selected works had been left out as the Members of the Legislative Assembly (MLAs) concerned had proposed alternate works subsequently, some road works were executed by other line departments and issues like forest department clearance and non-availability of land had come in the way of a few works. The reply was not convincing as it was the duty of the Government to take precautions about all such factors as per guidelines. Moreover, the other eligible roads in the approved CUPL were not considered and the guidelines were not followed.

3.1.6.3 Deficiencies in preparation of CUPL

None of the test-checked PIUs had maintained the road history register and PCI register. The details of the road condition survey were also not on record. In view of the above, Audit could not ascertain the correctness of PCI values indicated in the CUPL.

It was also observed in the test-checked PIUs that 15 works were included in the CUPL and taken up (2010-15) for execution though they were constructed during last 10 years (design life of the road) and hence, these were not eligible under NGNRY. An expenditure of ₹6.36 crore (length-29.11 km) was incurred on these works.

The State Government replied (February 2016) that road history register was required to be maintained by the Panchayat Raj Engineering Divisions (PREDs) and PCI values were updated regularly in online monitoring and management system of PMGSY and Grama Patha software.

The reply was not acceptable as PCI registers were not produced to Audit by the test-checked PIUs and details of roads should have been obtained from PREDs and kept on record before considering roads for upgradation.

3.1.6.4 Delays in according administrative approval

The PIUs made a CUPL for 50 km of roads in each of the 189 rural assembly constituencies and forwarded (December 2009) it to KRRDA after consulting the MLAs concerned. A consolidated CUPL of 8,782 km of roads was finalised (March 2010) by KRRDA and forwarded to RDPR for administrative approval.

The stipulated time for completion for Phase I involving 3,678.35 km (1,391 roads) and for Phase II entailing 5,728.12 km (2,196 roads) was 2010-12 and 2012-14 respectively with overall completion of the entire project by four years. Audit observed that after finalising the list of eligible roads, there were delays of 6 months and 31 months in according administrative approvals for Phase I (October 2010) and Phase II (November 2012) respectively.

The State Government accepted the audit observations and stated (February 2016) that the approval from Planning department, Finance department and Cabinet were mandatory before getting the administrative approval which entailed substantial time. The reply was not acceptable as the

Finance department and Cabinet had already given approval for implementation of the Scheme under Phase I and Phase II during October 2009 and September 2010 respectively.

3.1.6.5 Selection of ineligible habitations

As per PMGSY guidelines, an unconnected habitation is the one with a population of designated size and located at a distance of at least 500 metres (m) or more (1.5 km of path distance in case of hills) from an all-weather road or a connected habitation.

In contravention to these provisions, the test-checked PIUs had selected 15 road works connecting habitations located at a distance of less than 500 m from an all-weather road. Consequently, the expenditure of ₹1.46 crore incurred on execution of these works (length-6.04 km) was ineligible.

The State Government replied (February 2016) that Government Orders dated 20.11.2012 and 24.01.2013 had provided for relaxation from PMGSY guidelines in selection of roads.

The reply was not acceptable as the relaxation in the above Government Orders was not given for executing road works within 500 m from all-weather roads.

3.1.6.6 Road works in habitations with population exceeding 1,000

As per Government's instructions (October 2009), priority should be accorded to upgrade roads in habitations where the population is between 500 and 1,000. The roads connecting habitations with population below 500 were to be taken up subsequently. Thus, the roads connecting habitations with population above 1,000 were not eligible for upgradation under NGNRY.

It was, however, seen that 258 road works connecting the habitations with population above 1,000 were selected and executed in the test-checked PIUs after incurring an expenditure of ₹263.52 crore, which was irregular.

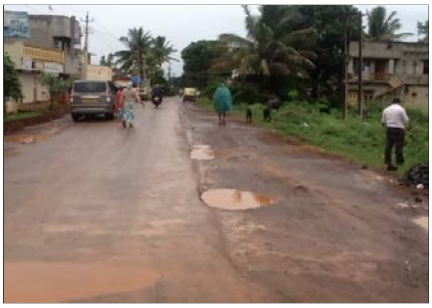
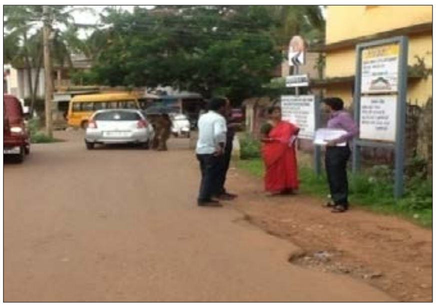
The State Government replied (February 2016) that as per PMGSY guidelines, second priority may be given for ensuring all weather road connectivity to unconnected habitations of population between 500 to 1,000. Thus, according priority for habitations with population of 1,000 and above under NGNRY should not be construed as deviation.

The reply was not acceptable as all the habitations with population above 1,000 were covered under PMGSY and hence priority should have been given to complete all habitations where the population was between 500 and 1,000.

3.1.6.7 Selection of major district roads and roads in urban agglomeration

The Scheme was meant for upgradation of rural roads only. It was seen that three road works, namely, Lingadheeramallasandra to L-075 (Package No. KS-02-01 in Bengaluru Rural), Murlapur to T-09 (Package No. KS-20-02 in Koppal) and Gonal to Kawadimatti (Package No. KS-30-01 in Kalaburagi) executed for a length of 12.25 km under NGNRY were part of Major District Roads (MDRs). An expenditure of ₹3.93 crore was incurred on these works.

Similarly, two roads, namely, Kangrali to SH (Package No. KS-04-15 in Belagavi) and Bendekan to L-084 (Package No. KS-27-01 in Karwar) executed for a length of 3.63 km (expenditure-₹1.05 crore) were within the urban agglomeration. Photographs taken during JPV of these roads have been shown below:

	
Kangrali to SH in Belagavi (19.06.15)	**Bendekan to L-084 in Karwar (07.07.15)**

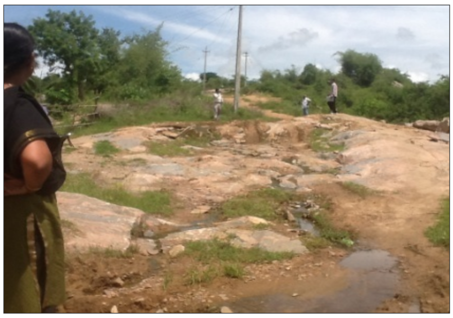
Thus, these roads were not eligible for selection under NGNRY. As such, the expenditure of ₹4.98 crore on execution of these roads was not correct.

The State Government replied (February 2016) that the roads were only village roads and not the MDRs. The reply was not acceptable as the records indicated that the roads were part of MDRs. Further, during JPV, both the PIUs (Belagavi and Karwar) had accepted that these roads were part of urban agglomeration.

3.1.6.8 Wrong inclusion of new road works

The NGNRY had envisaged only upgradation of rural roads. If a habitation was already connected by way of an all-weather road, then no work was to be taken up under the NGNRY for that habitation.

It was, however, observed that out of 119 road works selected for JPV, 27 works in test-checked PIUs actually related to new connectivity. Out of these, 20 works were completed after incurring an expenditure of ₹26.97 crore; seven were ongoing (expenditure incurred-₹4.20 crore). An expenditure of ₹31.17 crore incurred on new connectivity works was inadmissible under NGNRY. Photographs of two such works are shown below:

	
Ramadevaradurganadoddi in Ramanagara (10.08.15)	**Nathpainagar in Belagavi (18.06.15)**

It was also observed that ₹35.06 crore was incurred on 35[9] road works for providing connectivity to habitations which were already connected by way of an all-weather road.

The State Government replied (February 2016) that all the eligible habitations had been covered under connectivity and the question of new connectivity did not arise. It was also stated that as per the PMGSY guidelines, the upgradation of existing gravel/Water Bound Macadam (WBM) roads were not to be construed as new connectivity.

The reply was factually incorrect as there were 2,745 unconnected habitations as evident from the 'Comprehensive Development Plan of rural roads in Karnataka' of KRRDA (July 2009). Further, the JPV of roads in the test-checked PIUs showed that new connectivity works were taken up on cart/mud roads which were not eligible for upgradation under the Scheme.

3.1.7 Detailed Project Reports

3.1.7.1 Deficiencies in Detailed Project Reports

As per the Operations Manual, each rural road project should have a separate DPR. The DPR should be based on detailed survey and investigations, design and technology choice, and should be of such detail that the quantities and costs are accurate and no cost overrun takes place due to change in the scope of work or quantities at the time of execution. The PIUs were required to conduct a Transect Walk[10] prior to preparation of DPRs to determine the most suitable alignment, sort out issues of land availability (including forest land), moderate any adverse social and environmental impact and elicit necessary community participation.

Following deficiencies were observed in DPRs prepared for NGNRY in the test-checked PIUs:

- Detailed survey and investigations of the existing pavement proposed for upgradation were not carried out, leading to selection of wrong pavement design.

- Certificates (prescribed formats F-1 to F-9), estimates and design of geometrics were not signed by the competent authority. Further, certificates in Form 9-B to the effect that Assistant Engineer (AE)/Executive Engineer (EE) had checked the required percentage of DPRs at site and were satisfied with the content and quality, were blank. In the absence of this, Audit could not ascertain whether the nodal agency had exercised prescribed controls.

[9] Belagavi-three works (₹2.60 crore); Bengaluru Rural-five works (₹5.17 crore); Davanagere-seven works (₹9.12 crore); Kalaburagi-five works (₹6.35 crore); Karwar-four works (₹2.41 crore); Koppal-two works (₹2.07 crore); Mandya-eight works (₹6.36 crore) and Shivamogga-one work (₹0.98 crore)

[10] A simple and non-formal walk along the suggested alignment by PIU with the communities

- Details such as habitations benefited and cost-benefit analysis indicating how the upgradation of the proposed road would improve the quality of life of the population of beneficiary habitations by providing access to market centres, social and service centres such as education, health institutions, *etc.*, were not indicated.

- Transect walk was not carried out as prescribed in the Operations Manual leading to abandoning of works and delay in implementation of the Scheme.

- Traffic census was not carried out during peak harvesting season and also did not indicate the number of Commercial Vehicle Per Day (CVPD). Hence, the correctness of the cumulative Equivalent Standard Axle Load (ESAL) derived and subsequent determination of pavement design as per IRC:SP 72-2007 was not ascertainable. The accuracy of computation of cumulative ESAL was essential to arrive at the appropriate crust thickness and design pavement.

The State Government replied (February 2016) that DPRs were prepared based on the detailed survey conducted during reconnaissance and field data collection. It also ensured that hard copies of DPRs were signed by all the competent authorities before sanctioning DPRs. However, some transect walks did not include all the concerned parties and also in some cases of transect walks, the minutes of the walks were not documented in the DPRs. It was stated that instructions were issued to PIUs to document the transect walk, as prescribed, in future. Further, it was stated that due to time constraints, traffic census was not done during peak harvesting seasons.

It was also stated that AEs and EEs had conducted required checks at site, but did not record the same in Form-9B and this information was furnished in Form-9A.

The reply of the Government is not acceptable as there were no documentary evidence produced during audit in support of the required checks having been carried out by the AE/EE.

3.1.7.2 Empanelment of consultants for preparation of DPRs

KRRDA had invited tenders (October 2009) for empanelment of consultants for preparation of DPRs. Out of 31 bids (₹18,000 to ₹39,290) received, the Tender Scrutiny Committee recommended (April 2010) 29 consultants for empanelment. Twenty six consultants were offered the rate of ₹20,000 per km; one consultant was offered ₹18,500 and two consultants were offered ₹18,000 per km (excluding service tax).

The lowest rate of ₹18,000 was not offered to the other bidders on the contention that the lowest (L1) bidder was having own laboratories. Non-offering of L-1 rate to all the consultants was against the prescribed procedure and resulted in extra expenditure of ₹24.26 lakh in the test-checked PIUs.

The State Government stated (February 2016) that higher rates were paid to consultants having more experience. The reply, however, was not acceptable as it was against the codal requirements.

3.1.7.3 Wasteful expenditure on preparation of DPRs

It was observed from the work-wise progress reports that 87 works in eight test-checked PIUs with estimated cost of ₹62.82 crore had not commenced and the reasons attributed were non-availability of required land, road work already executed by other agencies, *etc*. This resulted in wasteful expenditure of ₹33.31 lakh[11] towards preparation of DPRs for these works.

3.1.7.4 Inflated estimates

Paragraph 5.10 of the Operations Manual provided detailed instructions for pavement crust design. PIUs were required to consider the thickness of the existing pavement and quality of the sub-base and base materials while determining the pavement thickness required for upgradation.

It was, however, observed that none of the test-checked PIUs had considered the existing surface type, the year of last periodic renewal, the PCI and Average Annual Daily Traffic (AADT) while preparing the estimates. As a result, 129 (78 *per cent*) out of 166 estimates for upgradation of roads in six test-checked PIUs were provided with all the items of new construction, irrespective of the type of existing surface such as worn out bituminous surface, WBM layer, *etc*. This led to preparation of inflated estimates and avoidable expenditure/higher cost of construction. Illustrative cases are detailed below:

- Belur to T-02 (Package No. KS-27-01 in Karwar): The estimate was prepared for upgradation of road for a length of four kms, including all the items of new construction. In spite of the fact that the road had been constructed earlier (September 2006) under PMGSY, the work was executed (January 2013) from the formation level under NGNRY after incurring an expenditure of ₹1.02 crore, which was avoidable.

- Veeranna Benavalli to T-04 (Package No. KS-24-02 in Shivamogga): The estimate provided for construction of road (5.04 km) from the formation level and the work was entrusted (May 2011) to a contractor at a cost of ₹1.54 crore. However, subsequent inspection (September 2011) by the Superintending Engineer (SE) pointed out that chainage 2.3 to 3.8 km was only partly worn out and accordingly, the work for this chainage was carried out for pothole filling and chip carpeting.

The State Government accepted the observations in respect of illustrative cases detailed above. The Government further replied (February 2016) that works taken up related to upgradation and based on IRC:SP 72-2007 duly

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[11] Belagavi-₹5.32 lakh (17 works); Bengaluru Rural-₹7.72 lakh (33 works); Davanagere-₹5.70 lakh (nine works); Kalaburagi-₹6.11 lakh (eight works); Karwar-₹0.16 lakh (one work); Koppal-₹4.88 lakh (nine works); Mandya-₹2.65 lakh (nine works) and Shivamogga-₹0.77 lakh (one work)

considering California Bearing Ratio (CBR[12]) and crust thickness. As the existing roads were narrower, provision for embankment for widening and achieving profile correction was to be considered. Wherever the existing road was Black Topped (BT)/WBM surface, suitable accommodation for existing material was made after ensuring suitability of materials.

The reply was not acceptable as according to Para 3.3 of IRC:SP 72-2007, while determining the pavement thickness required for upgradation, the pavement need not be reconstructed all over again and a design life of 10 years is recommended for purpose of pavement design. Further, as per SP 20 where the AADT of motorised vehicles is less than 100 per day, the scope for formation embankment is minimal as the road width can be restricted to 6.0 m.

3.1.8 Institutional mechanism

3.1.8.1 State Level Standing Committee

The SLSC was responsible for examining the CNW and CUPL, and clearing the annual proposals. The Committee, *inter alia*, was to review on quarterly basis the progress and quality of works, land width availability for roads, and forest/environmental clearance, *etc*.

Audit observed that against the stipulated 20 meetings, the SLSC had met only once (August 2013) during the period 2010-15. It was seen from the proceedings of the meeting that the SLSC had discussed only the physical progress under NGNRY. Thus, not holding the required number of SLSC meetings undermined the effective monitoring of implementation of NGNRY and could not give its valuable inputs in resolving the issues relating to dropped/abandoned works due to non-availability of land and forest clearance.

The State Government replied (February 2016) that action would be taken to hold SLSC meetings as per the guidelines.

Recommendation 1: The State Level Standing Committee should meet at regular intervals and ensure that the selection of works is as per the guidelines and the detailed project reports are complete in all respects.

3.1.8.2 Non-involvement of State Technical Agencies

As NGNRY was to be implemented on the lines of PMGSY, STAs were to provide outsourced technical support to PIUs. The STAs were to examine DRRP and CNW, check the CUPL and examine the DPRs prepared by PIUs.

It was, however, seen that none of the DPRs for Phase I and II works in the test-checked PIUs were examined by the STAs. As a result, PIUs could not get the requisite technical support and many of the DPRs prepared in these PIUs were defective, as detailed in *Paragraph 3.1.7*.

[12] CBR is a measure of resistance to direct penetration of any soil or granular material which is expressed as a percentage of the load carrying capacity of a standard crushed rock specimen determined by a penetration test.

The State Government replied (February 2016) that NGNRY Scheme was 100 *per cent* funded by State Government and did not envisage involvement of STAs. Hence, the question of non-involvement of STAs towards enhancing technical input for design and techno-economic innovation did not arise.

The reply was not acceptable as the NGNRY, though a State funded Scheme, was to be implemented on the same lines as the PMGSY guidelines. Moreover, STAs were involved in scrutiny of DPRs for Phase III works from March 2015.

3.1.8.3 Absence of coordination with other agencies executing road works

The DRRP, CNW and CUPL are common documents to be maintained for the district as a whole and should be adopted as basis for selection of roads by various implementing agencies *i.e.* PIUs, PRED, PWD, *etc*.

Audit observed that there was lack of coordination among these agencies as none of the test-checked PIUs had the data about execution of roads/stretches by other agencies. In the absence of this data, there were instances where roads under NGNRY were proposed even for the stretches executed by other agencies. This attributed to subsequent cancellation and change in scope of works.

The State Government accepted (February 2016) the audit observations and stated that the PIUs at district level would be informed to ensure coordination with other line departments while finalising the programme of works.

3.1.9 Financial and physical progress

The State Government released funds to the KRRDA out of the funds allocated for the development of rural roads and National Bank for Agriculture and Rural Development (NABARD) assistance, through RDPR Department as grants-in-aid. The KRRDA kept the funds in public sector banks, *viz.*, Syndicate bank, Corporation bank and Bank of Baroda. Funds were released to the PIUs as bank authorisations and no separate bank accounts were maintained at PIU level.

3.1.9.1 Progress of the Scheme

Phase I (3,678.35 km) was to be completed by 2012 and Phase II (5,728.12 km) by 2014. As against this, the physical progress of both the phases was 61 *per cent* and 84 *per cent* by end of March 2014 and 2015 (up to December 2014) respectively, as detailed in the **Table 3.1** below:

Table 3.1: Physical and financial progress of NGNRY in the State

Phase	Physical progress in km			Financial progress (₹ in crore)		
	Target	Achievement		Target	Achievement	
		As of March 2014	As of March 2015		As of March 2014	As of March 2015
Phase I	3,678.35	3,455.25	3,498.00	1,066.75	1,055.07	1,112.00
Phase II	5,728.12	2,269.84	4,380.00	2,466.69	956.03	1,535.00
Total	**9,406.47**	**5,725.09**	**7,878.00**	**3,533.44**	**2,011.10**	**2,647.00**

Source: Annual Reports of RDPR for 2013-14 and 2014-15

As of March 2015, physical and financial progress in eight test-checked PIUs was 85 *per cent* and 77 *per cent* respectively, as detailed in **Table 3.2** below:

Table 3.2: Physical and financial progress of NGNRY in test-checked PIUs (as of March 2015)

Phase	Physical progress in km		Financial progress (₹ in crore)	
	Target	Achievement	Target	Achievement
Phase I	1,155.54	1,080.55	331.22	324.89
Phase II	1,818.88	1,458.53	748.03	511.25
Total	**2,974.42**	**2,539.08**	**1,079.25**	**836.14**

Source: Information furnished by PIUs

3.1.9.2 Lapses in financial reporting

As per codal provisions, all financial transactions are to be recorded in the cash book as and when they occur and they should be reconciled with the treasury/bank every month. The accounts should be prepared depicting true and fair picture of the financial transactions and utilisation certificate should be submitted to Government.

Audit observed that the cash book was not maintained at KRRDA in respect of NGNRY for the years 2013-14 and 2014-15 and bank reconciliation was not carried out. Further, net transfer of ₹5.39 crore (₹8.87-₹3.48 crore) to PMGSY funds for preparation of DPRs was not disclosed in either the utilisation certificates or annual accounts for the years 2010-11 and 2011-12, resulting in short accountal of expenditure to that extent.

A sum of ₹69.63 lakh collected towards tender application fee kept in Syndicate Bank Account (No.04362140000064), Rajajinagar Branch, was not accounted for in the books of accounts of NGNRY.

The State Government replied (February 2016) that after the audit observation was made, the cash book has been updated.

3.1.9.3 Loss of interest

The KRRDA had entered into an agreement with the designated banks (Bank of Baroda and Corporation Bank) to have flexi deposit accounts which automatically transfer funds above ₹25 lakh to fixed deposit with a view to generate more interest in the funds lying unutilised. The interest rate applicable for the amount swept in would be the rate applicable for the period for which it was held in the short term deposit.

Test-check of flexi bank account (No. 10110300007588-Bank of Baroda) showed that an amount of ₹91.13 crore was transferred to the bank account on 07.04.2011, for which ₹1.15 crore had been credited as interest (@ 2 to 6.2 *per cent*) for the period from May to October 2011. However, the interest payable was worked out to ₹1.51 crore at the applicable rates of interest (4.5 to 6.5 *per cent*) for the same period. Thus, there was short credit of interest amounting to ₹0.36 crore.

The State Government replied (February 2016) that action would be taken to reconcile and claim the balance amount due from the bank.

Scheme implementation

3.1.10 Contract management

To observe transparency and economy in contract management and award of work, the PIUs and KRRDA were to follow the established procedure for tendering through competitive bidding. The procedural requirements were, however, not complied with while finalising the tenders, as detailed below:

3.1.10.1 Invitations of tenders prior to administrative/technical sanction

The Paragraph 8.1.1 of the Operations Manual stipulates that no tender shall be invited before obtaining administrative approval and technical sanction. Contrary to these provisions, tenders for 50[13] packages were invited by the KRRDA before obtaining technical sanction from competent authorities. Evidently, tenders were invited without ensuring technical scrutiny.

The State Government replied (February 2016) that though Notice Inviting Tenders (NITs) had been published in newspapers prior to obtaining administrative approval, these were uploaded in e-portal only after obtaining administrative approval followed by technical sanction. The reply was not acceptable as it contravened the provisions of the Operations Manual and the NITs had been published in newspapers before obtaining administrative approval.

3.1.10.2 Acceptance of single tenders and routine price negotiations

As per the guidelines issued (December 2002) by the State Government, fresh tenders are required to be invited when less than three tenders are received for a work. Further, these guidelines discourage conducting negotiations even with the lowest tenderer, in a routine manner, as it defeats the very purpose and ethics of doing competitive tendering. This was to reduce the possibility of tenderers jacking up the prices in the original tender and reducing the prices marginally during negotiation.

It was observed during audit in eight test-checked PIUs that single tenders were accepted in 80 (71 *per cent*) out of 113 packages, costing ₹897.69 crore. Further, instead of rejecting the single tenders for lack of competition, negotiations were conducted in a routine manner. This not only contravened the provisions of guidelines issued by the Government but the possibility of paying more than the real cost of the work could also not be ruled out.

The State Government replied (February 2016) that the KTPP Act provides that the tender acceptance committee can negotiate with the lowest tenderer in exceptional circumstances. However, the reply was silent about the reasons

[13] 18 packages in Belagavi, nine packages in Bengaluru Rural, 10 packages in Davanagere, eight packages in Karwar and five packages in Koppal

for accepting the single tenders instead of rejecting the same for lack of competition as stipulated in the guidelines issued by the State Government during December 2002.

3.1.10.3 Delay in completion of tendering process

As per paragraph 8.1.2 of the Operations Manual, all formalities relating to the issue of tender notice, finalisation of tender and award of works shall be completed within 71 days (120 days in case of re-tendering).

Audit, however, observed that there were delays ranging from 21 to 181 days in the tender process of road works in the test-checked PIUs.

The State Government replied (February 2016) that as per KTPP Rules, 2000, the minimum time prescribed for tender submission was 60 days for tenders in excess of Rupees Two crore and all other processes require additional time.

The reply was not acceptable as PMGSY guidelines were required to be followed as per Government orders for implementation of NGNRY. It was observed that the time frame fixed as per the Operations Manual had not been adhered to and also more time was taken for processing the tenders.

3.1.10.4 Violation of insurance clause

As per Paragraph 9.3.1 of the Operations Manual and Clause 13 of the Standard Bidding Document (SBD), the contractor was liable to provide insurance cover with effect from the date of start to the date of completion for the events which were due to contractor’s risk, such as damage or loss to work, equipment, personal injury or death, *etc*. The insurance policies and certificates (@ 0.1 *per cent* of the contract amount) were required to be delivered by the contractor to the engineer, for approval, before the date of their start.

Out of 113 selected packages in test-checked six PIUs, insurance cover was not provided for 50 packages. Three packages (KS-04-5A3, KS-04-05B1 and KS-04-05B2) in Belagavi PIU were dropped and remaining 60 packages were partially covered *i.e.* the insurance cover was not provided for the stipulated period. Failure of PIUs to ensure mandatory insurance of works not only contravened the contract conditions but it was also against the interest of the Government with regard to safety measures. This had also resulted in allowing undue benefits to the contractors to the extent of ₹48 lakh, worked out @ 0.1 *per cent* of contract amount of ₹480.08 crore in these packages.

The State Government replied (February 2016) that most of the works were covered under insurance. However action would be taken to get all the works insured under the NGNRY.

Recommendation 2: The Government may create an accountability framework to hold officials responsible for poor contract management.

3.1.11 Execution of works

3.1.11.1 Delay in completion of works

As per paragraph 13.1 of PMGSY guidelines, the road projects would be executed by PIUs and completed within a period of nine months from the date of issue of the work order. In case the period for execution is likely to be adversely affected by monsoon or other seasonal factors, the time period for execution may be suitably determined while approving the work programme but shall not exceed 12 calendar months in any case.

Audit observed that in the test-checked PIUs, 59 *per cent* of works (664 works out of total 1,119 works) were completed with delays ranging from 6 to 990 days. The reasons such as land disputes, change of works, shifting of utilities, heavy rains, closure of sand quarries, *etc*. were attributed for such delays.

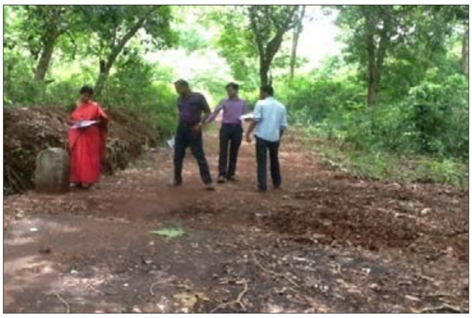
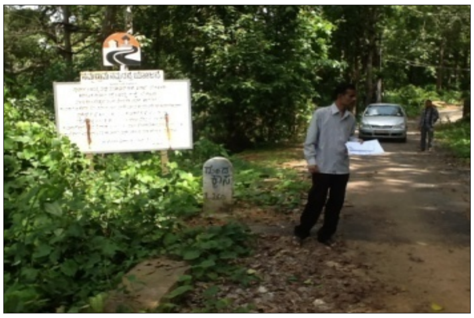
The State Government replied (February 2016) that though farmers had consented to give their land at the time of preparation of DPR, they were reluctant to do so at the time of execution of works. Legal issues had also emerged in the way of execution in terms of stay granted by the courts and some of the roads had posed issues of shifting of utilities.

The reply was not acceptable as the delay could have been avoided had the transect walk been done properly and created confidence among farmers to spare their land as the purpose of road connectivity was meant for their benefits and shifting of utilities was not a major issue in rural areas.

3.1.11.2 Violation of Environmental Laws

The Wild Life Protection Act, 1972 and Forest Conservation Act, 1980, prohibit formation of roads inside reserve forest area and wild life sanctuaries.

In contravention to these provisions, five[14] test-checked PIUs had executed 13 road works which involved improvement of 49.07 km of roads in forest areas. An expenditure of ₹12.67 crore was incurred on these works. Illustrative photographs taken during JPV of two such roads have been shown below:

	
Sampolli to T-04 in PIU, Karwar (07.07.2015)	**Mingeli to Gund in PIU, Karwar (05.07.2015)**

[14] Bengaluru Rural, Karwar, Koppal, Mandya and Shivamogga

The State Government replied (February 2016) that there was no case of violation of environmental laws as the roads in the forest area were tackled with due consent of the forest authorities.

The reply was not acceptable, as during JPV, it was observed that the 13 road works mentioned above were upgraded from the existing surface conditions though the forest authorities had given the consent with the condition that the road should be maintained/developed on 'as is where is' basis.

3.1.11.3 Unfruitful expenditure on abandoned works

Audit observed that a total of 11 works (tendered cost-₹14.90 crore) for upgrading 42.75 km of roads in six test-checked PIUs had been abandoned, after achieving financial progress of ₹12.20 crore (82 *per cent*) and physical progress of 34.43 km (81 *per cent*). Reasons attributable for these incomplete works were land disputes, objection from Forest department, *etc*.

Thus, the failure of PIUs to ensure completion of works had defeated the envisaged objective of providing better connectivity. This had rendered an expenditure of ₹12.20 crore as unfruitful. An illustration is given below to explain this observation.

Illustration 1

With an objective of providing an all-weather road to the border villages of Karnataka and Goa, a road work from Maingini to T-01 was proposed by PIU, Karwar for 9.50 km at an estimated cost of ₹2.74 crore (tendered cost-₹3.59 crore). The work, however, was foreclosed (March 2013) after achieving a physical progress of 6.65 km (70 *per cent*) and financial progress of ₹2.88 crore (80 *per cent*) due to objection from the Goa Forest department. It was observed during JPV (03.07.2015) that the entire road was passing through the dense forest area and had ended abruptly at a stream near Goa border. Thus, due to the abrupt end of road at Goa border, the expenditure of ₹2.88 crore had become wasteful.

The State Government replied (February 2016) that though the DPR had been prepared for a total length of 9.50 km, it had executed only 6.80 km in Karnataka jurisdiction benefitting five habitations in the border area since it had been realised that the DPR was prepared defectively and 2.70 km out of 9.50 km was found to be in Goa territory. The reply was not acceptable as it was noticed during JPV that there was only one habitation at chainage 2.50 km and beyond this the road was passing through the forest area.

Recommendation 3: The Programme Implementation Units may be advised to ensure availability of land and necessary clearances from forest and environment authorities before undertaking such projects.

3.1.11.4 Incorrect approval for execution of works through work slips

As per the codal provisions, the work slips are prepared when there is an excess over the sanctioned estimates, due to change in design or other cause, is beyond the authority (more than 125 *per cent*) of the Divisional Officer to pass finally, *i.e.*, work slips are prepared only for those items where the executed quantity exceeds 125 *per cent* of the estimated quantity.

The Audit observed that the 12 works in two[15] test-checked PIUs were executed without preparation of DPRs and the entire expenditure of ₹5.73 crore incurred on these works was met through work slips. It was further observed that these works had been awarded without calling tenders and were entrusted to the contractors who were executing other NGNRY works. An illustration is given below to explain this observation more clearly.

Illustration 2

A work from Kakkeri to Pradnya Ashram for a road length of 1.80 km (estimated cost - ₹81.86 lakh) in PIU, Belagavi (Package No. KS-04-19), was executed based on a work slip. The work had commenced on 15.12.2013 without preparation of DPR and even without obtaining administrative approval (31.01.2014) and technical sanction (18.02.2014). An amount of ₹81.63 lakh was incurred on this work. It was seen during JPV (19.06.2015) that there was no habitation on the stretch, except an Ashram at the end of the road. Therefore, the execution of this work on work slip involving an expenditure of ₹81.63 lakh was not justifiable.

The State Government replied (February 2016) that the work slips were prepared when the quantity had exceeded by 125 *per cent* and there was no need to prepare DPRs as they were part and parcel of bill of quantities (BOQ) and entrustment of the work to the original contractor was in order.

The reply was not acceptable as these 12 works were taken up on the basis of work slips and question of quantity exceeding 125 *per cent* did not arise.

3.1.11.5 Non-maintenance of electronic Measurement Books

The Government had prescribed (December 2009) procedures for maintenance of electronic Measurement Books (eMBs) in respect of works contracts valuing more than ₹25 lakh. Considering the importance of this document, the procedures, *inter alia*, had stipulated that final measurements after check measurement by AEE/EE should be recorded in non-rewritable Compact Discs (CDs) and that the CDs should be indexed and stored at the Divisional office.

It was, however, observed that none of the test-checked PIUs had kept a record of final measurements in non-rewritable CDs. Instead, the spread sheets (hard copy) of final measurements were attached with Running Account Bills concerned.

[15] Belagavi-eight works (₹4.19 crore) and Koppal-four works (₹1.54 crore)

The State Government replied (February 2016) that action would be taken to keep a record of final measurements in non-rewritable CDs.

3.1.11.6 Non-utilisation of retrievable metal

According to the Manual provisions about rural roads, the use of locally available material while taking up road works should be thoroughly and judiciously explored in the larger interest of economy. In this context, the metal retrievable from the existing scarified surface is reusable during the reconstruction of pavement.

It was observed in 13 selected packages (Phase I) of eight PIUs that chainages having worn out BT/WBM surfaces were identified for upgradation. However, the quantity of metal retrievable after scarifying[16] these surfaces was not considered and deducted from the quantity of WBM required for Grade III metalling, as was done for Phase II works. This resulted in excess requirement of metal to the extent of 30,340 cubic metre (cum) and consequential extra expenditure to the tune of ₹2.99 crore[17] (worked out by Audit considering that 75 *per cent* of the metal retrieved was reusable).

The State Government replied (February 2016) that at the time of preparation of DPRs, it was planned to use the available existing metal from the existing worn out BT and suitable tests through trial pits were conducted to ensure both quality and quantity of existing metal, granular sub-base (GSB) and binding material. In cases, where quality was found to be suitable, the existing material had been considered in the design. It was further stated that details would be obtained from PIUs and suitable reply would be furnished.

The reply was not acceptable as it was observed that quantity of retrievable metal was not considered in any of the road works in test-checked PIUs in Phase I works and these were also not supported by appropriate test reports.

3.1.11.7 Excess expenditure on embankment works

The embankment works were to be carried out with approved materials deposited at site from roadway cutting and excavation from drains. The quantity of soil to be brought from outside (borrow pits) was to be limited to the quantity of soil required in excess of the deposited soil. For this purpose, the detailed measurement and quantity statement had been worked out in the approved DPR estimate.

Audit test-checked the records of eight PIUs and found that in 24 packages, though 6,71,011 cum soil was available from unlined surface drain and roadway cutting, only 5,48,736 cum was utilised. Non-utilisation of balance quantity of 1,22,275 cum was not supported by sufficient justification,

[16] scarification is a process of removal of a pavement surface, in accordance with the prescribed specifications.

[17] Belagavi-₹35.17 lakh (one package); Bengaluru Rural-₹25.32 lakh (one package); Davanagere-₹53.63 lakh (two packages); Kalaburagi-₹68.86 lakh (four packages); Karwar-₹21.19 lakh (one package); Koppal-₹29.37 lakh (one package); Mandya-₹26.75 lakh (two packages) and Shivamogga-₹39.06 lakh (one package)

resulting in avoidable expenditure of ₹2.03 crore for bringing soil from borrow areas.

It was further observed in 12 packages in six test-checked PIUs that the quantity of embankment actually executed was in excess of quantity worked out in approved DPRs. This resulted in bringing excess quantity of soil (2,53,095 cum) from borrow areas with an excess expenditure of ₹4.19 crore.

The PIUs stated that the entire quantity of deposited soil was not useful due to poor CBR and attributed the reasons for increase in quantity to the directions given by the SE/Chief Engineer (CE) during their inspections.

The State Government replied (February 2016) that during inspection, SE/CE had verified that the quantity of soil used in embankment was as per DPR and the utilisation of soil was based on the test reports.

The replies were not acceptable as non-utilisation of the entire quantity of deposited soil was not supported with the test reports and details of disposal of the same (such as trip sheets, site of deposit, *etc.*). Further, there were instances where quantity of soil utilised was higher than the quantity proposed in DPRs.

3.1.11.8 Adoption of incorrect data rate

The estimates provided in the DPR included an item 'construction of GSB using well graded material' provided *vide* item 4.1 (A)(iii) of the relevant SR of PRED circle of the test-checked PIUs. Scrutiny of records in test-checked PIUs showed that an item was inserted in addition to the above item in the tender, namely, 'construction of Granular Sub-base by providing well graded material (utilising the locally available material after scarifying the 100 millimetre (mm) thick existing granular surface)'. Since there was no such item in the SR, rate analysis was done and data rates were worked out. The only difference between the item provided in SR and data rate was that in the latter case, there was no cost of material, transportation, lead and lift involved as the material to be utilised was locally available after scarifying the surface. Therefore, the data rate should be less than the SR rate.

The data rates worked out in test-checked PIUs ranged from ₹573.66 to ₹721.53 per cum which were higher than the SR rates (₹487 to ₹629.37). Analysis of data rate worked out by SE, Davanagere showed that the data rate was calculated wrongly by adding ₹87 (cost of labour, machinery, overheads and contractor's profit) to the SR rate (₹599.40). Analysis of data rates was not furnished by other PIUs. Approval of inflated data rates resulted in undue benefits to the contractors and facilitated excess payments to the extent of ₹4.93 crore in 16 selected packages of test-checked PIUs.

The State Government replied (February 2016) that the data rate approved by the office of the SE, Davanagere was for overall thickness of 15 centimetre (cm) GSB with fresh and available material at site (10 cm thick for materials from new borrow pits and 5 cm thick material available at site after scarifying existing road surface), which worked out to ₹428.85 per cum.

The reply was not tenable as the data rate worked out was ranging from ₹687.17 (zone I) to ₹755.89 (zone III) and was much higher than the rate arrived at as stated in the reply. Further, BOQ provides two distinct items of GSB from borrow pits (SR item) and utilising scarified 100 mm thickness. The original data rate worked out was depicting only the GSB from the scarified surface and the borrow pit quantity was not considered.

3.1.11.9 Injudicious determination of pavement design

As per provisions of IRC:SP 72-2007, gravel (aggregate-surfaced) base with thickness from 175 mm to 275 mm can take up to 1,00,000 ESAL applications when the CBR of sub-grade is five and above.

It was seen that CBR values in 13 selected packages of five PIUs were five and above and cumulative ESAL applications were less than 1,00,000, for which gravel base with thickness up to 275 mm was sufficient. However, the upgradation of roads in these packages was taken up by providing bituminous tarring for a length of 204.96 km which involved an expenditure of ₹19.89 crore[18]. Provision of higher specifications of pavement design was contrary to IRC norms and hence, extra expenditure aggregating ₹19.89 crore on such specifications was avoidable.

The State Government replied (February 2016) that the technical circular dated 17.04.2009 issued by National Rural Roads Development Agency (NRRDA) provides for premix carpet (PMC) and seal coat towards providing bituminous sealed roads.

The reply was not tenable as the circular provides for PMC and seal coat in medium and heavy rain fall areas but Audit observed that higher specifications were provided in other than heavy rain fall areas such as Bengaluru Rural, Davanagere, Kalaburagi, *etc*.

3.1.11.10 Inadmissible expenditure on repair works

As per provisions of the Operations Manual, repairs to BT or cement concrete roads were not permissible even if the surface condition was bad.

Audit scrutiny, however, revealed that repair works, involving an expenditure of ₹2.46 crore, were carried out in three selected packages of two PIUs (Package No. KS-12-02 of Davanagere and Package Nos. KS-27-01 and KS-27-02 of Karwar).

The State Government replied (February 2016) that no repair works were undertaken, only the works of resurfacing of potholes/depression filling were executed which was a value addition, thereby enhancing the life of pavement.

The reply was not acceptable as the resurfacing of potholes/depression filling were repair works which were not permissible under NGNRY.

[18] Bengaluru Rural-₹7.17 crore (three packages); Davanagere-₹1.27 crore (two packages); Kalaburagi-₹4.65 crore (three packages); Koppal-₹1.82 crore (one package) and Mandya-₹4.98 crore (four packages)

3.1.11.11 Non-restriction of carriageway width to 3.0 metres

As per provisions stipulated in the Operations Manual and the Manual on rural roads, a carriageway of 3.0 m may be designed instead of the normal 3.75 m in respect of roads with low traffic volume (less than 100 motorised vehicles per day).

It was noticed that traffic volume of 148 roads taken up (2010-15) for upgradation in 21 selected packages of eight PIUs ranged from 22 to 95 motorised vehicles per day. Instead of restricting the width to 3.0 m, these roads were provided with carriageway width of 3.75 m, which resulted in avoidable expenditure of ₹13.92 crore[19].

The State Government replied (February 2016) that they had taken cognizance of traffic intensity and community acceptability as per technical circular dated 17.04.2009 issued by NRRDA for designing carriageway width of 3.75 m.

The reply was not acceptable as there was no mention about relaxation of carriageway width in the circular dated 17.04.2009. Moreover, circular dated 13.10.2010 reiterated the restriction of carriageway width to 3.0 m.

3.1.11.12 Excess expenditure due to execution of items using manual means

The Chief Operating Officer, KRRDA, had instructed (February 2013) that two items, namely, 'Construction of unlined surface drains' and 'Clearing and grubbing of road land', should be executed using mechanical means. In exceptional cases where use of machines was not feasible (*e.g.*, within village limits, digging in soft/hard rocks, *etc*.), manual means were allowed after approval of the competent authority. The PRED SR also provides for execution of these items using mechanical means which is more economical, fast and smooth in comparison to manual means.

In contravention to these instructions, three[20] test-checked PIUs had adopted manual means for these two items while preparing estimates of 17 selected packages. The justification and approval of the competent authority for using manual means were not available on record. Failure to include mechanical means while executing these 17 packages had resulted in excess expenditure of ₹85.68 lakh.

The State Government replied (February 2016) that manual means of execution were applied in cases of village limits, digging of soft/hard rocks, reserve forest areas, *etc*. This was incorporated in the estimates and sanctioned by the competent authority.

[19] Belagavi-₹2.10 crore (two packages); Bengaluru Rural-₹0.30 crore (one package); Davanagere-₹1.52 crore (two packages); Kalaburagi-₹3.20 crore (five packages); Karwar-₹2.40 crore (two packages); Koppal-₹1.60 crore (two packages); Mandya-₹1.10 crore (five packages) and Shivamogga-₹1.70 crore (two packages)

[20] Bengaluru Rural, Karwar and Mandya

The reply was not tenable as manual means alone was adopted in several packages and the estimates did not indicate the chainages separately where the manual and mechanical means were applicable.

3.1.11.13 Incorrect reporting

As per the progress reports of two test-checked PIUs (Kalaburagi and Karwar), the following three works were reported to be completed at a total cost of ₹178.61 lakh. It was, however, observed during JPV (July and September 2015) that the alignment of these works was changed at the time of execution and was not exhibited in the records (progress reports, measurement books, *etc.*) of PIUs, which was incorrect. The details have been given in **Table 3.3** below:

Table 3.3: Details of change in alignment of works

Sl. No.	PIU	Package No.	Work reported as completed	Work actually executed	Expenditure incurred (₹ in lakh)
1	Kalaburagi	KS-15-03B	Gadadana Tanda to T-05	Kolkunda Dodda Tanda to L-060	93.00
2	Karwar	KS-27-01	Kanmadlu to T-04	MDR to Shri Durga Parameswari Temple	59.05
3		KS-27-01	Bendekan to L-84	Moosanagar to 1.53 chainage	26.56
Total					**178.61**

Source: Progress Reports and JPV

The execution of the work in a manner which was not in compliance with the approved DPR amounted to misleading stakeholders. Moreover, the actual execution of work and the one as per records was at variance with each other. This had also facilitated execution of works without preparation of DPRs and without the approval of the competent authority.

The State Government replied (February 2016) the change in alignment was done at the request of elected representatives and work slip and EIRL was approved. Though, the State Government accepted the change of alignment, the fact, however, remains that the basic records depicted execution of work as per original alignment.

3.1.11.14 Levy and recovery of liquidated damages

In order to enforce discipline and ensure completion of road works within the stipulated time frame, the tender conditions and the Operations Manual provided for levy of liquidated damages for delays attributable to the contractors. Liquidated damages were leviable at the rate of one *per cent* of the initial contract price, rounded off to the nearest thousand per week, subject to a maximum of 10 *per cent* of the initial contract price.

It was noticed that delays in completion of five package works in PIU, Mandya, ranged from 134 to 230 days, for the reasons attributable to the contractors and liquidated damages amounting to ₹207.87 lakh were recoverable. However, only a sum of ₹1.60 lakh was recovered, which resulted in extending undue benefits to the contractors to the extent of ₹206.27 lakh.

Sequence of events indicated that officials entrusted with the duties failed to perform their duties as per the contract provisions and in the process, they had allowed undue benefits to the contractors.

The State Government replied (February 2016) that the work was delayed due to non-availability of metal for base layer and surface layer and delay was not due to the fault of the contractor.

The reply was not acceptable as in an item rate tender, the contractor is responsible for procurement of materials.

3.1.11.15 Inadmissible payments on maintenance of roads

As per the Government's instructions and tender conditions, the contractors were required to maintain roads for a period of five years after execution of works.

It was noticed by Audit that out of 119 selected roads in eight PIUs, 106 roads were completed and an amount of ₹55.70 lakh had been paid towards maintenance cost. However, maintenance of these roads was not carried out as observed during JPV. There were issues such as, sunken carriageway and BT chipped off (nine roads), shoulders and drains filled with wild vegetation (94 roads), potholes (47 roads), *etc*. In respect of eight completed works, maintenance was not carried out due to non-completion of packages as a whole. Further, register/details pertaining to maintenance works were not maintained in the test-checked PIUs. Hence, the payment of ₹55.70 lakh was not admissible.

The State Government accepted the observation and stated (February 2016) that necessary instructions had been issued in this regard.

Instances of irregularities and deficiencies in implementation pointed out above were indicative of inadequate supervision and monitoring of works. Further, the maintenance of completed roads was neglected, which not only defeated the objective of providing good quality all-weather roads but was also fraught with the risk of rendering the investment unproductive.

3.1.12 Quality management and monitoring

A three-tier quality management mechanism was envisaged under NGNRY for ensuring that the quality of roads conformed to the prescribed standards. The first tier was in-house quality control system of the PIU, the second tier was District Quality Monitors (DQMs) and third tier was State Quality Monitors (SQMs).

3.1.12.1 Setting-up of field laboratory

The contractor was required to establish a field laboratory with all required equipment and testing facilities before commencement of work and no payments were to be made to the contractor until establishment of such a laboratory.

It was observed that documentary evidence such as date of establishment of laboratory, entries in quality control registers, reports of DQM/SQM, certificates by AEE/EE, *etc.*, relating to establishment of field laboratory were not maintained properly in the test-checked PIUs. In the absence of the same, Audit could not ascertain whether field laboratories had been established by the contractors.

The State Government replied (February 2016) that the establishments of field laboratories was ensured by the DQM/SQMs during their inspections and recorded in the inspection reports. Particulars of field labs were also uploaded in the Grama Patha website.

The reply was not acceptable as documentary evidence was not provided by the test-checked PIUs and no such details could be noticed in the Grama Patha website as it was not fully functional (February 2016).

Deficiencies noticed in quality control in test-checked PIUs are given below:

i) The issue register for supplying quality control registers to the AEs (in-charge of the work) concerned was not maintained in any of the test-checked PIUs.

ii) The monthly returns of the tests conducted were not produced.

iii) Instances of incomplete entries of tests conducted to satisfy quality parameters, non-recording of certificates/non-attestation of each stage of construction, entries for stage passing left blank, *etc.*, were noticed in 204 (44 *per cent*) out of 461 works in test-checked PIUs.

The State Government replied (February 2016) that quality control registers were issued by the KRRDA to all the PIUs which were recorded in the issue register. The monthly returns of the test conducted by the PIUs were submitted to the KRRDA during monthly meeting and it was recorded in Grama Patha website. Particulars of test conducted concerning quality parameters and stage passing details were entered in the quality registers by the contractors and verified by the PIUs.

The reply was not acceptable as the issue registers and monthly returns were not produced to Audit by the test-checked PIUs. Further, the details of tests conducted had not been recorded in the quality control registers as noticed during audit.

3.1.12.2 Quality assurance in execution of works

As per provisions contained in the Quality Assurance Handbook for Rural Roads, the AEE and EE are required to exercise quality control checks and certify the works at various stages (embankment, GSB, WBM, *etc.*) on the basis of tests. In order to assure quality in execution of works, it was necessary that only after each activity (stage) was cleared for quality assurance, the subsequent activity should be taken up.

It was, however, observed that the AEE/EE in test-checked PIUs had not ensured compliance with this provision as Audit had noticed 87 cases where subsequent activity was completed before stage passing/completion of previous activity, *e.g.*, GSB was completed even before stage passing of embankment works and WBM (Grade II) was completed before stage passing of GSB works. Thus, the completion of subsequent layer before certifying the quality of previous layer may result in early deterioration of roads.

The State Government replied (February 2016) that necessary instructions would be issued to PIUs to follow the norms in this regard.

3.1.12.3 Grievance redressal mechanism

Maintenance of a complaint register in each PIU was required to record the grievances received from the general public and for disposal of the complaints, so as to maintain transparency in implementation of NGNRY.

Audit observed that none of the test-checked PIUs had maintained the envisaged complaint register. As such, there was no mechanism in place to attend to complaints and their disposal in respect of NGNRY. In the absence of such registers, Audit could not ascertain the status of complaints received and settled and whether it was done within the stipulated time frame of 30 days.

The State Government replied (February 2016) that action would be taken to maintain complaint registers.

3.1.12.4 Inspection by SQM/DQM

The SQMs/DQMs were required to inspect each road work at least three times-two times during progress of work and once within one month of its completion. The SQMs/DQMs were required to submit the report in the prescribed format and grade the work as Satisfactory (S), Satisfactory Requiring Improvement (SRI) and Unsatisfactory (US) based on their observations. In respect of works graded as SRI and US, Action Taken Report (ATR) thereon would be submitted by the PIUs concerned to the State Quality Coordinator (SQC). After receipt of ATR, another SQM/DQM would be deputed to verify the corrective action taken and submit re-gradation proposal.

- ***Shortfall in inspections***

As per information furnished by the KRRDA, a total of 926 works were completed in eight test-checked PIUs. Against the stipulated 2,778 inspections (each work thrice), only 1,847 inspections were conducted by SQM/DQM, resulting in shortfall to the extent of 34 *per cent* (931 inspections). Further, there were delays in inspection by SQM/DQM ranging from 1 to 17 months in respect of 126 completed works, indicating deficiencies in functioning of the second and third tiers of the quality control mechanism.

It was further noticed that 58 out of 119 selected works in eight PIUs were not inspected at all by SQMs.

Audit noticed the following deficiencies while conducting JPV of 119 roads which had not been pointed out during inspections by SQM/DQM:

- 37 roads were provided with inadequate super elevation and did not have extra widening at curves;
- 27 roads were without guard stones at appropriate places; and
- 36 roads were without cautionary and informatory sign boards.

The State Government replied (February 2016) that instructions would be given to PIUs to get the minimum number of DQM inspections done as per norms. It was also stated that owing to more number of works, the inspections were not carried out due to shortage in the number of DQM/SQMs and they would be instructed to carry out the inspections and record the observations as per the required conditions.

Recommendation 4: The system of quality assurance should be strengthened to ensure compliance with quality control checks and timely inspections at various stages of works.

3.1.12.5 Monitoring at State level

The Monthly Programme Implementation Calendar (MPIC) submitted by the KRRDA to RDPR did not contain phase-wise (Phase I and Phase II) physical and financial progress, rendering it unsuitable for effective monitoring. Phase-wise details had assumed importance as NGNRY was taken up in phases with the objective of upgrading rural roads in a time-bound manner and even after lapse of target dates, 216.65 km in Phase I and 1,348.00 km in Phase II were yet to be completed (March 2015).

Apart from these progress reports, no records and quarterly progress reports relating to various aspects of NGNRY (such as, forest and environmental clearances, delays in award of contracts, delays in completion of works, *etc*.) were maintained by the RDPR Department. As a result, the nodal department was unable to monitor the Scheme activities closely and failed to identify key problem areas and constraints in the implementation of NGNRY.

The State Government replied (February 2016) that the MPIC was prepared for the Scheme and hence, phase-wise bifurcation did not arise.

The reply was not acceptable as phase-wise targets had been fixed under NGNRY. The reply was silent about non-maintenance of relevant records at RDPR Department.

3.1.12.6 Unfruitful expenditure incurred on 'Grama Patha'

On the lines of the online monitoring and management system of PMGSY, the KRRDA had decided (February 2011) to introduce an online monitoring system (Grama Patha) for monitoring of physical progress, financial progress, quality control and maintenance of the road works executed under NGNRY.

The work of developing Grama Patha was entrusted (March 2011) to M/s. Wisdom Security Services and an amount of ₹18 lakh was paid (August-November 2011 and May 2013) towards development of Grama Patha. A server was hired by KRRDA for hosting Grama Patha, for which hire charges amounting to ₹10.62 lakh were paid to M/s. Aware Consultants between December 2011 and April 2015.

It was observed that the Grama Patha, which was to serve as an online web-based system with centralised database to monitor the implementation of NGNRY had several inadequacies such as data relating to tendering and award of works, agreement and schedule, project status, road inspection history, quality reports, financial data, PIU-wise data, *etc.*, were either not being available or incomplete. Further, Management Information System (MIS) Reports were not available to the PIU for monitoring at PIU level and at the State level for overall monitoring.

As a result of partial operationalisation and non-updation of all aspects of Grama Patha, the online monitoring mechanism of the Scheme had failed to be effective and was, thus, not helpful in monitoring and decision making. This resulted in the expenditure of ₹28.62 lakh incurred on Grama Patha not achieving its intended purpose.

The State Government replied (February 2016) that the financial module and report generation module were under progress and would be installed in the Grama Patha shortly.

Recommendation 5: The State Government may address the deficiencies in the online monitoring system (Grama Patha) to make it a useful tool for monitoring.

3.1.13 Conclusion

The NGNRY did not achieve its intended objective of upgrading 10,000 km of rural roads by the end of March 2014 owing to various deficiencies in planning, ineffective monitoring and operational deficiencies. Against the targeted length of 9,406.47 km for Phases I and II, only 5,725.09 km (61 *per cent*) of roads had been upgraded by March 2014. Sixteen *per cent* (1,528.47 km) of roads were yet to be upgraded (March 2015) even after the lapse of one year after the target date.

The PIUs did not maintain the updated status of connectivity and condition of roads under their jurisdiction. As a result, selection of road works was flawed and there were instances of selecting works which were not as per the priority list and taking up of works which did not conform to the prescribed provisions. There were deficiencies in detailed project reports, rendering many of them unreliable and unrealistic. This led to preparation of inflated estimates and consequential avoidable expenditure and higher costs of construction. Lack of coordination among various agencies implementing the road works in rural areas resulted in frequent changes to works and abandonment. The system of award of work was inadequate as there were cases of invitation of tenders without technical sanctions, acceptance of single tenders, delays in finalisation of tenders, and failure to ensure mandatory insurance of works.

Execution of works was deficient as instances of substantial time overruns, abandonment of works, non-recovery of liquidated damages, non-maintenance of electronic measurement books, *etc.*, were noticed. The three-tier quality control mechanism was not adequately operationalised and monitoring was ineffective, leading to execution of works in violation of the standard design and specifications prescribed in the Rural Roads Manual. Many of the road works completed under the Scheme for which huge investments were made, were not maintained properly, thereby not achieving the objective of providing good quality all-weather roads in the designated rural areas.

SECTION 'B'- COMPLIANCE AUDIT

DEPARTMENT OF PRIMARY AND SECONDARY EDUCATION

3.2 Irregular award of work

Commissioner, Department of Public Instructions had issued a work order for installing steam boilers in 365 schools without following the prescribed norms. The work order was subsequently cancelled, which resulted in locking up of funds amounting to ₹9.89 crore.

The provisions of Government of Karnataka (Transaction of Business) Rules, 1977, *inter alia*, stipulate that administrative approval for works estimated to cost more than ₹5.00 crore should be obtained from the Cabinet. As per the Karnataka Transparency in Public Procurements (KTPP) Act and Rules made thereunder, the tender inviting authority should ensure a minimum period of 60 days for submission of tenders, the cost of which exceeds ₹2.00 crore. Any reduction in time should be specifically authorised by superior authority for reasons to be recorded in writing. Further, as per guidelines issued (December 2002) by the State Government, fresh tenders are required to be invited when less than three tenders are received for a work.

With a view to implement Mid Day Meal Scheme (MDM) effectively, the Chief Minister had decided (July 2013) to provide steam boilers at a cost of ₹10.00 crore in schools having student strength of 500 or more. Accordingly, the Commissioner, Department of Public Instructions (Commissioner) submitted (5 August 2013) a proposal to the State Government to install steam boilers at a unit cost of ₹2.25 lakh. The State Government accorded (31 August 2013) approval in-principle with instructions which, *inter alia*, included submission of detailed project report before obtaining final approval and adherence to provisions of KTPP Act. The funds required for this purpose were to be met out of MDM grants released during the year 2013-14.

Audit scrutiny of the records (January 2015) in the office of the Joint Director, MDM showed that the Department had invited (24 February 2014) short-term tender for supplying steam boilers against which two tenders were received. The tender of M/s. HT Sharadha Ranganatha Enterprises was rejected due to technical reasons and the sole tender of M/s. Vadambai K. Sohanraj, Davanagere (agency) was accepted. The agency had quoted ₹2.51 lakh per unit and after negotiation with the Commissioner, the agency agreed (May 2014) to supply steam boilers to 365 schools at ₹2.48 lakh per unit. The Commissioner issued (May 2014) work order to the agency and released ₹2.74 lakh each to 365 schools, which included an amount of ₹0.26 lakh for buying utensils, serving unit, *etc*.

Audit further noticed that the State Government ordered (1 September 2014) the Commissioner to cancel the work order because (i) the work order was issued without the final approval of the Government; (ii) the approval of the Cabinet was not obtained even though the estimated cost was more than ₹5.00 crore; and (iii) only one agency had participated and final negotiated rate of ₹2.48 lakh was more than the Commissioner's initial proposal of ₹2.25 lakh.

Besides, further scrutiny of records by Audit had also revealed as under:

- The State Government had approved (17 February 2014) the invitation of short-term tender and the time allowed for submission of tenders was only 17 days (25 February 2014 to 13 March 2014), for which no justification was forthcoming from the records made available to Audit. Further, the State Government had approved the invitation of short-term tender without insisting on the approval of the Cabinet;

- Instead of inviting fresh tenders due to lack of competition, the Commissioner had negotiated and awarded (May 2014) the work to the single bidder;

- Though the State Government had instructed the Commissioner to cancel the work order on 1 September 2014, the work order was cancelled only on 7 October 2014 *i.e.* after a delay of 37 days, by which time the agency had supplied steam boilers to 86 schools (September 2014) and had received ₹9.94 lakh from four[21] schools. The Audit had also ascertained (June 2015) that steam boilers were not put to use in any of these 86 schools.

Thus, the work order issued by the Commissioner, disregarding prescribed norms, had to be cancelled by the State Government, thereby defeating the envisaged objective of effective implementation of MDM in the identified schools, locking up of MDM funds of ₹9.89 crore with 361 schools, and unauthorised expenditure of ₹9.94 lakh.

While accepting audit observations, the State Government stated (May and July 2015) that the matter was under investigation and the Accounts Superintendent and the case worker had been placed under suspension. It was further stated that the funds released to schools could not be withdrawn as the agency had filed a writ petition in the Hon'ble High Court of Karnataka. The reply was not convincing as no action was taken against the Commissioner who had issued the work order without obtaining the Government's approval and had also not cancelled the tender immediately after receiving the Government order. Further, the litigation and locking up of funds could have been avoided if the State Government and the Commissioner had ensured compliance with the prescribed norms before issuing the work order.

[21] Chitradurga- two schools and Davanagere- two schools (@ ₹2,48,400 per school)

3.3 Non-construction of kitchen-cum-stores

Failure to utilise central assistance of ₹7.76 crore by the Zilla Panchayat, Kalaburagi resulted in non-construction of kitchen-cum-stores in 1,293 schools, thereby depriving the school children of the facility for storage and preparation of their food under hygienic conditions.

The facility of kitchen-cum-store is an essential component of Mid Day Meal Scheme (MDM) to ensure supply of hygienic and hot cooked meals to the children and also for safe storage of food grains at the school level. Absence of kitchen-cum-store or inadequate facilities would expose children to the dangers of food poisoning and other health hazards as well as fire accidents. Till 2008-09, the Government of India (GoI) provided 100 *per cent* assistance, up to a maximum of ₹60,000 per unit, for the construction of kitchen-cum-stores. During December 2009, the GoI revised the norms and decided that the cost of construction would be determined on the basis of State Schedule of Rates and plinth area norms. The cost of construction under revised norms was to be shared between GoI and the State Government in the ratio of 75:25. This was not applicable for units sanctioned earlier.

During 2007-08, the GoI had sanctioned construction of kitchen-cum-stores in 1,293 schools of undivided Kalaburagi[22] district at a unit cost of ₹60,000. For this purpose, the State Government had released (February 2009) the central assistance of ₹7.76 crore to the Chief Executive Officer (CEO), Zilla Panchayat (ZP), Kalaburagi for onward release to School Development and Monitoring Committees (SDMCs).

Audit further noticed that instead of transferring the funds to SDMCs, the CEO, ZP, Kalaburagi had remitted (31 March 2009) the unutilised grant of ₹7.76 crore to ZP Fund-I[23] account on the basis of the instructions issued (21 March 2009) by the Finance Department, Government of Karnataka (FD) to draw funds at the time of execution of programmes.

Thereafter, the CEO, ZP, Kalaburagi did not initiate any action to draw and utilise funds during the years 2009-10 and 2010-11. After a lapse of more than 33 months from the date of remittance to Fund-I account, the ZP, Kalaburagi requested (January 2012) the FD to accord approval to withdraw the amount from Fund-I account. This was necessitated as the remitted amount of ₹7.76 crore was not shown as unutilised balances in Treasury Schedule of 2008-09, for which the reasons were not forthcoming from the records. Hence, the ZP, Kalaburagi was not able to withdraw it.

The delayed efforts of the ZP and further correspondence (January, April, May and July 2014) with the FD to obtain the approval to withdraw the amount had not been conclusive. Hence, the GoI grant of ₹7.76 crore had remained unutilised since 2008-09. This has resulted in non-construction of

[22] erstwhile Gulbarga district, which was bifurcated into Gulbarga and Yadgir districts during December 2009. Consequent to bifurcation, 286 out of 1,293 schools were transferred to Yadgir district and 1,007 schools remained in Kalaburagi district.

[23] The balances under ZP Fund-I account continues as a rolling fund with the balances carried over to the next financial year, which could be utilised in subsequent years.

kitchen-cum-stores in 1,293 schools, depriving the children of envisaged infrastructural facilities in their schools for more than six years. The Education Officer, MDM, Kalaburagi informed (July 2015) that cooking in these 1,293 schools was being done in temporary sheds and vacant classrooms. This not only contravened the provisions of MDM guidelines but also deprived the school children of the envisaged facility for storage and preparation of their food in a hygienic environment for a period of more than six years. Further, as the revised cost under plinth area norms was not applicable to these 1,293 units, the State Government would have to bear extra financial burden, if any, due to time and cost overruns.

While accepting (May and November 2015) audit observation, the Education Department attributed bifurcation of Gulbarga district into Kalaburagi and Yadgir, and lack of permission from FD for utilisation of funds remitted to Fund-I account as reasons for delay of 33 months in initiating action to utilise funds. It was further stated that FD had given permission (July 2015) to draw the amount and CEOs of Kalaburagi and Yadgir had been instructed to complete the construction of kitchen-cum-stores during 2015-16 by getting additional funds from other sources. The reply, however, failed to explain the reasons for not transferring funds to SDMCs and non-exhibition of ₹7.76 crore as unutilised balances in Treasury Schedule of 2008-09, which necessitated seeking approval from FD. The status of construction of 1,293 kitchen-cum-stores and extent of additional cost involved was awaited (December 2015).

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

3.4 Incorrect computation leading to short collection of revenue

There was short collection of property tax of ₹22.68 crore by six Gram Panchayats due to non-adoption of Annual Letting Value for calculation of property tax in respect of resorts.

As per Chapter XIII (Taxes and Fees) under Section 199 of Karnataka Panchayat Raj Act, 1993 (KPR), every Gram Panchayat (GP) shall, in such manner and subject to such exemptions as may be prescribed and not exceeding the maximum rate specified in Schedule IV, levy tax upon buildings and lands which are not subject to agricultural assessment, within the limits of Panchayat area. Under Chapter III of the KPR (Gram Panchayat Taxes and Fees) Rules, 1994, the rate of tax to be levied by the GP is prescribed as 10 *per cent* of the Annual Letting Value (ALV) of the building per annum.

It was observed during audit (April-May 2015) that six[24] GPs in the Taluks of Madikeri and Virajpet of Kodagu district had fixed the property tax on the basis of nature of buildings instead of on ALV basis, by passing resolutions. In respect of eight holiday resorts located in the jurisdiction of these GPs for the period 2009-15, ₹0.48 crore was collected towards property tax.

[24] Galibeedu, K.Nidugane, Kadagadalu and Kakkabe (Madikeri Taluk); Kedamalluru and Siddapura (Virajpet Taluk)

Audit ascertained from the Commercial Taxes Department that the total rental receipts in respect of these resorts for the corresponding period had worked out to ₹231.69 crore, 10 *per cent* of which amounted to ₹23.16 crore. As against this amount, GPs had collected ₹0.48 crore only. The details have been given in **Appendix 3.3**. Hence, non-levy of the appropriate rate of 10 *per cent* of ALV in respect of these resorts led to short collection of property tax by the GPs amounting to ₹22.68 crore.

The State Government replied (January 2016) that the GPs were collecting property taxes in accordance with the Government circular dated 24.05.2003, based on the plinth area as fixed by the GPs. The reply was not acceptable as the GPs had not taken into account the actual rent collected by these resorts, before fixing property tax. Moreover, the reply was silent about audit objection pertaining to the property tax collected by the GPs for the period 2009-15 being far less than 10 *per cent* of the ALVs (Luxury tax) filed by the resorts with the Commercial Taxes Department.

3.5 Avoidable payment of interest

Inordinate delay in settlement of full compensation towards land acquisition resulted in avoidable payment of interest of ₹17.39 lakh.

Paragraph 153 of Karnataka Financial Code, 1958 (KFC) stipulates that compensation for land should be settled before its possession is taken. If it becomes necessary to pay interest due to delays in payment of such compensation, the defaulting Government servants will be personally liable to bear the payment of interest. Further, as per Paragraph 24-A of KFC, money indisputably payable, should not, as far as possible, be left unpaid and inevitable payments should not be postponed.

The audit scrutiny of records in the office of the Chief Executive Officer (CEO), Zilla Panchayat (ZP), Bengaluru Urban showed (December 2014) that eight acres of land in survey numbers 64/10, 65 and 66 of Jaraganahalli, belonging to Shri Banashankari Temple, was acquired (July 1977) for Taluk Development Board[25], Bengaluru South (TDB). The Assistant Commissioner, Bengaluru Sub-division had determined the compensation payable as ₹1.11 lakh. It was seen that the compensation of ₹1.11 lakh was not fully settled as the CEO, TDB had deposited (October 1973) only ₹0.92 lakh with the Tahsildar, Bengaluru South, leaving a balance of ₹0.19 lakh unpaid for more than 35 years in spite of several written requests by the land owners *i.e.* temple authorities.

The Executive Officer (EO), Shri Banashankari Temple had requested (August 2013) the EO, Taluk Panchayat (TP), Bengaluru South to pay the balance amount of compensation along with interest. Since the said land was in the joint possession of TP and ZP, the EO of TP, Bengaluru South requested the CEO, ZP, Bengaluru Urban to pay the balance amount of ₹0.19 lakh along with interest. The ZP, in its General Body meeting, approved (October 2013) the payment of ₹17.58 lakh (including interest of ₹17.39 lakh for the delayed

[25] erstwhile name of Taluk Panchayat

payment) to Shri Banashankari Temple, which was paid to the Temple during March 2014. However, the reasons for delays in payment of compensation were neither forthcoming from the records nor furnished to Audit (May 2015).

Thus, delay by the then CEO, TDB/ZP as well as EO, TP/Block Development Officer (BDO), in making inevitable and indisputable payment of compensation had resulted in an extra expenditure of ₹17.39 lakh, which was avoidable.

The State Government stated (January 2016) that the delay in making payment was due to administrative reasons. The Government's reply, however, failed to explain what the administrative reasons were for delays in making avoidable payment of compensation along with interest thereon.

DEPARTMENT OF SOCIAL WELFARE

3.6 Diversion of grant

An amount of ₹1.00 crore was irregularly diverted out of grant earmarked for constructing a building at Chitradurga, towards acquisition of a site at Bengaluru on lease basis.

The conditions attached to a grant enjoin that the grant should be utilised for the intended purpose and should, in no way, be diverted for any other activity. The provisions of Karnataka Financial Code, 1958 (KFC) stipulate that in the case of non-recurring grants for specified objects, the sanction order should specify the time limit within which the grant or each instalment of it is to be spent. The sanctioning authority should use its discretion in authorising payments according to the needs of the work and see that the money is not drawn in advance of the requirements. Further, there should be no occasion for rush for payment of these grants in the month of March.

The audit scrutiny of records (January 2015) in the office of the District Social Welfare Officer (DSWO), Chitradurga showed that on the basis of budget proposals (March 2012) for the year 2012-13, the Government had sanctioned (February 2013) a grant of ₹4.00 crore to Shri Shivasharana Madara Channaiah Gurupeeta, Chitradurga (Gurupeeta) under Special Component Plan. The grant was to be utilised for the construction of a building at Gurupeeta to promote community welfare and to provide educational and infrastructural facilities. As per conditions stipulated in the grant release order (March 2013), the building should be completed within a period of two years or within the extended time frame duly authorised. This condition was, however, removed *vide* order dated 14 November 2013.

The Commissioner, Social Welfare Department, Bengaluru (SWD) had released (23 March 2013) ₹4.00 crore to the joint account of the Deputy Commissioner (DC) and DSWO, Chitradurga for onward release to Gurupeeta in instalments against an estimate of ₹4.81 crore for the construction of the building. The first instalment of ₹1.00 crore (25 *per cent*) was released to the Gurupeeta during December 2013.

Audit scrutiny further showed that Bengaluru Development Authority (BDA) had allotted (January 2008) a civic amenity (CA) site measuring 1,790.64 square metre in the Telecom Employees' Cooperative Housing Society, Hennur, Bengaluru to the Gurupeeta on 30 years' lease basis for *Samudaya Bhavan* (Community Hall). As per instructions (March 2010) of the then Hon'ble Chief Minister, the lease amount was to be borne by the Government and Urban Development Department (UDD) was instructed to issue order in this regard. Since there was no provision in the budget to release grant to Gurupeeta for acquiring land, the Principal Secretary, SWD had instructed (February 2014) the DC, Chitradurga to transfer an amount of ₹1.00 crore, out of the sanctioned grant of ₹4.00 crore, to BDA towards the lease amount. This included lease amount of ₹0.48 crore and interest of ₹0.52 crore (@18 *per cent*) for the delayed payment. Out of second instalment of ₹1.20 crore (30 *per cent*), the DSWO, Chitradurga had transferred ₹1.00 crore to BDA during March 2014 and released the balance amount of ₹0.20 crore to Gurupeeta during November 2014. The third instalment of ₹1.20 crore was released during June 2015. The fourth instalment was yet to be released (October 2015).

Thus, transfer of ₹1.00 crore to BDA towards lease amount of the site led to diversion of grant, which was earmarked for the construction of a building at Gurupeeta. Moreover, it was observed that the entire grant of ₹4.00 crore was released to the DC/DSWO, Chitradurga in the month of March 2013 and was drawn in advance of requirements. Further, the sanction order did not specify any time limit within which the grant was to be utilised. These actions not only contravened the provisions of KFC but were also indicative of lack of financial prudence.

The State Government replied (October 2015) that the grant was released to Gurupeeta for incurring expenditure on community welfare, education and providing basic amenities. It was also stated that purchase of site/lease was part and parcel of providing basic amenities to Gurupeeta. The reply was not acceptable as the grant was released specifically for constructing the building at Chitradurga. Hence, the transfer of ₹1.00 crore to BDA towards lease cost of site at Bengaluru was irregular which amounted to diversion of grant. Besides, the reply was silent about deletion of the clause specifying time limit for utilisation of grant and drawal of entire funds in the month of March 2013.