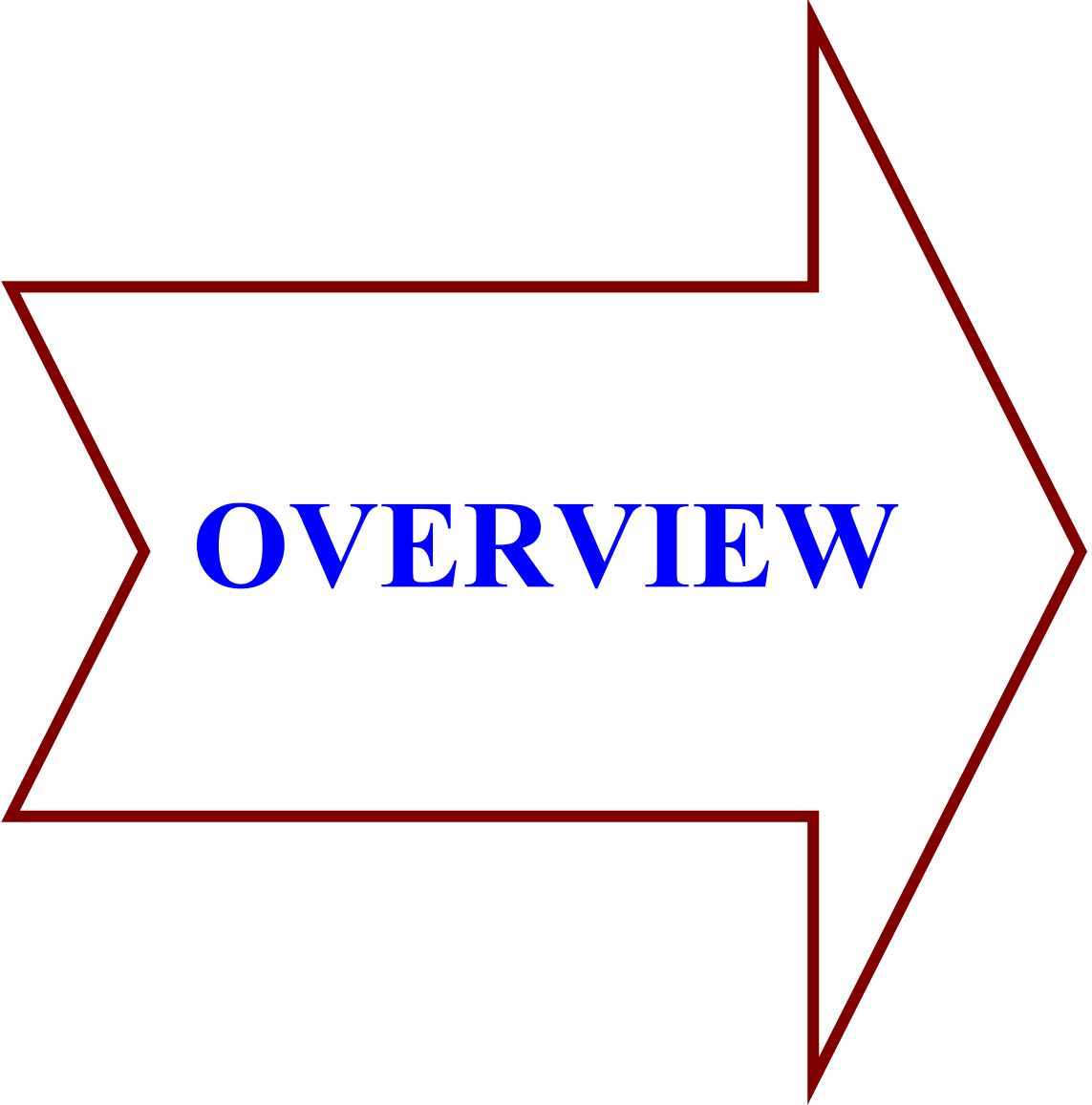


PREFACE

1. This Report has been prepared for submission to the Governor under Article 151(2) of the Constitution.
2. Chapter I of this Report contains audit observations on matters arising from examination of accounts and finances of Zilla Panchayats and Taluk Panchayats.
3. The other chapter deals with the findings of audit on financial transactions of Panchayat Raj Institutions.
4. The Reports containing the observations arising out of audit of (i) Statutory Corporations, Boards and Government Companies; (ii) Revenue Receipts; and (iii) Civil Departments are presented separately.
5. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2006-07 as well as those which had come to notice in earlier years, but could not be dealt with in previous Reports; matters relating to the periods subsequent to 2006-07 have also been included, wherever necessary.





OVERVIEW

OVERVIEW

The Report contains two chapters. The first chapter contains observations of Audit on the accounts and finances of the Zilla Panchayats and Taluk Panchayats and the other chapter contains four performance audit reviews and 13 paragraphs based on the audit of financial transactions of the Panchayat Raj Institutions. A synopsis of the findings contained in the performance reviews and paragraphs is presented in this overview.

1. AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF ZILLA PANCHAYATS AND TALUK PANCHAYATS

During 2003-06, the allocation to Panchayat Raj Institutions formed 13 to 16 per cent of the total budget of the State.

(Paragraph 1.3.1)

Many Zilla Panchayats did not comply with the standard procedure for maintenance of accounts and there were discrepancies in adoption of opening balance leading to incorrect exhibition.

(Paragraph 1.4.2)

Despite the stipulation in the Karnataka Panchayat Raj Act and repeated comments in previous Reports of the Comptroller and Auditor General of India, delays persisted in forwarding the annual accounts of the Zilla Panchayats to the Principal Accountant General for audit.

(Paragraph 1.4.4)

The creation and maintenance of database on finances and accounts of Panchayat Raj Institutions, as stipulated under Eleventh Finance Commission was discontinued from the year 2002-03 onwards.

(Paragraph 1.6)

Drawing and Disbursing Officers of 15 Zilla Panchayats failed to submit the detailed accounts for Rs.4.71 crore drawn on Abstract Contingent bills.

(Paragraph 1.8.5)

433 cases of misappropriation/defalcation involving Rs.21.40 crore were pending at various stages in 25 Zilla Panchayats.

(Paragraph 1.10)

2. Implementation of Rural Employment Guarantee Scheme

As an important step towards realisation of the right to work and to enhance the livelihood security on a sustained basis by developing the economic and social infrastructure in rural areas, the Government of India enacted (September 2005) the National Rural Employment Guarantee Act, 2005. Correspondingly, the State Government formulated the Karnataka Rural Employment Guarantee Scheme. The objective of the scheme was to give effect to the legal guarantee of work by providing atleast 100 days of guaranteed employment to every household whose adult members volunteer to do unskilled manual labour. The implementation of the scheme suffered due to laxity of the State Government in preparatory procedures, non-distribution of job cards and non-provision of envisaged employment to the registered households, delay in payment of wages to labourers, etc. Basic documents such as Employment Register were not maintained in many of the Taluk Panchayats test-checked.

The State Government delayed notifying the scheme guaranteeing employment and constitution of the State Employment Guarantee Council. The District Perspective Plan for five years, Shelf of Projects and Labour Budgets for the year 2006-07 were not prepared in the test-checked Zilla Panchayats, as required.

(Paragraph 2.1.6)

The release of State share of funds was not uniform. Similarly, the release of funds for the implementation of the scheme was not commensurate with the job cards issued and projected expenditure on wages.

(Paragraph 2.1.7.2)

As of December 2007, the failure of District Programme Coordinator, Zilla Panchayat, Gulbarga to furnish the utilisation certificates resulted in non-release of funds by both Central and State Governments for the implementation of the scheme during 2007-08.

(Paragraph 2.1.7.3)

In the absence of Employment Registers in many of the Taluk Panchayats, it could not be vouchsafed in audit that employment was provided to the beneficiaries to the extent reported in the progress reports.

(Paragraphs 2.1.8.1 and 2.1.8.2)

There were instances of execution of inadmissible works, delay in payment of wages amounting to Rs.4.51 crore, non-adherence to list of priority works, excess expenditure on materials (Rs.1.45 crore) than admissible, irregular utilisation of machinery in execution leading to denial of employment (1.57 lakh mandays) to rural labourers, etc.

(Paragraphs 2.1.8.3 to 2.1.8.9)

The Programme Officers at the Taluk Panchayats did not maintain basic records which led to incorrect reporting of funds utilisation/ achievements. Monitoring mechanism was ineffective/ inadequate.

(Paragraphs 2.1.8.12 and 2.1.9)

3. Accelerated rural water supply programme

With the objective of providing 40 litres per capita per day of safe drinking water to all the rural habitations and ensuring sustainability of the systems and sources and also to supplement the efforts of the State Government taken up under Minimum Needs Programme, the Government of India reoriented the Accelerated Rural Water Supply Programme with a mission approach. The implementation of the programme suffered as a consolidated annual action plan was not prepared at the State level and the action plans prepared by the Zilla Panchayats were not based on critical data regarding status of habitations, schemes in operation, etc.

During 2002-07, annual action plans were not prepared at the State level and annual action plans prepared by the Zilla Panchayats were defective. The Zilla Panchayats failed to analyse the reasons for slip back of habitations. SC/ST habitations were not prioritised.

(Paragraph 2.2.6)

In the test-checked Zilla Panchayats, though the utilisation of available funds was to the extent of 98 per cent, there were instances of irregular utilisation of funds (Rs.3.62 crore) for other activities, inadmissible expenditure (Rs.66.93 lakh) and lapsing of grants (Rs.8.84 crore).

(Paragraphs 2.2.7.1 to 2.2.7.4)

Although 28024 works were executed in the State incurring an expenditure of Rs.650.02 crore, the programme was implemented without basic data such as the details of water supply schemes in operation during the years 2002-06.

(Paragraph 2.2.8.1)

The norms of Accelerated Rural Water Supply Programme were flouted in 13 Taluk Panchayats and 879 schemes were executed in excess of the admissibility.

(Paragraph 2.2.8.2)

Sachethana and Suvarnajal water supply schemes failed to achieve the objectives inspite of huge expenditure incurred on them as the quality of water supplied to habitations/schools was not potable or was not tested before supply.

(Paragraphs 2.2.8.4 and 2.2.8.5)

In the absence of proper data regarding the number of schemes/source in operation and those requiring maintenance, only eight per cent of the available funds was utilised towards operation and maintenance of the schemes in the State while in the test-checked districts, the expenditure was only six per cent of the funds released as against the stipulated 15 per cent.

(Paragraph 2.2.9)

4. Implementation of Akshara Dasoha (Mid-day Meal) Scheme

To improve enrolment and attendance, preventing drop-outs and improve the nutrition/learning level of children in schools, the Government of India launched the National Programme of Nutritional support to Primary Education in August 1995 as a centrally sponsored scheme. Integrating the centrally sponsored scheme the State Government launched (June 2002) the

Akshara Dasoha (Mid-day Meal) Scheme in seven districts of the State. The scheme was extended to the entire State in July 2003.

The funds under the scheme were not fully utilised by Zilla Panchayat. No instructions had been issued regarding the utilisation of interest of Rs.4.44 crore earned on scheme funds.

(Paragraphs 2.3.6.1 and 2.3.6.2)

The foodgrains lifted was 73 per cent of allocation and utilisation was 96 per cent of quantity lifted.

(Paragraph 2.3.7)

There was reduction in enrolment in schools covered under the scheme. There was no system to measure the relationship between Mid-day Meal scheme and its impact on enrolment, attendance, retention, dropout and learning level.

(Paragraph 2.3.8.2)

Supply of nutrients was not as per schedule adversely affecting the intention of scheme. There was no proper system to assess the status of health of children.

(Paragraphs 2.3.9.1 and 2.3.9.2)

Twenty eight percent of the sanctioned kitchen-cum-storesheds were yet to be constructed. Forty three per cent of kitchens in Zilla Panchayat, Bijapur were in dilapidated condition. An investment of Rs.97.81 lakh on appliances remained idle.

(Paragraphs 2.3.11.1 and 2.3.11.2)

5. Implementation of works, material and human resource management in selected Zilla Panchayats

During 2002-07, the functioning of the District Planning Committee in the test-checked Zilla Panchayats was ineffective as Annual District Development Plans were either not forwarded to Government or were unrealistic. There was a shortfall in collection of funds towards the District Planning Committee Fund.

(Paragraph 2.4.5)

The test-checked Zilla Panchayats lost assistance amounting to Rs.6.40 crore in respect of implementation of schemes under housing, employment and rural development during 2002-07 due to non-adherence to the conditions stipulated in the respective guidelines.

(Paragraph 2.4.6)

As of March 2007, 17 road works taken up in the test-checked Zilla Panchayats during 2002-07 under NABARD assisted Rural Infrastructure Development Fund remained incomplete rendering the investment of Rs.1.44 crore unfruitful.

(Paragraph 2.4.7)

The water supply schemes to Ramnagar village in Joida taluk taken up way back in the year 2001 by Panchayat Raj Engineering Division, Karwar remained incomplete even as of September 2007 rendering the expenditure of Rs.51.88 lakh incurred on the scheme unfruitful.

(Paragraph 2.4.9)

Construction of sixteen number of pre/post-matric hostel buildings taken up in four test-checked Zilla Panchayats remained incomplete despite investment of Rs.3.21 crore.

(Paragraph 2.4.10(a))

Failure of the District Social Welfare Officer, Tumkur to arrange adequate funds and monitor the progress of construction of Morarji Desai Residential School rendered the investment of Rs.99.50 lakh unfruitful besides cost escalation.

(Paragraph 2.4.10(b))

Surplus/obsolete stock valued at Rs.27.48 lakh were lying idle in four Panchayat Raj Engineering Divisions.

(Paragraph 2.4.11)

Large number of vacant posts in the departments under the jurisdiction of Zilla Panchayats hampered the effective implementation/completion of projects.

(Paragraph 2.4.12)

6. Draft Paragraphs

Failure of the Executive Engineer, Panchayat Raj Engineering Division, Mysore and Assistant Executive Engineer, Panchayat Raj Engineering Sub-division, Nanjangud to properly inspect the work site and prepare a realistic estimate for a hospital building at Tagadur village in Nanjangud taluk resulted in expenditure of Rs.23.02 lakh becoming unfruitful besides denial of improved health care facilities to the rural population.

(Paragraph 2.5)

Failure of the Chief Accounts Officer, Zilla Panchayat and Executive Engineer, Panchayat Raj Engineering Division, Davanagere to arrange funds in time, to obtain permission for drawing water and identify proper land for a water supply scheme to Dagainakatte and Yalodahalli in Channagiri taluk rendered the investment of Rs.70.50 lakh unfruitful.

(Paragraph 2.6)

Failure of Executive Engineers of Panchayat Raj Engineering Divisions in ensuring availability of skilled manpower for maintenance of defluoridation plants resulted in unfruitful expenditure of Rs.5.49 crore.

(Paragraph 2.9)

Failure of the Executive Engineer, Panchayat Raj Engineering Division, Bijapur in preparing a proper estimate and to test the soil condition prior to entrustment of work coupled with failure of Chief Executive Officer, Zilla Panchayat, Bijapur in providing adequate funds for a hospital building at Kalakeri village resulted in expenditure of Rs.28.35 lakh becoming unfruitful.

(Paragraph 2.11)

The injudicious decision of the District Level Committee, Chitradurga to raise seedlings in large numbers without proper assessment of demand resulted in non-distribution of seedlings in full and avoidable extra expenditure of Rs.49.95 lakh on maintenance of seedlings for another year.

(Paragraph 2.14)

Failure of the Executive Engineer, Panchayat Raj Engineering Division, Kolar to prepare a comprehensive estimate for a hostel building at Sundarapalya village and entrustment of work in disregard of the instructions of the Chief Engineer coupled with failure of the District Social Welfare Officer, Kolar in ensuring a proper site for hostel building at Tayalur village rendered the total investment of Rs.33.70 lakh unfruitful.

(Paragraph 2.15)

* * * * *



CHAPTER-I

**AN OVERVIEW OF THE
ACCOUNTS AND FINANCES
OF ZILLA PANCHAYATS
AND TALUK PANCHAYATS**

Chapter Summary

- ◆ **Delays in preparation and forwarding of annual accounts to Audit persisted**
- ◆ **During 2003-06, Non-Plan expenditure was more than the Plan expenditure**
- ◆ **Database on finances of Panchayat Raj Institutions was not maintained by the Government since 2002-03**
- ◆ **Statutory recoveries were not remitted to Government account, as prescribed**
- ◆ **Internal audit to be conducted by Chief Accounts Officers was in arrears**
- ◆ **Detailed accounts for amounts drawn on Abstract Contingent bills were not submitted**
- ◆ **Large number of cases of misappropriation/defalcation were awaiting settlement in Zilla Panchayats**

CHAPTER I

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF ZILLA PANCHAYATS AND TALUK PANCHAYATS

1.1 Introduction

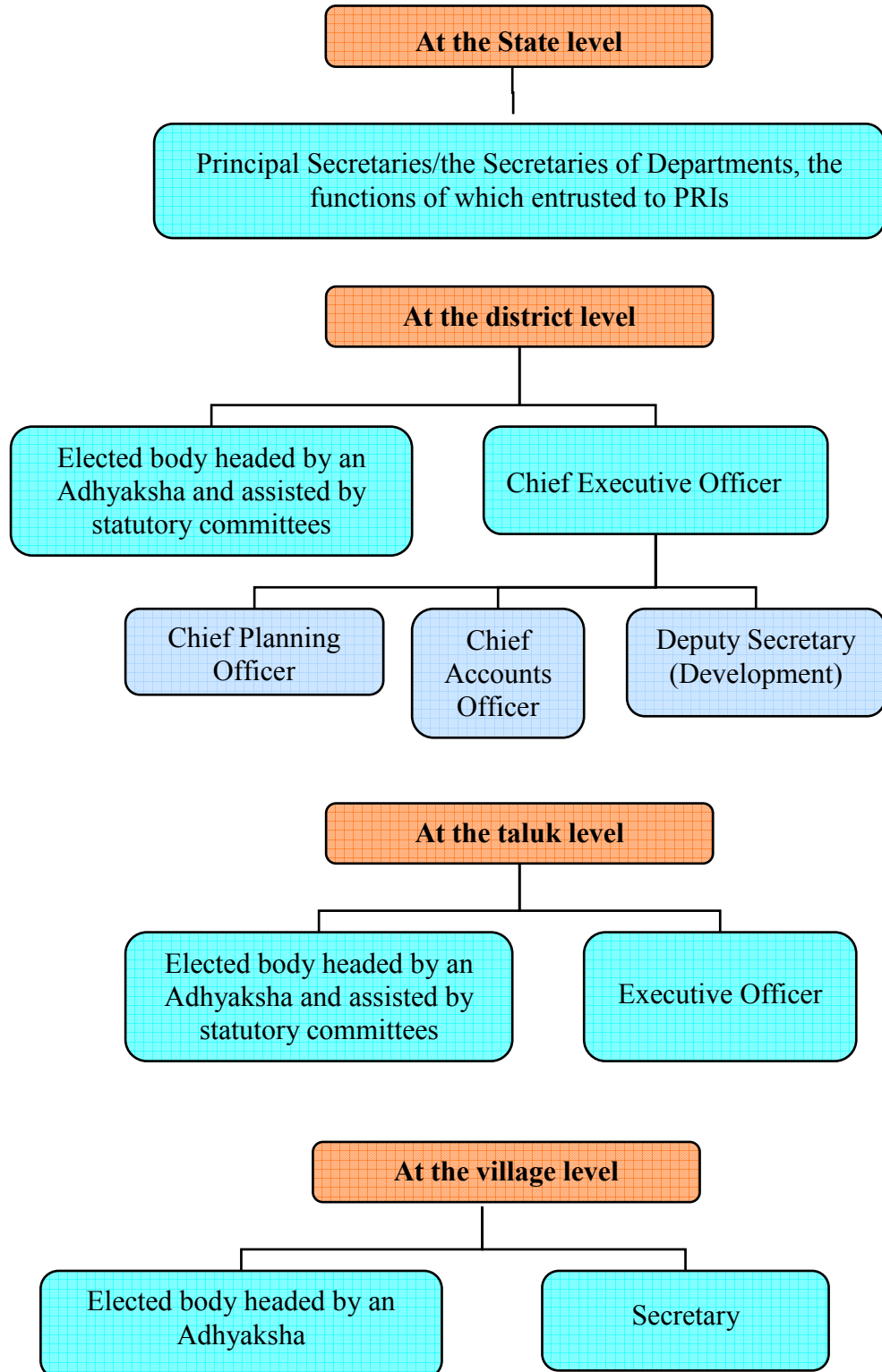
1.1.1 The Karnataka Panchayat Raj (KPR) Act, in keeping with the 73rd Constitutional amendment, was enacted in 1993 to establish a three-tier Panchayat Raj Institution (PRI) system, at the village, taluk and district levels in the State. The PRI system comprises elected bodies – Grama Panchayats (GPs) at the village level, Taluk Panchayats (TPs) at the taluk level and Zilla Panchayats (ZPs) at the district level. As per the 2001 census, the total population of the State was 5.29 crore, of which the rural population constituted 3.48 crore. As of March 2007, there were 27 ZPs, 176 TPs and 5,659 GPs in the state.

1.1.2 Besides functioning as units of local self government, the PRIs also aim to promote participation of people and effective implementation of rural development programmes. The overall supervision, coordination and implementation of development schemes at taluk and district levels and preparation of the plan for the development of the district is vested with the ZPs.

1.1.3 The Comptroller and Auditor General of India (CAG) has been auditing and certifying the accounts of the ZPs and TPs as entrusted under Section 19(3) of CAG's (DPC) Act, 1971. The Controller of State Accounts has been auditing the accounts of GPs under the KPR Act.

1.2 Organisational structure and functions

1.2.1 The organisational structure is indicated below:



1.2.2 The broad details of responsibility within the ZPs are as under:

| Authority | Functions |
|--|---|
| District level officers and departments of Zilla Panchayat | Preparation of budget and Annual Action Plan |
| Zilla Panchayat | Approval of budget and Annual Action Plan and review of implementation of schemes |
| Chief Executive Officer (CEO) | Allocation of funds to implementing agencies and overall control and supervision of all functions/schemes |
| Chief Accounts Officer (CAO) | Preparation of monthly and annual accounts and their submission to Government |
| Finance, Audit and Planning Committee (FAPC) | Review of accounts, framing of budget, general supervision of Receipts and Expenditure and monitoring of programme implementation |

1.3 Funding of Panchayat Raj Institutions

1.3.1 The State and Central Governments funded the PRIs through grants-in-aid for general administration and for development activities. The funding by the State Government was on the lines of accepted recommendations of the State Finance Commission and took into account factors like population, literacy, health, irrigation, medical facilities, etc. The State Government released block grants every quarter and every month in the last quarter. The Central Government also released funds direct to ZPs for development activities. Allocation to PRIs by the State Government during 2003-06 formed 13 to 16 *per cent* of the total budget of the State as shown below:

| Year | Total budget provision of the State | Allocation to PRIs | Percentage |
|---------|-------------------------------------|--------------------|------------|
| | (Rupees in crore) | | |
| 2003-04 | 37105.48 | 4733.72 | 13 |
| 2004-05 | 37380.05 | 5180.62 | 14 |
| 2005-06 | 41528.17 | 6842.75 | 16 |

The Second State Finance Commission (SSFC) had recommended (December 2002) that from the financial year 2003-04 onwards, 32 *per cent* of

NLGORR^u of the State was to be allocated to PRIs. The State Government, however, did not accept this recommendation and released only 24 to 29 per cent of NLGORR of the State to PRIs during the years 2003-04 to 2005-06 as shown below:

| Year | NLGORR | Amount released to PRIs | Percentage |
|---------|-------------------|-------------------------|------------|
| | (Rupees in crore) | | |
| 2003-04 | 15528.00 | 4578.76 | 29 |
| 2004-05 | 20545.00 | 4906.08 | 24 |
| 2005-06 | 22507.00 | 6088.61 | 27 |

1.3.2 The ZPs deposited grants-in-aid and receipts from other sources[^], in ZP Funds maintained in treasuries. Such ZP Funds were outside the Consolidated Fund of the State but formed part of its Public Account. The ZPs also deposited funds received from the Government of India/externally aided projects and State share of Central Sector/Centrally Sponsored Schemes in bank accounts, as stipulated in scheme guidelines.

1.3.3 The TPs conducted their financial transactions through TP Funds held in the treasury and the scheme funds held in banks. The GPs carried out their financial operations through GP Funds maintained in the treasury/any approved cooperative/scheduled bank.

1.4 Financial position of Zilla Panchayats/Taluk Panchayats

The State Government modified (September 2004) the accounting procedure and method of release of funds to various levels of PRIs from 2005-06. The method of routing the funds to TPs and GPs through ZP was discontinued and funds were directly released to the respective PRIs. The accounts of the TPs were excluded from the annual accounts of ZPs since 2005-06 onwards.

1.4.1. The financial position of ZPs as aggregated from their certified annual accounts for the years 2003-04 to 2005-06[¥] was as exhibited in the table and in Chart I.

^u Non Loan Gross Own Revenue Receipts

[^] Includes miscellaneous receipts like recoveries of overpayment, sale of tender forms/ unserviceable items, etc.

[¥] Comments restricted to the year up to which Audit had certified the accounts of ZPs

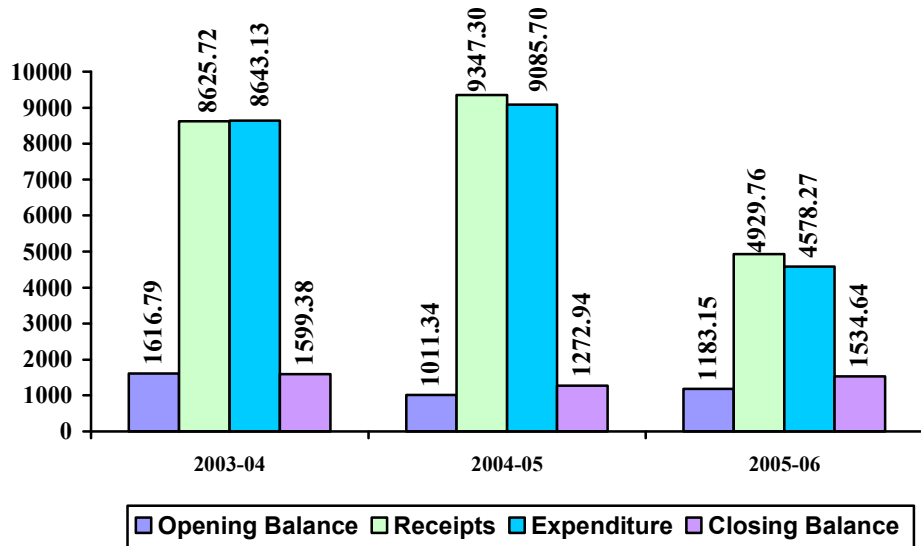
(Rupees in crore)

| | | | | |
|----------------|---------------------------------|----------------------------|------------------------|-----------------|
| 2003-04 | Receipts | 8625.72 | Expenditure | 8643.13 |
| | Revenue 5395.38 | | Revenue 5288.77 | |
| | DDR ^{^^} heads 3230.34 | | Capital 102.84 | |
| | Opening balance | 1616.79 | Closing balance | 1599.38 |
| | Total | 10242.51 | Total | 10242.51 |
| 2004-05 | Receipts | 9347.30 | Expenditure | 9085.70 |
| | Revenue 6035.78 | | Revenue 5485.99 | |
| | DDR heads 3311.52 | | Capital 312.71 | |
| | Opening balance | 1011.34[∞] | Closing balance | 1272.94 |
| | Total | 10358.64 | Total | 10358.64 |
| 2005-06 | Receipts | 4929.76 | Expenditure | 4578.27 |
| | Revenue 4273.11 | | Revenue 3442.51 | |
| | DDR heads 656.65 | | Capital 397.24 | |
| | Opening balance | 1183.15 | Closing balance | 1534.64 |
| | Total | 6112.91 | Total | 6112.91 |

Note : Figures for the year 2005-06 does not include receipts and expenditure of TPs and that is exhibited under paragraph 1.4.3

^{^^} Debt, Deposit and Remittance

Chart I
Financial position of Zilla Panchayats
(Rupees in crore)



[∞] The difference of Rs.588.04 crore between closing balance of 2003-04 and opening balance of 2004-05 was on account of transfer of unspent balance of ZPs in treasuries from Public Account to Consolidated Fund of the State.

There were discrepancies in maintenance of accounts

1.4.2 KPR Act and Karnataka ZP (Finance and Accounts Rules), 1996 has not made any provisions to rectify or keep a record of note of error on the accounts after its certification. In the absence of such a provision, audit observed the following deficiencies in the maintenance of accounts of the ZPs which have also been commented in the Separate Audit Report on the accounts of respective ZPs.

- ✓ Considering the mounting unutilised balances in the ZPs and TPs, the State Government decided (September 2004) to write back the treasury balances of ZPs/TPs, as of 1 April of each year, to the Consolidated Fund of the State. While preparing the annual accounts for the next year, the ZPs/TPs were required to adopt the opening balance duly reducing the amount written back. The accounts of the ZPs/TPs were to be closed before 30 June of the next year. However, the Government Order writing back from the closing balances of 2004-05 was issued only in July 2005, after the closure of accounts of ZPs/TPs. Therefore, the ZPs/TPs should have adopted the closing balance of annual accounts for the year 2004-05 as opening balance for 2005-06. Instead, the ZPs/TPs adopted the balance taking into consideration the amount written back.
- ✓ Fourteen^u ZPs adopted opening balance for 2005-06 under Bank Head other than the closing balance for 2004-05 resulting in incorrect exhibition of opening balance. ZPs stated that this difference in opening balance was on account of the change in the bank balance after the audit of Centrally Sponsored Schemes namely Indira Awaas Yojana, Sampoorna Grameen Rozgar Yojana/National Rural Employment Guarantee Programme, Swarnajayanti Gram Swarozgar Yojana, etc., by the Chartered Accountants.

Further, the accounts of the TPs were also excluded from the annual accounts of the ZPs since 2005-06 onwards. Thus, there was a difference between the closing balance of 2004-05 and opening balance exhibited in the annual accounts for 2005-06.

^u Bangalore (Rural), Bagalkot, Bellary, Davanagere, Gadag, Hassan, Haveri, Koppal, Kodagu, Kolar, Raichur, Shimoga, Tumkur and Uttara Kannada

1.4.3 The financial position of the TPs, as aggregated from their annual accounts for the year 2005-06 (which were yet to be certified) was as exhibited in the table below.

(Rupees in crore)

| 2005-06 | Receipts | | 3466.91 | Expenditure | | 2910.99 |
|---------|-----------------|---------|----------------|-----------------|---------|----------------|
| | Revenue | 3307.36 | | Revenue | 2845.07 | |
| | DDR heads | 159.55 | | Capital | 1.49 | |
| | Opening balance | | | DDR heads | 64.43 | |
| | | | 235.18 | Closing balance | | 791.10 |
| | Total | | 3702.09 | Total | | 3702.09 |

Note: Nine^δ TPs did not submit their annual accounts (January 2008) and certification of accounts in respect of 167 TPs is under progress

Delays persisted in forwarding of annual accounts for audit

1.4.4 The KPR Act stipulated that the annual accounts were to be passed by the ZPs within three months from the close of the financial year and forwarded to the Principal Accountant General for audit. Sixteen^ε ZPs forwarded the annual accounts for 2005-06 after delays ranging from two to six months while six^ζ ZPs sent them after a delay of seven to twelve months.

1.5 Sectoral Finances of Panchayat Raj Institutions

1.5.1 Sector-wise data on the finances of the PRIs for the past three years is given below:

(Rupees in crore)

| | 2003-04 | | | 2004-05 | | | 2005-06 | | |
|------------------------------------|---------|----------|---------|---------|----------|---------|---------|----------|---------|
| | PLAN | NON-PLAN | TOTAL | PLAN | NON-PLAN | TOTAL | PLAN | NON-PLAN | TOTAL |
| RECEIPTS* | | | | | | | | | |
| Total Receipts^γ | 2131.13 | 3264.25 | 5395.38 | 2576.14 | 3459.64 | 6035.78 | 3454.67 | 4125.80 | 7580.47 |
| EXPENDITURE* | | | | | | | | | |
| Revenue Expenditure | 1944.91 | 3343.86 | 5288.77 | 2063.60 | 3422.39 | 5485.99 | 2682.75 | 3604.83 | 6287.58 |
| General Services | (-0.11) | 90.93 | 90.82 | - | 84.16 | 84.16 | 0.19 | 96.62 | 96.81 |
| Stamp Duty | - | - | - | - | - | - | 0.23 | - | 0.23 |
| Public works | (-0.11) | 90.93 | 90.82 | - | 84.16 | 84.16 | (-0.04) | 96.62 | 96.58 |
| Social Services | 892.42 | 2089.43 | 2981.85 | 842.62 | 2383.61 | 3226.23 | 1507.48 | 3075.88 | 4583.36 |
| Education, Sports, Art and Culture | 140.61 | 1624.15 | 1764.76 | 221.01 | 1840.40 | 2061.41 | 706.16 | 2445.26 | 3151.42 |
| Health and Family Welfare | 107.24 | 261.28 | 368.52 | 114.39 | 271.21 | 385.60 | 151.90 | 303.61 | 455.51 |

^δ Afzalpur, Bellary, Bhalki, Devanahalli, Devadurg, Humnabad, Kanakapura, Raichur and Sindanur

^ε Bangalore (Rural), Bangalore (Urban), Bijapur, Belgaum, Chamarajanagar, Chitradurga, Davanagere, Gadag, Hassan, Haveri, Kolar, Koppal, Mandya, Mysore, Shimoga and Tumkur

^ζ Bidar, Bagalkot, Gulbarga, Kodagu, Raichur and Uttara Kannada

* Includes TP figures, however, as mentioned in paragraph 1.4.3 they are not certified.

^γ The ZPs exhibited in their annual accounts, receipts distinctly under 'Plan' and 'Non-Plan', as allocated by Government and as stipulated in the ZP Rules. Such depiction, however, is not required either according to normal Government accounting practice or in the accounts formats suggested by the CAG, for PRIs.

| | 2003-04 | | | 2004-05 | | | 2005-06 | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | PLAN | NON-PLAN | TOTAL | PLAN | NON-PLAN | TOTAL | PLAN | NON-PLAN | TOTAL |
| Water supply and Housing | 478.44 | 5.56 | 484.00 | 294.41 | 1.64 | 296.05 | 276.43 | 4.03 | 280.46 |
| Welfare of SC/ST/OBC | 62.74 | 159.27 | 222.01 | 81.78 | 216.26 | 298.04 | 145.55 | 247.93 | 393.48 |
| Social Welfare and Nutrition | 103.39 | 39.17 | 142.56 | 131.03 | 54.10 | 185.13 | 227.44 | 75.05 | 302.49 |
| Economic Services | 722.69 | 420.52 | 1143.21 | 785.99 | 462.98 | 1248.97 | 1054.94 | 428.46 | 1483.40 |
| Agriculture and allied activities | 84.31 | 170.91 | 255.22 | 128.04 | 176.44 | 304.48 | 195.59 | 216.04 | 411.63 |
| Rural Development | 544.79 | 159.28 | 704.07 | 512.51 | 211.46 | 723.97 | 674.50 | 126.76 | 801.26 |
| Special Areas Programmes | 13.56 | 3.51 | 17.07 | 27.02 | - | 27.02 | 39.04 | - | 39.04 |
| Irrigation and Flood Control | 0.82 | 9.24 | 10.06 | 3.28 | 24.09 | 27.37 | 0.82 | 13.76 | 14.58 |
| Energy | 8.04 | 0.07 | 8.11 | 3.03 | - | 3.03 | 0.99 | 0.13 | 1.12 |
| Industry and Minerals | 3.02 | 35.07 | 38.09 | 4.58 | 35.00 | 39.58 | 8.23 | 39.88 | 48.11 |
| Science, Technology and Environment | 0.25 | - | 0.25 | 0.30 | - | 0.30 | 0.34 | - | 0.34 |
| Transport | 67.64 | 38.28 | 105.92 | 106.84 | 11.43 | 118.27 | 130.94 | 27.15 | 158.09 |
| General Economic Services | 0.26 | 4.16 | 4.42 | 0.39 | 4.56 | 4.95 | 4.49 | 4.74 | 9.23 |
| TP/GP expenditure | 192.05 | 742.98 | 935.03 | 182.44 | 468.04 | 650.48 | 5.19 | - | 5.19 |
| Deposits of Local Bodies – Taluk Panchayat funds | - | - | - | - | - | - | 6.55 | 3.87 | 10.42 |
| Bank | 137.86 | - | 137.86 | 252.55 | 23.60 | 276.15 | 108.40 | - | 108.40 |
| Capital Expenditure | 102.84 | - | 102.84 | 312.71 | - | 312.71 | 398.73 | - | 398.73 |
| General Services | - | - | - | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - | - | - | - |
| Social Services | 78.33 | - | 78.33 | 280.35 | - | 280.35 | 377.76 | - | 377.76 |
| Education, Sports, Art and Culture | 4.24 | - | 4.24 | 2.93 | - | 2.93 | 18.48 | - | 18.48 |
| Health and Family Welfare | 4.36 | - | 4.36 | 3.63 | - | 3.63 | 0.60 | - | 0.60 |
| Water Supply and Housing | 59.93 | - | 59.93 | 265.14 | - | 265.14 | 355.66 | - | 355.66 |
| Welfare of SC/ST/OBC | 1.09 | - | 1.09 | 1.99 | - | 1.99 | 1.84 | - | 1.84 |
| Social welfare and Nutrition | 8.71 | - | 8.71 | 6.66 | - | 6.66 | 1.18 | - | 1.18 |
| Economic Services | 24.51 | - | 24.51 | 32.35 | - | 32.35 | 20.97 | - | 20.97 |
| Agriculture and allied activities | 0.14 | - | 0.14 | 0.17 | - | 0.17 | 0.98 | - | 0.98 |
| Irrigation and Flood Control | 4.32 | - | 4.32 | 5.26 | - | 5.26 | 2.05 | - | 2.05 |
| Industry and Minerals | 0.11 | - | 0.11 | 0.13 | - | 0.13 | 0.17 | - | 0.17 |
| Transport | 19.64 | - | 19.64 | 26.78 | - | 26.78 | 17.77 | - | 17.77 |
| Others | 0.30 | - | 0.30 | 0.01 | - | 0.01 | - | - | - |
| TP expenditure | - | - | - | 0.01 | - | 0.01 | - | - | - |
| Total Expenditure | 2047.75 | 3343.86 | 5391.61 | 2376.31 | 3422.39 | 5798.70 | 3081.48 | 3604.83 | 6686.31 |

Note: Figures as rounded off

1.5.2 The formats prescribed for the preparation of accounts under KPR Act stipulated that the sector-wise expenditure had to be exhibited. It was, however, noticed during 2005-06 that two ZPs did not indicate sector-wise

expenditure for an amount of Rs.5.19 crore in respect of funds transferred to TPs/GPs[£]. Similarly, 24[€] TPs did not indicate sector-wise expenditure for an amount aggregating Rs.10.42 crore.

It would be seen from the table above that both capital and revenue expenditure showed an increasing trend. While the percentage of increase of revenue expenditure was 19 *per cent* during 2005-06 as compared to 2003-04, the percentage of increase of capital expenditure works out to 288 *per cent*. The substantial increase in capital expenditure was due to increase in capital expenditure on water supply and housing schemes. Sixty three *per cent* of revenue expenditure was incurred on ‘Education, Sports, Art and Culture’ and ‘Rural Development’.

**Non-Plan
expenditure
exceeded the
Plan
expenditure**

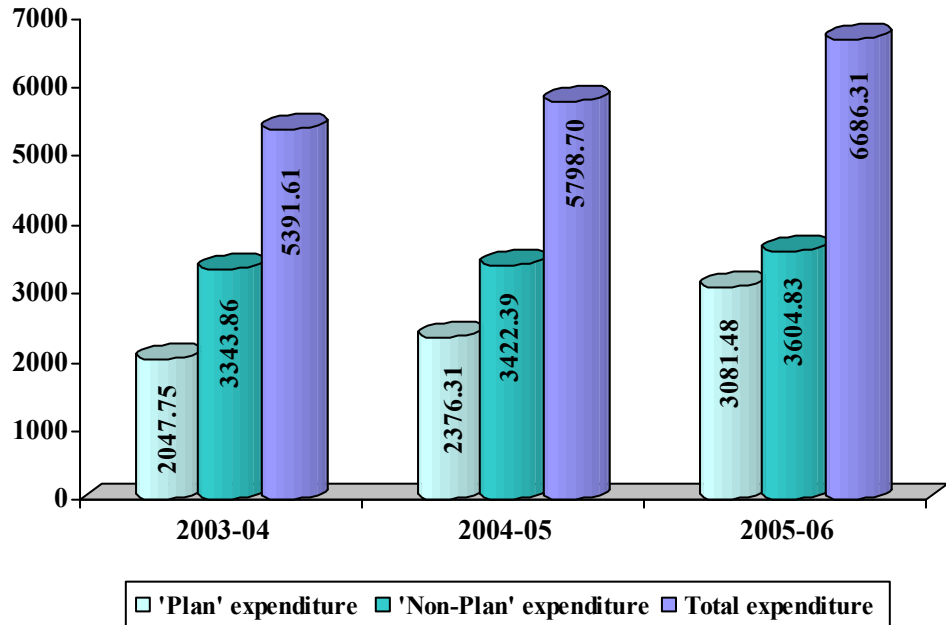
1.5.3 It would be observed from the data given that both receipts and expenditure of PRIs increased steadily during 2003-06. The percentage of ‘Plan’ receipts to total receipts which was 39 during 2003-04 increased to 43 in 2004-05 and 46 in 2005-06. The percentage of ‘Non-Plan’ receipts to total receipts which was 61 during 2003-04 decreased to 57 in 2004-05 and 54 in 2005-06. Similarly, the percentage of ‘Plan’ expenditure (Capital and Revenue) which was 38 in 2003-04 increased to 41 in 2004-05 and 46 in 2005-06. The percentage of ‘Non-Plan’ expenditure to total expenditure (Capital and Revenue) which was 62 in 2003-04 declined to 59 in 2004-05 and 54 in 2005-06. However, the ‘Non-Plan’ expenditure exceeded the ‘Plan’ expenditure during all the three years in 2003-06 as depicted below:

[£] Chickmagalur (to TPs) and Chamaraja Nagar (to GPs)

[€] Bangalore (East), Bangarpet, Bhatkal, Chikkanayakanahalli, Gouribidanur, Hadagali, Haliyal, Honnavara, Karwar, Kolar, Koratagere, Malur, Madhugiri, Mulbagal, Mundagod, Pavagada, Shiggaon, Siddapura, Sira, Siraguppa, Sirsi, Srinivasapura, Tiptur and Yallapura

Chart II

‘Plan’ and ‘Non-Plan’ expenditure in total expenditure during 2003-04 to 2005-06 (Rupees in crore)



1.6 Creation of a database on finances of Panchayat Raj Institutions

Maintenance of database on finances of PRIs discontinued after 2002-03

Eleventh Finance Commission provided (2000-01) grants for maintenance of accounts and preparation and compilation of database on finances of PRIs in the standard formats as prescribed by the CAG. The prescribed formats for maintenance of database on finances of PRIs were communicated (August 2003) to the State Government for consideration and adoption. The Government entrusted (March 2002) the responsibility of creation of database to Institute of Social and Economic Change (ISEC), Bangalore and released Rs.60 lakh for the same. ISEC collected the database for the years 1999-2000 to 2002-03 based on formats evolved by them. The data collected included the receipts and expenditure of GPs including the expenditure on electricity, user charges collected for drinking water, etc. The compilation of database was discontinued after 2002-03. The Government is yet (March 2008) to furnish the reasons for the same.

1.7 Twelfth Finance Commission Grants

❖ *Execution of ineligible works*

Contrary to guidelines, two ZPs incurred an expenditure of Rs.1.46 crore on ineligible works

The guidelines issued by the State Government stipulate that the funds received under the Twelfth Finance Commission Grants from Government of India (GOI) were to be shared among the ZPs, TPs and GPs in the ratio 10:20:70 respectively. The guidelines further stipulated that ZPs should utilise the funds, inter alia, for various development works such as construction of ZP office building, encouraging non-conventional energy sources, creation of database and maintenance of accounts of ZPs, etc. Test-check of records in five^Σ selected ZPs revealed that these ZPs received an amount aggregating Rs.3.21 crore (towards ZPs share) during 2005-06 as grants under Twelfth Finance Commission.

Contrary to the guidelines, it was noticed that two[∞] ZPs utilised the funds amounting to Rs.1.46 crore towards execution of ineligible works like ongoing works taken up under Eleventh Finance Commission Grants, construction of roads/samudaya bhavans, repairs to school buildings, etc. The Executive Engineers (EEs) of the Panchayat Raj Engineering Divisions (PREs) replied that the works were taken up based on the approval of ZPs.

Test-check of records (September 2007) relating to release and utilisation of TFC grants for the year 2006-07 revealed the following:

- ✓ An amount of Rs.4.65 lakh was short released to GPs from the 1st instalment of TFC grants.
- ✓ According to TFC guidelines, the grant should be credited to the accounts of PRIs within 15 days from the date of receipt of grants from GOI. However, it was noticed that the State Government released the grants amounting to Rs.177.60 crore being the I and II instalment with a delay ranging from 35 days to 79 days. Out of the total payable interest of Rs.1.50 crore for the delayed transfer, interest amount of Rs.26.76 lakh was paid by State Government to the PRIs (October 2007). The balance is yet to be paid (March 2008).

^Σ Chamarajanagar, Gadag, Kodagu, Tumkur and Uttara Kannada

[∞] Tumkur-Rs.76.26 lakh and Uttara Kannada – Rs.69.49 lakh

1.8 Laxity of internal controls

Internal controls were inadequate

1.8.1 The KPR Act and codal provisions, inter alia, prescribed the following internal control mechanism for PRIs and the Chief Accounts Officers (CAOs) of ZPs:

- ✓ to ensure remittance of statutory deductions to Government account
- ✓ to conduct the internal audit of all the offices under the jurisdiction of ZPs and to audit all the transactions, both centrally* in his/her office and locally♥ in respective offices
- ✓ to watch submission of non-payable detailed contingent (NDC) bills for amounts drawn on abstract contingent (AC) bills
- ✓ to ensure reconciliation of expenditure figures by the Controlling Officers/heads of departments of ZPs

1.8.2 At the end of March 2006, recoveries aggregating Rs.1.36 crore made by 13 ZPs towards income tax, sales tax and royalty had not been remitted to Government account as detailed below:

| Sl.No. | Zilla Panchayat | Recoveries not remitted | | |
|--------------------|-------------------|-------------------------|--------------|--------------|
| | | Income tax | Sales tax | Royalty |
| (Rupees in lakh) | | | | |
| 1 | Bangalore (Rural) | - | 8.63 | 0.64 |
| 2 | Belgaum | 0.92 | - | 2.09 |
| 3 | Bellary | 14.16 | 18.60 | - |
| 4 | Bidar | 1.95 | 7.28 | 6.00 |
| 5 | Bijapur | 10.91 | 17.72 | 5.83 |
| 6 | Chickmagalur | 0.05 | - | - |
| 7 | Dakshina Kannada | 0.12 | 0.25 | 1.06 |
| 8 | Gulbarga | 5.36 | 6.08 | 21.44 |
| 9 | Hassan | 1.52 | 1.69 | 0.97 |
| 10 | Haveri | 0.23 | 0.65 | 0.11 |
| 11 | Kolar | 0.02 | 0.10 | - |
| 12 | Kodagu | - | 1.15 | - |
| 13 | Udupi | - | 0.06 | - |
| Total | | 35.24 | 62.21 | 38.14 |
| Grand total | | 135.59 | | |

* To audit sanction orders and other communications received from Government/ZP and schedules, challans/vouchers received from treasury, etc.

♥ To audit all the transactions, with reference to basic records maintained in the subordinate offices

1.8.3 The Controlling Officers/heads of departments of ZPs were responsible for reconciliation of their expenditure figures with those booked by CAOs. However, 43 Controlling Officers of 5[£] ZPs had not reconciled (July 2007) expenditure of Rs.155.15 crore incurred during 2006-07 (**Appendix 1.1**).

1.8.4 Audit observed that in five[°] test-checked ZPs, the CAOs did not conduct internal audit centrally while there were arrears to the extent of 35 to 100 *per cent* in internal audit to be conducted locally in respective offices.

In 15 ZPs, detailed accounts for Rs.4.71 crore drawn on AC bills were not submitted

1.8.5 While codal provisions permit Drawing and Disbursing Officers (DDOs) to draw funds on AC bills towards contingent charges required for immediate disbursement, DDOs are required to submit the NDC bills to the CAOs before the fifteenth of the following month. However, it was noticed in 15 ZPs that NDC bills were not submitted by 181 drawing officers for amounts aggregating Rs.4.71 crore drawn on more than 1315 AC bills, some of which were drawn as early as 1986-87 (**Appendix 1.2**).

Despite this irregularity having been pointed out in previous Reports, the CAOs did not initiate action, against officers who had failed to render detailed accounts.

1.9 Investment without returns

In 15 ZPs, investment of Rs.11.50 crore on 90 incomplete works remained idle

As of March 2007, 90 works taken up for execution prior to 2004-05, on which 15 ZPs made an aggregate investment of Rs.11.50 crore, remained incomplete even though these works were to be completed in two years and the Government had issued instructions to accord priority to incomplete works in allocation of funds over the new works (**Appendix 1.3**).

Many such instances have been highlighted in Chapter II B of Current Report and in earlier reports.

[£] Bidar, Bijapur, Chamarajanagar, Davanagere and Kolar

[°] Chamarajanagar, Gadag, Kodagu, Tumkur and Uttara Kannada

1.10 Cases of misappropriation/defalcation

433 cases of misappropriation/defalcation involving Rs.21.40 crore were pending

As of March 2007, 433 cases of misappropriation/defalcation involving Rs.21.40 crore were pending at various stages in 25 ZPs (**Appendix 1.4**). The pendency, as furnished by the ZPs, was as under:

(Amount: Rupees in crore)

| Under investigation | | Pending in Court | | Others | | Total | |
|---------------------|--------|------------------|--------|-----------------|--------|-----------------|--------|
| Number of cases | Amount | Number of cases | Amount | Number of cases | Amount | Number of cases | Amount |
| 303 | 11.84 | 47 | 5.88 | 83 | 3.68 | 433 | 21.40 |

Delays in settlement of these cases, as pointed out in paragraph 2.5 in the Audit Report for the year ended March 2006 resulted in postponement of recoveries/non-recovery and officials responsible for irregularities going unpunished.

1.11 Poor response to Inspection Reports

Sixty eight per cent of IRs were outstanding for more than five years

The Karnataka Zilla Panchayat (Finance and Accounts) Rules stipulate that Head of the Departments/DDOs of the ZPs shall attend promptly to the objections issued by the Accountant General. It is further stipulated that the ultimate responsibility for expeditious settlement of audit objections is that of CEO of ZPs. As of March 2007, 4223 Inspection Reports consisting of 16099 paragraphs were outstanding in various ZPs. Year-wise details of reports and paragraphs outstanding in respect of all the ZPs are detailed in **Appendix 1.5**. Out of the outstanding Inspection Reports 2863 (68 per cent) reports containing 8364 (52 per cent) paragraphs were pending for more than five years, indicating that the action taken by the CEOs for settlement of objections was poor.

1.12 Conclusion

There were discrepancies in maintenance of accounts. There were delays in forwarding of annual accounts. Non-Plan expenditure was more than Plan expenditure during the years 2003-06. Database of finances of PRIs was not maintained from 2002-03 onwards. The CAOs of the ZPs failed to comply with the prescribed internal controls mechanism and the response to Inspection Reports was poor.

1.13 Recommendations

- ✓ Accounts should be maintained to depict true and fair view and discrepancies should be eliminated
- ✓ All the accounts should be forwarded within the stipulated time frame
- ✓ Database on finances of PRIs should be maintained in the formats prescribed by the C&AG
- ✓ Internal Control Mechanism should be strengthened and compliance thereto should be ensured
- ✓ Immediate steps be initiated for clearance of the Detailed Contingent Bill and action taken against erring officers.



CHAPTER-II
RESULTS OF AUDIT

Chapter Summary

Implementation of Rural Employment Guarantee Scheme

- ◆ The State Government delayed notification of the scheme and constitution of the State Employment Guarantee Council
- ◆ District perspective plan and shelf of projects were not prepared
- ◆ Funds released were not commensurate with the job cards issued and the projected expenditure
- ◆ In the absence of Employment Registers, Audit could not vouchsafe the employment provided
- ◆ Instances of inadmissible works, delay in payment of wages, excess expenditure on material and use of machineries were noticed
- ◆ Initial records were not maintained

Accelerated Rural Water supply programme

- ◆ Annual action plans were either not prepared or were defective
- ◆ Instances of diversion/inadmissible expenditure were noticed
- ◆ Details of water supply schemes in operation were not available in the Zilla Panchayats
- ◆ Sachethana and Suvarnajal water supply schemes failed to achieve the objectives

Contd.....

Implementation of Akshara Dasoha (Mid-day meal) Scheme

- ◆ Funds under the scheme were not fully utilised by the Zilla Panchayats
- ◆ There was reduction in enrolment in schools covered under scheme
- ◆ No system exists for measuring impact of the scheme on enrolment, attendance, retention, etc.
- ◆ Supply of nutrients was not as per schedule
- ◆ Class rooms were used for storing food articles

Implementation of works, material and human resource management in selected Zilla Panchayats

- ◆ Functioning of District Planning Committee was ineffective
- ◆ There was loss of central assistance provided for implementation of schemes
- ◆ Instances of unfruitful/irregular/inadmissible expenditure in implementation of development schemes were noticed
- ◆ Large number of vacant post hampered implementation of the project

Contd.....

Audit paragraphs

- ◆ **Delay in completion of water supply projects and buildings resulted in unfruitful expenditure**
- ◆ **Improper planning resulted in blocking up of Government of India grants and unfruitful expenditure**
- ◆ **Non-maintenance of defloridation plants deprived rural poor of safe drinking water**
- ◆ **Raising of large number of seedlings without proper assessment of demand resulted in extra expenditure on maintenance**
- ◆ **Failure to review/monitor the functioning of Artisan Training Institutes inspite of low enrolment resulted in infructuous expenditure on establishment**
- ◆ **Follow up action of Government on Audit Report was poor**

CHAPTER II - RESULTS OF AUDIT

SECTION 'A' – PERFORMANCE REVIEWS

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.1 Implementation of Rural Employment Guarantee Scheme

Highlights

As an important step towards realisation of the right to work and to enhance the livelihood security on a sustained basis by developing the economic and social infrastructure in rural areas, the Government of India enacted (September 2005) the National Rural Employment Guarantee Act, 2005. Correspondingly, the State Government formulated the Karnataka Rural Employment Guarantee Scheme. The objective of the scheme was to give effect to the legal guarantee of work by providing atleast 100 days of guaranteed employment to every household whose adult members volunteer to do unskilled manual labour. The implementation of the scheme suffered due to laxity of the State Government in preparatory procedures, non-distribution of job cards and non-provision of envisaged employment to the registered households, delay in payment of wages to labourers, etc. Basic documents such as Employment Registers were not maintained in many of the Taluk Panchayats test-checked.

The State Government delayed notifying the scheme guaranteeing employment and constitution of the State Employment Guarantee Council. The District Perspective Plan for five years, Shelf of Projects and Labour Budgets for the year 2006-07 were not prepared in the test-checked Zilla Panchayats, as required.

(Paragraph 2.1.6)

The release of State share of funds was not uniform. Similarly, the release of funds for the implementation of the scheme was not commensurate with the job cards issued and projected expenditure on wages.

(Paragraph 2.1.7.2)

As of December 2007, the failure of District Programme Coordinator, Zilla Panchayat, Gulbarga to furnish the utilisation certificates resulted in non-release of funds by both Central and State Governments for the implementation of the scheme during 2007-08.

(Paragraph 2.1.7.3)

In the absence of Employment Registers in many of the Taluk Panchayats, it could not be vouchsafed in audit that employment was provided to the beneficiaries to the extent reported in the progress reports.

(Paragraphs 2.1.8.1 and 2.1.8.2)

There were instances of execution of inadmissible works, delay in payment of wages amounting to Rs.4.51 crore, non-adherence to list of priority works, excess expenditure on materials (Rs.1.45 crore) than admissible, irregular utilisation of machinery in execution leading to denial of employment (1.57 lakh mandays) to rural labourers, wasteful expenditure on printing of job cards (Rs.26.33 lakh), etc.

(Paragraphs 2.1.8.3 to 2.1.8.9)

The Programme Officers at the Taluk Panchayats did not maintain basic records which led to incorrect reporting of funds utilisation/ achievements. Monitoring mechanism was ineffective/ inadequate.

(Paragraphs 2.1.8.12 and 2.1.9)

2.1.1 Introduction

To provide for the enhancement of livelihood security of households in rural areas, the Government of India (GOI) enacted (September 2005) the National Rural Employment Guarantee Act (NREG Act), 2005. For the purpose of giving effect to the provision of the Act, it was envisaged that every State Government shall, within six months from the date of commencement of the Act, by notification make a scheme for implementation of the Act. Correspondingly, the State Government also notified (February 2007) the Karnataka Rural Employment Guarantee Scheme (KREGS). The KREGS

envisaged provision of 100 days of guaranteed employment to every registered household whose adult members volunteer to do unskilled manual labour. The objectives of the scheme, inter alia, included generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity among others. The scheme was to be implemented in the State as a Centrally Sponsored Scheme with sharing of funds between the Central and State Government in the ratio of nearly 90:10.

2.1.2 Organisational structure

The organisational structure for the implementation of KREGS was as below.

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

2.1.3 Scope of audit

As of March 2007, the scheme was being implemented in five[¥] Zilla Panchayats (ZPs) of the State. The performance appraisal of the scheme upto March 2007 was conducted (May-November 2007) by test-check of records in two[¥] ZPs, four Taluk Panchayats (TPs) and 26 Grama Panchayats (GPs). The coverage of audit was 40 *per cent* at the ZP level, 25 *per cent* at the TP level and 18 *per cent* at the GP level. In addition, the records of the Secretary, Rural Development and Panchayat Raj (RDPR) Department were also test-checked.

2.1.4 Audit objectives

Performance review of the KREGS was conducted to examine whether

- ▶ planning for implementation of the scheme was effective
- ▶ funds were released to the implementing agencies and expenditure incurred therefrom as per guidelines
- ▶ the scheme was implemented in true spirit and achieved its objectives
- ▶ there was effective and adequate mechanism at different levels for monitoring and evaluation of the implementation.

2.1.5 Audit criteria and methodology

The criteria and methodology adopted for the performance appraisal of the scheme were as follows:

Audit criteria:

- ▶ NREG Act and notifications issued there under
- ▶ Notification of KREGS
- ▶ Circulars and instructions issued by State Government.

Audit methodology :

- ▶ Discussion (May 2007) of the audit objectives and methodology with the RDPR Department and accommodating their suggestions
- ▶ Test-check of records relating to planning, receipt/release of funds, implementation and monitoring

[¥] Bidar, Chitradurga, Davanagere, Gulbarga and Raichur

[¥] Chitradurga (population – 15.18 lakh) and Gulbarga (population – 31.31 lakh)

- ▶ The points noticed during the performance review were discussed (December 2007) with the Director, Self Employment Programmes (SEP), RDPR Department.

Acknowledgement

Audit is thankful for the kind co-operation extended by the officers of the ZPs in the conduct of the review. The Entry Conference of the performance appraisal was held in May 2007. The points noticed during the review were communicated to the Government during November 2007. The Exit Conference was held on 27 December 2007 wherein the Department accepted the observations and stated that action would be taken to rectify the deficiencies. Specific remarks of the Government are awaited (February 2008).

Audit findings

The audit findings are discussed in the succeeding paragraphs.

2.1.6 Planning

2.1.6.1 Delay in notification of the Scheme and constitution of the State Employment Guarantee Council

There was delay in notification of the scheme and constitution of the SEGC

The NREG Act 2005 came into force with effect from September 2005. It was stipulated in the Act that each State Government should formulate and notify a scheme within six months of enactment of the NREG Act. However, it was noticed that the State Government notified the scheme only in February 2007 after the GOI's instructions (January 2007) that any further delay in notifying the scheme in the Gazette would result in non-release of funds. The KREGS was, however, implemented in the selected ZPs of the State from February 2006.

For the purposes of regular monitoring and reviewing the implementation of the Act/Scheme, the NREG Act stipulated that each State Government should constitute a State Employment Guarantee Council (SEGC). Though the KREGS was implemented from February 2006, the State Government constituted the Karnataka State Employment Guarantee Council only during

June 2006, after a delay of more than three months. As of December 2007, it was observed that the State Council met only twice (July 2006 and March 2007). The delay in constitution of SEGC resulted in lack of monitoring of the implementation of the scheme during the initial period.

Thus, there was laxity in the preparatory procedures for implementation of the scheme at the State level.

2.1.6.2 Non-preparation of District Perspective Plan and shelf of projects

The District Perspective Plan for five years and shelf of projects had not been prepared

Planning was critical to the successful implementation of the scheme and formed an integral part of the scheme. The NREG Act provided for adoption of annual action plan prepared for SGRY/NFFWP[∞] till notification of the KREGS. A District Perspective Plan (DPP) for five years was to be prepared to facilitate advance planning and to provide a developmental perspective for the district. It was, however, noticed in both the test-checked ZPs that DPP had not been prepared. It was further stipulated that the plans prepared for SGRY/NFFWP could be utilised provided it was revisited in order to serve the purposes of KREGS. Though ZP, Chitradurga stated that the DPP of NFFWP was adopted, the same had not been revisited to eliminate those items of works which were inadmissible under the scheme. Audit also noticed that non-preparation of proper DPP resulted in execution of 19 works not included in the list of priority works valued at Rs.23.85 lakh in four GPs under TP, Challakere.

The GOI released (February 2006) a sum of Rs.10 lakh to ZP, Gulbarga for the preparation of the DPP. The CEO, ZP, Gulbarga released (April 2006) an amount of Rs.10.22 lakh (1363 villages), at the rate of Rs.750 per village to certain Non-Government Organisations (NGOs) for preparation of the DPP. According to the guidelines, the DPP was to be prepared with holistic, diagnostic and delineated baselines. The details of technical expertise, resources possessed and capacity to handle work within the timeframe by these NGOs were not on record. In the absence of these particulars, the utilisation of scheme funds released to NGOs could not be verified in audit.

[∞] Sampoorna Grameena Rozgar Yojana/National Food For Work Programme

Even after the lapse of more than a year, the DPP was yet to be prepared and approved.

A shelf of projects was required to be prepared at all levels to enable prioritisation of works to be taken up under the scheme. Such a shelf of projects was not prepared in ZP, Chitradurga. Though the Chief Executive Officer, ZP, Chitradurga contended that the shelf of projects had been prepared, the same was not made available to audit for verification.

2.1.6.3 Non-preparation of Labour budget

The KREGS Act stipulated that the District Programme Coordinator (DPC) was to prepare a labour budget for the ensuing financial year containing the details of the anticipated demand for unskilled manual work in the district which should be the basis for planning. It was noticed in the test-checked ZPs that labour budget was not prepared for the year 2006-07.

2.1.7 Funds management

2.1.7.1 Financial performance

The funding pattern prescribed in the guidelines was not followed by State Government

The State Government was required to establish a State Employment Guarantee Fund to be expended and administered according to the guidelines. The Fund was to be utilised, inter alia, towards cost of material component, payment of unemployment allowance, administrative expenses of SEGC, etc. It was noticed in audit that the State Government had not established the State Employment Guarantee Fund (November 2007). Though, similar funds were also to be set up at all the three tiers of implementation, test-check revealed that no such Fund had been set up at any of the three levels.

The KREGS was to be implemented as a Centrally Sponsored Scheme on cost sharing basis between GOI and the State in the ratio 90:10 and funds were to be expended in the manner as prescribed in the guidelines. The GOI and the State Government released their share to the ZPs concerned directly.

The funds for the implementation of the scheme were released during February/March 2006 and as such, no expenditure was incurred during the year 2005-06. The details of the funds released and expenditure incurred

during 2006-07 for the State as a whole was as shown in the table below.

(Rupees in crore)

| Name of the District | Opening balance | Funds released by | | Total availability of funds | Total expenditure |
|----------------------|-----------------|-------------------|------------------|-----------------------------|-------------------|
| | | GOI | State Government | | |
| Bidar | 22.97 | 23.13 | 1.02 | 47.12 | 27.00 |
| Chitradurga | 17.38 | 91.85 | 6.62 | 115.85 | 77.09 |
| Davanagere | 16.99 | 68.59 | 4.80 | 90.38 | 84.76 |
| Gulbarga | 12.41 | 36.02 | 4.74 | 53.17 | 41.08 |
| Raichur | 8.74 | 22.89 | 3.16 | 34.79 | 21.96 |
| Total | 78.49 | 242.48 | 20.34 | 341.31 | 251.89 |

Source: Progress Report submitted by the State Government to GOI

It would be seen from the table above that the percentage of utilisation of fund was 74 per cent. As per the guidelines, the State Government was to release 10 per cent of the funds released by GOI. However, the State Government had not followed the prescribed percentage and the percentage varied from 4 (Bidar) to 14 (Raichur) in respect of ZPs.

2.1.7.2 Allocation of funds was not uniform

Allocation for funds was not need based

The scheme was implemented in five ZPs of the State. As a matter of financial discipline, the allocation of funds was to be made to the implementing agencies based on the number of job cards issued and the mandays projected in the action plans. It was noticed during test-check that the allocation of funds by the District Programme Co-ordinator/Programme Officer was not uniform or based on the number of job cards/projected expenditure for providing wage employment.

The percentage of actual release to the projected expenditure varied from 2 to 89. The details of projected mandays/expenditure and actual fund released in respect of all the test-checked GPs are furnished in the **Appendix 2.1**.

2.1.7.3 Non-submission of utilisation certificates resulted in non-release of funds

GOI did not release funds during 2007-08 due to non-submission of utilisation certificates

In order to get the funds for implementation of KREGS, the State Government was to formulate and submit a State Annual Work Plan and Budget Proposal (AWPB) to GOI indicating the expenditure incurred during the previous year. The AWPB was a tool for qualitative assessment of the proposals received from the State Government. The guidelines prescribed that sixty per cent of the funds released earlier was to be utilised and utilisation certificates

furnished at the time of submission of the proposal for the next instalment. It was however noticed in ZP, Gulbarga that the utilisation certificate for the expenditure incurred during the year 2006-07 had not been submitted and consequently, even as of December 2007, both the GOI and State Government had not released funds to ZP, Gulbarga for the year 2007-08. The failure of the DPC, Gulbarga to furnish the utilisation certificate resulted in denial of wage employment of 17.76 lakh mandays (as projected in the Labour Budget for 2007-08) besides non-implementation of the action plan for 2007-08 in the district. No action had been initiated against the DPC for this failure and subverting the primary objectives of the KREGS.

2.1.8 Implementation of the scheme

2.1.8.1 Job cards

❖ Non-preparation/distribution

There were irregularities in preparation and issue of job cards to registered labourers

The GPs were to issue job cards to every registered household and job cards were to be issued within a fortnight of receipt of application for registration. The timely issue of well-designed job cards was essential as the job card was a critical legal document which helps to ensure transparency and protect the labourer against fraud. It was noticed during audit in 10 GPs under ZP, Chitradurga that job cards were not prepared in respect of 1426 number of households, though applied for and thus, the rural labourers were denied the benefits under the scheme. It was further observed in five GPs under TP, Hiriya that 1049 number of job cards were not distributed to the respective households, though they were prepared by the Secretary of the GPs.

Thus, non-preparation/distribution of job cards resulted in denial of benefits of KREGS to 2475 rural households, though registered.

❖ Cards acknowledged by same persons

As per guidelines, job cards were to be issued to households in the presence of the local community (Grama Sabha) and the beneficiaries were to acknowledge receipt of the cards. It was, however, observed in test-checked GPs under TP, Hiriya that cards were issued to certain persons who acknowledged for a large number of beneficiaries. Such acknowledgements by individuals ranged from 4 to 29 households. In these circumstances,

genuineness of the process of registration and issue of job cards could not be ascertained in audit.

2.1.8.2 Provision of employment

In the absence of Employment Register, the extent of employment provided to labourers could not be ensured

All the adult members of the rural households who were willing to do unskilled manual work were eligible for registration under KREGS. The NREG Act stipulated provision of 100 days of wage employment, on demand, in a financial year to each of the registered households. The rural households were to register with the GPs concerned for issue of a job card. Every adult member of a registered household whose name appeared in the job card was entitled to apply for unskilled manual work under the scheme. According to the guidelines, the job card holders were required to apply, in writing, for employment and the Programme Officer (PO) of the TP was to ensure provision of employment to all the households that had demanded work. As of March 2007, the position of job cards issued, employment demanded/provided and the mandays generated, as compiled from the progress report submitted to GOI, was as shown in the table.

(in lakh)

| Zilla Panchayat | Job cards issued | Employment details (Households) | | Employment generated (Mandays) | Households provided with 100 days of employment |
|-----------------|------------------|---------------------------------|-------------|--------------------------------|---|
| | | Demanded | Provided | | |
| Bidar | 0.87 | 0.53 | 0.53 | 20.22 | 0.01 |
| Chitradurga | 1.59 | 1.42 | 1.42 | 69.88 | 0.17 |
| Davanagere | 1.55 | 1.48 | 1.45 | 74.84 | 0.44 |
| Gulbarga | 2.01 | 0.79 | 0.79 | 36.42 | 0.06 |
| Raichur | 1.93 | 1.26 | 1.26 | 20.68 | 0.02 |
| Total | 7.95 | 5.48 | 5.45 | 222.04 | 0.70 |

It could be observed from the table above that out of 5.45 lakh households, the envisaged 100 days of employment was provided to only 0.70 lakh households (13 per cent) and average employment provided to each household works out to around 40 days.

All registered job card holders were entitled to employment on demand subject to a maximum of 100 days in a financial year and employment was to be provided within 15 days of such demand. An Employment Register was required to be maintained in the GPs to record the details such as employment demanded, provided and actually taken up. It was noticed in the test-checked

ZPs that the GPs (excepting GPs under TP, Hiriya) did not maintain the Employment Register. The scrutiny of the Employment Register in GPs under TP, Hiriya disclosed that as against the actual demand received from 2580 households, employment was provided to only 2504 households and 76 households were not provided with any employment, though it was claimed by the DPC of both the ZPs that employment was provided to all those who had demanded. However, in the absence of the Employment Register, the contention of the DPCs could not be vouchsafed.

2.1.8.3 Delay in payment of wages

As per the guidelines, wages were to be paid to the labourers on a weekly basis and in any case within a fortnight of the work being done. It was also stipulated that compensation was to be paid to the labourers for any delay in payment of wages, as provided in the Payment of Wages Act 1936. It was noticed during test-check in ZP, Chitradurga that the ZP released (September 2007) an amount of Rs.7.78 crore to TPs towards works executed during 2006-07 after a lapse of 6 months. Thus, the labourers were deprived of their earnings aggregating to Rs.4.51 crore (wage component) for a period of more than 178 days and were thus denied the envisaged enhancement of livelihood security. Further, no compensation was paid to the labourers for the delayed payment, as required under the Act. The CEO, ZP, Chitradurga while accepting (December 2007) the fact attributed the delay to inspection of works by certain committees formed to look into the complaints regarding the proper execution/quality of works. The reply was not tenable as guidelines stipulated disbursement of wages to labourers on weekly/fortnightly basis. Delay in payment of wages to labourers for such a long period defeated the primary objective of the scheme.

2.1.8.4 Unemployment allowance not paid

Employment was to be provided to every registered household within fifteen days of demand. In case employment was not provided within the specific time limit, the labourer was entitled for unemployment allowance at the rates prescribed in the guidelines. No case of payment of unemployment allowance was noticed in any of the GPs/TPs. The Director (SEP), Ex-officio Joint Secretary to RDPR Department stated (December 2007) that there was no

demand from any TPs/ZPs for payment of unemployment allowance to the labourers. The reply is not based on facts since as mentioned in para 2.1.8.2, it was noticed in TP, Hiriyur that employment was not provided to 76 households even though they had demanded work. Further, as other GPs had not maintained the Employment Register, audit could not cross-check the Department's claim that there was no demand or the quantum of funds required for payment of unemployment allowance.

2.1.8.5 Physical performance

As of March 2007, the details of physical achievement of the works taken up under KREGS in the State, in the order of priority prescribed in the guidelines/Act was as below.

| Name of the activity | Completed works | | On-going works | |
|--|-----------------|-------------------------------|----------------|-------------------------------|
| | Number | Expenditure (Rupees in crore) | Number | Expenditure (Rupees in crore) |
| Water Conservation and Harvesting | 3869 | 59.47 | 3060 | 31.09 |
| Drought Proofing | 717 | 10.52 | 778 | 6.47 |
| Micro Irrigation works | 385 | 8.36 | 229 | 4.24 |
| Provision of irrigation facilities to SC/ST and others | 749 | 7.67 | 451 | 5.36 |
| Renovation of traditional water bodies | 537 | 11.20 | 316 | 5.60 |
| Land development | 241 | 6.32 | 204 | 4.17 |
| Flood control and protection | 666 | 8.20 | 434 | 7.21 |
| Rural Connectivity | 2937 | 42.47 | 2166 | 30.33 |
| Any other activity | 904 | 1.68 | - | - |
| Total | 11005 | 155.89 | 7638 | 94.47 |

Source : Progress Report submitted by the State Government to GOI

Similar details in respect of test-checked ZPs were as shown in the table below.

| Name of the activity | Completed works | | On-going works | |
|--|-----------------|-------------------------------|----------------|-------------------------------|
| | Number | Expenditure (Rupees in crore) | Number | Expenditure (Rupees in crore) |
| Water Conservation and Harvesting | 1977 | 34.62 | 1850 | 13.32 |
| Drought Proofing | 373 | 4.23 | 429 | 2.01 |
| Micro Irrigation works | 166 | 3.87 | 87 | 0.97 |
| Provision of irrigation facilities to SC/ST and others | 122 | 2.21 | 78 | 0.81 |
| Renovation of traditional water bodies | 125 | 3.05 | 88 | 1.15 |
| Land development | 168 | 3.63 | 170 | 1.90 |
| Flood control and protection | 171 | 3.13 | 69 | 0.70 |
| Rural Connectivity | 1434 | 27.26 | 1344 | 15.00 |
| Total | 4536 | 82.00 | 4115 | 35.86 |

The prescribed order of priority was not complied with and huge expenditure was incurred on works with least priority

The SEGC was to prepare a list of preferred works for different areas based on their ability to create durable assets. It was, however noticed that the SEGC did not prepare such a list. According to the guidelines, the allocation towards drought proofing works was to be a minimum of 20 *per cent* of the total cost of the works taken up and was to be accorded higher priority whereas road connectivity was to be accorded least priority with allocation not exceeding 10 *per cent*. It could be seen from the table above that out of the total expenditure of Rs.117.86 crore in ZPs, Chitradurga and Gulbarga, an expenditure of Rs.42.26 crore (36 *per cent*) was incurred on 2778 number of works under rural connectivity whereas the expenditure towards drought proofing was Rs.6.24 crore (5 *per cent*) on 802 number of works. The PO of the TPs and the DPC of the ZPs failed to ensure appropriateness and adequacy of works and accorded approval in contravention of guidelines. It was also reported (September 2007) that even the Prime Minister of India during a visit to State had objected to these irregularities in prioritisation of works.

The State Government, on observing the expenditure in excess of the admissibility on road connectivity, had instructed the ZPs (where the expenditure exceeded prescribed 10 *per cent* of total value of works) to stop execution of the road works under progress and to complete those works under other infrastructure schemes. Though the ZPs stopped execution of all the ongoing road works, they did not take adequate measures to complete these works under other schemes. This led to stoppage of 1344 number of road works in the test checked ZPs resulting in the expenditure of Rs.15 crore incurred on these works unproductive so far (February 2008).

2.1.8.6 Execution of inadmissible works

Utilisation of funds for execution of works under the erstwhile schemes resulted in denial of employment under KREGS

According to the KREGS Act and guidelines, NFFWP/SGRY schemes ceased to exist with effect from February 2006 and the unutilised funds under those schemes were to be transferred to the KREGS account and expenditure could only be incurred for completion of ongoing works under those schemes. The Executive Engineer, Panchayat Raj Engineering Division, Chitradurga requested (January 2007) the DPC to release an amount of Rs.1.29 crore for the execution of 224 works which were in the action plan of NFFWP/SGRY.

It was, however, noticed in test-check that there were only 67 ongoing works with a total requirement of Rs.18.94 lakh and 157 works were yet to be commenced. The DPC, in contravention of the guidelines, released (January 2007) a sum of Rs.76.38 lakh to EE, PRED, Chitradurga. The release of funds for works which had not yet commenced was irregular.

Similarly, the Deputy Commissioner (DC), Chitradurga irregularly approved (October 2006-May 2007) execution of seven works costing Rs.46.35 lakh under NFFWP by utilising the funds of KREGS, even though the DC was well aware of the fact that NFFWP had ceased to be in operation since February 2006. The DPC also did not object to such execution. The works were in progress and an expenditure of Rs.41.20 lakh was incurred on the works as of November 2007.

Further, it was observed during test-check that a total amount of Rs.1.58 crore was released by GOI to ZPs, Chitradurga and Gulbarga during March 2006 for implementation of SGRY. The State Government while releasing (May 2006) the matching share instructed the ZPs to utilise the State share towards implementation of KREGS. The CEO of the ZPs, however, credited the GOI grants to SGRY funds and utilised the same for implementation of SGRY. This was contrary to the instructions of the State Government and also resulted in denial of 2.29 lakh mandays of wage employment to the beneficiaries under KREGS.

2.1.8.7 Execution of works not recommended by the Grama Sabha

Works were executed without recommendations of the Grama Sabhas

As per the guidelines of KREGS, each GP should prepare an action plan for the next financial year based on the recommendations of the Grama Sabha and forward it to the Programme Officer who in turn would forward it to the DPC for consolidation and approval of the ZP. The participation of the likely beneficiaries in the Grama Sabhas was to be ensured and works prioritised by Grama Sabhas were only to be taken up. It was, however, noticed in TP, Hiriya under ZP, Chitradurga that PO irregularly sanctioned 16 number of works estimated to cost Rs.22.73 lakh on the recommendations of the elected representatives like President or Member of GP/TP/Committees, etc., without discussing in the Grama Sabha concerned.

The excess expenditure on material component led to denial of employment to an extent of 2.10 lakh mandays

2.1.8.8 Excess expenditure on materials

The guidelines for implementation of KREGS stipulated that expenditure towards wage and material components should be in the ratio 60:40 and this was to be applied to works taken up at all levels. It was observed in ZP, Chitradurga that as against the admissible amount of Rs.30.44 crore (total expenditure - Rs.76.10 crore), an expenditure of Rs.31.89 crore was incurred on material component resulting in excess expenditure of Rs.1.45 crore. The excess expenditure on material resulted in denial of 2.10 lakh mandays of wage employment to the rural labourers.

An expenditure of Rs.1.08 crore was incurred in usage of machinery defeating the objectives of the scheme

2.1.8.9 Irregular utilisation of machinery on works

The primary objective of the KREGS was to provide employment to the rural poor. As per the scheme guidelines, a work funded under the KREGS was to be performed by using manual labour and not machinery. However, the DPC, Chitradurga irregularly issued (July 2006) a circular to the POs under his jurisdiction to make provision for utilisation of machinery for execution of heavy works subject to a limit of 10 *per cent* of admissible material cost. It was noticed in Chitradurga district that the GPs under test-checked TPs made payment of Rs.1.08 crore towards utilisation of machinery. It was noticed that heavy machinery (JCB) was utilised even for works such as clearance of jungles/shrubs, earthwork excavation in ordinary soil, etc., which were to be executed through manual labour. The expenditure incurred by GPs on machineries in individual works ranged upto 72 *per cent* of the total value of the work.

The utilisation of machinery under a labour oriented scheme was irregular and resulted in denial of 1.57 lakh mandays of employment to labourers.

2.1.8.10 Delay in conducting publicity campaign

Intensive communication was integral to the successful implementation of the scheme and should precede the implementation of the scheme. The effectiveness of the communication/publicity process determines to a large extent the number of people who register and apply for work. Though KREGS was implemented in the State from February 2006, it was observed in ZP, Chitradurga that the publicity campaigns were conducted from

September 2006 to February 2007. The publicity campaign was initiated almost seven to twelve months after the commencement of the scheme by which time the registration process was almost complete. It was also noticed that more than double the number of BPL families had already registered before the publicity campaign. An analysis of the number of people registered before and after these communication/publicity campaigns where an expenditure of Rs.8.97 lakh had been incurred in two TPs under ZP, Chitradurga revealed that the increase in registration was not even one *per cent*.

Thus, the conduct of publicity campaign seven months after the commencement of the scheme and completion of the registration process was not effective since the increase in registration was very meagre as observed in two TPs under ZP, Chitradurga.

2.1.8.11 Low productivity

Work, time and motion study was not conducted and productivity was meagre

Each State was to evolve norms for measurement of work and the State Government was required to undertake comprehensive work, time and motion studies to fix the out-turn/rates after detailed location specific observations. The productivity norms must follow possible out-turn under different geo-morphological and climatic conditions across and within the districts. The envisaged work, time and motion study was not conducted in the State. However, the norms fixed in neighbouring Andhra Pradesh were adopted and work schedule prepared in April 2007.

On a comparison of the norms adopted and the quantity of work actually turned out in a few test-checked works in GPs under ZP, Chitradurga, it was noticed that the productivity achieved was very low and the percentage of excess mandays utilised varied from 32 to 556 *per cent* (as worked out by audit) compared to the observations of time and motion study norms adopted.

2.1.8.12 Non-maintenance of essential records by Programme Officers

For better implementation of the KREGS it was important to maintain accurate records of all aspects. Maintenance of these registers was a safeguard to ensure transparency and protect the rights of wage labourers. This was also required by the Right to Information Act, 2005. The POs at the taluk level

were required to maintain the following registers:

- Employment Register
- Job card Register
- Muster Roll Issue Register
- Asset Register
- Complaint Register

It was noticed in test-check that excepting Challakere taluk, none of the TPs maintained the Employment Register and Asset Register either in physical or computerised format. Non-maintenance of the envisaged registers was fraught with the risk of incorrect reporting, non-accountal of assets created under the scheme, etc. besides making it difficult to assess the effectiveness of the scheme.

2.1.8.13 Social audit not conducted

The envisaged social audit was not conducted in any of the test-checked TPs

An innovative feature of the KREGS was that it provided a pivotal role to social audit, a public assembly where all the details of the scheme were scrutinised as a means of continuous public vigilance. The basic objective of the social audit was to ensure public accountability/transparency in the implementation of projects, laws and policies. The POs were required to convene the social audit at the Grama Sabhas. It was however noticed in TPs of both the test-checked ZPs that social audit of the scheme had not been conducted during 2006-07. The POs generally replied that social audit would be conducted from the ensuing years.

2.1.8.14 Non-adherence to guidelines

❖ Unique identity number

The DPCs failed to accord unique identity number for each work

The guidelines for the implementation of the scheme provided that the DPC should give a unique identity number and priority number to each work while according the administrative approval in order to avoid duplication of works. It was noticed that such a procedure was not followed by the DPCs in any of the ZPs test-checked.

❖ Non-identification of key personnel

According to the guidelines for implementation of the scheme, a full time dedicated Programme Officer was to be appointed at the taluk level. It was noticed in audit that no such independent officer was appointed in any of the

TPs test-checked and the Executive Officer of the TPs were entrusted the responsibility of Programme Officer in addition to their regular duties. This resulted in the implementation of the scheme not being monitored to the extent envisaged.

The panel of accredited engineers was not constituted

Similarly, the State Government was to constitute panels of accredited engineers at the district and taluk level for the purpose of assisting with the estimation and measurement of works. Implementing agencies were to engage the services of engineers of their choice from the panel. It was further provided that there should be an engineer/technical assistant for every 10 GPs and an administrative assistant for each GP. It was observed that no panel of accredited engineers was prepared at the State level and in ZP, Gulbarga. Instead, the responsibility was entrusted to the engineers of PRED in addition to their regular duties and no administrative assistant was appointed in any of the TPs/GPs.

2.1.9 Monitoring and evaluation

Monitoring mechanism was not in place

The scheme guidelines envisaged verification and quality audit by external monitors at both State and district level. The State Government was to designate State Quality Monitors (SQMs) with the approval of SEGC. Similarly, the ZPs were to identify District Quality Monitors (DQMs) with the approval of State Government. It was observed that SQMs and DQMs were not designated/identified at State and district level.

The guidelines stipulated inspection of works taken up under KREGS at 100, 10 and 2 *per cent* by POs, DPCs and State Level Coordinator respectively. The test-check revealed that the works were not inspected by authorities at any level. Though it was replied by the authorities that regular inspections were conducted, no documentary evidence was produced to audit.

The State Rural Employment Guarantee Commissioner, who was also the Member Secretary of SEGC was to ensure that all the activities required to fulfil the objectives of the KREGS were carried out. He was also responsible for overall supervision and monitoring the implementation. Though there

were instances of non-preparation of envisaged DPP in the ZPs, under-utilisation of available funds, non-provision of employment to many households, delay in payment of wages to labourers, etc., as discussed in the previous paragraphs, the Commissioner failed to convene SEGC meeting regularly and provide inputs for proper implementation of the scheme. This rendered the monitoring mechanism ineffective.

2.1.10 Impact assessment of scheme not conducted

The scheme guidelines envisaged conduct of regular evaluation and sample surveys of specific KREGS works. Similarly, district-wise studies were to be conducted or commissioned by the SEGC and taluk-wise studies by the DPC. The SEGC was to seek the association of research institutions of repute approved by the SEGC for this process and to frame broad guidelines. It was, however, noticed that the SEGC neither framed the guidelines nor conducted the impact assessment in the State, district or taluk levels.

2.1.11 Discrepancies in reporting to higher authorities

There were discrepancies between the progress reports of TPs and ZPs leading to incorrect reporting of achievements

The guidelines for the implementation of KREGS prescribed certain formats for maintenance of complete details of funds received/expenditure incurred, number of households registered, employment demanded and provided to different category of beneficiaries, physical achievement under various activities, etc. It was, however, noticed in audit that there were discrepancies between the progress reports made available to audit in TPs and reports forwarded to higher authorities, as discussed below.

◆ Financial reporting

In the test-checked ZPs/TPs, the following were the discrepancies noticed in the figures of expenditure during 2006-07. Responsibility should be fixed against the DPCs for incorrect reporting.

| Taluk Panchayat | As per the records of | |
|-----------------|-----------------------|-----------------|
| | Taluk Panchayat | Zilla Panchayat |
| | (Rupees in crore) | |
| Aland | 4.55 | 5.35 |
| Challakere | 12.70 | 15.99 |
| Gulbarga | 3.17 | 3.92 |
| Hiriyur | 8.69 | 8.47 |

◆ **Job cards and provision of employment**

The discrepancies noticed in the number of job cards issued, employment demanded/provided and mandays generated in the TPs test-checked were as follows.

| Taluk Panchayat | As furnished by TPs | | | | As reported by ZPs to Government | | | |
|-----------------|---------------------|------------|----------|-----------------------------|----------------------------------|------------|----------|-----------------------------|
| | Job cards issued | Employment | | Mandays generated (in lakh) | Job cards issued | Employment | | Mandays generated (in lakh) |
| | | Demanded | Provided | | | Demanded | Provided | |
| Aland | 19682 | 10668 | 10668 | 4.12 | 19682 | 10668 | 10668 | 4.73 |
| Challakere | 28381 | 15223 | 12056 | 12.64 | 34388 | 30949 | 30949 | 13.14 |
| Gulbarga | 19891 | 7470 | 7470 | 3.07 | 19891 | 7470 | 7470 | 3.64 |
| Hiriyur | 29718 | 16670 | 16051 | 7.76 | 28071 | 24983 | 24983 | 7.83 |

As commented under paragraph.2.1.8.2, it could not be ascertained in audit how the PO of the TPs ensured the correctness of the figures of employment demanded/provided in GPs as many of the GPs had not maintained the Employment Register. It was also observed in ZP, Chitradurga that the demand for employment was depicted at exactly 90 per cent of the job cards issued in all the taluks which was doubtful.

◆ **Provision of employment to women**

As a tool to empower rural women, the guidelines prescribed that priority in providing employment to the extent of one-third should be given to women who had registered and demanded work. The sample check of nominal muster rolls in GPs revealed that the gender of the labourer had not been mentioned and thus the quantum of employment provided to women could not be verified. The scrutiny of the progress report of ZP, Chitradurga submitted to State Government disclosed that in respect of employment provided to women, the DPC exhibited (against all the TPs) a uniform figure of 64 per cent of the total mandays generated in respective taluks. In the absence of the basic details in the NMRs, the figures furnished by DPC were doubtful.

2.1.12 Other points of interest

The expenditure of Rs.26.33 lakh on printing of job cards was rendered wasteful, as the cards were not according to the prescribed proforma

❖ *Wasteful expenditure on printing*

The scheme guidelines prescribed a proforma for printing of job cards. The DPC of ZPs, Chitradurga and Gulbarga, however, did not follow the proforma prescribed and cards were printed in a different format by incurring a total expenditure of Rs.26.33 lakh. Subsequently, the State Government instructed (April 2007) the DPCs to print the job cards in tune with the guidelines of the scheme and cards were re-printed (the expenditure figure was not made available to audit as payment was yet to be made). As verified in audit, the new cards were yet to be distributed to the beneficiaries in both the ZPs. Thus, the arbitrary decision of the DPCs to print the job cards in a different format resulted in wasteful expenditure of Rs.26.33 lakh. The CEO, ZP, Chitradurga stated that all the cards would be issued within the financial year 2007-08.

❖ **Non-transfer of unutilised balance of erstwhile schemes**

Consequent on launching of REGS, the GOI had stipulated (March 2006) that the unutilised funds under NFFWP/SGRY as of February 2006 would become part of the REGS and such funds were to be utilised as per the guidelines of the KREGS. It was however noticed in ZP, Chitradurga that as of March 2006 the ZP and the implementing agencies had a balance of Rs.14.29 crore[♥] under NFFWP/SGRY schemes (including cost of foodgrains). The ZP did not transfer the funds to the KREGS account and continued to incur expenditure under the erstwhile schemes. As of March 2007 a total amount of Rs.2.45 crore^{*} was still lying in the scheme accounts of NFFWP/SGRY which was irregular.

❖ **Non-involvement of line departments in execution**

The scheme envisaged implementation of different kinds of works within the specified time frame which requires technical expertise, resources and sufficient manpower. It was noticed in the test-checked ZPs that though large number of works of different kinds were taken up for execution during 2006-07, no line departments except Social Forestry was involved. As worked out

[♥] NFFWP – Rs.11.72 crore and SGRY – Rs.2.57 crore

^{*} NFFWP – Rs.1.35 crore and SGRY – Rs.1.10 crore

by Audit 4533 works relating to water conservation/harvesting, micro irrigation, flood control and renovation of traditional water bodies were executed through PREDS in ZPs, Chitradurga and Gulbarga at an expenditure of Rs.60.81 crore. The implementation of these works could have been entrusted to other line departments like Watershed Development, etc. Due to non-involvement of line departments having technically qualified staff in execution the quality of the works could not be ensured.

❖ **Maintenance of more number of bank accounts**

According to the scheme guidelines, only a single bank account was to be opened for the purpose of implementing KREGS. Contrary to this, it was noticed that the ZP, Gulbarga maintained two bank accounts. The number of accounts maintained by TPs under both the ZPs, Chitradurga and Gulbarga varied between 3 and 10 and the test-checked GPs were maintaining four accounts each. Further, it was also noticed that the bank accounts were not reconciled since inception of the scheme at any level. The PO, Hiriyur stated that more number of accounts were opened to help the GPs to utilise the funds in the limited time. The reply was not tenable as having a single bank account would not in any way hinder utilisation of funds within a limited time. Further, the possibility of misuse of funds from the accounts going undetected could not be ruled out.

2.1.13 Conclusion

Review on implementation of KREGS conducted in 26 GPs under 2 ZPs revealed that 28480 job cards were issued in these GPs and as against Rs.10.28 crore released for the implementation of the scheme, the GPs incurred a total expenditure of Rs.9.10 crore (89 *per cent*).

While the State Government had reported to GOI that 5.45 lakh mandays amounting to 99 *per cent* of employment was generated in the State *vis-à-vis* the demand, the claim of the State Government could not be verified in Audit in the absence of maintenance of Employment Register containing details of employment demanded, provided etc. In the absence of this critical document, the quantum of funds required for payment of unemployment allowance also remained unascertained. There were also irregularities in preparation and

issue of job cards to registered households. It was also noticed that asset registers were not maintained by the POs in many TPs.

The scheme provided generation of employment through participative planning duly involving the PRIs and the village population through Grama Sabhas in order to identify the works to be taken up for generation of employment and creation of utility durable assets. The districts test-checked did not comply with the preparation of the crucial DPP which envisaged participation of the rural poor. In the absence of the DPP, the scheme was being implemented without a clear spelt vision.

Expenditure in excess of prescribed norms had been incurred on utilisation of machinery and works involving excess expenditure on material components were also taken up thereby defeating the spirit of the scheme. Instances of delay in payment of wages and lacunae in preparation, distribution and receipt of job cards were also noticed in audit.

An innovative feature of the scheme was to ensure its transparency through regular meetings of the Grama Sabha and conduct of Social Audits. However, it was noticed that social audits were not conducted thereby defeating one of the objectives of the scheme. Impact assessments were not conducted and the monitoring mechanism was also not in place.

2.1.14 Recommendations

- ✓ The ZPs should be instructed to prepare the DPP, a tool for the successful implementation of the scheme with the objective of improving the living condition of the rural poor
- ✓ Proper maintenance of basic records should be ensured to avoid any incorrect reporting of the achievements
- ✓ Responsibility should be fixed for irregularities in issue of job cards and non-maintenance of records
- ✓ Action may be taken to close the erstwhile scheme accounts immediately and transfer the unutilised funds to KREGS account
- ✓ Compliance to scheme guidelines should be ensured and responsibility fixed for any deviation.

2.2 Accelerated Rural Water Supply Programme

Highlights

With the objective of providing 40 litres per capita per day of safe drinking water to all the rural habitations and ensuring sustainability of the systems and sources and also to supplement the efforts of the State Government taken up under Minimum Needs Programme, the Government of India reoriented the Accelerated Rural Water Supply Programme with a mission approach. The implementation of the programme suffered as a consolidated annual action plan was not prepared at the State level and the action plans prepared by the Zilla Panchayats were not based on critical data regarding status of habitations, schemes in operation, etc.

During 2002-07, annual action plans were not prepared at the State level and annual action plans prepared by the Zilla Panchayats were defective. The Zilla Panchayats failed to analyse the reasons for slip back of habitations. SC/ST habitations were not prioritised.

(Paragraph 2.2.6)

In the test-checked Zilla Panchayats, though the utilisation of available funds was to the extent of 98 per cent, there were instances of irregular utilisation of funds (Rs.3.62 crore) for other activities, inadmissible expenditure (Rs.66.93 lakh) and lapsing of grants (Rs.8.84 crore).

(Paragraphs 2.2.7.1 to 2.2.7.4)

Although 28024 works were executed in the State incurring an expenditure of Rs.650.02 crore, the programme was implemented without basic data such as the details of water supply schemes in operation during the years 2002-06.

(Paragraph 2.2.8.1)

The norms of Accelerated Rural Water Supply Programme were flouted in 13 Taluk Panchayats and 879 schemes were executed in excess of the admissibility.

(Paragraph 2.2.8.2)

Sachethana and Suvarnajal water supply schemes failed to achieve the objectives inspite of huge expenditure incurred on them as the quality of water supplied to habitations/schools was not potable or was not tested before supply.

(Paragraphs 2.2.8.4 and 2.2.8.5)

In the absence of proper data regarding the number of schemes/source in operation and those requiring maintenance, only eight *per cent* of the available funds was utilised towards operation and maintenance of the schemes in the State while in the test-checked districts, the expenditure was only six *per cent* of the funds released as against the stipulated fifteen *per cent*.

(Paragraph 2.2.9)

2.2.1 Introduction

The Government of India (GOI) introduced (1972-73) the Accelerated Rural Water Supply Programme (ARWSP), a centrally sponsored scheme to supplement the efforts of the State Government to provide safe drinking water to the rural population under Minimum Needs Programme (MNP). The programme was given (1991) a mission approach with the following objectives.

- To ensure coverage of all rural habitations with access to a minimum of 40 liters per capita per day (LPCD) of safe drinking water
- To ensure the sustainability of systems and sources
- To institutionalise the water quality monitoring and surveillance
- To tackle the problem of water quality in affected habitations.

According to the ARWSP guidelines, the main objective of the programme was to ensure full coverage of all habitations of the State by selecting suitable source (ground or surface water source) and schemes (hand pump/MWS/PWS[£]) in a scientific and cost effective manner so as to ensure supply of the required quality and quantity of water besides ensuring sustainability of sources and schemes.

[£] Mini Water Supply/Piped Water Supply

The scheme was implemented in all the 27 Zilla Panchayats (ZPs) of the State. The major components of the scheme were ARWSP (Normal), Submission Projects, Desert Development Programme, Swajaldhara and Calamity Relief Programme. The GOI was to release funds under ARWSP and State Government was to provide grants on the basis of 1:1 under MNP.

2.2.2 Scope and methodology of audit

A review on Drinking Water Supply (covering the period 1997-2001) was included in the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2001 (Paragraph 6.1) which included the Rural Water Supply Programme implemented in the State. The review of the activities and schemes taken up during 2002-07 under ARWSP (Normal)[£] and MNP was conducted by test-check of records of seven[¥] ZPs alongwith the Panchayat Raj Engineering Divisions (PREs) and 34 Grama Panchayats (GPs) under the jurisdiction of those ZPs. The ZPs were selected by adopting the 'simple random sampling without replacement' method. Besides, the records maintained by the Principal Secretary, Rural Development and Panchayat Raj (RDPR) Department and Chief Engineer (CE), PRE Department were also reviewed.

2.2.3 Audit objectives

The performance appraisal of ARWSP was conducted to ascertain whether

- planning for implementation of the programme was proper
- sufficient funds were available and utilised economically and effectively
- programme implementation was efficient and the objectives were achieved.

[£] The comments are restricted to implementation of water supply schemes under ARWSP (Normal) and MNP as the performance of Submission Projects, Desert Development Programme and Swajaldhara were commented in the earlier Audit Reports

[¥] Bangalore (Rural), Belgaum, Bellary, Gulbarga, Kolar, Koppal and Shimoga

2.2.4 Audit criteria

The following were the criteria for the performance review of ARWSP.

- Guidelines for implementation of Rural Water Supply Programme (August 2000)
- Guidelines on Survey of Drinking Water Supply status in Rural Habitations (February 2003)
- Guidelines for National Rural Drinking Water Quality Monitoring and Surveillance Programme (January 2006).

2.2.5 Organisational structure

| Level | Authority responsible for implementation of the scheme | Functions and responsibilities |
|----------|--|---|
| Village | Grama Panchayat | Operation and maintenance of schemes and arranging for testing of water quality periodically |
| District | Panchayat Raj Engineering Divisions | Proposing works depending on the status of habitations, selection of site for works based on scientific analysis of water yield/potability and suitability and execution of works |
| | Zilla Panchayat | Preparation of annual action plan for the district and according approval for works. Timely release of funds to Panchayat Raj Engineering Divisions. Monitoring of progress of works, operation and maintenance, and testing of quality of water periodically. Timely submission of utilisation certificates to Chief Engineer, Panchayat Raj Engineering Department |
| State | Chief Engineer, Panchayat Raj Engineering Department | Maintenance of database regarding status of habitations, ground water level, water quality. Planning at the State level and preparation of consolidated annual action plan for the State. Watching of timely receipt of utilisation certificates from Zilla Panchayats and their submission to State Government after due check/verification. Monitoring the implementation, operation and maintenance, and water quality testing of the schemes at the field level |
| | Rural Development and Panchayat Raj Department | Approval of consolidated annual action plan and onward transmission to Government of India for obtaining funds. Timely release of Central and State funds to Zilla Panchayats and submission of utilisation certificates to Government of India. Overall monitoring of the implementation of the scheme. |

Acknowledgement

Audit is thankful for the kind co-operation extended by the officers of the Department in the conduct of the review. The Entry Conference of the performance appraisal was held (September 2007) with Officers of the RDPR Department to discuss the scope and methodology of the review. The points noticed during the review were communicated to the Government during December 2007. The Exit Conference was held on 14 January 2008 with the Secretary and other officers of RDPR Department. While generally accepting the observations of Audit, the Secretary stated that remedial action would be taken regarding non-preparation of annual action plans (AAPs), non-adoption of source sustainability measures and slip-back of habitations from 2007-08 onwards. Specific remarks of the Government are awaited (February 2008).

Audit findings

The findings of the performance review are narrated in the succeeding paragraphs.

2.2.6 Planning

❖ *Non-preparation of annual action plans*

Annual action plans were not prepared at the State level

The main objective of preparation of AAP was to provide a definite direction for the successful implementation of the programme and also to ensure regular monitoring of the progress during the course of the year. The scheme guidelines stipulated preparation of a consolidated AAP by the State Government before the commencement of the financial year on the basis of the shelf of schemes forwarded by the ZPs, likely size of the allocation under ARWSP and State sector MNP. On finalisation of the outlay, the AAP was to be reviewed/revised and forwarded to GOI. Though the Government stated (October 2007) that yearly financial and physical projections for registering the demand were sent to GOI, reference to the same were not on record.

It was noticed that the State Government did not prepare the consolidated AAP during the years 2002-07. Similarly, the ZPs were required to prepare an action plan at the district level and forward it to the State Government for

consolidation. It was observed in test-check that three ZPs did not comply with the provision of the guidelines and AAPs were not prepared by ZP, Bangalore (Rural) for 2005-06, Gulbarga for 2002-03 and Shimoga for 2002-03 and 2003-04. The basis of selection of schemes in the absence of AAPs for these years was not furnished to audit by the above ZPs.

❖ ***Defective preparation of action plans***

The AAPs were to be prepared clearly indicating the status of ongoing schemes, extent of proposed coverage, details of the existing scheme and yield, quantity of water being supplied, etc. Scrutiny of AAPs prepared by the ZPs revealed that these details were not available in the AAPs. There was no mention in the AAPs about the action proposed for sustainability of sources. Evidently, the AAPs were defective.

❖ ***Slip back analysis not conducted***

As of April 2001, there were 56682 habitations in the State, which were categorised as Fully covered (FC), Partially covered (PC) and Not covered (NC) depending on the quantity of water supplied to habitations. The ZPs were required to analyse the reasons for slip back of habitations and take adequate remedial measures. The position of coverage of habitations in the State during the period 2000-07, as compiled and submitted to GOI by the State Government was as under.

ZPs failed to analyse the reasons for slip back of habitations

| Year | Position at the beginning of the year | | | Habitations covered during the year |
|--------------|---------------------------------------|-------------------|-------------|-------------------------------------|
| | Fully covered | Partially covered | Not covered | |
| 2000-01 | 54629 | 1998 | 55 | Not furnished |
| 2001-02 | Details not available | | | |
| 2002-03 | | | | |
| 2003-04 | 43044 | 13638 | Nil | 5358 |
| 2004-05 | 43044 | 13638 | Nil | 6030 |
| 2005-06 | 45028 | 11606 | 48 | 2885 |
| 2006-07 | 49735 | 6947 | Nil | 2454 |
| Total | | | | 16727 |

As of March 2001, there were 2053 PC/NC habitations in the State. As against this, it was observed that 16727 habitations were covered during the period 2003-07 and 4493 habitations still remained as PC habitations. This indicated that 34 per cent of the habitations slipped back during the period

2001-07. This could be attributed to non-ensuring of sustainability of sources while designing the plans of the works.

Though large number of FC habitations slipped back to PC/NC, the ZPs did not conduct any analysis of the phenomenon and initiate adequate measures to avoid slip back of habitations.

❖ **Non-prioritisation of SC/ST habitations**

The guidelines stipulated that the State Government was to list out the SC/ST habitations separately and their coverage monitored as a distinct component of the programme. It was, however, observed that the required list was not prepared at State/ZP level and the approved AAPs in test-checked ZPs did not contain information relating to SC/ST habitations and their coverage.

2.2.7 Funds management

2.2.7.1 Financial achievement

Though utilisation of available funds was to the extent of 98 per cent, there were instances of diversion of funds to other activities, inadmissible expenditure, etc.

GOI was to release funds for the implementation of ARWSP (Normal) and the State Government was to provide matching grants on 1:1 basis under State sector MNP. Separate action plans were to be prepared for ARWSP and MNP and accounts were also to be maintained separately. During 2002-07, the GOI released an amount aggregating Rs.734.59 crore under ARWSP (Normal) (including Submission Projects) and State Government provided a matching grant of Rs.743.73 crore. The ZPs incurred an expenditure of Rs.734.17 crore and Rs.720.79 crore respectively. The details of funds released by GOI and the State Government and the expenditure incurred thereagainst by the test-checked ZPs during 2002-07 were as below.

(Rupees in crore)

| Year | ARWSP (Normal) including Submission Projects | | | MNP | |
|--------------|---|-----------------|---------------|------------------------------|---------------|
| | Opening balance | Released by GOI | Expenditure | Released by State Government | Expenditure |
| 2002-03 | 5.23 | 43.71 | 37.61 | 35.10 | 32.03 |
| 2003-04 | 11.33 | 50.12 | 59.34 | 31.72 | 35.03* |
| 2004-05 | 2.11 | 37.71 | 37.98 | 27.94 | 27.06 |
| 2005-06 | 1.84 | 63.01 | 64.07 | 60.90 | 60.12 |
| 2006-07 | 0.78 | 63.96 | 59.98 | 65.27 | 60.80 |
| Total | 21.29 | 258.51 | 258.98 | 220.93 | 215.04 |

* excess expenditure over the release was due to carry forward of closing balance of pervious year, with the specific approval of the Government

It could be observed from the table above that in the test-checked ZPs, the available funds were utilised to an extent of 98 *per cent*. Audit, however, noticed the following irregularities in financial management.

2.2.7.2 Irregular utilisation of funds

The Chief Executive Officers of ZPs, Kolar and Gulbarga irregularly utilised (July 2005 and August 2006) amounts aggregating Rs. 3.62 crore[^] of ARWSP funds for execution of works taken up under Calamity Relief Fund/MNP. The funds were yet to be recouped (July 2007).

2.2.7.3 Inadmissible expenditure

The scheme guidelines stipulated that ARWSP funds should not be utilised/adjusted against any cost escalation of schemes or excess expenditure over the approved cost of schemes. It was, however, noticed in six ZPs test-checked that a total amount of Rs.66.93 lakh had been incurred out of ARWSP funds towards excess expenditure or cost escalation in respect of 48 works instead of MNP funds.

2.2.7.4 Lapsing of grants

It was noticed in three test-checked ZPs that out of funds of Rs.27.22 crore released by GOI/State Government for the implementation of ARWSP/MNP during 2006-07, a total amount of Rs.8.84 crore was lapsed to Government as the ZPs failed to adjust the funds to ZP Fund. The details were as shown below.

| Zilla Panchayat | Period | Total amount released | Amount lapsed |
|-----------------|---------|-----------------------|---------------|
| | | (Rupees in crore) | |
| Belgaum | 2006-07 | 12.44 | 5.46 |
| Gulbarga | | 11.72 | 1.48 |
| Koppal | | 3.06 | 1.90 |
| Total | | 27.22 | 8.84 |

The ZPs attributed this to release of funds by State Government at the fag end of the year, technical problems in treasuries and non-approval of action plan.

[^] Gulbarga – Rs. 2.50 crore to CRF works and Kolar – Rs.1.12 crore for MNP works

2.2.7.5 Utilisation certificates

❖ Non-receipt of utilisation certificates for funds released towards operation and maintenance

Utilisation certificates were submitted to GOI without ascertaining actual utilisation of funds at the grass root level

According to scheme guidelines, the funds released under ARWSP and MNP towards operation and maintenance were to be released by ZPs to TPs/GPs based on the norms[¥] fixed. The CEO of the ZPs were to obtain the utilisation certificates from TPs/GPs and in turn forward the same to Chief Engineer, PRE Department for verification/consolidation and onward transmission to State Government/GOI through RDPR department. It was noticed in the test-checked ZPs that during 2002-07, the ZPs did not obtain utilisation certificates from the TPs/GPs for amounts aggregating Rs.29.37 crore released towards operation and maintenance charges. The ZP-wise details were as shown in the table below.

| Zilla Panchayat | Amount (Rupees in crore) |
|-------------------|--------------------------|
| Bangalore (Rural) | 5.66 |
| Belgaum | 7.83 |
| Bellary | 2.30 |
| Gulbarga | 5.06 |
| Kolar | 4.56 |
| Koppal | 3.51 |
| Shimoga | 0.45 |
| Total | 29.37 |

During 2005-06, based on an order (March 2006) of the State Government, the ZPs, Gadag, Kolar and Tumkur released (March/April 2006) a sum of Rs.two crore to BIRD-K[¶], a non-government organisation for providing safe drinking water to the quality affected habitations under Sachethana Scheme (launched under ARWSP-Normal). It was, however, noticed that the ZPs submitted the utilisation certificate to the State Government for the said amount though the amount released to the organisation remained unutilised and utilisation certificate was not received from the organisation.

[¥] Rs.8000 for each functioning PWS, Rs.3500 for each functioning MWS and Rs.600 for each Handpump

[¶] BAIF Institute for Rural Development - Karnataka

The State Government submitted the utilisation certificate for 2005-06 to GOI without verifying actual utilisation of funds by TPs/GPs. This procedure was fraught with the risk of incorrect reporting of expenditure to GOI.

2.2.8 Implementation of the programme

The audit observations on implementation of the programme are narrated in the succeeding paragraphs.

2.2.8.1 Physical achievement

The details of the schemes in operation during 2002-06 were not available at State Government/ZP level

As of April 2001, there were 56682 habitations in the State. As against 199309 works implemented in these habitations, 37439 remained non-functional. Similar details for the years 2002-06 was not maintained either at the State level or at the ZPs level. Evidently, the programme was implemented in the State without the basic data. As furnished by the CE, PRE Department, the number of schemes implemented in the State was 245205 as of March 2007 of which 54426 were non-functional. During 2001-07, the percentage of non-functional schemes increased from 19 in 2001-02 to 22 in 2006-07.

During the period 2002-07, a total number of 28024[¥] works were completed in the State at an expenditure of Rs.650.02 crore. Similarly, an expenditure of Rs.286.21 crore had been incurred on 9194 works in the test-checked ZPs. Year-wise details of works completed and expenditure incurred on them in the test-checked ZPs were as shown in the table below.

(Rupees in lakh)

| Zilla Panchayat | 2002-03 | | 2003-04 | | 2004-05 | | 2005-06 | | 2006-07 | |
|-------------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|-----------------|
| | Works Completed | Expr. | Works Completed | Expr. | Works Completed | Expr. | Works Completed | Expr. | Works Completed | Expr. |
| Shimoga | 109 | 294.32 | 214 | 221.76 | 156 | 339.87 | 139 | 354.29 | 86 | 1194.70 |
| Bellary | 82 | 124.70 | 32 | 57.96 | 167 | 267.65 | 122 | 259.20 | 194 | 1507.65 |
| Koppal | 235 | 227.14 | 296 | 367.03 | 271 | 395.21 | 259 | 903.43 | 46 | 1342.05 |
| Gulbarga | 216 | 528.34 | 183 | 423.71 | 285 | 456.28 | 66 | 261.18 | 166 | 1868.33 |
| Kolar | 197 | 567.25 | 350 | 634.29 | 425 | 726.84 | 518 | 2010.88 | 306 | 2277.97 |
| Bangalore (Rural) | 269 | 575.06 | 442 | 704.34 | 391 | 501.64 | 231 | 574.28 | 228 | 1816.00 |
| Belgaum | 315 | 656.82 | 316 | 813.64 | 531 | 979.76 | 529 | 2316.73 | 822 | 2070.62 |
| Total | 1423 | 2973.63 | 1833 | 3222.73 | 2226 | 3667.25 | 1864 | 6679.99 | 1848 | 12077.32 |

Expr. – Expenditure

Audit scrutiny of records of completed works in test-checked ZPs revealed that these works were executed without indicating the reasons for their selection, the status of earlier schemes in existence in that habitation, whether

[¥] Borewells with handpump – 18593, MWS – 5863 and PWS - 3568

the new work was necessitated due to slip back of the habitation etc. The basis for selection of the water supply schemes was not forthcoming as the ZPs did not have the details of works in operation and the AAPs adopted were defective/deficient.

2.2.8.2 Non-adherence to norms

Contrary to norms, large number of water supply schemes were executed without regard to population of the habitations

According to ARWSP norms^Σ, habitations with a population between 500 and 1000 were eligible for a Mini Water Supply (MWS) and habitations with population more than 1000 were eligible for a Piped Water Supply (PWS). A borewell fitted with a handpump was to be provided to habitations with population less than 500. It was noticed in audit that in 13 taluks involving 828 habitations, 879 MWS/PWS were irregularly provided to habitations without regard to population in contravention of norms. The details were as under.

| Taluk Panchayat | Number of habitations | As per norms eligible for | | Actually provided with | | Excess | |
|-----------------|-----------------------|---------------------------|----------|------------------------|------------|------------|------------|
| | | MWS | PWS | MWS | PWS | MWS | PWS |
| Bailhongal | 7 | 7 | - | 1 | 7 | - | 7 |
| Belgaum | 13 | 8 | - | 7 | 14 | - | 14 |
| Chikkodi | 11 | 5 | - | 3 | 9 | - | 9 |
| Gulbarga | 41 | 1 | - | 36 | 7 | 35 | 7 |
| Aland | 24 | 4 | - | 16 | 7 | 12 | 7 |
| Yadgir | 70 | 5 | - | 65 | 6 | 60 | 6 |
| Shorapur | 21 | 1 | - | 16 | 6 | 15 | 6 |
| Siruguppa | 25 | 4 | - | 21 | 4 | 17 | 4 |
| Koppal | 25 | 4 | - | 21 | 4 | 17 | 4 |
| Shimoga | 62 | 15 | - | 47 | 15 | 32 | 15 |
| Sagar | 89 | 25 | - | 63 | 36 | 38 | 36 |
| Doddaballapur | 87 | 6 | - | 75 | 13 | 69 | 13 |
| Kanakapur | 353 | 29 | - | 432 | 53 | 403 | 53 |
| Total | 828 | 114 | - | 803 | 181 | 698 | 181 |

2.2.8.3 Source sustainability measures not adopted

As most of the water supply schemes under ARWSP/MNP were based on ground water, the scheme guidelines stipulated adoption of long term source sustainability measures like check dams, percolation tanks, rain harvesting,

^Σ As mentioned in the Annual Report of the Department for the year 2001-02

etc., to regulate the indiscriminate ground water exploitation. The scrutiny of the draft project reports of 70^o works executed in test-checked PREs revealed that no provision was made in any of the reports for sustainability of sources which is indicative of faulty planning as detailed in paragraph 2.2.6.

2.2.8.4 Sachethana Water Supply Scheme - Non-achievement of the objectives

The scheme did not achieve the objective of providing safe drinking water as the test results were negative

With the objective of providing safe drinking water to the rural population coming under the jurisdiction of ZPs, Gadag, Kolar and Tumkur, the State Government launched (2005-06) Sachethana water supply scheme under ARWSP (Normal) with an outlay of Rs.14.34 crore and project period of five years. The expenditure on the project was to be shared at 50:50 between GOI and State Government. The scheme envisaged provision of potable drinking water through roof top harvesting and improving the level of ground water by artificial recharge measures. The administrative approval was accorded (March 2006) by the State Government. As per the directions of the State Government, the ZPs concerned entered into agreement with BIRD-K in March 2006 for execution of the works. Meanwhile, an amount of Rs.2 crore was released (March-April 2006) to BIRD-K with a stipulation to complete 557 structures during the first year. As against the target, it was noticed in audit that BIRD-K could complete only 80 structures during 2006-07 by incurring an expenditure of Rs.11.11 lakh.

Besides, the water quality test conducted (September-October 2007) at State Referral Institute[£] (SRI) of 18 of these 80 completed rain water harvesting (RWH) structures disclosed that the pH value^β of the water ranged from 8.86 to 10.52 in 12 structures as against the permissible limit of 6.5 to 8.5 and the water samples were certified as not potable.

On this being pointed out, BIRD-K replied (October 2007) that high pH value was due to newly provided lime wash to these structures and would come down gradually. The reply was not tenable as in that case high pH value should have been accompanied by high level of calcium also in the tested

^o At the rate of 10 works in each of the seven ZPs test-checked

[£] The water testing laboratory with the Department of Mines and Geology

^β A value to measure acidity or alkalinity of a substance

samples as lime contains calcium. However, the tested samples showed high pH value despite lower value of calcium. Hence, poor quality of work and seepage of extraneous pollutants into these RWH structures could not be ruled out. The samples of remaining 62 structures were not tested at the SRI. As all the 80 structures were stated to have already been commissioned, the people of concerned villages were supplied with unsafe drinking water. Thus, the Sachethana scheme so far implemented had not achieved its objective.

2.2.8.5 Supply of stored water to school children without ensuring potability under Suvarnajal water supply scheme

School children were supplied with stored rain water without ensuring its potability

The State Government launched (June 2005) Suvarnajal scheme (under ARWSP) to provide safe drinking water through Roof Top Rain Water Harvesting in rural schools which were not covered under regular water supply schemes. A total of 16556 schools in the State were provided with drinking water facility up to March 2007 (2005-06-7015: 2006-07-9541) incurring an expenditure of Rs.73.66 crore. The State Government also stipulated that the works were to be executed as per the design and technical guidance of Karnataka State Council for Science and Technology (KSCST). The KSCST had clarified to Government that the stored rain water was fit for drinking only for six months in a year provided the roof water was properly filtered and chlorinated before storage and the storage chamber was to be air-tight and sunlight-proof. Thus, testing the quality of stored water was imperative before being supplied to the school children.

It was noticed in test-check in Chikkodi taluk (Belgaum District) that as of March 2007, out of 454 works taken up during 2005-07, 353 works were completed at a cost of Rs.74.80 lakh. Scrutiny of records disclosed that the PRED, Chikkodi which executed these works had not conducted water quality tests of the stored water since inception. Thus, the school children were supplied stored rain water without conducting the envisaged quality test for ensuring its potability.

2.2.9 Operation and maintenance

The expenditure towards operation and maintenance of the schemes was far less than the admissible amount

As of March 2007, there were 245205 schemes in the State of which 54426 were non-functional. However, the data regarding number of sources which dried up and number requiring repairs and year-wise details for non-functional schemes during 2002-06 were not maintained both at ZP and State level. As of March 2007, the details of status of schemes in the State as well as ZPs test-checked were as follows.

| Schemes | State level | | | | Test-checked ZPs. | | | |
|-------------------------|-------------|-------|-----------|--------|-------------------|-------|-----------|-------|
| | PWS | MWS | Handpumps | Total | PWS | MWS | Handpumps | Total |
| Existing | 18592 | 32298 | 194315 | 245205 | 5577 | 10537 | 62828 | 78942 |
| Working | 17594 | 30373 | 142812 | 190779 | 5312 | 9967 | 42374 | 57653 |
| Defunct/ Non-working | 998 | 1925 | 51503 | 54426 | 265 | 570 | 20454 | 21289 |

The scheme guidelines stipulated that upto 15 *per cent* of the funds released under ARWSP (Normal) and MNP was to be utilised towards operation and maintenance of the schemes. It was noticed that during 2002-07 a total of Rs.1478.31 crore was released by the GOI and State Government under ARWSP (Normal) and MNP. Out of this, an amount of Rs.124.12 crore (8 *per cent*) had been utilised for the operation and maintenance as against stipulated 15 *per cent*. In the test-checked districts, as against the total release of Rs.479.44 crore, the expenditure incurred towards operation and maintenance was Rs.29.37 crore only (6 *per cent*). This could also partially explain the increase in cases of slip back of habitations as already discussed in Paragraph 2.2.6.

❖ *Poor utilisation of hydro fracturing units*

The PREDS resorted to drilling of borewells though hydro fracturing units procured at a huge expenditure remained idle

Hydrofracturing technology is used to improve water yield in yield depleted/dried up borewells by cleansing underground rock surface water inlets (technically called as Aquifers) by injecting water jet at high pressure. As of March 2007, there were 54426 non-working ground water based schemes in the State (21289 schemes in the test checked districts). The State Government had procured 10 Hydro fracturing units in 2003-04 under different programmes at a cost of Rs.85.00 lakh per unit and kept them at all

the ten PRE Circle Offices in the State for use by the PREDs of the respective Circles. Circular instructions were also issued by Government at regular intervals (December 2003, July 2004 and February 2005) to ZPs/PREDs to resort to hydro fracturing of dried up/yield depleted borewells on priority basis rather than opting for the costlier operation of drilling of new bore wells. However, as per data maintained at the State level, hydro fracturing was performed only in 3323 cases during the period 2003-07 with success rate of 91 to 100 *per cent*. In two test-checked ZPs, Gulbarga (having 3330 number of defunct borewells) and Belgaum (having 6098 number of defunct borewells), hydro fracturing was resorted to only in 36 (1 *per cent*) and 145 (2 *per cent*) cases respectively during 2003-07. Similar details in respect of other divisions were not available with the CE as the divisions did not submit the progress report. The CE also failed to insist for submission of regular progress reports. Poor utilisation of hydro fracturing unit not only resulted in taking up of new schemes at huge cost instead of hydro fracturing of existing schemes at cheaper cost but also resulted in idling of expensive hydro fracturing units.

2.2.10 Water Quality Monitoring and Surveillance Programme

The Water Quality Monitoring and Surveillance Programme (WQM&SP) under ARWSP contemplated establishment of a water testing laboratory both at the State and district levels to decentralise the water quality monitoring and to involve the PRIs in the process. Further, WQM&SP guidelines stipulated testing of water samples of each scheme annually at GP level apart from cross-verification at the district level and the State laboratory and taking up of region specific Information, Education and Communication (IEC) activities involving PRIs, etc. A Field Testing Kit was to be supplied to each of the GP. The water quality test arranged by the State Government during 2001 disclosed that the quality of water in 21008 habitations (out of total 56682 habitations) was not potable. As against this, up to March 2007, the State Government sanctioned 50 projects under Submission Projects[£] covering only

[£] to provide safe drinking water to quality affected habitations

265 habitations at a cost of Rs.135.95 crore (14 of these projects were still to be completed). Audit scrutiny revealed that

- Field Testing Kits were not supplied to any of GPs though GOI released (August 2006) an amount of Rs.2.07 crore for IEC and related activities
- The ZPs/CE failed to ensure testing of water quality annually at the GP level
- Of the 27 District Level Laboratories in the State, 12 remained non-functional (March 2007). In respect of the test-checked ZPs, while the laboratories at Kolar and Shimoga were not functioning, the number of samples tested in other ZPs ranged between 56 and 138 per year.

2.2.11 Monitoring and evaluation

The guidelines stipulated that a Monitoring and Investigating Unit (MIU) should be there at the State level with responsibility for planning and conducting feasibility studies of the schemes, collection of data/information from the executing agencies and monitoring at field level. The MIU was to have technical posts such as Hydrologists, Geophysicists, computer specialists, etc. Further, the MIU was to have a Quality Control Unit responsible for controlling/regulating the quality of construction of water supply works.

It was observed that though a MIU was in place at the office of the CE, the Unit was working without specialists like Hydrologist/Geophysicists and no field inspections were conducted during 2002-07 by the officers of the Unit except the CE, PRE Department. Though there were 2.45 lakh works in the State, the number of inspections conducted by the CE ranged from 10 to 19 during 2002-07. Evidently, the monitoring of the implementation of the programme was ineffective.

The State Government entrusted (October 2006) the conduct of evaluation study of implementation, efficiency and reactions of village community in respect of ARSWP to M/s.NABCONS, for submission of report thereon by the

first week of January 2007. The report was yet to be received by Government (October 2007).

2.2.12 Non-maintenance of inventory of assets created

The scheme guidelines prescribed that complete inventory of drinking water sources created under ARWSP/MNP was to be maintained at each level of PRIs and also at the State level. This requirement was not complied with in the test-checked ZPs as well as at the State level. Non-maintenance of envisaged inventory was fraught with the risk of overlapping/duplication of schemes in the habitations.

2.2.13 Other points of interest

❖ Non-preservation of survey documents

The State Government conducted (March 2003) the survey of the status of habitations in 51543[£] habitations of which 42183 conformed to ARWSP norms and 9360 did not conform. But the survey format filled up by the survey personnel in original which was the basic document to confirm the actual conduct of survey was not preserved either at the test-checked PREDs of districts responsible for conduct of survey or at the Office of the CE, PRE Department which was the nodal office. The CE stated that the model survey format as received from the GOI was circulated to each census village at the PREDs concerned and survey was got conducted and compilation of data was completed at his office by the end of February 2004, a copy of which was also forwarded to GOI. However, no documentation to this effect was maintained either at the PREDs or by the CE. Further, the Indian Institute of Public Administration which scrutinised the report found inconsistency in reporting which was yet to be rectified/revalidated (October 2007). The conduct of the survey in accordance with prescribed guidelines could not be ascertained by audit as survey documents were not preserved either at the test-checked ZPs or by CE, PRE Department.

[£] As published in the website (www.ddws.nic.in)

❖ ***Non-monitoring of utilisation of materials transferred to GPs***

Scrutiny of records in the 10 out of 17 test-checked PREDs disclosed that water supply materials such as pipes, collars, pumps etc., costing Rs.4.08 crore which were procured out of ARWSP/MNP funds prior to 2002-03 and were lying in divisions/sub-divisions as surplus materials were arbitrarily transferred to various GPs under their jurisdiction during 2004-05 in terms of Government Circular dated 20 January 2005. As these materials were received as surplus materials and were not indented by the GPs, the ZPs/EEs concerned were required to monitor proper utilisation of the same by the GPs concerned through periodical verification of stock. It was, however, noticed that ZPs/EEs did not monitor the utilisation of the materials.

2.2.14 Conclusion

The performance appraisal of the implementation of ARWSP (Normal) and MNP conducted through sample check of records in the PREDs under seven ZPs covering the period 2002-07 disclosed that the CE, PRE Department failed to prepare consolidated AAPs for the State and the ZPs also did not prepare the AAP regularly. The AAPs, wherever prepared, were defective as they did not contain all the relevant details. Planning for the implementation of the programme was faulty/inadequate as the analysis of slip back of habitations was not conducted in any of the test-checked ZPs/PREDs though 34 *per cent* of habitations slipped back during 2001-07. No measures were contemplated for sustainability of the water sources.

An amount of Rs.8.84 crore released by GOI/State Government lapsed to Government during 2006-07 as ZPs, Belgaum, Gulbarga and Koppal failed to adjust the funds to respective ZP Fund.

The details of the status of schemes for the years 2002-06 was not available either with the State Government or ZPs. In the absence of this critical information, it could not be ascertained in audit as to how schemes were

selected for execution in the first place. The percentage of non-functional schemes in the State increased from 19 in 2001-02 to 22 in 2006-07. The norms for the implementation of the scheme were grossly flouted in as much as 879 water supply schemes were provided to habitations with lesser populations than prescribed.

Sachethana and Suvarnajal water supply schemes failed to achieve the objectives in spite of huge expenditure for the implementation of the schemes as quality of water supplied to habitations/schools was not ensured thereby increasing the risk of health hazards.

2.2.15 Recommendations

- ✓ The ZPs may be instructed to prepare the envisaged AAPs for each year to provide a definite direction for the implementation of the programme
- ✓ The data on the schemes in operation/under-execution should be maintained at all levels and action may be taken to analyse the reasons for slip back of habitations and non-functioning of large number of schemes
- ✓ ZPs should be instructed to scrupulously follow the norms for the implementation of the programme
- ✓ The assets created under the scheme should be properly maintained to avoid slip back of habitations
- ✓ Monitoring mechanism at all levels should be strengthened.

2.3 Implementation of Akshara Dasoha (Mid-day Meal) Scheme

Highlights

To improve enrolment and attendance, preventing drop-outs and improve the nutrition/learning level of children in schools, the Government of India launched the National Programme of Nutritional support to Primary Education in August 1995 as a centrally sponsored scheme. Integrating the centrally sponsored scheme the State Government launched (June 2002) the Akshara Dasoha (Mid-day Meal) Scheme in seven districts of the State. The scheme was extended to the entire State in July 2003.

The funds under the scheme were not fully utilised by Zilla Panchayats. No instructions had been issued regarding the utilisation of interest of Rs.4.44 crore earned on scheme funds.

(Paragraphs 2.3.6.1 and 2.3.6.2)

The foodgrains lifted was 73 per cent of allocation and utilisation was 96 per cent of quantity lifted.

(Paragraph 2.3.7)

There was reduction in enrolment in schools covered under the scheme. There was no system to measure the relationship between Mid-day Meal scheme and its impact on enrolment, attendance, retention, dropout and learning level.

(Paragraph 2.3.8.2)

Supply of nutrients was not as per schedule adversely affecting the intention of scheme. There was no proper system to assess the status of health of children.

(Paragraphs 2.3.9.1 and 2.3.9.2)

Twenty eight per cent of the sanctioned kitchen-cum-storesheds were yet to be constructed. Forty three per cent of kitchens in Zilla Panchayat, Bijapur were in dilapidated condition. An investment of Rs.97.81 lakh on appliances remained idle.

(Paragraphs 2.3.11.1 and 2.3.11.2)

2.3.1 Introduction

With an intention to boost the universalisation of education and simultaneously improve the nutrition of students in primary classes, Government of India (GOI) launched (August 1995) the National Programme of Nutritional support to Primary Education (NPNSPE) as a centrally sponsored scheme. Under the scheme the children studying in Class I to V were supplied dry foodgrains (Rice/Wheat) at three Kgs per student per month provided the child had attendance of 80 *per cent*. Integrating the centrally sponsored scheme, the State Government launched (June 2002) the Akshara Dasoha Scheme [Mid-day Meal (MDM) Scheme] in seven districts of the State. The scheme was extended to the entire State in July 2003. The scheme initially covered children studying in classes I to V in Government/Local Bodies schools. The scheme was extended to students studying in Aided Schools (September 2004) and Class VI and VII (October 2004). The scheme was intended to

- ✓ Improve enrolment and attendance,
- ✓ Prevent drop-outs, and
- ✓ Improve nutrition and learning levels among children.

The scheme envisaged supply of cooked food and micro-nutrients consisting of Vitamin-A, Iron and Folic acid tablets and six monthly dose for deworming.

2.3.2 Organisational structure

| Organisation/Agency | Responsibility |
|---|---|
| Secretary, Primary and Secondary Education Department | Overall control and monitoring |
| Commissioner of Public Instructions | Nodal officer for implementation, evaluation and monitoring at the State level |
| Director, Department of Health and Family Welfare | Procurement and supply of nutrients |
| Chief Executive Officer, Zilla Panchayat (up to April 2005 Deputy Commissioner of the District) | Nodal officer for implementation at the ZP level, co-ordination of implementation of the scheme with Education Department, Food and Civil Supplies Department |
| Executive Officer, Taluk Panchayat | Supply of food articles to schools, supervision and monitoring of supply of food and payment of wages to cooks, etc. |
| Headmaster and School Development Monitoring Committee (SDMC) | Supervision of kitchen, quality of food and distribution, etc. Ensuring non-wastage of teaching time for preparation of food and overall monitoring at school level |

2.3.3 Audit objectives

Performance audit of the scheme was carried out to verify:

- ❖ Impact on enrolment, attendance and retention of children
- ❖ Impact on nutritional levels
- ❖ Impact on learning levels
- ❖ Whether procedures were in place for implementation of the scheme efficiently and economically
- ❖ Whether the monitoring system was effective.

2.3.4 Scope of Audit

Performance appraisal of the implementation of the scheme for the years 2002-03 to 2006-07 was conducted (July to October 2007) by test-check of records of Secretary, Primary and Secondary Education Department, Commissioner of Public Instructions (CPI), Director, Department of Health and Family Welfare, Joint Director (MDM Scheme), Food Corporation of India (FCI) and Karnataka State Food and Civil Supplies Corporation (KSFCSC), Chief Executive Officer (CEO), Zilla Panchayat (ZP), Executive Officer (EO), Taluk Panchayats (TPs) and Headmasters of schools. The coverage of audit was

- 8[^] ZPs out of 27 ZPs (30 per cent)
- 62 out of 176 taluks (35 per cent)
- 160 schools (minimum of 20 schools per district) in selected districts

The sampling for coverage of audit was done by Simple Random method without replacement. The selection of schools included 48 urban schools (30 per cent) and 112 rural schools (70 per cent).

2.3.5 Audit criteria and methodology

The criteria and methodology adopted were as follows:

Audit criteria

- Scheme guidelines issued by GOI and State Government
- Instructions issued by the CPI from time to time
- Procedure for placing indents for food articles from FCI and KSFCSC.

[^]Belgaum, Bijapur, Chamarajanagar, Chickmagalur, Dharwad, Gadag, Gulbarga and Tumkur

Methodology

- Entry conference (July 2007) with Education Department on the criteria and methodology of audit and incorporation of their suggestions
- Test-check of files relating to allotment of food articles and settlement of transport bills
- Test-check of records at school level
- Review of records relating to utilisation and monitoring
- Exit conference on audit findings was held (January 2008) and views of the Government have been considered.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the Secretary, Primary and Secondary Education, Commissioner of Public Instructions, Director, Department of Health and Family Welfare, ZPs and their officials at various stages of conduct of performance appraisal.

Audit findings

Audit findings are discussed in the succeeding paragraphs:

2.3.6 Budget and expenditure

2.3.6.1 The planning of the scheme and estimate of the funds required for implementation in a year were prepared based on the enrolment of students in the schools as of September of the preceding year. The expenditure of the scheme from I to V standards was met by both GOI and State Government. The entire expenditure for VI and VII standards was met out of State funds. The central assistance for the scheme was provided by way of free supply of foodgrains (rice/wheat) at the rate of 100 grams per student per school day. The Central Government further reimbursed the following expenditure in the form of subsidy.

- ✓ Subsidy for transportation of foodgrains from the nearest FCI depot to the school at the rate of Rs.75/- per quintal (prior to October 2004 the rate of subsidy was Rs.50/-)

- ✓ Cost of cooking – The entire cooking cost up to August 2004 was borne by the State Government. GOI extended subsidy for cooking cost (September 2004) as under:
 - 15 per cent of additional central assistance (ACA) under the Pradhan Mantri Gramodaya Yojana (2003-04 onwards)
 - Additional assistance of Rs.1.50 (up to June 2006 the rate was Rs.1/-) per child per school day
- ✓ Assistance (June 2006) for physical infrastructure like kitchen cum store, water supply, cooking devices, etc. up to a maximum of Rs.60,000/- per unit per school and cost of replacement of kitchen devices at Rs.5000/- per school

The central assistance received is credited to the State funds and the State Government allocated the funds to the ZPs including its own share. The details of allocation (including central share), releases, expenditure for the years 2002-07 were as under:

| Year | Allocation (including central share) | Release | Expenditure | Balance |
|--------------|---|---------------|---------------|-------------|
| | (Rupees in crore) | | | |
| 2002-03 | 44.62 (Central Share:Nil) | 40.71 | 37.36 | 3.35 |
| 2003-04 | 137.37 (Central share:15.00) | 137.37 | 137.37 | - |
| 2004-05 | 247.00 (Central Share:80.89) | 215.50 | 215.44 | 0.06 |
| 2005-06 | 256.00 (Central share:108.47) | 256.00 | 256.00 | - |
| 2006-07 | 253.47 (Central share:206.17) | 253.48 | 253.48 | - |
| Total | | 903.06 | 899.65 | 3.41 |

Source: Commissioner of Public Instructions

Funds were not fully utilised by ZPs. No instructions regarding utilisation of interest of Rs.4.44 crore earned

Though the figures of CPI had indicated that almost the entire grants had been utilised during 2003-07, it was noticed in the ZPs test-checked that utilisation for the period 2002-07 varied from 51 to 86 per cent. As evident, there was wide variation between the expenditure figures as booked by the CPI and the expenditure recorded by ZPs. The department attributed the variation in the figures of expenditure between CPI and ZP to the practice of CPI treating the

amount of grants released to ZPs as expenditure on release itself whereas the ZPs would account for the expenditure after it was incurred. Thus, the CPI who is the nodal officer for implementation, evaluation and monitoring at the State level booked the expenditure on release of grants and did not capture the expenditure incurred by ZPs.

2.3.6.2 The scheme funds were deposited in Bank accounts by the ZPs. As of March 2007, the interest earned on these funds in 21 ZPs was Rs.4.44 crore. In the absence of scheme guidelines specifying the method of utilisation of interest earned, Government may consider utilising the interest suitably in the scheme.

2.3.7 Foodgrains

The food grains lifted was 73 per cent of the allocation

The guidelines stipulated that the indent for foodgrains for the academic year had to be placed with GOI by 15 January every year based on the enrolment as at the end of September of the previous academic year. The details of allocation, release and utilisation of foodgrains for the years 2002-07 were as under:

| Year | Opening Balance | Allocation | Quantity actually lifted | Total quantity of foodgrains available | Utilisation | Balance |
|---------------|-----------------|------------|--------------------------|--|----------------|---------|
| (in quintals) | | | | | | |
| 2002-03 | Nil | 1535646 | 1191945 | 1191945 | 1082713 | 109232 |
| 2003-04 | 109232 | 1458532 | 850891 | 960123 | 811117 | 149006 |
| 2004-05 | 149006 | 1174955 | 870720 | 1019726 | 887219 | 132507 |
| 2005-06 | 132507 | 1128636 | 824169 | 956676 | 824169 | 132507 |
| 2006-07 | 132507 | 965175 | 832768 | 965275 | 787487 | 177788 |
| Total | | | 4570493 | | 4392705 | |

(Source: Commissioner of Public Instructions)

Thus, the actual quantity of foodgrains lifted was on an average 73 per cent of the allocation and utilisation was 96 per cent of the lifted quantity. The Government attributed (January 2008) this to the reduction in enrolment and lesser consumption of food by the children studying in I to III standards.

2.3.8 Universalisation of education

Two per cent of targeted children were out of school as of March 2006

2.3.8.1 The scheme was launched with an intention of helping the universalisation of primary education by improving enrolment, attendance and retention. Universalisation of primary education covers the children in the age group of 6 to 14. The population of targeted children in the age group of 7-14

years and number of children of this group who were out of school (children census 2006) in the State was as under:

| Year | Total child population of age group (7-14) | No. of children out of school including drop outs(7-14 years) |
|------|--|---|
| 2006 | 6587591 | 126484 |

Source: Educational Management Information System

Thus, it would be seen from the above figures that 1.26 lakh (2 per cent) children were out of school as of March 2006.

2.3.8.2 Impact on enrolment

Improvement in enrolment, retention and attendance was the primary objective of the scheme. It was noticed that the enrolment in Government and aided schools covered under the scheme had reduced from 66.19 lakh in the year 2002-03 to 59.85 lakh in the year 2006-07 indicating a reduction of 6.34 lakh (10 per cent). However, in the same period enrolment in unaided schools not covered under the scheme increased from 10.87 lakh to 17.70 lakh indicating an increase of 6.83 lakh (63 per cent). The yearwise details of enrolment in Government, aided and unaided schools were as under:

| Year | Enrolment in schools covered under MDM scheme | | | Enrolments in schools not covered under MDM scheme |
|---------|---|-------|-------|--|
| | Government | Aided | Total | |
| | (in lakh) | | | |
| 2002-03 | 58.79 | 7.40 | 66.19 | 10.87 |
| 2003-04 | 59.29 | 7.36 | 66.65 | 11.90 |
| 2004-05 | 57.26 | 7.18 | 64.44 | 14.56 |
| 2005-06 | 54.91 | 7.23 | 62.14 | 15.87 |
| 2006-07 | 53.05 | 6.80 | 59.85 | 17.70 |

Source: Educational Management Information System

No system of measuring relationship between MDM scheme and impact on enrolment, attendance, retention and drop-out.

Thus, it would be seen that there was no positive impact on enrolment in schools covered under the scheme. The Government attributed the decrease in enrolment in Government schools to lack of basic facilities, libraries, school buildings, shortage of teachers, absence of cleanliness, etc. The State Government in Education Management Information System stated that as of March 2007, 95 per cent of the Government schools had their own buildings with 75 per cent of them having drinking water, toilets and library. Further, 59 per cent of the schools had electrical power and 42 per cent of the schools had playgrounds and shortage of teachers were only 10 per cent. The

Government may therefore like to analyse the reasons for drop outs in these schools despite the supply of mid day meals and existence of facilities that were comparable with schools outside the ambit of the scheme.

2.3.8.3 Impact on disadvantaged section of society

No special action plan drawn for disadvantaged sections

One of the objectives of the NPNSPE scheme was to encourage poor children belonging to disadvantaged sections to attend schools more regularly. The State Government did not identify such sections nor was any special action plan drawn up. Generally, children belonging to Scheduled Castes/Scheduled Tribes (SC/ST) and Backward Classes were considered to belong to disadvantaged section. The year-wise details of enrolment of SC/ST students in MDM scheme covered schools and others were as under:

| Year | Enrolment in schools covered under MDM scheme | Enrolments in schools not covered under MDM scheme |
|---------|---|--|
| | (Figures in lakh) | |
| 2004-05 | 19.77 | 1.86 |
| 2005-06 | 19.19 | 1.76 |
| 2006-07 | 19.00 | 2.35 |

Source: Educational Management Information System

It would be seen from the table above that the enrolment of SC/ST students in Government and aided schools covered under the scheme had reduced from 19.77 lakh (2004-05) to 19.00 lakh (2006-07).

2.3.8.4 Impact on retention and attendance

The scheme aimed at improving attendance and retention of children in schools. The year-wise details of retention and attendance in Class I to VII in the test-checked districts were as furnished in the **Appendix 2.2**.

- ✓ In test-checked ZPs it was noticed that the average attendance during the period from 2003-04 to 2006-07 varied from 75 to 100 *per cent*
- ✓ In ZP, Gulbarga where the scheme was implemented from 2002-03, the percentage of attendance increased from 58 to 90 *per cent* during 2003-04 and subsequent years varied from 75 to 85 *per cent* indicating significant improvement

- ✓ The data furnished by the department indicated that the drop out rate* had reduced from 31 per cent (2002-03) to 14 per cent (2006-07).

The Government had not assessed the impact on retention, attendance and drop-out, as a result of introduction of MDM scheme. The Government stated (January 2008) that MDM was one of the components along with other schemes like Kali-Nali programme (Learn and enjoy), Chinnara Angala, Mobile schools, innovative activities for girls, Edusat programme, providing science lab/museum, National programme of education for girls, education at elementary etc., which had an impact on the enrolment, attendance, retention and drop-outs.

2.3.9 Nutrition

2.3.9.1 Supply of medicines

Supply of nutrients was not as per schedule adversely affecting the intention of the scheme

One of the major objectives of the scheme was to positively impact the nutritional status of children. To achieve this objective it was proposed to provide Vitamin A tablets once in six months, Iron and folic acid tablets for 36 weeks at the rate of three tablets a week and also deworming tablets at the rate of 2 tablets once in six months. The Director, Department of Health and Family Welfare was to procure medicines and supply to ZPs for further distribution. As of March 2007, the funds released for the supply of medicines and expenditure incurred thereof were as under:

| Year | Opening balance | Funds released | Available funds | Expenditure | Balance |
|-------------------|-----------------|----------------|-----------------|-------------|---------|
| (Rupees in crore) | | | | | |
| 2002-03 | - | 1.57 | 1.57 | 0.36 | 1.21 |
| 2003-04 | 1.21 | 2.60 | 3.81 | 1.93 | 1.88 |
| 2004-05 | 1.88 | 5.91 | 7.79 | 3.74 | 4.05 |
| 2005-06 | 4.05 | - | 4.05 | Nil | 4.05 |
| 2006-07 | 4.05 | 6.03 | 10.08 | 1.06 | 9.02 |
| Total | | 16.11 | | 7.09 | |

*The department determines the retention of a child in a school by comparing the enrolment of children in Class I and in Class VIII after a period of seven years. The formula for drop out rate was

$$\frac{\text{Enrolment in Class I (1997-98)} - \text{Enrolment in Class VIII (2004-05)} * 100}{\text{Enrolment in class I (1997-98)}}$$

It could be seen that only Rs.7.09 crore (44 *per cent*) out of total fund of Rs.16.11 crore had been utilised for the purchase of medicines. It could be further seen that expenditure incurred during 2002-03, 2003-04 and 2006-07 was very meagre. Audit also noticed the following shortcomings in the supply of nutrients.

- ❖ The medicines for the year 2002-03 were purchased at the end of the academic year (March 2003) resulting in nutrients not being supplied in that year.
- ❖ In ZP, Gulbarga, order for medicines for the year 2004-05 was placed only in the next financial year (April 2005) and these medicines were actually supplied in October 2005 and October 2006 resulting in non-supply of nutrients during 2004-05.
- ❖ The Iron and Folic acid tablets supplied (January 2004) in ZP, Gulbarga were declared (July 2005) after a lapse of 18 months as sub-standard and were hence not issued to children. Similarly, in ZP, Belgaum the medicines supplied (November 2006) were declared (March 2007) as sub-standard. The value of sub-standard medicines was Rs.30.11 lakh out of which Rs.11.08 lakh had been paid (March 2004) to the supplier by Director, Department of Health and Family Welfare.

The department attributed (January 2008) the non-purchase of medicines in time to court cases by suppliers and black listing of suppliers resulting in delay in finalisation of tenders. Thus, the supply of nutrients was not as per schedule, adversely affecting the objective of improving the nutritional levels of the children.

2.3.9.2 Health check-up of children

Periodical check-up of children to ascertain their general health condition and the effect on nutrition as a result of supply of MDM was required. It was noticed in audit in test-checked ZPs that there was no proper system of medical check-up of the children. No records regarding the health conditions

There was no proper system to assess the status of health of children

of children indicating height, weight etc., had been maintained. It was stated that health-cards had been introduced (February 2007) to keep a record of the health conditions of the children. It was, however, noticed in test-checked ZPs that this was not the case. Thus, there was no system to assess the status of health and nutrition of children in the schools.

2.3.10 Learning levels

There was no mechanism to link impact on learning levels to the MDM scheme

One of the objectives of the scheme was to improve the learning levels of the children. The scheme guidelines, however, did not lay down any norms or standards to assess the improvement in learning levels of the children. The National Curriculum (2005) had stated that assessment of quality should aim at systematic reforms and improvement of the teaching, learning process. Eduvision document (2003) of the State had stressed the need to assess the quality through a statutory organisation. The Government after a lapse of two years constituted (May 2005) Karnataka School Quality Assessment Organisation (KSQAO). KSQAO adopted following statement for assessment of quality:

“Enroll all eligible children and retain them in the system. They should qualify for promotion to the next class on performance”.

The Quality Assessment Report (July 2006) of KSQAO in respect of Government and aided schools revealed that average quality learning competency was *70 per cent*. In the absence of any such studies for earlier years, the impact of the scheme on learning levels could not be assessed. Government stated (January 2008) that many schemes were implemented in the State and MDM was one among them. The impact of the scheme on learning level, therefore, could not be exclusively measured. Thus, there was no mechanism to link impact of the scheme on the learning levels.

2.3.11 Other important points

2.3.11.1 Construction/maintenance of kitchens

Twenty eight per cent of sanctioned kitchen-cum-store sheds were yet to be constructed

- ❖ The scheme contemplated construction of kitchen-cum-store room with adequate space for storing food articles and cooking activities to avoid storing of articles in class rooms. It was decided that 38,926[^] kitchen-cum-store sheds had to be constructed in the State. Out of this 10,730 kitchen centers (28 per cent) were yet to be constructed as of March 2007.

Forty three per cent of kitchen centers in Zilla Panchayat, Bijapur were in dilapidated condition

- ❖ In ZP, Bijapur, it was identified (January 2006) that 514 (43 per cent) out of 1204 kitchen centers were in dilapidated condition and required urgent repairs. Further, 485 centers had no drinking water facilities. As of March 2007, no action had been taken to repair these centres and arrange for drinking water. Thus, the possibility of food being cooked in unhygienic conditions cannot be ruled out.

2.3.11.2 Idle investment

Utensils, gas stoves and water tanks with an investment of Rs.97.81 lakh remained unutilised

- ❖ In 3[♥] ZPs, utensils and gas stoves costing Rs.90.86 lakh (purchased in 2003-04) had remained unutilised (since April 2005). The ZPs stated that as the implementation of the scheme in these ZPs had been entrusted to Non-Government organizations (NGOs), the utensils remained idle and that action would be taken to transfer them to needy schools.
- ❖ In Tumkur district 1302 plastic water tanks of different capacities (1000, 500 and 200 litres) costing Rs.18.84 lakh were purchased (July 2003). Out of these, 512 tanks amounting to Rs.6.95 lakh in five[£] taluks were not installed (August 2007). The TPs attributed non-release of grants for non- installation of these water tanks. Thus, an investment of Rs.6.95 lakh remained idle.

[^] 38459 during 2003-04 and 467 during 2004-05

[♥] Bangalore (Urban), Dharwad and Gadag

[£] Chikkanayakanahalli, Koratagere, Kunigal, Pavagada and Tiptur

2.3.12 Monitoring and evaluation

Financial support from GOI for monitoring and evaluation was poor

- ❖ The NPNSPE guidelines provided for grant of central assistance for management, monitoring and evaluation at the rate of not less than 1.8 *per cent* of the total assistance on supply of free foodgrains, actual cost on transportation of foodgrains and cooking cost. The details of assistance to be received and actually received were as under:

| Year | Assistance to be released* | Actually released | Short release |
|-------------------|----------------------------|-------------------|---------------|
| (Rupees in crore) | | | |
| 2004-05 | 1.17 | Nil | 1.17 |
| 2005-06 | 2.78 | 1.91 | 0.87 |
| 2006-07 | 3.20 | - | 3.20 |
| Total | 7.15 | 1.91 | 5.24 |

*worked out by Audit based on cost of foodgrains, transport and cooking

Thus, as against an assistance of Rs.7.15 crore only Rs.1.91 crore (27 *per cent*) was received indicating that the financial support from GOI for monitoring and evaluation was poor.

- ❖ The scheme guidelines provided for constitution of steering cum monitoring committees at state, district and taluk level. The State Steering Committee was constituted (December 2005) after three years of commencement of the scheme. The Committee, as of March 2007, held four meetings. At the district and taluk level the Committees were constituted in the year 2003-04 and were holding regular meetings. Thus, an effective monitoring system was in place.
- ❖ The evaluation of the programme was conducted (2006) by Agriculture University, Dharwad. The report pointed out that
 - Enrolment had reduced but retention and attendance improved
 - Only 25 *per cent* of schools supplied nutrients
 - Learning abilities had improved.

The study inter-alia made following recommendations for the improvement of the scheme.

- ❖ Construction of kitchens should be completed
- ❖ Teaching time should not be utilised for the scheme

- ❖ Cooks appointed under the scheme should have security of jobs and salary to be paid through banks
- ❖ Kitchen garden in all schools be developed.

Government is yet to take action on the evaluation report.

2.3.13 Conclusion

The review of the scheme revealed that there was no mechanism to measure the relationship between the MDM scheme and impact on enrolment, attendance, retention and drop-outs. The Government has not framed guidelines to identify the disadvantaged sections of society and draw action plans for improving their enrolment and retention in schools where the scheme has been implemented. Implementation of the sub-programme of improving the nutrition condition of the children was tardy and the kitchens in all the schools were not constructed.

2.3.14 Recommendations

- ✓ The drop in enrolment in Government schools inspite of having reasonably good infrastructure and supply of cooked food, requires to be analysed and remedial action taken
- ✓ The system of supplemental nutrition programme requires to be strengthened to ensure supply of medicines regularly and to measure the health conditions of the children
- ✓ Adequate provisions for storage are to be made and kitchens should be constructed
- ✓ A system has to be developed to link the implementation of the scheme to improved learning levels and to achieve the intended target of improving the enrolment and retention of children.

The matter was referred to Government in December 2007; specific replies of the Government is awaited (March 2008).

2.4 Implementation of works, material and human resource management in selected Zilla Panchayats

Audit reviewed (March-June 2007) the implementation of works, material and human resource management in selected five Zilla Panchayats (ZPs) covering the period from 2002-03 to 2006-07.*

Highlights

During 2002-07, the functioning of the District Planning Committee in the test-checked Zilla Panchayats was ineffective as Annual District Development Plans were either not forwarded to Government or were unrealistic. There was a shortfall in collection of funds towards the District Planning Committee Fund.

(Paragraph 2.4.5)

The test-checked Zilla Panchayats lost assistance amounting to Rs.6.40 crore in respect of implementation of schemes under housing, employment and rural development during 2002-07 due to non-adherence to the conditions stipulated in the respective guidelines.

(Paragraph 2.4.6)

As of March 2007, 17 road works taken up in the test-checked Zilla Panchayats during 2002-07 under NABARD assisted Rural Infrastructure Development Fund remained incomplete rendering the investment of Rs.1.44 crore unfruitful.

(Paragraph 2.4.7)

The water supply scheme to Ramnagar village in Joida taluk taken up way back in the year 2001 by Panchayat Raj Engineering Division, Karwar remained incomplete even as of September 2007 rendering the expenditure of Rs.51.88 lakh incurred on the scheme unfruitful.

(Paragraph 2.4.9)

Construction of 16 number of pre/post-matric hostel buildings taken up in four test-checked Zilla Panchayats remained incomplete despite investment of Rs.3.21 crore.

(Paragraph 2.4.10(a))

* Chamarajanagar, Gadag, Kodagu, Tumkur and Uttara Kannada

Failure of the District Social Welfare Officer, Tumkur to arrange adequate funds and monitor the progress of construction of Morarji Desai Residential School rendered the investment of Rs.99.50 lakh unfruitful besides cost escalation.

(Paragraph 2.4.10(b))

Surplus/obsolete stock valued at Rs.27.48 lakh were lying idle in four Panchayat Raj Engineering Divisions.

(Paragraph 2.4.11)

Large number of vacant posts in the departments under the jurisdiction of Zilla Panchayats hampered the effective implementation/completion of projects.

(Paragraph 2.4.12)

2.4.1 Scope and Audit Methodology

The methodology adopted for the review included test-check of records of ZPs, Panchayat Raj Engineering Divisions (PREDS) and Agriculture, Backward Classes and Minorities and Social Welfare Departments in ZPs selected for sample check. The Entry Conference for the performance audit review was held during May 2007 and suggestions of the Department were also accommodated. The draft review report containing the observations/issues noticed during the review was forwarded (August 2007) to the Principal Secretary to Government of Karnataka, Rural Development and Panchayat Raj Department; reply had not been received (March 2008).

2.4.2 Audit objectives

The following were the main objectives of the performance review :

- ⇒ To ascertain that the District Planning Committees were constituted in the ZPs and were functioning, as envisaged
- ⇒ To review the completion of various works taken up by ZPs/PREDS
- ⇒ To ascertain that there was adequate staff and utilisation of available personnel was optimum.

2.4.3 Audit criteria

The Audit criteria adopted for the review were :

- ⇒ The Karnataka Panchayat Raj Act 1993 and instructions issued by State Government
- ⇒ Guidelines/orders issued by Government of India (GOI) and State Government for implementation of schemes/works.

2.4.4 Funding

The details of the receipts and expenditure in the test-checked ZPs during 2002-07 were as given in the table below.

(Rupees in crore)

| Zilla Panchayat | | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|-----------------|-------------|---------|---------|---------|---------|------------------------|
| Chamarajanagar | Receipt | 165.59 | 177.75 | 186.65 | 114.07 | 98.25 |
| | Expenditure | 168.16 | 178.61 | 181.52 | 99.69 | 84.30 |
| Gadag | Receipt | 163.15 | 182.28 | 213.37 | 171.22 | 101.98 |
| | Expenditure | 160.94 | 180.87 | 198.36 | 160.40 | 87.99 |
| Kodagu | Receipt | 123.05 | 104.92 | 103.30 | 61.44 | Accounts not submitted |
| | Expenditure | 124.56 | 81.86 | 84.46 | 56.00 | |
| Tumkur | Receipt | 507.18 | 528.83 | 579.42 | 332.71 | 265.59 |
| | Expenditure | 517.36 | 534.67 | 579.01 | 306.26 | 261.39 |
| Uttara Kannada | Receipt | 288.16 | 325.67 | 321.18 | 169.99 | 164.75 |
| | Expenditure | 293.17 | 329.02 | 313.18 | 159.53 | 157.75 |

Source : Annual accounts of the ZPs.

Audit findings

The audit findings arising from the performance review are discussed below:

2.4.5 Planning process

2.4.5.1 Ineffective functioning of District Planning Committees and non-preparation of envisaged Annual District Development Plan

The spirit of decentralised planning was diluted due to the ineffective functioning of DPCs

The State Government constituted (2000-01) District Planning Committees (DPC) in the ZPs. Though the DPCs were to meet once in a quarter, they did not meet as envisaged and as against the 20 meetings required to be conducted by each ZP during the five years covered in audit, the number of meetings conducted in test-checked ZPs ranged from one to five.

In accordance with the provisions of the Karnataka Panchayat Raj Act 1993 (KPR Act), the Grama Panchayats (GPs) were required to forward their plan proposals to the Taluk Panchayats (TPs) for consolidation and onward

transmission to the ZPs concerned. The DPC in the ZPs was to prepare the Annual District Development Plan (ADDP) based on the fiscal ceilings communicated by the Planning Department duly incorporating the development plans of the TPs and GPs. It was, however, noticed in the test-checked ZPs that excepting Uttara Kannada, the GPs/TPs did not forward their plan proposals for consolidation and the Chief Executive Officers (CEOs) of the ZPs did not insist on the lower tiers of Panchayat Raj Institutions (PRIs) to forward proposals as envisaged. In the absence of incorporation of defined needs at the grass root level, the DPC/ZP prepared the AADDP in a routine manner. The Chief Planning Officer, ZP, Uttara Kannada stated (March 2007) that the GPs/TPs submitted their plan proposals belatedly and though the AADDP was forwarded to Government during January every year, the same was not based on the proposals of GPs/TPs. Thus, the functioning of DPC in these ZPs was ineffective.

The State Government constituted (April 2001) the DPC Fund with contributions from PRIs[¥] and local bodies. The Fund was to be utilised for payment of sitting fees to members, commissioning of studies, etc. In the test-checked ZPs, as against Rs.3.04 crore to be collected towards DPC Fund during the years 2002-07, an amount of Rs.57 lakh was collected. Of this, only an amount of Rs.2.83 lakh had been utilised in the ZPs, Kodagu, Tumkur and Uttara Kannada. The ZPs, Chamarajanagar and Gadag did not collect any amount towards the DPC Fund. The details of collection and its utilisation in the test-checked ZPs are as exhibited in the table below.

| Zilla Panchayat | Amount required to be collected | Amount actually collected | Interest earned | Utilised | Balance lying in ZPs |
|-----------------|---------------------------------|------------------------------|-----------------|-------------|----------------------|
| | (Rupees in lakh) | | | | |
| Kodagu | 38.25 | 11.23 | 0.39 | 1.40 | 10.22 |
| Tumkur | 102.75 | 25.90 | 2.90 | 1.28 | 27.52 |
| Uttara Kannada | 75.25 | 16.46 | 0.58 | 0.15 | 16.89 |
| Chamarajanagar | 45.00 | No amount had been collected | | | |
| Gadag | 42.75 | | | | |
| TOTAL | 304.00 | 53.59 | 3.87 | 2.83 | 54.63 |

[¥] Contributions from PRIs, per annum, were prescribed at the following rates:
ZPs - Rupees two lakh, TPs - Rs.25,000 and GPs - Rs.5,000

Meagre utilisation of funds collected could be attributed to the ineffective functioning of the DPCs, thus, diluting the spirit of decentralised planning and resulting in the preparation of ADDPs in a routine manner.

Though these laxities (in respect of the ZPs covered during earlier years) were commented in previous Audit Reports of the Comptroller and Auditor General of India, the State Government had not initiated action against the ZPs for not complying with the codal provisions.

2.4.6 Programme implementation

2.4.6.1 Loss of assistance

There was loss of assistance aggregating Rs.6.40 crore in test-checked ZPs

The ZPs were implementing various centrally sponsored schemes^Ω and the funds released for such schemes were required to be spent in accordance with the conditions stipulated in the respective scheme guidelines. Due to non-fulfilment of prescribed conditions resulting in shortfall in spending, excess carryover, etc., it was noticed that the GOI deducted an amount of Rs.5.09 crore while releasing the subsequent instalments in the five test-checked ZPs. Similarly, the State Government also deducted Rs.1.31 crore towards their share resulting in a total loss of assistance of Rs.6.40 crore under various schemes during the years 2002-07 as detailed below.

| Schemes | Period | Amount deducted (Rupees in lakh) | | |
|-----------------------|---------------------|----------------------------------|---------------|---------------|
| | | Central | State | Total |
| Chamarajanagar | | | | |
| SGRY | 2003-05 | 16.50 | 0.44 | 16.94 |
| IAY | 2002-04 | 33.04 | 11.02 | 44.06 |
| TOTAL | | 49.54 | 11.46 | 61.00 |
| Kodagu | | | | |
| SGRY | 2003-07 | 4.47 | 1.49 | 5.96 |
| TOTAL | | 4.47 | 1.49 | 5.96 |
| Gadag | | | | |
| SGRY | 2003-04 and 2005-06 | 4.01 | 1.34 | 5.35 |
| IAY | 2003-04 | 0.41 | 0.14 | 0.55 |
| TOTAL | | 4.42 | 1.48 | 5.90 |
| Tumkur | | | | |
| SGRY | 2003-04 and 2005-07 | 67.75 | 22.58 | 90.33 |
| IAY | 2002-05 | 236.30 | 78.77 | 315.07 |
| SGSY | 2002-03 and 2005-07 | 33.90 | NA | 33.90 |
| TOTAL | | 337.95 | 101.35 | 439.30 |

^Ω Sampoorna Grameena Rozgar Yojana (SGRY), Indira Awaas Yojana (IAY), Swarnajayanti Gram Swarozgar Yojana (SGSY), Western Ghats Development Programme (WGDP), etc.

| Schemes | Period | Amount deducted (Rupees in lakh) | | |
|-----------------------|---------|----------------------------------|---------------|---------------|
| | | Central | State | Total |
| Uttara Kannada | | | | |
| SGRY | 2003-05 | 45.49 | 15.16 | 60.65 |
| IAY | 2005-06 | 42.54 | NA | 42.54 |
| SGSY | 2005-06 | 21.03 | NA | 21.03 |
| WGDP* | 2005-06 | 4.03 | - | 4.03 |
| TOTAL | | 113.09 | 15.16 | 128.25 |
| GRAND TOTAL | | 509.47 | 130.94 | 640.41 |

NA – Not available

* 100% central scheme. No state share.

Despite the stipulation in the respective scheme guidelines, the implementing authorities failed to properly plan, implement and monitor the progress of the schemes resulting in loss of assistance of Rs.6.40 crore mainly in implementation of schemes under housing, employment and rural development sectors.

2.4.7 Rural Infrastructure Development Fund scheme

Under Rural Infrastructure Development Fund (RIDF) scheme, the State Government was availing assistance in the form of loan from NABARD for creation of various rural infrastructure facilities. According to the guidelines for implementation of RIDF scheme, the works taken up were to be completed on schedule (within six months) as any delay in execution would result not only in depriving the rural beneficiaries from the intended benefits but also in the loan becoming high cost borrowing. Scrutiny of records relating to implementation of RIDF schemes in test-checked ZPs revealed the following.

2.4.7.1 Delay in completion of road works

As of December 2007, it was observed that out of the 66 road works (total estimated cost – Rs.10.54 crore) taken up during 2004-06 (IX and X tranches) in the test checked PREDs, 17 works, on which an expenditure of Rs.1.44 crore was incurred, remained incomplete even after the scheduled date of completion rendering the expenditure unfruitful. As of February 2008, the delay ranged from 15 to 30 months. The division-wise details were as below.

There were abnormal delays in completion of road works

| PRED | Number of works | | | Expenditure on incomplete works (Rupees in lakh) | Range of delay (in months) |
|----------------|-----------------|---------------------------------|---------------------|--|----------------------------|
| | Taken up | Estimated cost (Rupees in lakh) | Remained incomplete | | |
| Chamarajanagar | 11 | 143.00 | 3 | 22.19 | 26 |
| Karwar | 11 | 213.00 | 2 | 10.93 | 15-29 |
| Madhugiri | 14 | 174.00 | 3 | 23.91 | 15-28 |
| Madikeri | 11 | 135.00 | 4 | 29.91 | 28-30 |
| Sirsi | 11 | 285.00 | 3 | 37.72 | 16 |
| Tumkur | 8 | 104.00 | 2 | 19.65 | 17 |
| TOTAL | 66 | 1054.00 | 17 | 144.31 | |

The EEs of the PREDs failed to initiate adequate measures to monitor the progress and complete the works taken up under RIDF on schedule. There is a need to place a suitable monitoring mechanism to avoid undue delay in completion of works taken up under loan assistance from external sources.

2.4.8 Defective estimate leading to unfruitful expenditure

Failure to prepare a realistic estimate led to unfruitful expenditure of Rs.54.79 lakh

The work of improvement to Kanasagiri-Chittakula road (length – 7.35 Kms.) under PRED, Karwar estimated to cost Rs.68 lakh was entrusted (March 2003) to a contractor at his tendered amount of Rs.57.29 lakh with a stipulation to complete the work within six months. After showing a financial progress of Rs.39.26 lakh, the contractor stopped (September 2003) the work as there was a hillock with hard rock in the stretch, which was shown as soft soil in the estimate put to tender. Evidently, the estimate prepared by the EE, PRED, Karwar was defective. The contractor did not agree to execute the work in that portion. The additional work of clearing the hillock and cutting hard rock was got executed only during August 2006, after a delay of three years, by incurring an expenditure of Rs.12.53 lakh through another agency and metalling work of that stretch was taken up under the Chief Minister Rural Road Development Programme at an expenditure of Rs.three lakh. The work of metalling and black topping the entire stretch of the work was yet to be taken up (December 2007) and the work remained incomplete.

Thus, the failure of the EE, PRED, Karwar in preparing a realistic estimate resulted in unfruitful expenditure of Rs.54.79 lakh. Further, the commuting problems of villagers remained unaddressed even after four years. The cost may escalate further due to efflux of time. Responsibility should be fixed for preparation of estimates in a routine manner without conducting proper survey.

2.4.9 Unfruitful expenditure on incomplete water supply scheme

Delay in arranging funds resulted in delay in completion of a water supply scheme besides unfruitful expenditure of Rs.51.88 lakh

Based on the proposal of CEO, ZP, UttaraKannada for a water supply scheme to Ramnagar village in Joida taluk estimated to cost Rs.95.37 lakh, the State Government released (November 2001) an amount of Rs.15 lakh. The scheme was administratively approved (March 2002) by the Government. The sanction order stipulated that the balance fund was to be mobilised by the ZP

itself during the years 2002-04. The project was technically sanctioned (April 2002) by Chief Engineer (CE), PRE Department, Bangalore.

Though sufficient funds for the execution of the project were not available, the Executive Engineer (EE), PRED, Karwar awarded (October 2002) the work to a contractor with a stipulation to complete the work within 12 months excluding the monsoon period. The Chief Accounts Officer (CAO), ZP, Uttara Kannada could not provide sufficient funds for the project in time. The progress was tardy and a notice was issued by the Assistant Executive Engineer, PRED, Karwar to speed up the work. As against the physical progress of Rs.51.88 lakh by December 2003, a payment of Rs.25 lakh had been made (June 2003). The EE, PRED, Karwar stated (September 2007) that the contractor did not continue the work or apply for extension of time though notices were issued (August 2004–July 2005) to him and a proposal had been submitted to rescind the work at the risk and cost of the contractor. The reply was not tenable as it was observed in audit that though the contractor abandoned the work during December 2003 and reportedly did not respond to the notices, a further payment of Rs.26.88 lakh was made to the contractor between March and September 2005 and no penal action had been initiated as per contract agreement.

Even as of September 2007, the work remained incomplete rendering the investment of Rs.51.88 lakh unfruitful. Thus, the failure of the CAO, ZP to arrange for adequate funds, as stipulated by the Government and the EE, PRED, Karwar in entrusting the work without ensuring provision of funds resulted in the water supply scheme remaining incomplete even after a delay of more than six years after administrative approval, besides denying the rural population benefits of the proposed water supply scheme.

2.4.10 Unfruitful expenditure on incomplete buildings

(a) Inordinate delay in completion of hostel buildings

Sixteen hostel buildings remained incomplete despite investment of Rs.3.21 crore

Audit scrutiny of records of District Social Welfare Officer(DSWO) of Social Welfare Department and District Officer of Department for Backward Classes and Minorities relating to construction of hostel buildings for pre/post-matric students in four ZPs selected for sample check revealed that 16 buildings

remained incomplete despite the investment of Rs.3.21 crore. Recurring expenditure of Rs.4.38 lakh every year was also being incurred towards rent to private parties in respect of 13 out of 16 hostels and the period of delay in completion ranged upto 24 months. The District Level Officers of the departments in these ZPs failed to monitor the progress of work and did not initiate adequate measures to get the buildings completed. The ZP-wise position of incomplete hostel buildings was as shown in the table below.

| Zilla Panchayat | Number of hostel buildings remained incomplete | Period of entrustment | Total estimated cost | Actual expenditure incurred on incomplete buildings |
|-----------------|--|-----------------------|----------------------|---|
| | | | (Rupees in lakh) | |
| Chamarajanagar | 5 | 2001-05 | 159.04 | 89.00 |
| Gadag | 2 | 2005-06 | 61.56 | 34.59 |
| Tumkur | 8 | 2003-05 | 232.72 | 187.83 |
| Uttara Kannada | 1 | 2005-06 | 22.80 | 9.25 |
| Total | 16 | | 476.12 | 320.67 |

It also deprived the rural students of the envisaged improved environment for studies besides avoidable recurring expenditure towards rent. In many cases, the District Level Officers were not in possession of the details such as scheduled date of completion, quantum of funds released, actual expenditure incurred on the buildings, status of work, etc.

(b) Morarji Desai Residential School

Failure in providing adequate funds rendered the investment of Rs.99.50 lakh unfruitful besides cost escalation

Based on a proposal by the Director, Social Welfare Department, Bangalore the Government accorded (June 1998) administrative approval for construction of a Morarji Desai Residential School at Maidanahalli (Kupuchari Koppa) in Madhugiri Taluk under ZP, Tumkur at an estimated cost of Rs.99.84 lakh. The work was entrusted (June 1998) to Karnataka Land Army Corporation (KLAC) at a cost of Rs.99.84 lakh stipulating that (i) the work was to be completed within 24 months, and (ii) any escalation in cost was to be borne by the KLAC.

Scrutiny of records revealed that an amount of Rs.99.50 lakh was released (December 1998 to January 2001) to KLAC. Though the site was handed over to KLAC during December 1998 and work commenced in February 1999, the residential school building remained incomplete (March 2007) even after a delay of more than seven years.

It was further observed that the expenditure on the building had escalated to Rs.1.10 crore due to construction of two additional classrooms which were not included in the estimate. The Assistant Director, KLAC, Tumkur attributed (February 2007) the delay in completion to distance of the site from the town, non-availability of water/electricity, difficulties in transporting the raw materials to the work spot, etc. The revised estimate for completing the building had been prepared (January 2008) for Rs.1.29 crore.

The DSWO, Tumkur stated (February 2007) that the building remained incomplete due to non-release of sufficient funds by the Government. The reply was not acceptable as adequate efforts were not made by the DSWO to get sufficient funds for the construction of residential school building taken up way back in 1998 and the progress of work was not monitored regularly as evidenced by the fact that the DSWO was not in possession of the details of entrustment, amount released to the agency, physical progress, etc. The expenditure of Rs.99.50 lakh on the incomplete building remained unfruitful besides additional liability due to inclusion of items after entrustment of work to the agency.

2.4.11 Material management

❖ Delay in conducting physical verification of stock and non-disposal of surplus stock

**The surplus/
obsolete stock in
PREDS
aggregated
Rs.27.48 lakh**

The EEs of the PREDS were required to verify their stock half yearly (March and September) on or before 15th of the month following the closure of half yearly accounts. Further, the physical verification of stores, at least once in a year, should be done by an independent agency other than the custodian of the stores and results thereof brought on record.

It was noticed in PREDS, Madhugiri, Madikeri and Tumkur that though physical verification of stock was conducted regularly during the period 2002-06, there were delays in half yearly stock verification in respect of Madhugiri and Tumkur. The EE, PRED, Madikeri did not conduct the half yearly verification during 2006-07. The EEs of other four[£] divisions did not furnish the details of stock verification to audit.

[£] Chamarajanagar, Gadag, Karwar and Sirsi

Sample check of records of the PREDs disclosed that, as of March 2007, there was surplus/obsolete stock worth Rs.27.48 lakh lying idle in four PREDs (including sub-divisions) as listed below:

| PRED | Value of surplus stock (Rupees in lakh) | Nature of items | Pending since |
|----------------|---|----------------------------|---------------|
| Chamarajanagar | 1.85 | Water supply materials | 2000-01 |
| Gadag | 14.88 | Pipes, collars, etc. | Not available |
| Kodagu | 1.83 | Water supply materials | 1982 onwards |
| Sirsi | 8.92 | Pipes, bends, valves, etc. | 2001-02 |
| Total | 27.48 | | |

The EE of the PREDs replied that action would be taken to dispose of the surplus/obsolete stock after obtaining the approval of the ZPs.

2.4.12 Human resource management

❖ Large number of vacant posts in departments

Large number of vacant posts hampered the effective functioning of ZPs/departments

It was observed during audit that there were large number of vacant posts in all the offices/departments under the jurisdiction of the ZPs. The vacancy position in the office of the CEO, as furnished by the ZPs is shown below:

| Zilla Panchayat | Sanctioned | Working | Vacant | Percentage of vacancy |
|-----------------|-----------------------|---------|--------|-----------------------|
| Chamarajanagar | 88 | 54 | 34 | 39 |
| Gadag | Details not furnished | | | |
| Kodagu | 90 | 56 | 34 | 38 |
| Tumkur | 110 | 102 | 8 | 7 |
| Uttara Kannada | 108 | 70 | 38 | 35 |

It was noticed that, except in ZP, Tumkur, the Central office of the ZPs were functioning with less than two-third of the sanctioned strength. Similar details in respect of certain other departments under the ZPs are furnished in the **Appendix 2.3**. The abstract of the department-wise position of the ZPs as a whole is shown in the table below.

| Department | Sanctioned | Working | Vacant |
|---|------------|---------|--------|
| Department of Backward Classes and Minorities | 989 | 753 | 236 |
| Agriculture Department | 1407 | 931 | 476 |
| Social Welfare Department | 1334 | 854 | 480 |

It would be observed from the details in the appendix that the percentage of vacancy in the Department of Backward Classes and Minorities ranged

between 19 and 31, in the Agriculture Department it was between 13 and 53 and such percentage ranged between 17 and 41 in the Social Welfare Department. The large number of vacant posts in the departments of ZPs hampered the implementation/completion of schemes/projects.

2.4.13 Recommendations

- ✓ The CEO of the ZPs should be made responsible for obtaining the plan proposals defining the needs at the grass roots level from GPs/TPs
- ✓ Responsibility should be fixed for failure to prepare and forward ADDPs
- ✓ Functioning of the DPCs should be streamlined, as envisaged
- ✓ Monitoring of programme implementation of centrally sponsored schemes at the PRI level should be strengthened to improve service delivery and avoid loss of Central/State assistance
- ✓ Effective steps should be taken to complete the road works taken up under NABARD assisted RIDF scheme to avoid additional interest liability
- ✓ Functionaries at PRI level should be involved actively while according approval/entrustment of work, release of funds for effective monitoring the progress of work to avoid delays
- ✓ Effective monitoring mechanism should be in place in the PRIs to monitor the completion of schemes/projects on schedule.

2.4.14 The Exit Conference of the performance review was held on 14 January 2008 and the points noticed during the review were discussed with the Secretary of the RDPR Department. The Secretary while accepting the audit comments stated that appropriate action would be taken. The specific remarks of the Government are still awaited (February 2008).

SECTION 'B' – PARAGRAPHS

**RURAL DEVELOPMENT AND PANCHAYAT RAJ
DEPARTMENT**

**2.5 Unfruitful expenditure due to adoption of defective estimate
for a hospital building**

Failure of the Executive Engineer, Panchayat Raj Engineering Division, Mysore and Assistant Executive Engineer, Panchayat Raj Engineering Sub-division, Nanjangud to properly inspect the work site and prepare a realistic estimate for a hospital building at Tagadur village in Nanjangud taluk resulted in expenditure of Rs.23.02 lakh becoming unfruitful besides denial of improved health care facilities to the rural population

Administrative approval was accorded (March 2001) by the State Government for construction of a 30 bedded hospital at an estimated cost of Rs.36 lakh at Tagadur village in Nanjangud taluk under Zilla Panchayat (ZP), Mysore. The estimate was prepared based on the design approved (November 1997) by the Chief Architect, Government of Karnataka and after personal inspection of the site by the Assistant Executive Engineer (AEE) and Assistant Engineer, Panchayat Raj Engineering Sub-division, Nanjangud. The estimate was revised (July 2001) to Rs.39 lakh after inspection of the site by the Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Mysore and AEE, PRE Sub-division, Nanjangud. As per inspection, the proposed site for construction was in an elevated area and the strata was found to be very hard. The technical sanction was accorded (August 2001) by the Chief Engineer, PRE Department, Bangalore. The EE, PRED, Mysore entrusted (February 2002) the work to a contractor at his tendered rate of Rs.32.69 lakh with a stipulation to complete the work by September 2003.

The site for construction was handed over to the contractor during May 2002, three months after the date of entrustment. The work commenced immediately. During an inspection (November 2002), the EE, PRED, Mysore noticed that the terrain of the site was slopy with a difference in ground level from the rear end to the front of about 1.20 metres and that provisions made in respect of most of the civil work items in the estimate were insufficient and required additional quantities. Thus, it was evident that the site inspection

conducted by the EE and AEE prior to preparation of estimates (July 2001) and the estimates submitted were not realistic and deficient in as much as:

- ⇒ 74 columns were required to be constructed as against the 47 provided in the estimate
- ⇒ No provision was made in the estimate for stair case, head room, ramp, etc.

The EE, however, instructed the AEE, PRE Sub-division, Nanjangud to continue with the work and to submit a detailed report. The AEE submitted (March 2003) a revised estimate for Rs.54 lakh. The contractor stopped the work at the lintel level, as there was a vast difference in the quantities executed and provided in the estimate. The construction of the hospital building remained incomplete (September 2007) even after four years of the scheduled date of completion with an expenditure of Rs.23.02 lakh having been incurred thereon.

The Chief Accounts Officer, ZP, Mysore stated (March 2007) that the original estimate was prepared in a hurry to avoid lapse of grants and deficiencies in the sanctioned estimate were noticed only during the execution of work. The EE, PRED, Mysore stated (June 2007) that the work of construction of hospital would be entrusted to Karnataka Health Systems Development Programme, for speedy completion of the building.

Thus, failure of the EE, PRED, Mysore and AEE, PRE Sub-division, Nanjangud to conduct a comprehensive inspection of the work site and prepare realistic estimates thereof with adequate provision for all the required components resulted in expenditure of Rs.23.02 lakh becoming unfruitful besides denial of improved health care facilities to the rural population.

Government endorsed (September 2007) the reply (March 2007) of ZP, Mysore which contained the factual position. Specific replies to the lapses brought out were not furnished.

2.6 Unfruitful expenditure on a water supply scheme

Failure of the Chief Accounts Officer, Zilla Panchayat, and Executive Engineer, Panchayat Raj Engineering Division, Davanagere to arrange funds in time, obtain permission for drawing water and identify proper land for a water supply scheme to Dagainakatte and Yalodahalli in Channagiri taluk rendered the investment of Rs.70.50 lakh unfruitful

In order to mitigate the water scarcity problems of Dagainakatte and Yalodahalli villages in Channagiri taluk under Zilla Panchayat (ZP), Davanagere, the State Government released (March 2002) an amount of Rs.7.50 lakh for the work of a water supply scheme (estimated cost - Rs.60 lakh) to these villages with a stipulation that the ZP arrange 30 *per cent* of the funds required. The work was technically sanctioned (May 2002) by the Chief Engineer (CE), Panchayat Raj Engineering Department, Bangalore for Rs.69 lakh and was to be executed through Panchayat Raj Engineering Division (PRED), Davanagere. It was proposed to draw water from a canal of Bhadra Reservoir Project. The amount put to tender was Rs.62.06 lakh. The Executive Engineer (EE), PRED, Davanagere entrusted (May 2003) the work to a contractor at the negotiated tendered rate of Rs.68.27 lakh with a stipulation to complete (within nine months) the work by February 2004.

However, the site could only be partially handed over (July 2003) to the contractor, as the site and the design for the construction of water purifying unit (consisting of balancing tank, slow sand filter, pure water sump, etc.) was yet to be identified and finalised. The contractor commenced the work during July 2003 and submitted (November 2003) a claim for Rs.33.31 lakh, against which only an amount of Rs.7.14 lakh was paid (March 2004) by the EE, PRED, Davanagere. The contractor stopped the work due to non-payment of bills.

The design for the water purifying unit was approved by CE, PRE Department in January 2004 and site was finally handed over to the contractor during May 2004, after a delay of about three months of scheduled completion. The contractor, however, did not resume the work as his bills were pending settlement. The bills were settled in November 2004 and the contractor resumed work in January 2005. During the test-check (March 2005) of records of EE, PRED, Davanagere it was noticed that, in disregard of Government

instructions, no provision was made by the Chief Accounts Officer (CAO), ZP to provide funds for the work.

Meanwhile, the villagers objected (February 2005) to execution of the work at the site proposed for construction of pump house at the intake point and the EE, PRED, Davanagere chose (August 2006) an alternate site. The structural design for the pump house and alignment of pipes was approved during September 2006. It was noticed that in the alternate site there was a difference of about 6 metres in ground level which necessitated construction of a foot bridge and execution of additional items of work costing Rs.41 lakh (including provision for distribution pipelines, chain link fencing, water tank and deposit for electrification, etc.) which was yet to be approved (July 2007). As of April 2007, an investment of Rs.70.50 lakh was made and the work of water purifier unit and laying of pipes had been completed. The work of construction of foot bridge, retaining wall, etc., were still pending. Further, the request for drawing water from the Bhadra canal was still to be acceded to (July 2007) by the CE, Karnataka Neeravari Nigama Limited, the competent authority for according permission.

Thus, the work remained incomplete (July 2007) even after a delay of more than three years of scheduled completion. The permission to draw water from canal was also yet to be obtained (July 2007). Further, it was also noticed that provision for power supply was not made in the original estimate for the work and feasibility certificate not obtained from the power supply company.

The failures at different levels in completing the water supply scheme to Dagainakatte and Yalodahalli villages were as listed in the table below:

| Officer responsible | Failure |
|----------------------------|---|
| CAO, ZP, Davanagere | <ul style="list-style-type: none">➤ Despite Government stipulation, failed to arrange for funds, in time, leading to delay in payment of contractor's bills and delay in progress of work |
| EE, PRED, Davanagere | <ul style="list-style-type: none">➤ Did not ensure availability of proper land before entrustment of work to the contractor➤ Failed to obtain permission for drawing water from the canal and to ensure availability of water throughout the year, prior to taking up of work➤ Did not finalise the design before entrustment➤ Failed to prepare a comprehensive estimate for the work➤ Did not involve the villagers or Grama Panchayat in selecting the location for pump house and raising main➤ Did not obtain feasibility certificate from power supply company |

On this being pointed out, the EE, PRED, Davanagere stated (July 2007) that the work was delayed due to non-release of funds by the ZP and permission to draw the water from Bhadra canal would be obtained. Thus, the expenditure of Rs.70.50 lakh remained unfruitful even as of July 2007, besides denying the required safe drinking water to the needy rural population.

The Government endorsed (March 2006) the reply of the EE, PRED, Davanagere wherein it was stated that the work would be completed by March 2006. The work, however, remained incomplete (December 2007).

2.7 Unfruitful expenditure on the construction of a laboratory

Failure of the Executive Engineer, Panchayat Raj Engineering Division, Mandya in getting the design of the building for Insecticide and Fertilizer Control Laboratory at Mandya approved prior to entrustment of the work and the laxity in monitoring completion of the building rendered the investment of Rs.51.46 lakh unfruitful

Construction of a building for “Insecticide and Fertilizer Control Laboratory” at Mandya at an estimated cost of Rs.80 lakh was administratively approved (February 2003) by the State Government and technically sanctioned (December 2003) by the Chief Engineer (CE), Panchayat Raj Engineering Department, Bangalore. The work was to be executed on tender basis through the Panchayat Raj Engineering Division (PRED), Mandya. Funds amounting to Rs.80 lakh for construction of the building were released by Agriculture and Horticulture Department to Zilla Panchayat, Mandya during 2002-03.

The amount put to tender was Rs.55.10 lakh and Executive Engineer (EE), PRED, Mandya entrusted (August 2004) the work to a contractor at the negotiated cost of Rs.65.87 lakh, with a stipulation to complete the building within nine months (May 2005). However, the design of the building was approved by CE, Communication and Buildings (South), Bangalore only during November 2004 three months after entrustment of work.

The EE, PRED, Mandya did not monitor the progress of the work which was tardy, despite availability of sufficient funds. Further, it was noticed that some of the quantities executed far exceeded the entrusted quantity and such excess amounted to Rs.13 lakh. As of November 2007, the construction of the

laboratory on which an expenditure of Rs.51.46 lakh was incurred remained incomplete. Meanwhile, equipments worth Rs.11.14 lakh were supplied during 2006-07 and were lying idle with the Agriculture Department. Despite repeated request from the user department for completion of the building, adequate efforts were not made by the EE, PRED, Mandya to complete the work. The Chief Accounts Officer (CAO), ZP, Mandya stated (June 2007) that the building would be completed by June 2007 and action would be taken to hand over the building soon after its completion. The EE attributed (November 2007) the delay to the tardy progress of the work by the contractor. Though the building was scheduled to be completed by May 2005, the EE, PRED had not initiated any action against the contractor and the first notice was issued to the contractor only in September 2006. Even as of November 2007, construction of the laboratory was not completed.

Thus, the failure of EE, PRED, Mandya in getting the design of the building approved prior to entrustment of the work and laxity in monitoring the completion of the Insecticide and Fertilizer Control Laboratory building, even after a delay of about two years rendered the investment of Rs.51.46 lakh unfruitful.

The Government endorsed (January 2008) the reply of the CAO, ZP, Mandya, without specific remarks regarding action taken to complete the laboratory building.

2.8 Improper planning leading to blocking of grants and unfruitful expenditure

Improper planning for execution of a water supply scheme to Malavoor and 10 other villages under Zilla Panchayat, Dakshina Kannada, without ensuring availability of sufficient funds, resulted in blocking of Government of India grants to the tune of Rs.5.77 crore and rendering expenditure of Rs.16.14 lakh unfruitful

The Zilla Panchayat (ZP), Dakshina Kannada, submitted a proposal to the State Government (June 2002) for constructing a vented dam across the Gurpur river under the community based Sector Reform Pilot Project (SRP) in order to provide safe drinking water to Malavoor and 10 other villages in Mangalore taluk with a population of 46,307. An amount of Rs.5.77 crore

was earmarked for this scheme out of the grants received from Government of India (GOI) for the implementation of the SRP. National Institute of Technology, Karnataka, Surathkal, the appointed (October 2002) consultant for the project, submitted (March 2003) the conceptual design report for the project estimated to cost Rs.10.76 crore. Based on the instructions of the Government, the District Water and Sanitation Committee accorded (January 2004) administrative approval for the project at an estimated cost of Rs.14 crore. The Chief Engineer (CE), Panchayat Raj Engineering Department, Bangalore technically sanctioned (January 2005) the estimates, after a delay of one year.

Meanwhile, GOI instructed (January 2004) that the SRP stands discontinued from April 2004 and the unutilised balance under SRP was to be merged with the ongoing Swajaldhara Scheme. Audit scrutiny of the records of Chief Executive Officer (CEO), ZP, Dakshina Kannada revealed that an amount of Rs.0.93 crore was collected from the beneficiaries towards community contribution, as contemplated in the guidelines and as of November 2007, the ZP had an unutilised balance of Rs.7.28 crore (including community contribution, interest earned, etc.) for the implementation of the project.

Despite non-availability of sufficient funds, the CEO, ZP, Dakshina Kannada continued with the project under Swajaldhara scheme and technical sanction was obtained without making any provision for additional funds. Tenders were called for (September 2005) by the Executive Officer (EO), Taluk Panchayat (TP), Mangalore and the technical bid of the lone pre-qualified tenderer was rejected (November 2005) as there were adverse remarks on other works he had executed earlier. The work was re-tendered (May 2006) and the contractor quoted Rs.18.19 crore, which was yet (September 2007) to be approved by the Government. An expenditure of Rs.16.14 lakh had been incurred on the project so far (December 2007) towards consultancy charges, tendering, etc.

Thus, the rural population of Malavoor and other villages were denied envisaged safe drinking water despite collecting funds towards community contribution. It was also observed that a request was made to GOI for

additional funds only during October 2006, more than 30 months after the merger of the scheme. Though GOI reportedly agreed to execute the scheme under Swajaldhara, no additional funds were allotted. This resulted in blocking up of GOI grants of Rs.5.77 crore earmarked for the scheme for more than five years besides rendering an expenditure of Rs.16.14 lakh unfruitful. It is evident from the above that there were delays at various stages starting from according administrative and technical sanctions, tendering/re-tendering, etc., consequently delaying the commencement of the community based water supply scheme.

The Government endorsed (December 2007) the reply of the CEO, ZP, Dakshina Kannada stating that execution of the scheme within the available funds is under examination. The reply is not tenable as GOI/State Government had not provided any additional funds and the cost of the project is likely to escalate with the time. Further, failure to provide safe drinking water to the beneficiaries even after collecting community contribution was fraught with the risk of people not coming forward to contribute to such schemes in future thus also defeating the objective of institutionalising a participatory demand driven approach in community based rural water supply schemes.

2.9 Non-functional defluoridation plants

Failure of Executive Engineers of Panchayat Raj Engineering Divisions in ensuring availability of skilled manpower for maintenance of defluoridation plants resulted in unfruitful expenditure of Rs.5.49 crore

The State High Level Committee on Submission projects approved (October 2001) installation of 100 Reverse Osmosis (RO) Technology based defluoridation plants in 100 villages (one plant for each village) facing severe problem of excess fluoride. The Chief Engineer (CE), Panchayat Raj Engineering (PRE) Department was authorised by the State Government (October 2001) to identify the villages in consultation with Zilla Panchayats (ZPs) and to finalise the tender. The work was entrusted (April 2002) to two^φ firms (50 plants each) at the negotiated cost of Rs.10.20 lakh per plant. It was,

^φ WOTEC Water Technologies Private Limited, Vadodara, Gujarat and Water Treatment Company, Salem, Tamil Nadu

however, noticed that the CE, PRE Department instructed (November 2002) the Superintending Engineer (SE), PRE Department, Mysore Circle to conduct a pilot study regarding installation of RO plants. The reasons for commissioning a pilot study after entrustment of the installation work were not forthcoming. The SE in his pilot study reported (December 2002) that RO technology plants required annual replacement of membrane (costing Rs. One lakh each), the vital part of the plant and skilled manpower was required for operation and maintenance (O&M) of the plant.

However, the plants were installed (September 2002 to June 2003) in 100 selected villages under eight[^] ZPs. The conditions of contract stipulated erection, commissioning and maintenance of the plant for a period of 12 months. The terms and conditions of the agreement for supply and commissioning stipulated that the plants were guaranteed for a period of 18 months and RO membrane was guaranteed for a period of five years from the date of commissioning.

Audit collected information in respect of 59 defluoridation plants installed under five[♥] Panchayat Raj Engineering Divisions (PREs) in five ZPs. Scrutiny of records revealed that 55 out of 59 plants were not working for periods ranging from 2 to 45 months. Further it was noticed that 17 out of 55 plants (31 *per cent*) in three PREs stopped functioning within six months of being taken over by Grama Panchayats (GPs) indicating that these plants had not properly functioned after the initial maintenance period. As of November 2007, details of plants that were installed and functioning were as follows:

| Zilla Panchayat | Panchayat Raj Engineering Division | Number of plants installed | Number of plants not functioning | Number of months for which plants were not functioning | Expenditure on non-functional plants (Rupees in lakh) |
|-----------------|------------------------------------|----------------------------|----------------------------------|--|---|
| Belgaum | Chikkodi | 16 | 16 | 23 to 45 | 163.20 |
| Bijapur | Bijapur | 21 | 20 | 10 to 38 | 204.00 |
| Davanagere | Davanagere | 5 | 5 | 23 to 43 | 51.00 |
| Gulbarga | Gulbarga | 4 | 4 | 20 to 31 | 28.60 |
| Kolar | Chikkaballapur | 13 | 10 | 2 to 19 | 102.00 |
| Total | | 59 | 55 | | 548.80 |

[^] Belgaum, Bijapur, Davanagere, Gadag, Gulbarga, Hassan, Kolar and Tumkur

[♥] Bijapur, Chikkodi, Chikkaballapur, Davanagere and Gulbarga

After the initial period of maintenance, the plants were to be taken over by GPs for further O&M. The Executive Engineers (EEs) of PREDs did not ensure availability of skilled manpower for O&M before taking over the plants by GPs. Due to lack of availability of skilled manpower for O&M, there was large-scale non-functioning of the plants.

Though the plants were not working for long periods, the EEs of PREDs concerned and CE, PRE Department had not taken action to get these plants repaired and put to use. The CE, PRE Department stated (November 2007) that terms of reference (ToR) had been finalised for maintenance of these plants after repairs and that ZPs were requested to furnish the amounts required for repairs. The fact, however, remained that the plants were yet to be repaired (October 2007).

Thus, the failure of EEs of PREDs and CE, PRE Department to ensure proper O&M of plants rendered the expenditure of Rs.5.49 crore unfruitful, besides continuous exposure of rural population to the ill effects of high fluoride contaminated drinking water, defeating the purpose of the installation of defluoridation plants.

The Government endorsed (May 2007) the reply of the EE, PRED, Davanagere that due to non-availability of funds at GPs, the plants were not maintained. The reply was not tenable as the department was aware of the fact that the defluoridation plants required skilled manpower for O&M and hence should have made adequate arrangement before taking up the project. Non-provision of the same deprived the rural poor of safe drinking water.

2.10 Loss of revenue due to delay in completion of construction of a shopping complex

The inadequate efforts of Assistant Executive Engineer, Panchayat Raj Engineering Sub-Division, Mulbagal to complete the construction of a shopping complex early and the Executive Officer, Taluk Panchayat, Mulbagal to auction the shops resulted in loss of estimated earnings of about Rs.43.56 lakh to the Taluk Panchayat

In order to augment its revenue resources, the Taluk Panchayat (TP), Mulbagal under Zilla Panchayat, Kolar entrusted (1996 and 1998) the work of construction of a shopping complex consisting of 74 shops to Panchayat Raj Engineering (PRE) Sub-Division, Mulbagal. It was proposed to collect an

advance of Rs.90000 and rent of Rs.1100 per month from each of the successful bidders. While the construction work was under progress (June 1999), 16 shops were unauthorisedly occupied by some persons who in turn approached the Court and obtained a stay against their vacation from the premises. The TP, however, resolved (December 2003) to regularise the unauthorised occupation of shops and collect the prescribed advance/rent from the date of occupation.

The scrutiny of records of Assistant Executive Engineer (AEE), PRE Sub-Division and Executive Officer (EO), TP, Mulbagal revealed the following irregularities in entrusting/execution and completion of the shopping complex.

- The AEE, PRE Sub-Division had incurred an expenditure of only Rs.0.18 lakh on the building during the period 2001-04 to complete the remaining items of work like painting, laying of rain water pipes, providing rain water protection, curing the roof and sajja, etc. This evidently indicates that the building was nearly completed by December 2000.
- Though the building was nearing completion by 2000-01, no action was initiated by the AEE, PRE Sub-Division to complete the building early in all respects and to hand it over. The EO, TP also failed to insist for early completion.
- The building was completed at an expenditure of Rs.47.44 lakh and handed over by the AEE, PRE Sub-Division to TP only during November 2005.

Though the building was formally handed over to the TP during November 2005, the remaining shops (excepting three shops for which there were no bidders) were auctioned only during June 2007 after a delay of more than 17 months. Thus, the inadequate efforts of the AEE, PRE Sub-Division and EO, TP, Mulbagal in completing/handing over and auctioning the shops had resulted in loss of anticipated revenue of about Rs.43.56 lakh[¥] to the TP. It was further noticed that the EO, TP failed to collect the envisaged revenue

[¥] For the period from April 2001 to March 2007 in respect of 55 shops

from the occupants and as of November 2007, an amount of Rs.11.39 lakh was still outstanding from the occupants of 16 shops regularised earlier.

The AEE, PRE Sub-Division, Mulbagal replied (January 2008) that the building could not be handed over due to pending minor works and delay in internal electrification of the building. The reply is not acceptable as it was the responsibility of the AEE to expedite the completion and hand it over so that the TP's revenue resources could have been augmented. The EO, TP had not furnished specific remarks for non-collection of envisaged revenue.

The matter was referred to Government in May 2007; reply had not been received (March 2008).

2.11 Unfruitful expenditure on a hospital building

Failure of the Executive Engineer, Panchayat Raj Engineering Division, Bijapur in preparing a proper estimate and to test the soil condition prior to entrustment of work coupled with failure of Chief Executive Officer, Zilla Panchayat, Bijapur in providing adequate funds for a hospital building at Kalakeri village resulted in expenditure of Rs.28.35 lakh becoming unfruitful

Consequent on upgradation (March 1997) of the Primary Health Centre at Kalakeri village in Sindagi Taluk as a Community Health Centre, the Chief Executive Officer(CEO), Zilla Panchayat (ZP), Bijapur proposed for construction of a 30 bedded hospital. The Government accorded (February 2001) administrative approval for constructing the hospital building at an estimated cost of Rs.55 lakh. The funds for the construction of the building were to be arranged by ZP, Bijapur through budget allocation. The type design approved by the Chief Architect was adopted and the estimate for the work was prepared on personal inspection (July 2001) of the site by the Assistant Executive Engineer (AEE), Panchayat Raj Engineering (PRE) Sub-Division, Sindagi, who certified the soil strata as hard. The estimate was technically sanctioned (July 2001) by the Chief Engineer (CE), PRE Department, Bangalore with a condition that soil has to be tested for hardness before the entrustment of the work.

In disregard of instructions of the CE and without ensuring the availability of adequate funds, the Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Bijapur entrusted (May 2002) the work to a contractor at his

tendered cost of Rs.48.36 lakh with a stipulation to complete the work by May 2003. The contractor commenced the work immediately. During the execution of the work, it was found that the site had loose black cotton soil and the soil test (May 2003) revealed that the strength bearing capacity (SBC) of the soil was less and required strengthening of foundation. Consequently, the design for the building was revised and approved (September 2003) by the CE, PRE Department with instructions to calculate the additional requirement of fund before further execution of work. The EE, PRED, Bijapur, however, did not estimate the additional requirement of fund.

Meanwhile, the contractor also demanded (December 2003) revision of contractual amount. Due to paucity of funds, the claims (August 2002 to May 2005) of the contractor aggregating to Rs.28.35 lakh, were paid in instalments between 2002-03 and 2007-08. Due to delay in payment and setting the demand for revision of estimate, the contractor stopped work after showing progress upto roof level. The AEE/EE did not monitor the progress of the work. Adequate efforts were not, however, made by the CEO, ZP/EE, PRED to mobilise funds for the completion of the building. Consequently, the building remained incomplete even after four years of the scheduled date of completion.

Thus, the failure of the authorities, as listed in the table below, rendered the expenditure of Rs.28.35 lakh unfruitful besides denying the rural people from improved health care facilities.

| Authority | Failure |
|--------------------------------|---|
| AEE, PRE Sub-division, Sindagi | <ul style="list-style-type: none"> ➤ Failed to assess the quality of the soil properly and certified the soil as hard ➤ Did not monitor the progress of the building |
| EE, PRED, Bijapur | <ul style="list-style-type: none"> ➤ Failed to comply with the instructions of the CE regarding soil testing and estimating the additional financial burden consequent to modification of design ➤ Did not ensure the availability of adequate funds for the completion of the building |
| CEO, ZP, Bijapur | <ul style="list-style-type: none"> ➤ Proposed the construction of the hospital building without ascertaining the funds availability with the ZP ➤ Failed to provide sufficient funds, as stipulated in the administrative sanction of the Government |

The matter was referred to Government in November 2007; reply had not been received (March 2008).

2.12 Payment of consultancy fee for non-feasible schemes

The laxity of the Executive Engineer, Panchayat Raj Engineering Division, Koppal in conducting inspection prior to approval of the water supply schemes resulted in sanctioning of technically non-feasible schemes besides payment of Rs.1.38 crore towards consultancy fees

To improve the quality of water being supplied in chemically affected villages in the State, water supply schemes are being executed under Submission Projects under the Rajiv Gandhi National Drinking Water Mission. Based on the conceptual design reports (CDRs) submitted (December 2000 to January 2003) by the two[∞] consultants, the State Level Empowered Committee (SLEC) approved (December 2005) 20 water supply schemes in ZP, Koppal at a total estimated cost of Rs.165.66 crore. The consultants were paid an amount of Rs.2.49 crore towards preparation of CDRs in respect of these 20 projects.

It was noticed that the Superintending Engineer, Panchayat Raj Engineering (PRE) Circle, Bellary reported during May 2007 (on the basis of inspection conducted by Executive Engineer (EE), PRE Division (PRED), Koppal) to the Chief Engineer, PRE Department, Bangalore that 11 of the above 20 projects were not feasible as the consultants had identified the backwaters of Narayanapur dam as the source for nine of the projects, which was already being utilised for many lift irrigation schemes and the other two projects which were based on the gravity flow from the Thungabhadra dam were also not feasible due to the fact that the gravity flow would not be possible as both the projects were located near the downstream of the dam. Evidently, the CDRs for these 11 projects submitted by the consultants were defective. No action had been taken against the consultants for this lapse.

The laxity of the EE, PRED, Koppal in conducting the inspection prior to sanctioning of projects resulted in approval of CDRs without considering the technical feasibility of the schemes besides payment of consultancy fee of Rs.1.38 crore in respect of these 11 schemes. Records relating to execution of these works, though called for (October 2007) were not produced. As such, the consultancy fee aggregating to Rs.1.38 crore paid is likely to become wasteful.

The matter was referred to Government in December 2007; reply had not been received (March 2008).

[∞] Globe consultants, Bangalore – 16 projects and C-Sec Consultants, Bangalore – 4 projects

**RURAL DEVELOPMENT AND PANCHAYAT RAJ
DEPARTMENT
AND
AGRICULTURE AND HORTICULTURE DEPARTMENT**

2.13 Implementation of Drought Prone Area Programme

2.13.1 Introduction

Water is the basic requirement for sustenance of life. Recognising the importance of water conservation and the need for arresting rain water runoff, its harvesting in drought and desert prone areas and moisture conservation, Government of India (GOI) had launched various watershed development programmes since 1987. Based on recommendations of the Hanumantha Rao Committee and in recognition of the need for meaningful participation by user communities in watershed development, GOI issued guidelines for implementation of various watershed programmes in August 1995. The GOI further revised and issued (April 2003) Hariyali Guidelines in order to encourage active participation of village committees in the implementation of the programmes. The objective of the programme was harvesting of rain water to create sustainable sources of income for the village community and development of human and other economic resources of the rural area. Drought Prone Area Programmes (DPAP) comprises of watershed development schemes and Hariyali schemes. Audit test-checked (December 2006-April 2007) the implementation of DPAP in 5* Zilla Panchayats (ZPs) covering 14 taluks for the period 1999-2000 to 2006-07. The programme was implemented in 15 districts in drought prone areas of the State.

2.13.2 Planning process

Absence of long term planning

Long term perspective plans were not prepared and action plans prepared were deficient in many ways

The guidelines (2001) for watershed projects stipulated that the State Government had to prepare a long term perspective plan covering 15 years for treatment of drought prone and desert areas. The State Government and ZPs had not prepared any perspective plan. Watershed Committees were to prepare the action plan based on the perspective plan and forward it to the ZPs

* Bangalore(Rural) (Magadi and Kanakapur), Belgaum (Belgaum and Gokak), Chitradurga (Challakere and Hosadurga), Kolar (Kolar, Bangarpet, Gudibande and Bagepalli) and Tumkur (Chikkanayakanahalli, Gubbi, Koratagere and Sira)

for approval. With an intention to involve the villagers in the process of planning, guidelines (2003) stipulated that the Grama Sabhas have to prepare and approve the action plan. However, the Commissioner, Watershed Development Department issued detailed instructions regarding the responsibilities of Grama Panchayats (GPs) in the implementation of the programme only in May 2005. This resulted in GPs not involving themselves in the preparation and approval of action plan during the year 2003-04 to 2005-06. It was further noticed that the action plan approved by the ZPs were based merely on topo sheets/contour maps, where exact location of structures like check dams, boulder checks, contour bunds, etc., was not reflected. Contrary to the guidelines, the action plan did not have any mechanism for the maintenance of projects after completion. The action plans were also approved belatedly involving a delay ranging from 10 days to 15 months. Thus, improper preparation of action plan and delay in approval of action plan adversely affected the implementation of the programme, as discussed in subsequent paragraphs.

2.13.3 Financial Management

2.13.3.1 Non-receipt of assistance

Unsatisfactory implementation resulted in non-receipt of assistance of Rs.78.73 crore

The programme was a centrally sponsored scheme funded by GOI and the State Government in the ratio of 75:25 with a unit cost of Rs.6000 (Rs.4000 prior to 2000-01) per hectare. While the first instalment of Central funds for each batch was released unconditionally, subsequent instalments were released only when the unutilised balance was not more than 50 *per cent* with satisfactory physical progress, submission of proposals in time and production of audited statement of accounts. Due to non-adherence to these conditions, assistance of Rs.78.73 crore (Central assistance – Rs.58.21 crore and State share – Rs.20.52 crore) was not received in the selected ZPs as of October 2007. Even the reduced releases were not fully utilised.

The details were as follows:

(Rupees in crore)

| Batch No. | Number of districts | Grants to be received | | | Actual grants Received | | | Balance grants to be received | | | Expenditure incurred | Balance |
|--------------|---------------------|-----------------------|--------------|---------------|------------------------|--------------|---------------|-------------------------------|--------------|--------------|----------------------|--------------|
| | | Central | State | Total | Central | State | Total | Central | State | Total | | |
| V | 4 | 26.40 | 8.80 | 35.20 | 23.71 | 7.48 | 31.19 | 2.69 | 1.32 | 4.01 | 30.84 | 0.35 |
| VI | 5 | 26.33 | 8.77 | 35.10 | 14.17 | 4.82 | 18.99 | 12.16 | 3.95 | 16.11 | 18.53 | 0.46 |
| VII | 5 | 26.55 | 8.85 | 35.40 | 14.26 | 4.80 | 19.06 | 12.29 | 4.05 | 16.34 | 18.63 | 0.43 |
| VIII | 5 | 23.63 | 7.87 | 31.50 | 10.50 | 3.52 | 14.02 | 13.13 | 4.35 | 17.48 | 13.60 | 0.42 |
| IX | 5 | 21.26 | 7.09 | 28.35 | 16.56 | 4.87 | 21.43 | 4.70 | 2.22 | 6.92 | 19.27 | 2.16 |
| X | 5 | 17.72 | 5.91 | 23.63 | 4.49 | 1.50 | 5.99 | 13.23 | 4.41 | 17.64 | 5.40 | 0.59 |
| XI | 5 | 12.86 | 4.29 | 17.15 | 12.85 | 4.09 | 16.94 | 0.01 | 0.20 | 0.21 | 13.38 | 3.56 |
| XII | 5 | 4.29 | 1.42 | 5.71 | 4.29 | 1.40 | 5.69 | - | 0.02 | 0.02 | 2.45 | 3.24 |
| TOTAL | | 159.04 | 53.00 | 212.04 | 100.83 | 32.48 | 133.31 | 58.21 | 20.52 | 78.73 | 122.10 | 11.21 |

In respect of Batch V, which was scheduled to be completed by March 2003, the percentage of actual grants received was 89 to the total allocation and the expenditure was 99 per cent of the grants received. However, in respect of Batches VI and VII scheduled for completion in March 2005 and 2006 respectively, the grants received were only 54 per cent of the allocation.

It was observed in the test-checked ZPs that the State Government released its share belatedly with a delay ranging from one month to 23 months as against the prescribed time of 15 days from the date of release of Central grants. Audit observed that there were delays ranging from 14 days to 30 months on 60 occasions in release of funds ranging from Rs.0.10 lakh to Rs.111.37 lakh by ZPs to the Project Implementing Agencies. The ZPs generally attributed the delay to non- preparation of action plans in time which also affected the schedule of completion of project as commented in paragraph 2.13.2.

2.13.4 Programme implementation

2.13.4.1 Project execution

Batch-wise details of watershed projects sanctioned, area proposed to be treated and actually treated as of February 2008 in the test-checked ZPs were as under:

(Area in Hectares)

| Batch | Year of sanction | Targetted year of completion | Number of projects sanctioned | Targetted area for treatment | Area treated | Balance |
|--------------|------------------|------------------------------|-------------------------------|------------------------------|---------------------|---------|
| V | 1999-2000 | 2002-03 | 176 | 88000 | 81200 | 6800 |
| VI | 2000-01 | 2004-05 | 117 | 58500 | 35400 | 23100 |
| VII | 2001-02 | 2005-06 | 118 | 59000 | 34500 | 24500 |
| VIII | 2002-03 | 2006-07 | 105 | 52500 | 25725 | 26775 |
| IX | 2003-04 | 2007-08 | 105 | 52500 | 31875 | 20625 |
| X | 2004-05 | 2008-09 | 105 | 52500 | 19875 | 32625 |
| XI | 2005-06 | 2009-10 | 127 | 63500 | 32625 | 30875 |
| XII | 2006-07 | 2010-11 | 127 | 63500 | 13575 | 49925 |
| Total | | | Batch V to VIII | 258000 | 176825 (69 percent) | |
| | | | Batch IX to XII | 232000 | 97950 (42 percent) | |

Tardy implementation resulted in non-achievement of objectives of water and soil conservation

An expenditure of Rs.68 crore had been incurred on projects in Batches V, VI and VII slated for completion by March 2003, March 2005 and March 2006 respectively. Out of the 88,000 hectares proposed to be treated under Batch V by March 2003, 81200 hectares (92 *per cent*) had been treated. In respect of Batches VI and VII, the area of land treated was 61 *per cent* and 58 *per cent* indicating slow implementation of the project. The projects sanctioned under Batch VI to VIII (slated for completion in 2004-05 and 2006-07 respectively) were not completed as of February 2008. Thus, delay in completion of projects for treatment of land resulted in non-achievement of the objectives of water conservation, soil conservation and increased agricultural productivity.

2.13.4.2 Community contribution

Community contribution amounting to Rs.83 lakh not collected

The guidelines stipulated people's contribution of 10 *per cent* of cost on individual lands (5 *per cent* in case of SC/ST and persons below poverty line) and 5 *per cent* of cost of works for community project as a mandatory condition for selection of villages under the programme. The contribution collected was to be credited to the watershed development fund for utilisation for maintenance of assets created on community land. Test-check of records in the selected blocks of ZPs test-checked revealed that there was a shortfall in collection of community contribution aggregating Rs.83 lakh of all batches.

2.13.4.3 Capacity building

Non-taking up of entry point activities resulted in inadequate capacity building

The scheme guidelines envisaged participatory rural appraisal and active involvement of villagers in the planning, implementation and maintenance of projects. The guidelines provided for entry point activities like training of all functionaries and elected representatives of GPs and community mobilisation before finalisation of action plan and commencement of work. Audit noticed that in two selected ZPs[¶] the training activities had not been taken up in the crucial first and second year of implementation of programme in respect of Batches V to VIII.

[¶] Chitradurga and Kolar

2.13.5 Monitoring and evaluation

2.13.5.1 Monitoring

Monitoring was deficient

The guidelines stipulated that a State Level Watershed Development Committee has to be constituted to co-ordinate the implementation of the programme among the different departments involved in the implementation. It was further stipulated that this Committee may meet twice a year to monitor, review and evaluate the progress of the implementation of programme. It was further stipulated that a District Watershed Development Committee was to be constituted under ZP and this Committee shall meet atleast once in a quarter and review the progress of the scheme.

Though it was stated that the State Level Watershed Development Committee had met, no records indicating the number of meetings held, etc., were made available to audit. Audit further noticed that the meetings of the District Watershed Development Committees were not held at regular intervals and also no follow-up action had been taken on the decisions of the meeting. Thus, there was deficiency in monitoring which is evident from the fact that there was poor utilisation of funds, non-completion of projects and non-achievement of the targeted area for treatment.

2.13.5.2 Evaluation

Follow up action on evaluation studies not apparent

Evaluation studies conducted (2005-06) by independent agencies on execution of works of different batches disclosed among other things (i) training and entry points activities were inadequate and should be need based, (ii) the assets created need proper maintenance, (iii) quality of works needs improvement, (iv) more awareness of programme required in groups like Watershed Development Team/Self Help Groups/User Groups. Details of action taken on the evaluation studies were not apparent.

2.13.6 Conclusion

Review of the implementation of the DPAP in selected ZPs revealed that long term perspective plan were not prepared. Action plans prepared by GPs were deficient in many ways as villagers/users/Grama Sabhas were not involved in

their preparation. Projects were not completed due to poor monitoring and there was inadequate capacity building. Adequate funds were not made available for maintenance due to short collection of community contribution.

The matter was referred to Government in August 2007 and their reply awaited (March 2008).

**RURAL DEVELOPMENT AND PANCHAYAT RAJ
DEPARTMENT
AND
FOREST, ECOLOGY AND ENVIRONMENT
DEPARTMENT**

2.14 Avoidable extra expenditure on maintenance of seedlings

The injudicious decision of the District Level Committee, Chitradurga to raise seedlings in large numbers without proper assessment of demand resulted in non-distribution of seedlings in full and avoidable extra expenditure of Rs.49.95 lakh on maintenance of seedlings for another year

For raising seedlings under Social Forestry, the following strategy and guiding principles were adopted (September 2005) in the State:

- ⇒ the seedlings were to be raised based on demand and not calculated on the basis of land area
- ⇒ the seedlings raised in one year should not be carried forward for the next year as it will lose its vitality due to root coiling and such seedlings will not respond on planting in fields
- ⇒ the Deputy Conservators of Forest should not justify carrying forward the seedlings to next year by citing their inability to distribute the seedlings.

Under the National Food for Work (NFFW) Programme, it was decided (January 2006) by the District Level Committee comprising the Deputy Commissioner, the Chief Executive Officer (CEO) of Zilla Panchayat (ZP) and the Deputy Conservator of Forest, Social Forestry Division (DCF, SF), Chitradurga to raise and distribute 45.60 lakh seedlings to the 185 Grama Panchayats (GPs) in the jurisdiction of the ZP at an estimated expenditure of Rs.2.22 crore. The GPs, in turn, were to distribute the seedlings to the

farmers. The farmers were to dig pits on their own and were eligible for payment of Rs.9.75 per pit. The GPs were required to place indent for seedlings, in advance, for their requirement and the entire process was to be completed between May and July 2006, before the onset of monsoon. Though it was decided (April 2006) to distribute a maximum of 20,000 seedlings to each GP and 100 seedlings to each farmer, it was relaxed (August 2006) and nodal officers were instructed to distribute the seedlings based on the demand from the farmers.

The test-check of records of DCF, SF, Chitradurga disclosed that, in disregard of guiding principles, a total of 42.80 lakh seedlings were raised during 2006-07 at a cost of Rs.2.16 crore, without ascertaining the actual demand from the GPs. Of this, the DCF, SF, could distribute only 21.60 lakh seedlings to GPs during 2006-07. The scrutiny of information collected by audit from 13 GPs, inter alia, revealed the following irregularities:

- No indents were placed by the GPs for seedlings
- No action plan was prepared by the GPs for implementation of the project during 2006-07
- List of beneficiaries was not prepared and forwarded to taluk/district level authorities prior to raising of seedlings
- In many GPs, farmers did not come forward to receive the seedlings resulting in drying up of bulk of seedlings (entire lot in certain GPs)
- No funds were earmarked for making payments to the farmers.

Due to non-distribution of seedlings as per plan/schedule, the DCF, SF was forced to maintain the balance 21.20 lakh seedlings raised at a cost of Rs.1.19 crore for another year (till next monsoon season during 2007-08) by incurring an expenditure of Rs.49.95 lakh.

Evidently, the guiding principles regarding raising of seedlings were flouted by the District Level Committee (involving the CEO, ZP and DCF, SF) and orders for raising of seedlings were issued without assessing the demand from the GPs, which led to non-distribution of 50 *per cent* of the seedlings raised and avoidable extra expenditure on maintenance for another year. It was

replied (July 2007) by the DCF, SF, Chitradurga that the approval of the higher authorities had been obtained to maintain and distribute the balance seedlings during 2007-08. It was, however, noticed that, even as of August 2007, out of balance 21.20 lakh only 12.89 lakh seedlings were supplied/planted leaving a balance of 8.31 lakh seedlings with the DCF, SF, Chitradurga.

Thus, the injudicious decision of the CEO, ZP and DCF, SF, Chitradurga to raise huge number of seedlings without any assessment resulted in avoidable extra expenditure of Rs.49.95 lakh on maintenance of balance seedlings. The expenditure towards maintenance is likely to escalate due to efflux of time and non-distribution of balance seedlings during monsoon period of 2007-08. Further, it was clearly stipulated in the guiding principles that the undistributed seedlings will lose vitality due to root coiling and would not respond on planting in the field. As such, the survival of the seedlings planted during the subsequent year was doubtful.

The matter was referred to the Government in July 2007; The Government while justifying action of CEO, ZP and DCF, SF in maintaining the seedlings had attributed (February 2008) non-distribution of seedlings to drought condition in Chitradurga district during 2006-07. The reply is not tenable as seedlings were raised in huge quantity without assessing the demand from the GPs. Further, the justification of the DCF,SF, Chitradurga in carrying forward the seedlings to next year on account of inability in distribution was also against the prescribed guiding principles.

**RURAL DEVELOPMENT AND PANCHAYAT RAJ
DEPARTMENT
AND
SOCIAL WELFARE DEPARTMENT**

2.15 Unfruitful investment on hostel buildings

Failure of the Executive Engineer, Panchayat Raj Engineering Division, Kolar to prepare a comprehensive estimate for a hostel building at Sundarapalya village and entrustment of work in disregard of the instructions of the Chief Engineer coupled with failure of the District Social Welfare Officer, Kolar in ensuring a proper site for hostel building at Tayalur village rendered the total investment of Rs.33.70 lakh unfruitful

The work of construction of two hostel buildings for Scheduled Castes (SC) and Scheduled Tribes (ST) students at Sundarapalya (in Bangarpet taluk) and Tayalur (in Mulbagal Taluk) villages under Zilla Panchayat (ZP), Kolar at an estimated cost of Rs.22 lakh each was administratively approved (September 2000) by the State Government in Social Welfare Department (SWD). The estimates prepared by the Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Kolar were technically sanctioned (June 2001) by the Chief Engineer (CE), Panchayat Raj Engineering Department, Bangalore. The EE, PRED, Kolar entrusted (October 2001) both these works to a contractor at his tendered rate of Rs.19.36 lakh and Rs.18.95 lakh respectively with a stipulation to complete the work within 15 months (January 2003). Test-check of records of the EE, PRED, Kolar revealed that the work of construction of both the hostel buildings remained incomplete, even as of July 2007, rendering the total investment of Rs.33.70 lakh unfruitful. Further scrutiny disclosed the following :

(a) Hostel building at Sundarapalya

The site for the construction was handed over to the contractor and the work commenced on 19 October 2001. As against the claims of the contractor for Rs.20.07 lakh, an amount of Rs.18.14 lakh had only been paid (July 2003) by the EE, PRED, Kolar on the grounds that the contractor had executed certain items of work like staircase, compound wall and cloth washing platforms not contemplated in the estimate. The contractor stopped the work without completing the flooring and plastering of the hostel building. The Assistant Executive Engineer (AEE), PRE Sub-division, Bangarpet reported (November

2003) that sufficient provision was not made in the estimate for electrification, drinking water supply, compound wall, etc., and submitted (February 2004) a sub-estimate for Rs.5.80 lakh to the District Social Welfare Officer (DSWO), Kolar, which was yet to be approved (February 2007). Apart from issuing notices (September 2003 to February 2006) to the contractor no action had been initiated by the EE, PRED, Kolar to complete the hostel building even after four years of scheduled completion and additional funds for completion of the building were also not arranged. Even as of July 2007, the hostel building on which an expenditure of Rs.18.14 lakh was incurred remained incomplete. The EE, PRED, Kolar stated (February 2007) that a final notice would be served to the contractor.

(b) Hostel building at Tayalur

For construction of the hostel building, a private land purchased at a cost of Rs.5.99 lakh was made available (August 2001) by the DSWO, Kolar to EE, PRED, Kolar. The EE did not ascertain the suitability of the land before preparing the estimate and forwarding it for sanction. The estimate for the work was prepared based on the Schedule of Rates (SR) of 1999-2000. The CE while according (June 2001) technical sanction for the work, instructed the EE, PRED, Kolar to get the soil tested before commencing the work to ensure the strength bearing capacity (SBC) of the soil. The EE, however, did not comply with this condition and entrusted (October 2001) the work to the contractor. During earth excavation it was noticed that the soil strata was not conducive for construction and an alternate site* was handed over (July 2002) to the contractor.

The contractor commenced work in the new site and achieved a physical progress up to roof level for which he was paid Rs.9.57 lakh. Consequent to revision (August 2002) of SR, a revised estimate for Rs.36.67 lakh was submitted (February 2004) to DSWO, Kolar. As of February 2007, the approval had not been accorded by the SWD. Further, it was also noticed by the AEE, PRE Sub-division, Mulbagal that the quality of work executed by the contractor was very poor and consequently notices were issued to the

* Land received by SWD as donation

contractor to rectify the sub-standard work. Meanwhile, a dispute arose (May 2004) regarding title of the land and the contractor had to stop the work. Though the dispute was settled (August 2004) in favour of the department, the contractor did not resume the work demanding payment at revised rates. As mentioned earlier, approval for the revised estimate had not yet been received (February 2007). As a result, the work remained incomplete (July 2007) even after more than four years of scheduled completion rendering the expenditure of Rs.15.56 lakh[£] unfruitful besides additional financial burden of Rs.17.72 lakh.

The long delay in completion of these hostel buildings was attributable to the lack of coordination between the departments and the failures of the authorities as shown in the table below.

| Executive Engineer, Panchayat Raj Engineering Department, Kolar | District Social Welfare Officer, Kolar |
|--|--|
| <ul style="list-style-type: none"> ➤ ensuring a comprehensive estimate covering all the required items of work prior to entrustment of work to the contractor ➤ complying with the instructions of the CE, PRE Department to get the soil tested | <ul style="list-style-type: none"> ➤ ensuring inclusion of all the requisite components in the original estimate ➤ long delay in obtaining approval to the estimates ➤ arranging adequate funds for the works |

Thus, the laxity of the authorities in expediting the completion of hostel buildings rendered the total investment of Rs.33.70 lakh unfruitful besides denying the intended benefits to the SC/ST students. The matter was referred to Government in November 2006 (Rural Development and Panchayat Raj Department) and April 2007 (Social Welfare Department); reply had not been received. Responsibility had to be fixed for the failure of officers in preparing comprehensive estimate incorporating all the required components and ensuring a proper site for construction of hostel buildings, because of which the social objective of providing improved educational facilities to the SC/ST students of rural areas was defeated and the total investment of Rs.33.70 lakh was rendered unfruitful.

[£] Payment made to contractor – Rs.9.57 lakh and expenditure on land – Rs.5.99 lakh

COMMERCE AND INDUSTRIES DEPARTMENT

2.16 Artisan Training Institutes

The Superintendents/Industrial Promotion Officers of the Artisan Training Institutes failed to review/monitor the functioning of the institutes though the enrolment of students was very low and huge expenditure was incurred on the establishment

Artisan Training Institutes (ATIs) were established (1960-61) in the State with the objective of imparting training in various crafts such as carpentry, black smithy, leather tanning, weaving, general engineering, etc., to the rural poor to enable them to be self-reliant. These ATIs were functioning under the jurisdictional control of Department of Industries and Commerce in Zilla Panchayats. A mention was made in the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 1999 on the failure of the Department to monitor the working of ATIs which were functioning with very less number of candidates. Consequently, the Department restructured (February 2003) the ATIs by closing 22 out of 42 ATIs and reorganising the crafts in the remaining 20 ATIs.

Audit collected information regarding the number of candidates trained, staff strength, expenditure on establishment, etc., from six ATIs for the period from 2001-02 to 2006-07. An analysis of the information revealed that 202 candidates were trained in these ATIs during the period 2000-03 (period prior to restructuring). The percentage of candidates trained to intake capacity in these ATIs ranged between zero and 37 during the period and an expenditure of Rs.1.31 crore was incurred on the establishment. Post-restructuring 189 candidates were trained during the period 2003-07 at an expenditure of Rs.2.48 crore. The percentage of candidates trained to intake capacity ranged between zero and 51 during this period. Details of training imparted and expenditure incurred on the establishment of these ATIs after the restructuring was as shown in the table below. The year-wise details for individual ATIs are exhibited in the **Appendix 2.4**.

| Artisan Training Institute | Total intake capacity during 2003-07 | Total candidates trained during 2003-07 | Percentage of candidates trained to intake capacity during the period ranged between | Expenditure on establishment (Rupees in lakh) |
|----------------------------|--------------------------------------|---|--|---|
| Tumkur | 140 | 59 | 0 to 46 | 29.95 |
| Hubli | 60 | 5 | 7 to 13 | 46.81 |
| Channapatna | 210 | 30 | 0 to 22 | 51.46 |
| Hassan | 180 | 40 | 0 to 51 | 31.75 |
| Chikkaballapur | 180 | 55 | 22 to 43 | 42.91 |
| Chitradurga | 165 | Nil | Nil | 44.65 |
| Total | | | | 247.53 |

An expenditure of Rs.2.48 crore had been incurred on the pay and allowances of the staff of these ATIs during the period from 2003-04 to 2006-07. Further scrutiny of the data revealed, inter alia, the following deficiencies :

- ⇒ No candidate was admitted and trained in the ATI at Chitradurga during 2003-07, apparently due to lack of response to the trades/training offered, whereas an expenditure of Rs.44.65 lakh had been incurred on establishment.
- ⇒ In respect of ATI at Tumkur, though training in only two[£] trades was to be imparted after restructuring (as against the five earlier), the ATI did not comply with Government Orders and irregularly continued with the earlier trades. Further, the sanctioned strength of staff which was nine with intake capacity of 105 (2003-04) was increased to 10 while the intake capacity was reduced to 45.
- ⇒ In respect of ATI at Chikkaballapur, sanctioned strength of staff remained the same during 2000-07 even though the intake capacity was reduced from 60 to 30.

The low percentage of enrolment of students resulted in major portion of the staff of ATIs remaining idle during the period 2003-07. The Heads of these ATIs generally attributed this to the meagre rate of stipend being paid to candidates and outdated technology of the crafts as reasons for low enrolment of students. Evidently, the functioning of the ATIs, on which an expenditure of Rs.2.48 crore was incurred during 2003-07 (in these six ATIs), had not been monitored regularly by the Superintendent/Industrial Promotion Officer of the

[£] tailoring and embroidery

institutes. Besides, machinery valued at Rs.46.07 lakh were not utilised to its full extent in these institutes.

On this being pointed out, the Government attributed (December 2007) the low enrolment to the fact that the candidates trained in these institutes were not getting employment either in the Government or in the private sector. It further stated that the action would be taken to close 11 out of the balance ATIs in the State and to transfer the staff/machineries to the remaining institutes. The reply is not acceptable as closing down the ATIs which were established with the social objective of imparting training to rural poor near their places may result in denial of rightful opportunities. In the light of advancing technology, there is an urgent need to review the functioning of the ATIs besides ensuring the employment opportunities to the candidates.

GENERAL

2.17 Follow-up action on Audit Reports

According to the Hand Book of Instructions for speedy settlement of audit observations, etc. issued by the Finance Department and the Rules of Procedure (Internal Working) of the Public Accounts Committee, the departments of Government should prepare and forward to Karnataka Legislative Assembly Secretariat, detailed explanations in the form of Action Taken Notes (ATNs) on the paragraphs/reviews featured in the Reports of the Comptroller and Auditor General of India within four months of the presentation of the Reports in the Legislature, duly getting the ATNs vetted by Audit.

The details of presentation of the Reports of the Comptroller and Auditor General of India (Zilla Panchayats/PRIs) from the year 2000-01 onwards, to the State Legislature, are given below:

| Audit Report for the year ending | Month of presentation to the Legislature |
|---|---|
| 2001 | March 2003 |
| 2002 | February 2004 |
| 2003 | July 2005 |
| 2004 | July 2006 |
| 2006 | July 2007 |

ATNs have, however, not been received by Audit for many of the observations even as of January 2008. The department-wise position of pendency is furnished in the **Appendix 2.5**.

While the above Reports presented to the State Legislature featured audit comments noticed during the review of implementation of various schemes and serious irregularities like misappropriation of funds/stores, delay in completion of schemes/buildings leading to idle investments, unfruitful/irregular/infructuous expenditure etc., the Government had not communicated (January 2008) details of action taken to plug the loop holes in the system that led to these financial improprieties. The departments concerned need to be instructed to forward the ATNs on the paragraphs/reviews featured in these Audit Reports to the Karnataka Legislature without undue delay.

BANGALORE
The

(USHA SANKAR)
Principal Accountant General
(Civil and Commercial Audit)

COUNTERSIGNED

NEW DELHI
The

(VINOD RAI)
Comptroller and Auditor General of India



APPENDICES

Appendix 1.1

Non-reconciliation of departmental expenditure figures with the accounts of Zilla Panchayats

(Reference : Paragraph 1.8.3/Page 17)

| SL. No. | Zilla Panchayat | Number of departmental officers | 2006-07 | |
|--------------|-----------------|---------------------------------|--|---|
| | | | Number of departmental officers whose expenditure was not reconciled | Amount not reconciled (Rupees in crore) |
| 1 | Bidar | 25 | 7 | 9.90 |
| 2 | Bijapur | 23 | 5 | 64.35 |
| 3 | Chamarajanagar | 23 | 1 | 2.34 |
| 4 | Davanagere | 25 | 16 | 77.93 |
| 5 | Kolar | 20 | 14 | 0.63 |
| Total | | | 43 | 155.15 |

Appendix 1.2

Non-submission of accounts for amounts drawn on Abstract Contingent Bills

(Reference: Paragraph 1.8.5/Page 17)

| Sl.No. | Zilla Panchayat | Number of Departmental Officers | Number of NDC bills pending | Amount (Rupees in lakh) | Earliest year from which pending |
|--------------|-------------------|---------------------------------|-----------------------------|-------------------------|----------------------------------|
| 1 | Bagalkot | 6 | 7 | 3.58 | 2006-07 |
| 2 | Bangalore (Rural) | 7 | 606 | 13.85 | 1987-88 |
| 3 | Belgaum | 16 | 16 | 16.86 | 2006-07 |
| 4 | Bijapur | 9 | 70 | 12.13 | 1986-87 |
| 5 | Bidar | 57 | 158 | 3.61 | 2002-03 |
| 6 | Chamarajanagar | 17 | 46 | 3.12 | 2006-07 |
| 7 | Chickmagalur | 2 | 15 | 6.32 | 2006-07 |
| 8 | Chitradurga | 22 | 112 | 10.77 | 2005-06 |
| 9 | Dakshina Kannada | 1 | 21 | 6.75 | 2001-02 |
| 10 | Kolar | 3 | Not furnished | 2.95 | 2006-07 |
| 11 | Koppal | 4 | 216 | 13.81 | 1999-2000 |
| 12 | Mandya | 7 | 11 | 4.87 | 2005-06 |
| 13 | Mysore | 22 | Not furnished | 303.49 | 1987-88 |
| 14 | Raichur | 1 | 1 | 28.97 | 1993-94 |
| 15 | Shimoga | 7 | 36 | 40.22 | 2005-06 |
| Total | | 181 | 1315 | 471.30 | - |

Appendix 1.3
List of incomplete works
(Reference: Paragraph 1.9/Page 17)

(Expenditure : Rupees in lakh)

| Sl. No. | Zilla Panchayat | Buildings | | Roads & Bridges | | Water Supply Works | | Minor Irrigation | | Total | |
|--------------|-------------------|-----------|---------------|-----------------|---------------|--------------------|---------------|------------------|--------------|-----------|----------------|
| | | Number | Expenditure | Number | Expenditure | Number | Expenditure | Number | Expenditure | Number | Expenditure |
| 1 | Bagalkot | 1 | 15.00 | - | - | - | - | - | - | 1 | 15.00 |
| 2 | Bangalore (Rural) | 4 | 97.17 | 2 | 14.31 | - | - | - | - | 6 | 111.48 |
| 3 | Belgaum | - | - | 2 | 51.15 | 2 | 8.70 | - | - | 4 | 59.85 |
| 4 | Bijapur | 1 | 20.86 | - | - | 10 | 87.94 | - | - | 11 | 108.80 |
| 5 | Chitradurga | 3 | 45.50 | - | - | - | - | - | - | 3 | 45.50 |
| 6 | Davanagere | - | - | - | - | 2 | 273.26 | - | - | 2 | 273.26 |
| 7 | Gadag | - | - | 2 | 116.26 | - | - | - | - | 2 | 116.26 |
| 8 | Hassan | - | - | 8 | 57.11 | 3 | 19.84 | - | - | 11 | 76.95 |
| 9 | Kolar | 3 | 47.22 | - | - | - | - | - | - | 3 | 47.22 |
| 10 | Mandya | 19 | 21.39 | - | - | 4 | 2.79 | - | - | 23 | 24.18 |
| 11 | Mysore | 2 | 40.89 | - | - | - | - | - | - | 2 | 40.89 |
| 12 | Raichur | - | - | 1 | 7.41 | 1 | 13.87 | - | - | 2 | 21.28 |
| 13 | Shimoga | 5 | 36.80 | - | - | - | - | - | - | 5 | 36.80 |
| 14 | Tumkur | 3 | 27.24 | - | - | - | - | 9 | 63.78 | 12 | 91.02 |
| 15 | Udupi | 3 | 81.29 | - | - | - | - | - | - | 3 | 81.29 |
| TOTAL | | 44 | 433.36 | 15 | 246.24 | 22 | 406.40 | 9 | 63.78 | 90 | 1149.78 |

Note: ZPs, Gulbarga and Koppal did not furnish the required information and others ZPs furnished as 'nil'.

Appendix 1.4

Cases of misappropriation/defalcation (Reference: Paragraph 1.10/Page 18)

(Amount : Rupees in lakh)

| Sl. No. | Zilla Panchayat | Under investigation | | Pending in court | | Others | | Total | |
|--------------|-------------------|---------------------|----------------|------------------|---------------|-----------|---------------|------------|----------------|
| | | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| 1 | Bangalore (Rural) | 13 | 16.53 | - | - | - | - | 13 | 16.53 |
| 2 | Bangalore (Urban) | 2 | 1.30 | - | - | 4 | 21.00 | 6 | 22.30 |
| 3 | Bellary | 18 | 99.61 | 1 | 2.43 | - | - | 19 | 102.04 |
| 4 | Bijapur | - | - | 13 | 103.28 | 25 | 161.63 | 38 | 264.91 |
| 5 | Belgaum | 13 | 82.14 | - | - | - | - | 13 | 82.14 |
| 6 | Chamarajanagar | 16 | 18.82 | - | - | - | - | 16 | 18.82 |
| 7 | Chickmagalur | 63 | 57.20 | 1 | NF | - | - | 64 | 57.20 |
| 8 | Chitradurga | - | - | - | - | 8 | 5.16 | 8 | 5.16 |
| 9 | Dakshina Kannada | 33 | 53.04 | 1 | 1.02 | - | - | 34 | 54.06 |
| 10 | Davanagere | - | - | 7 | 20.06 | 1 | 11.14 | 8 | 31.20 |
| 11 | Dharwad | 1 | 6.21 | 1 | 1.80 | 15 | 87.75 | 17 | 95.76 |
| 12 | Gadag | 2 | 7.71 | 6 | 53.18 | - | - | 8 | 60.89 |
| 13 | Gulbarga | 2 | 168.35 | 1 | 27.27 | - | - | 3 | 195.62 |
| 14 | Hassan | 35 | 93.53 | - | - | - | - | 35 | 93.53 |
| 15 | Haveri | 32 | 144.81 | 2 | 7.88 | 11 | 32.28 | 45 | 184.97 |
| 16 | Kodagu | - | - | 5 | 70.41 | 1 | 3.97 | 6 | 74.38 |
| 17 | Kolar | - | - | 1 | 206.49 | 9 | 17.52 | 10 | 224.01 |
| 18 | Koppal | 3 | 7.87 | 1 | 0.66 | 1 | 3.38 | 5 | 11.91 |
| 19 | Mandya | 14 | 133.80 | - | - | - | - | 14 | 133.80 |
| 20 | Mysore | 24 | 154.14 | - | - | - | - | 24 | 154.14 |
| 21 | Raichur | 9 | 40.43 | 5 | 88.57 | - | - | 14 | 129.00 |
| 22 | Shimoga | 22 | 52.51 | 2 | 4.60 | 5 | 8.22 | 29 | 65.33 |
| 23 | Tumkur | - | - | - | - | 1 | 4.94 | 1 | 4.94 |
| 24 | Udupi | - | - | - | - | 2 | 11.47 | 2 | 11.47 |
| 25 | Uttara Kannada | 1 | 45.50 | - | - | - | - | 1 | 45.50 |
| TOTAL | | 303 | 1183.50 | 47 | 587.65 | 83 | 368.46 | 433 | 2139.61 |

ZP, Bidar did not furnish the required information and ZP, Bagalkot reported as Nil

NF – not furnished

Appendix 1.5
Outstanding Inspection Reports and Paragraphs
(Reference: Paragraph 1.11/Page 18)

| Sl. No. | Zilla Panchayat | Pending for more than | | | | | | Pending since | | | | | | Total | |
|--------------|-------------------|-------------------------|-------------|--|-------------|---|-------------|---------------|-------------|------------|-------------|------------|-------------|-------------|--------------|
| | | 10 years (upto 1996-97) | | 5 years and less than 10 years (1997-2002) | | 3 years and less than 5 years (2002-2004) | | 2004-05 | | 2005-06 | | 2006-07 | | | |
| | | IRs | Paras | IRs | Paras | IRs | Paras | IRs | Paras | IRs | Paras | IRs | Paras | IRs | Paras |
| 1 | Bagalkot | 58 | 189 | 32 | 89 | 16 | 74 | 3 | 18 | 8 | 91 | 8 | 65 | 125 | 526 |
| 2 | Bangalore (Rural) | 32 | 67 | 38 | 89 | 26 | 60 | 4 | 20 | 28 | 147 | 24 | 112 | 152 | 495 |
| 3 | Bangalore (Urban) | 22 | 56 | 51 | 99 | 37 | 85 | 43 | 111 | 7 | 26 | 35 | 160 | 195 | 537 |
| 4 | Bellary | 96 | 267 | 55 | 168 | 13 | 96 | 8 | 38 | 9 | 61 | 9 | 88 | 190 | 718 |
| 5 | Bijapur | 69 | 172 | 39 | 98 | 15 | 48 | 6 | 28 | 13 | 85 | 15 | 122 | 157 | 553 |
| 6 | Bidar | 48 | 160 | 39 | 181 | 13 | 107 | 5 | 44 | 1 | 15 | 4 | 45 | 110 | 552 |
| 7 | Belgaum | 196 | 611 | 84 | 308 | 41 | 214 | 13 | 93 | 21 | 149 | 9 | 52 | 364 | 1427 |
| 8 | Chamarajanagar | 3 | 4 | 5 | 13 | 5 | 15 | 2 | 9 | 8 | 37 | 14 | 84 | 37 | 162 |
| 9 | Chickmagalur | 13 | 14 | 9 | 26 | 15 | 41 | 3 | 43 | 7 | 84 | 14 | 85 | 61 | 293 |
| 10 | Chitradurga | 33 | 91 | 27 | 77 | 7 | 25 | 6 | 36 | 1 | 1 | 9 | 76 | 83 | 306 |
| 11 | Dakshina Kannada | 18 | 32 | 21 | 30 | 12 | 36 | 6 | 26 | 11 | 86 | 8 | 72 | 76 | 282 |
| 12 | Davanagere | 19 | 68 | 31 | 90 | 12 | 49 | 7 | 26 | 12 | 100 | 19 | 119 | 100 | 452 |
| 13 | Dharwad | 38 | 69 | 62 | 140 | 26 | 61 | 15 | 37 | 15 | 59 | 17 | 95 | 173 | 461 |
| 14 | Gadag | 57 | 151 | 52 | 153 | 26 | 117 | 13 | 62 | 4 | 23 | 7 | 45 | 159 | 551 |
| 15 | Gulbarga | 188 | 631 | 94 | 437 | 23 | 161 | 7 | 59 | 9 | 117 | 5 | 49 | 326 | 1454 |
| 16 | Hassan | 87 | 249 | 58 | 171 | 34 | 192 | 13 | 39 | 4 | 21 | 12 | 73 | 208 | 745 |
| 17 | Haveri | 42 | 103 | 26 | 72 | 17 | 38 | 9 | 21 | 8 | 32 | 14 | 88 | 116 | 354 |
| 18 | Kodagu | 16 | 28 | 14 | 31 | 3 | 16 | 0 | 0 | 6 | 40 | 5 | 41 | 44 | 156 |
| 19 | Kolar | 246 | 688 | 80 | 321 | 29 | 195 | 6 | 58 | 15 | 83 | 23 | 183 | 399 | 1528 |
| 20 | Koppal | 31 | 74 | 20 | 67 | 12 | 76 | 3 | 34 | 7 | 37 | 5 | 22 | 78 | 310 |
| 21 | Mandya | 62 | 152 | 49 | 164 | 24 | 92 | 12 | 84 | 15 | 145 | 18 | 115 | 180 | 752 |
| 22 | Mysore | 10 | 21 | 34 | 93 | 14 | 71 | 7 | 29 | 3 | 45 | 24 | 163 | 92 | 422 |
| 23 | Raichur | 110 | 326 | 52 | 216 | 18 | 127 | 5 | 78 | 7 | 69 | 6 | 41 | 198 | 857 |
| 24 | Shimoga | 50 | 87 | 30 | 82 | 12 | 59 | 11 | 89 | 9 | 88 | 16 | 111 | 128 | 516 |
| 25 | Tumkur | 60 | 76 | 64 | 109 | 27 | 101 | 15 | 60 | 14 | 82 | 20 | 159 | 200 | 587 |
| 26 | Udupi | 5 | 5 | 9 | 13 | 2 | 2 | 2 | 3 | 5 | 40 | 12 | 62 | 35 | 125 |
| 27 | Uttara Kannada | 115 | 398 | 64 | 238 | 21 | 102 | 13 | 73 | 10 | 71 | 14 | 96 | 237 | 978 |
| Total | | 1724 | 4789 | 1139 | 3575 | 500 | 2260 | 237 | 1218 | 257 | 1834 | 366 | 2423 | 4223 | 16099 |

Appendix - 2.1

Statement showing Taluk Panchayat-wise details of uneven allocation of funds

(Reference : Paragraph 2.1.7.2/Page 34)

| Grama Panchayat | Number of job cards issued | Projected | | Funds actually released (Rupees in lakh) | Percentage of release to projected expenditure | Expenditure incurred (Rupees in lakh) ^β |
|-------------------------|----------------------------|-----------|------------------------------|--|--|--|
| | | Mandays | Expenditure (Rupees in lakh) | | | |
| GULBARGA TALUK | | | | | | |
| Farahatabad | 543 | 88972 | 139.62 | 7.30 | 5 | 7.20 |
| Harasoor | 634 | 68647 | 325.82 | 7.80 | 2 | 4.80 |
| Melkunda (B) | 760 | 108640 | 233.21 | 22.80 | 10 | 22.75 |
| Khanadal | 623 | 61657 | 319.52 | 27.30 | 9 | 24.79 |
| ALAND TALUK | | | | | | |
| Kinnisultan | 555 | 37583 | 188.50 | 8.02 | 4 | 7.15 |
| Sarasamba | 710 | 149546 | 100.00 | 24.92 | 25 | 24.52 |
| Savaleshwar | 640 | 140791 | 161.00 | 83.72 | 52 | 83.60 |
| Tadakal | 1150 | 55773 | 64.14 | 6.42 | 10 | 5.20 |
| CHALLAKERE TALUK | | | | | | |
| Hirehally | 1492 | N.A | 116.75 | 53.35 | 46 | 52.60 |
| Ghataparthi | 1267 | 255869 | 678.24 | 40.67 | 6 | 37.44 |
| Nelagethanahatty | 970 | N.A | 63.58 | 21.79 | 34 | 19.43 |
| Mylanahally | 1458 | 61987 | 68.23 | 44.09 | 65 | 36.34 |
| Nannivala | 2034 | 65375 | 71.75 | 39.19 | 55 | 39.16 |
| Ramajoghally | 1312 | 78000 | 100.60 | 42.94 | 43 | 42.49 |
| Nagaramgere | 1046 | N.A | 234.80 | 65.83 | 28 | 65.65 |
| M.S.Hally | 1732 | 63782 | 73.35 | 31.85 | 43 | 28.48 |
| Sanikere | 1238 | N.A | 62.90 | 56.15 | 89 | 44.07 |
| Belegere | 1107 | 101739 | 183.17 | 51.62 | 28 | 44.46 |
| HIRIYUR TALUK | | | | | | |
| Hosayalanadu | 931 | 206439 | 237.40 | 46.62 | 20 | 36.75 |
| Ranganathapura | 862 | 95288 | 93.63 | 29.35 | 31 | 21.43 |
| Maskal | 971 | 128660 | 129.67 | 44.32 | 34 | 26.15 |
| V.V.Pura | 1407 | 178000 | 203.64 | 124.61 | 61 | 36.25 |
| Babbur | 1065 | 218400 | 251.13 | 32.92 | 13 | 30.66 |
| Uduvally | 854 | 383000 | 440.45 | 45.48 | 10 | 40.78 |
| Imangala | 1252 | 182252 | 209.59 | 68.74 | 33 | 68.60 |
| S.G.Hally | 1867 | N.A | 575.46 | N.A | -- | 58.88 |

NA – Not available

^β As furnished by the GPs and as of March 2007

Appendix – 2.2

Statement of year-wise enrolment and attendance in selected districts

(Reference : Paragraph 2.3.8.4/Page 76)

| Name of the district | Year | Total enrolments | Total attendance | Percentage |
|----------------------|---------|------------------|------------------|------------|
| Belgaum | 2003-04 | 438648 | 434910 | 99 |
| | 2004-05 | 570830 | 513747 | 90 |
| | 2005-06 | 469059 | 425406 | 91 |
| | 2006-07 | 571528 | 519249 | 91 |
| Bijapur | 2002-03 | 247688 | 216365 | 87 |
| | 2003-04 | 252352 | 227125 | 90 |
| | 2004-05 | 298623 | 266815 | 89 |
| | 2005-06 | 296447 | 275898 | 93 |
| | 2006-07 | 327093 | 298598 | 91 |
| Chamarajanagar | 2003-04 | 79102 | 66835 | 84 |
| | 2004-05 | 110752 | 105255 | 95 |
| | 2005-06 | 107470 | 105906 | 99 |
| | 2006-07 | 104056 | 93672 | 90 |
| Chickmagalur | 2003-04 | 135985 | 131836 | 97 |
| | 2004-05 | 132317 | 128347 | 97 |
| | 2005-06 | 122548 | 120135 | 98 |
| | 2006-07 | 114968 | 113354 | 99 |
| Dharwad | 2003-04 | 156034 | 145345 | 93 |
| | 2004-05 | 204762 | 192474 | 94 |
| | 2005-06 | 200789 | 186811 | 93 |
| | 2006-07 | 194720 | 171670 | 88 |
| Gadag | 2003-04 | 143576 | 136745 | 95 |
| | 2004-05 | 137458 | 129689 | 94 |
| | 2005-06 | 129740 | 122658 | 95 |
| | 2006-07 | 123306 | 112012 | 91 |
| Gulbarga | 2002-03 | 573464 | 332913 | 58 |
| | 2003-04 | 547858 | 493418 | 90 |
| | 2004-05 | 545100 | 407154 | 75 |
| | 2005-06 | 539801 | 461560 | 86 |
| | 2006-07 | 543801 | 461524 | 85 |
| Tumkur | 2003-04 | 214932 | 213491 | 99 |
| | 2004-05 | 294947 | 293198 | 99 |
| | 2005-06 | 283197 | 279680 | 99 |
| | 2006-07 | 267571 | 266466 | 100 |

Note: Implementation of the programme started in Bijapur and Gulbarga in 2002-03 and in other districts from 2003-04

Appendix – 2.3

Details of position of vacancy in departments of Zilla Panchayats

(Reference : Paragraph 2.4.12/Page 93)

| Zilla Panchayat | Sanctioned | Working | Vacant | Percentage of vacancy |
|---|-------------------|----------------|---------------|------------------------------|
| Backward Classes and Minorities Department | | | | |
| Chamarajanagar | 85 | 65 | 20 | 24 |
| Gadag | 182 | 130 | 52 | 29 |
| Kodagu | 134 | 93 | 41 | 31 |
| Tumkur | 264 | 203 | 61 | 23 |
| Uttara Kannada | 324 | 262 | 62 | 19 |
| TOTAL | 989 | 753 | 236 | 24 |
| Agriculture Department | | | | |
| Chamarajanagar | 91 | 43 | 48 | 53 |
| Gadag | 293 | 254 | 39 | 13 |
| Kodagu | 161 | 87 | 74 | 46 |
| Tumkur | 475 | 296 | 179 | 38 |
| Uttara Kannada | 387 | 251 | 136 | 35 |
| TOTAL | 1407 | 931 | 476 | 34 |
| Social Welfare Department | | | | |
| Chamarajanagar | 383 | 226 | 157 | 41 |
| Gadag | 175 | 116 | 59 | 34 |
| Kodagu | 64 | 53 | 11 | 17 |
| Tumkur | 433 | 262 | 171 | 39 |
| Uttara Kannada | 279 | 197 | 82 | 29 |
| TOTAL | 1334 | 854 | 480 | 36 |

APPENDIX – 2.4
Statement showing details of intake capacity, training imparted,
staff strength and expenditure incurred in the Artisan Training Institutes
(Reference : Paragraph 2.16/Page 120)

| Year | Intake capacity | Number actually trained | Percentage | Sanctioned staff strength | Working strength | Expenditure (Rupees in lakh) | | |
|-----------------------|---------------------------|-------------------------|------------|---------------------------|------------------|------------------------------|-------------|--------------|
| | | | | | | Salary | Others | Total |
| Tumkur | | | | | | | | |
| 2000-01 | 105 | 12 | 11 | Information not furnished | | | | |
| 2001-02 | 105 | 35 | 33 | | | | | |
| 2002-03 | 105 | 39 | 37 | | | | | |
| 2003-04 | 105 | 48 | 46 | 9 | 5 | 4.53 | 0.12 | 4.65 |
| 2004-05 | 45 | Nil | 0 | 10 | 9 | 5.75 | - | 5.75 |
| 2005-06 | 45 | 11 | 24 | 10 | 8 | 8.98 | - | 8.98 |
| 2006-07 | 45 | Nil | 0 | 10 | 8 | 10.57 | - | 10.57 |
| Total | 555 | 145 | - | | | 29.83 | 0.12 | 29.95 |
| Hubli | | | | | | | | |
| 2000-01 | 120 | 18 | 15 | 12 | 7 | 9.15 | 0.37 | 9.52 |
| 2001-02 | 120 | 16 | 13 | 12 | 7 | 8.23 | 0.61 | 8.84 |
| 2002-03 | 120 | 16 | 13 | 12 | 7 | 8.45 | 0.21 | 8.66 |
| 2003-04 | 45 | 3 | 7 | 12 | 7 | 10.82 | 0.38 | 11.20 |
| 2004-05 | 15 | 2 | 13 | 13 | 7 | 9.72 | 0.74 | 10.46 |
| 2005-06 | Information not furnished | | | | | 11.56 | 0.74 | 12.30 |
| 2006-07 | | | | | | 11.41 | 1.44 | 12.85 |
| Total | 420 | 55 | - | | | 69.34 | 4.49 | 73.83 |
| Channapatna | | | | | | | | |
| 2000-01 | 75 | Nil | 0 | 12 | 11 | 10.43 | - | 10.43 |
| 2001-02 | 75 | 5 | 7 | 12 | 10 | 11.37 | - | 11.37 |
| 2002-03 | 75 | Nil | 0 | 12 | 9 | 8.73 | - | 8.73 |
| 2003-04 | 60 | 13 | 22 | 12 | 11 | 11.40 | - | 11.40 |
| 2004-05 | 60 | 7 | 12 | 11 | 10 | 12.78 | - | 12.78 |
| 2005-06 | 45 | 10 | 22 | 10 | 11 | 12.57 | - | 12.57 |
| 2006-07 | 45 | Nil | 0 | 10 | 8 | 13.20 | - | 13.20 |
| Total | 435 | 35 | - | | | 80.48 | - | 80.48 |
| Hassan | | | | | | | | |
| 2000-01 | 45 | Nil | 0 | 11 | 8 | 7.04 | 0.48 | 7.52 |
| 2001-02 | 45 | 5 | 11 | 11 | 7 | 8.05 | 0.45 | 8.50 |
| 2002-03 | 45 | 10 | 22 | 10 | 7 | 6.80 | 0.03 | 6.83 |
| 2003-04 | 45 | 23 | 51 | 10 | 6 | 10.35 | 0.09 | 10.44 |
| 2004-05 | 45 | 9 | 20 | 10 | 6 | 8.57 | 0.13 | 8.70 |
| 2005-06 | 45 | Nil | 0 | 8 | 6 | 6.01 | 0.19 | 6.20 |
| 2006-07 | 45 | 8 | 18 | 8 | 6 | 6.24 | 0.17 | 6.41 |
| Total | 315 | 55 | - | | | 53.06 | 1.54 | 54.60 |
| Chikkaballapur | | | | | | | | |
| 2000-01 | 60 | 9 | 15 | 10 | 8 | 7.15 | 0.20 | 7.35 |
| 2001-02 | 60 | 21 | 35 | 10 | 8 | 7.24 | 0.41 | 7.65 |
| 2002-03 | 60 | 16 | 27 | 10 | 8 | 7.98 | 0.25 | 8.23 |
| 2003-04 | 60 | 17 | 28 | 10 | 7 | 8.40 | 0.32 | 8.72 |
| 2004-05 | 45 | 10 | 22 | 10 | 7 | 12.98 | 0.42 | 13.40 |
| 2005-06 | 45 | 15 | 33 | 10 | 7 | 10.35 | 0.55 | 10.90 |
| 2006-07 | 30 | 13 | 43 | 10 | 7 | 9.57 | 0.32 | 9.89 |
| Total | 360 | 101 | - | | | 63.67 | 2.47 | 66.14 |

| Year | Intake capacity | Number actually trained | Percentage | Sanctioned staff strength | Working strength | Expenditure (Rupees in lakh) | | |
|--------------------|-----------------|-------------------------|------------|---------------------------|------------------|------------------------------|--------|---------------|
| | | | | | | Salary | Others | Total |
| Chitradurga | | | | | | | | |
| 2000-01 | 75 | Nil | 0 | 15 | 15 | 8.37 | - | 8.37 |
| 2001-02 | 75 | | | 15 | 15 | 9.00 | - | 9.00 |
| 2002-03 | 75 | | | 15 | 15 | 9.75 | - | 9.75 |
| 2003-04 | 75 | | | 8 | 7 | 15.56 | - | 15.56 |
| 2004-05 | 30 | | | 8 | 7 | 8.25 | - | 8.25 |
| 2005-06 | 30 | | | 8 | 7 | 9.90 | - | 9.90 |
| 2006-07 | 30 | | | 8 | 7 | 10.94 | - | 10.94 |
| Total | 390 | | | | | | | 71.77 |
| Grand Total | | | | | | | | 376.77 |

Appendix – 2.5

Department-wise position of pendency in receipt of Action Taken Notes

(Reference : Paragraph 2.17/Page 123)

| Department | Audit Report (ZPs) - 2001 | | Audit Report (ZPs) - 2002 | | Audit Report (ZPs) - 2003 | | Audit Report (ZPs) - 2004 | | Audit Report (PRIs)-2006 | | Total | |
|--|---------------------------|---------|---------------------------|---------|---------------------------|---------|---------------------------|---------|--------------------------|---------|-------|---------|
| | DPs | Reviews | DPs | Reviews | DPs | Reviews | DPs | Reviews | DPs | Reviews | DPs | Reviews |
| Rural Development and Panchayat Raj | - | - | 10 | 2 | 15 | 1 | 9 | 2 | 15 | 3 | 49 | 8 |
| Education | 2 | - | - | - | - | - | - | - | - | - | 2 | - |
| Finance | 1 | - | - | - | - | - | - | - | - | - | 1 | - |
| Forest, Ecology and Environment | 1 | - | - | - | - | - | - | - | - | - | 1 | - |
| Social Welfare | - | - | 1 | - | 1 | - | 2 | - | - | - | 4 | - |
| Animal Husbandry and Veterinary Services | - | - | - | - | - | - | 1 | - | - | - | 1 | - |
| Health and Family Welfare | - | - | - | - | - | - | 1 | - | 1 | - | 2 | - |
| Women and Child Development | - | - | - | - | - | - | 1 | - | - | - | 1 | - |