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सत्यमेव जयते

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**Report of the  
Comptroller and Auditor General of India  
on  
Local Bodies  
for the year ended March 2013**



**Government of Karnataka  
Report No.5 of the year 2014**

Presented To Legislature

On 14 JUL 2014

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Comptroller and Auditor General of India  
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## PREFACE

1. This Report for the year ended March 2013 has been prepared for submission to the Governor of Karnataka under Article 151 of the Constitution of India for being laid before the State Legislature.
2. The Report contains significant results of the performance audit and compliance audit of the Panchayat Raj Institutions and Urban Local Bodies of Karnataka.
3. The Reports containing points arising from audit of the financial transactions relating to General and Social Sector departments including Autonomous Bodies, Economic Sector departments, Statutory Corporations & Government Companies and Revenue Receipts are presented separately.
4. The cases mentioned in the Report are among those which came to notice in the course of test-audit of accounts during the year 2012-13 as well as those which had come to notice in earlier years but could not be reported in previous Audit Reports. Matters relating to the periods subsequent to 2012-13 have also been included, wherever necessary.
5. Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.







# **OVERVIEW**



## OVERVIEW

*This Report contains four chapters. The first and the third chapter contain a summary of finances and financial reporting of Panchayat Raj Institutions and Urban Local Bodies, respectively. The second chapter contains observations arising out of performance and compliance audits of the Panchayat Raj Institutions. The fourth chapter contains one performance audit and five paragraphs based on the audit of financial transactions of Urban Local Bodies. A synopsis of the findings is presented in this overview.*

### **1. An overview of Panchayat Raj Institutions**

*A review of finances of Panchayat Raj Institutions revealed that there was steady increase in the allocation of funds to Panchayat Raj Institutions by the State Government during the period 2008-13. The District Planning Committee meetings were not held regularly. There was no mechanism at the apex level to oversee the devolution of functions to Panchayat Raj Institutions. No action was taken to revise the Activity Map. Balances under suspense heads of accounts were not reconciled. Utilisation certificates were not obtained from the implementing agencies.*

*(Paragraphs 1.1 to 1.18)*

### **2. Indira Awaas Yojana**

*Indira Awaas Yojana (IAY) is a flagship scheme of the Ministry of Rural Development, Government of India for meeting the housing needs of the rural population. The Department of Housing, Government of Karnataka had entrusted the implementation of this Scheme to Rajiv Gandhi Rural Housing Corporation Limited.*

*A performance audit of the Scheme for the period 2008-13 showed that only 3.43 lakh houses could be completed against the target of 6.64 lakh houses. Out of 5.74 lakh beneficiaries selected, 3.05 lakh (53 per cent) belonged to Scheduled Caste/Scheduled Tribe categories and minorities were 0.75 lakh (13 per cent), which was less than the stipulated targets of 60 and 15 per cent respectively.*

*Out of available funds of ₹2,457.12 crore, a sum of ₹2,158.67 crore (88 per cent) was utilised during 2008-13. Financial management was deficient as reconciliation was not done between cash book and bank balances. There were instances of loss of central assistance, delay in certifying the accounts and payments made to non-IAY beneficiaries. The entire fund of ₹215.81 crore, released under Homestead scheme, remained unfruitful as sites developed under the Scheme after incurring an expenditure of ₹121.38 crore were not distributed to the beneficiaries.*

*A permanent waiting list, as required, was not prepared. In 298 cases benefits had been extended to ineligible beneficiaries. The joint inspection of beneficiaries pointed out 76 cases of beneficiaries owning large houses and 89*

beneficiaries using the assistance for constructing extensions to existing houses, indicating that these beneficiaries were not eligible under the Scheme.

Information, Education and Communication activities were not conducted, and beneficiaries did not receive any technical assistance though stipulated in the guidelines. Efforts were not made to facilitate the beneficiaries in getting basic amenities through convergence of programmes. Monitoring of the implementation of the Scheme was not adequate.

The Information Technology audit showed that there were instances of invalid, incomplete and blank data indicating poor input controls and rendering data unsuitable for decision-making process. The password control policy, audit trails, disaster recovery and business continuity plan were also absent. There was lack of transparency as the data was not accessible to the beneficiaries.

**(Paragraph 2.1)**

### **3. Implementation of Backward Regions Grant Fund Programme**

The Government of India had launched (February 2007) Backward Regions Grant Fund Programme to redress regional imbalances in development and to provide financial resources for supplementing and converging existing developmental inflow into identified districts. In Karnataka, six districts were covered under the Programme. Performance Audit of the Programme for the period 2007-13 was conducted during May-September 2013.

Performance Audit of the Programme showed that Perspective Plan had not been prepared in Raichur district and guidelines for inter se allocation of funds within the Panchayat Raj Institutions considering district specific backwardness indicators had not been prepared. Financial management was deficient as evidenced by loss of central assistance, delays in release of funds, etc. There were instances of lack of transparency in tendering and contract management. Training for capacity building as stipulated in the guidelines had not been imparted adequately. Monitoring was not adequate and evaluation of the training programme had not been done.

**(Paragraph 2.2)**

### **4. Compliance Audit – Panchayat Raj Institutions**

#### **➤ Implementation of Bhagyalakshmi Scheme**

Bhagyalakshmi Scheme was launched by the Government of Karnataka during 2006-07 for Below Poverty Line (BPL) families. The objective of the Scheme was to empower the girl child by way of financial assistance and benefits under the Scheme were limited to two girls in each BPL family.

Financial management was deficient as there were instances of delay in release of funds to Life Insurance Corporation of India (LIC) and non-reconciliation of figures with LIC. There were inconsistencies in establishing BPL criteria resulted in enrolment of ineligible girl children. Applications

were not verified properly by the departmental officers and there were discrepancies in the birth certificates, income certificates, BPL criteria, etc. Tracking of beneficiary children was not done. Department was not aware of the whereabouts of 7,814 children. There were instances of incorrect calculation of projected maturity value. Coordinating Committees had not been formed. The data was not updated periodically and fields relating to financial data were altogether missing in the database.

**(Paragraph 2.3)**

➤ **Implementation of Rashtriya Krishi Vikas Yojana**

Rashtriya Krishi Vikas Yojana (RKVY) was launched in May 2007 with the aim of achieving four per cent annual growth in agricultural sector during the XI plan period (2007-12) by ensuring holistic development of agriculture and allied sectors.

Financial management was deficient as evidenced by incorrect reporting of expenditure, diversion of funds, parking of funds in fixed deposits, idle equipment, etc. Agricultural plans were prepared without conducting any study on the existing resources. The approved projects did not have any convergence with other ongoing schemes. The objectives of the test-checked projects were not achieved due to non-execution of all the envisaged components, deviations from the project guidelines, shortfall in manpower, etc. There were differences between the data uploaded in RKVY Database and Management Information System (RDMIS) and information available with the implementing agencies. Erroneous entries had been made in the RDMIS and there was no system of monitoring this data by RKVY Cell.

**(Paragraph 2.4)**

➤ **Unproductive investment on a water supply scheme**

The Zilla Panchayat, Bellary took up a water supply scheme to Kudithini village in Bellary taluk which remained non-functional as the water could not be stored in the impounding reservoir due to seepage. This resulted in unproductive investment of ₹6.14 crore, besides depriving the targeted population of drinking water supply.

**(Paragraph 2.5)**

➤ **Unfruitful expenditure on water purification systems**

Failure of the Executive Engineer, Panchayat Raj Engineering Division, Chitradurga to include liability clause in the agreements and take action to repair Stand Alone Water Purification Systems resulted in unfruitful expenditure of ₹26.84 lakh, besides denial of safe drinking water to students.

**(Paragraph 2.6)**

➤ **Wasteful expenditure on construction of a deck slab bridge**

*Failure of the Executive Engineer, Panchayat Raj Engineering Division, Raichur to complete the construction of a deck slab bridge resulted in wasteful expenditure of ₹20.45 lakh. The Executive Engineer also failed to ensure safe custody of materials which resulted in loss of ₹9.96 lakh.*

**(Paragraph 2.7)**

**5. An overview of Urban Local Bodies**

*The 74<sup>th</sup> Constitutional amendment envisioned creation of local self-governments for the urban areas and envisaged devolution of 18 functions to Urban Local Bodies (ULBs). However, the State Government had not transferred two functions. The ULBs had not adopted Geographic Information System (GIS) to identify the properties to levy Property Tax. There was shortfall in certification of accounts by Chartered Accountants during the years 2008-13. The budgets prepared by the ULBs were not realistic as evidenced by savings in both receipts and payments vis-a-vis budget provisions. The ULBs did not utilise the entire Thirteenth Finance Commission grants during the period 2010-13. Internal Control mechanism was inadequate as there was no Internal Audit Wing and there were instances of improper maintenance of cash books, bank books and non-submission of statement of expenditure. There were deficiencies and omissions in the annual accounts of Bruhat Bangalore Mahanagara Palike and other ULBs.*

**(Paragraphs 3.1 to 3.17)**

**6. Solid Waste Management in Bruhat Bangalore Mahanagara Palike**

*Bruhat Bangalore Mahanagara Palike discharges its obligatory function of solid waste management as per the provisions of Karnataka Municipal Corporations Act, 1976. A performance audit of solid waste management in Bruhat Bangalore Mahanagara Palike showed, inter alia, the absence of a notified policy for solid waste management, resulting in lack of direction for effective management and scientific disposal of waste. Absence of reliable and complete data about quantum of waste generated in the city, non-preparation of contingency plan and inadequate institutional mechanism rendered waste management programmes ineffective. Consequently, the main objectives of minimising the burden on the landfills, as envisaged in Municipal Solid Waste Rules and prevention of environmental degradation were not achieved.*

*Inadequate operational controls resulted in weak financial management, leading to unfruitful and excess expenditure as well as diversion of funds. Bruhat Bangalore Mahanagara Palike had lost the assistance of ₹280.17 crore due to delay in preparation of master plan. Efficiency in collection of waste was poor and no efforts had been made to promote waste segregation. Lack of scientific processing facilities at landfill sites and non-compliance with the rules resulted in open dumping of mixed wastes leading to*

environmental pollution. Adequate efforts to mobilise revenue resources through user charges were not made to meet the cost of operation and maintenance for waste management. Cases of improprieties in contract management of works relating to waste management wherein payment of ₹630.28 crore made to contractors for packages and additional works were also observed. Lack of monitoring by Bruhat Bangalore Mahanagara Palike and Urban Development Department resulted in unscientific disposal of wastes posing potential public health hazards.

(Paragraph 4.1)

## 7. Compliance Audit - Urban Local Bodies

### ➤ *Wasteful expenditure*

Failure of Bruhat Bangalore Mahanagara Palike in ensuring availability of land before commencement of works led to stoppage of the project proposed for treatment of sewage entering the storm water drain of Vrishabhavathi valley. This resulted in wasteful expenditure of ₹7.46 crore and defeated the very objective of keeping the environment clean.

(Paragraph 4.2)

### ➤ *Loss of revenue*

The City Municipal Council, Bijapur lost revenue of ₹3.01 crore due to delay of one year in giving effect to the revised water tariff approved by the Government.

(Paragraph 4.3)

### ➤ *Unauthorised exemption resulting in loss of revenue*

In contravention of the provision of Karnataka Municipalities Act, Town Municipal Council, Sankeshwar, exempted a firm from paying property tax under capital value system. This resulted in loss of revenue of ₹1.98 crore.

(Paragraph 4.4)

### ➤ *Avoidable expenditure on road markings*

Executive Engineer, C.V. Raman Nagar division of Bruhat Bangalore Mahanagara Palike executed the work of providing road markings on roads where these were not required, resulting in an avoidable expenditure of ₹22.50 lakh.

(Paragraph 4.5)



➤ ***Doubtful execution of works***

*Potholes filling work and maintenance of roads in Ward No.86 of Bruhat Bangalore Mahanagara Palike had been completed at a cost of ₹15.40 lakh. However, within 20 days of completion, an identical estimate was prepared incorporating the items of works already completed and the works were executed again by incurring an expenditure of ₹15.40 lakh, which was doubtful.*

***(Paragraph 4.6)***



# **CHAPTER-I**

## **An overview of Panchayat Raj Institutions**



## CHAPTER I

### SECTION 'A' AN OVERVIEW OF PANCHAYAT RAJ INSTITUTIONS

#### 1.1 Background

Consequent to the 73<sup>rd</sup> Constitutional amendment, the State Government enacted the Karnataka Panchayat Raj (KPR) Act, 1993 to establish a three tier Panchayat Raj Institutions (PRIs) system at the village, taluk and district levels in the State and framed rules to enable PRIs to function as institutions of local self-government.

The PRIs aim to promote participation of people and effective implementation of rural development programmes for economic development and social justice including those enumerated in the Eleventh Schedule of the Constitution.

#### 1.2 State profile

The comparative demographic and developmental picture of the State is given in **Table 1.1** below. The population growth in Karnataka in the last decade was 15.67 *per cent* and was less than the national average of 17.64 *per cent*.

The decadal growth rates of urban and rural population were 7.63 *per cent* and 31.27 *per cent* respectively. As per census 2011, the population of the State was 6.11 crore, of which women comprise 49 *per cent*. The State has 114 backward taluks out of which 39 taluks spread over 14 districts are the most backward.

**Table 1.1: Important statistics of the State**

| Indicator                             | Unit              | State value | National value    | Rank amongst all States |
|---------------------------------------|-------------------|-------------|-------------------|-------------------------|
| Population                            | 1,000s            | 61,131      | 12,10,193         | 9                       |
| Population density                    | Persons per sq km | 319         | 382               | 13                      |
| Urban population                      | Percentage        | 38          | 31                | 4                       |
| Number of PRIs                        | Numbers           | 5,833       | 2,40,540 (approx) | 14                      |
| Number of Zilla Panchayats (ZPs)      | Numbers           | 30          | 540 (approx)      | 8                       |
| Number of Taluk Panchayats (TPs)      | Numbers           | 176         | 6,000 (approx)    | 13                      |
| Number of Gram Panchayats (GPs)       | Numbers           | 5,627       | 2,34,000 (approx) | 16                      |
| Gender ratio (females per 1000 males) | Numbers           | 968         | 940               | 11                      |
| Literacy                              | Percentage        | 76          | 74                | 16                      |

Source: Economic Survey Report 2012-13, Census 2011 and Annual Progress Report (2012-13) of Rural Development and Panchayat Raj Department

#### 1.3 Organisational structure of PRIs

The Rural Development and Panchayat Raj Department (RDPR) is the nodal department for PRIs at the State level headed by Additional Chief Secretary and Development Commissioner, Government of Karnataka. The

organisational structure with respect to functioning of PRIs in the State is given in **Appendix 1.1**.

### 1.3.1 Standing Committees

The PRIs shall constitute Standing Committees to perform the assigned functions. The political constitution of the Committees is given in **Table 1.2** below.

**Table 1.2: Political constitution of the Standing Committees**

| Level of PRIs | Chief political executive | Standing Committees  | Political executives of Standing Committees                      |
|---------------|---------------------------|--|--|
| GP            | Adhyaksha                 | (a) Production Committee<br>(b) Social Justice Committee<br>(c) Amenities Committee  | Chairman (Elected among the elected members of GPs, TPs and ZPs) |
| TP            | Adhyaksha                 | (a) General Standing Committee<br>(b) Finance, Audit and Planning Committee<br>(c) Social Justice Committee  |  |
| ZP            | Adhyaksha                 | (a) General Standing Committee<br>(b) Finance, Audit and Planning Committee<br>(c) Social Justice Committee<br>(d) Education and Health Committee<br>(e) Agricultural and Industries Committee |  |

Source: KPR Act, 1993

## 1.4 Financial profile

### 1.4.1 Resources of the PRIs

The resource base of PRIs consists of State Finance Commission (SFC) grants, Central Finance Commission (CFC) grants, State Government grants and Central Government grants for maintenance and development purposes. The fund-wise source and their custody for each tier are given in **Table 1.3** and fund flow arrangement of flagship schemes is given in **Appendix 1.2**. The authorities for reporting use of funds in respect of ZPs, TPs and GPs are Chief Accounts Officer (CAO), Executive Officer (EO) and Secretary/Panchayat Development Officer (PDO) respectively.

**Table 1.3: Source and custody of funds in PRIs**

| Nature of Fund    | ZPs              |                 | TPs                   |                 | GPs                  |                 |
|-------------------|------------------|-----------------|-----------------------|-----------------|----------------------|-----------------|
|                   | Source of fund   | Custody of fund | Source of fund        | Custody of fund | Source of fund       | Custody of fund |
| Own receipts      | -                | -               | Rent and other income | Bank            | Assesseees and users | Bank            |
| Assigned revenues | State Government | Treasury        | State Government      | Treasury        | State Government     | Bank            |
| SFC               |                  |                 |                       |                 |                      |                 |
| State Plan        | GOI              | Bank            | GOI                   | Bank            | GOI                  | Bank            |
| CFC/CSS grants    |                  |                 |                       |                 |                      |                 |

Source: As furnished by the RDPR Department/PRIs

CSS - Centrally Sponsored Scheme; GOI - Government of India

### 1.4.2 Trends and Composition

The trends of resources of PRIs for the period 2008-09 to 2012-13 are shown in Table 1.4 below.

**Table 1.4: Trends and Composition of resources of PRIs**

|  | (₹ in crore)     |                  |                  |                      |                        |
|--|------------------|------------------|------------------|----------------------|------------------------|
|  | 2008-09          | 2009-10          | 2010-11          | 2011-12 <sup>1</sup> | 2012-13                |
| Own revenue <sup>2</sup> ~                         | 205.59           | 221.19           | 256.95           | 312.08               | 269.09                 |
| CFC transfers (Twelfth/Thirteenth)~                | 177.60           | 177.60           | 419.38           | 769.58               | 801.85                 |
| Grants from State Government and assigned revenues | 9,841.85         | 11,216.04        | 11,789.48        | 13,340.83            | 13,197.36 <sup>^</sup> |
| GOI grants for CSS and State Schemes*              | 3,285.09         | 2,871.95         | 3,575.74         | 2,764.62             | 2,888.73               |
| Other receipts#                                    | 82.29            | 13.28            | 257.91           | 192.66               | 248.30                 |
| <b>Total</b>                                       | <b>13,592.42</b> | <b>14,500.06</b> | <b>16,299.46</b> | <b>17,379.77</b>     | <b>17,405.33</b>       |

Source: ~ as furnished by RDPR

<sup>^</sup> Figures as furnished by Treasury for 2012-13 in respect of TPs and uncertified figures in respect of ZPs

\* GOI grants released to TPs through ZP accounts are excluded

# Interest and miscellaneous receipts from scheme accounts

Increase in resources of PRIs during 2011-13 was mainly due to increase in release of GOI grants under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Thirteenth Finance Commission (TFC).

### 1.4.3 Application of Resources

The trends of sector-wise application of resources of ZPs and TPs for the period 2008-09 to 2012-13 are given in Table 1.5.

**Table 1.5: Sector-wise application of resources**

|   | (₹ in crore)    |                 |                 |                      |                 |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|
|   | 2008-09         | 2009-10         | 2010-11         | 2011-12 <sup>3</sup> | 2012-13         |
| <b>ZILLA PANCHAYATS</b>                   |                 |                 |                 |                      |                 |
| <b>State Grants and assigned revenues</b> |                 |                 |                 |                      |                 |
| <b>Capital Expenditure</b>                | <b>17.92</b>    | <b>0</b>        | <b>0.46</b>     | <b>5.32</b>          | <b>4.19</b>     |
| Social Services                           | 17.61           | 0               | 0.46            | 2.89                 | 2.46            |
| Economic Services                         | 0.31            | 0               | 0               | 2.43                 | 1.73            |
| <b>Revenue Expenditure</b>                | <b>3,558.22</b> | <b>3,420.21</b> | <b>4,220.94</b> | <b>4,998.21</b>      | <b>5,491.66</b> |
| General Services                          | 123.22          | 115.56          | 121.93          | 137.17               | 152.51          |
| Social Services                           | 2,574.15        | 2,467.20        | 3,234.42        | 3,517.17             | 4,053.60        |
| Economic Services                         | 860.85          | 837.45          | 864.59          | 1,343.87             | 1,285.55        |
| <b>CSS and State Schemes</b>              |                 |                 |                 |                      |                 |
| <b>Capital Expenditure</b>                | <b>64.08</b>    | <b>8.58</b>     | <b>153.46</b>   | <b>103.28</b>        | <b>105.27</b>   |
| Social Services                           | 64.08           | 8.58            | 145.15          | 103.28               | 105.27          |
| Economic Services                         | -               | 0               | 8.31            | 0                    | 0               |
| <b>Revenue Expenditure</b>                | <b>1,455.20</b> | <b>1,605.88</b> | <b>3,308.29</b> | <b>2,743.62</b>      | <b>2,516.63</b> |
| General Services                          | 0               | 0.72            | 0               | 0                    | 0               |
| Social Services                           | 548.18          | 374.36          | 453.09          | 406.64               | 783.91          |
| Economic Services                         | 907.02          | 1,230.80        | 2,855.20        | 2,336.98             | 1,732.72        |
| <b>Total</b>                              | <b>5,095.42</b> | <b>5,034.67</b> | <b>7,683.15</b> | <b>7,850.43</b>      | <b>8,117.75</b> |

<sup>1</sup> Figures as per certified accounts of ZPs and TPs

<sup>2</sup> The reason for the variation in the "own revenue" between 2010-11 and 2011-12 was the variation in the number of GPs as given by RDPR

<sup>3</sup> Figures as per certified accounts of ZPs and TPs

|                            | 2008-09         | 2009-10          | 2010-11          | 2011-12          | 2012-13          |
|----------------------------|-----------------|------------------|------------------|------------------|------------------|
| <b>TALUK PANCHAYATS</b>    |                 |                  |                  |                  |                  |
| <b>Capital Expenditure</b> | <b>0</b>        | <b>0.16</b>      | <b>0.19</b>      | <b>0</b>         | <b>0.21</b>      |
| General Services           | 0               | 0                | 0                | 0                | 0                |
| Social Services            | 0               | 0.15             | 0.03             | 0                | 0                |
| Economic Services          | 0               | 0.01             | 0.16             | 0                | 0.21             |
| <b>Revenue Expenditure</b> | <b>4,537.89</b> | <b>4,971.83</b>  | <b>6,333.23</b>  | <b>7,084.87</b>  | <b>9,340.48</b>  |
| General Services           | 0               | 0                | 0                | 0                | 0                |
| Social Services            | 4,194.75        | 4,560.82         | 5,841.25         | 6,387.46         | 8,498.31         |
| Economic Services          | 334.84          | 408.75           | 491.98           | 697.41           | 842.17           |
| Suspense                   | 8.30            | 2.26             | 0                | 0                | 0                |
| <b>Grand Total</b>         | <b>9,633.31</b> | <b>10,006.66</b> | <b>14,016.57</b> | <b>14,935.30</b> | <b>17,458.44</b> |

Source: Separate Audit Reports (SARs) of ZPs and consolidated SAR for TPs up to the year 2011-12, and figures as furnished by Treasury for 2012-13 for ZPs and TPs. CSS/State Schemes figures are provisional.

The revenue expenditure increased from ₹9,551.31 crore in 2008-09 to ₹17,348.77 crore in 2012-13. There was 82 per cent and 84 per cent growth under Social and Economic Services sector respectively of revenue expenditure during the period 2008-13, while the growth in General Services was 24 per cent. The share of capital expenditure to total expenditure during the current year was less than one per cent.

#### 1.4.4 Quality of expenditure of centrally sponsored schemes

In view of the importance of public expenditure under development heads of account for social sector and rural development, it is important for the PRIs to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public goods and services which will enhance the welfare of the citizens. The expenditure in social sector and rural development through major CSS during 2012-13 is given in Table 1.6 below.

**Table 1.6: Statement showing investment through major CSS**

| Scheme  | 2012-13         |          |                      |             | Percentage of utilisation with respect to Total Fund available |
|---|-----------------|----------|----------------------|-------------|--|
|   | Opening balance | Release  | Total Fund available | Expenditure |  |
| MGNREGS   | 314.68          | 1,474.06 | 1,788.74             | 1,443.19    | 81   |
| National Rural Drinking Water Programme (NRDWP) | 524.27          | 1,626.88 | 2,151.15             | 1,814.95    | 84   |
| Pradhana Mantri Gram Sadak Yojana (PMGSY)       | 169.65          | 128.37   | 298.02               | 128.37      | 43   |
| Nirmal Bharath Abhiyan (NBA)                    | 51.77           | 191.93   | 243.70               | 96.18       | 39   |

Source: Annual Report (2012-13) of RDPR

It could be seen from the above table that available funds under PMGSY and NBA schemes were not utilised optimally during the year 2012-13.

### 1.4.5 Rural Development Programmes

The Rural Development Programmes aim at facilitating development of rural areas through a number of State and district sector programmes. Major programmes/schemes implemented by PRIs are detailed in **Appendix 1.3**. Audit observed that the expenditure incurred towards Gram Swaraj Project, Suvarna Gramodaya Yojane and Mukhya Mantri Grameena Raste Abhivrudhi Yojane (CMGSY) during 2012-13 varied from 60 *per cent* to 81 *per cent* of the total available funds.

## 1.5 State Finance Commission

The State Government constituted three State Finance Commissions (SFCs) to determine the principles on the basis of which adequate financial resources would be ensured for PRIs.

The details of finances of the State, share of PRIs as decided (October 2012) by the State Government based on the Third SFC recommendations and funds actually released to PRIs for the year 2012-13 are as in **Table 1.7** below.

**Table 1.7: Details of allocation by the State Government during 2012-13**

| Particulars   | (₹ in crore) |
|---|--------------|
|   | 2012-13      |
| Non-Loan Net Own Revenue Receipts (NLNORR) of the State                         | 57,720.00    |
| Allocation as decided by the State Government<br>(32 <i>per cent</i> of NLNORR) | 18,470.40    |
| Funds actually released to PRIs   | 17,730.74    |
| Amount short released to PRIs   | 739.66       |

Source: State Finance Accounts 2012-13

It could be seen from the table above that the funds released by the State Government constituted 31 *per cent* of the NLNORR as against the decision for allocation of 32 *per cent*.

## 1.6 Devolution of Functions, Funds and Functionaries

### 1.6.1 Functions

The 73<sup>rd</sup> amendment to the Constitution envisages transfer of the functions listed in the Eleventh Schedule to PRIs. Accordingly, the State Government through executive orders had to transfer all the 29 subjects to different tiers of PRIs. For effective functioning of the State Government and PRIs, Function Activity Map delineated the role and responsibilities of each tier of PRIs under each transferred subject.

The subject of 'Welfare of the weaker sections especially Scheduled Castes and Scheduled Tribes' and the activities of the 'Welfare of the disabled and Welfare of the aged' in the subject 'Social Welfare including the Welfare of handicapped and mentally retarded' were selected in audit to ascertain the



extent of transfer of funds, functions and functionaries in three<sup>4</sup> selected districts. The subject of 'Welfare of the weaker sections especially Scheduled Castes and Scheduled Tribes' is carried out by the Social Welfare Department and the activities of 'Welfare of the disabled and Welfare of the aged' is carried out by the Department of Welfare of the Disabled and Senior Citizens.

Out of 10 functions under 'Welfare of the disabled' activity, only one function *i.e.* 'setting up of special schools for disabled' was transferred and other nine functions were not transferred to PRIs. Further, the activity of 'Welfare of the aged' was not transferred to PRIs. The State Government had not prepared the Activity Map for the Subject 'Welfare of the weaker sections' among PRIs.

### 1.6.2 Funds

The funds required for the implementation of activities were to be devolved along with the transfer of functions. The details of funds released to the offices of the test-checked three District Social Welfare Offices through district and State sector programmes for the period 2008-13 is shown in **Table 1.8** below.

**Table 1.8: Releases and expenditure through the State sector and the district sector programmes during 2008-13 for the selected districts**

| Name of the Department | Releases     |                 |        | Expenditure  |                 |        |
|------------------------|--------------|-----------------|--------|--------------|-----------------|--------|
|                        | State sector | District sector | Total  | State sector | District sector | Total  |
| Social Welfare         | 0.55         | 149.30          | 149.85 | 0.55         | 137.91          | 138.46 |

Source: As furnished by RDPR

It could be seen from the above table that most of the functions of social welfare activities were implemented under district sector.

### 1.6.3 Functionaries

The officers and staff required for performing various functions entrusted to PRIs are posted by the Government from amongst its own officers and staff. Though these Government servants are on deputation to PRIs, the Karnataka Civil Services (Classification, Control and Appeal) Rules, 1957 [KCS (CCA) Rules] (as amended in March 2002) prescribe that the Chief Executive Officer (CEO) of ZP shall have the powers of the appointing authority in respect of Government servants of Group B, C and D for placing them under suspension and of the disciplinary authority for the purpose of taking disciplinary proceedings against such Government servants and to impose any of the penalties specified in Sub Rules I to IV (a) of Rule 8 of KCS (CCA) Rules.

The vacancy position of staff in the test-checked districts is detailed in **Table 1.9**.

<sup>4</sup> Belgaum, Haveri and Tumkur

**Table 1.9: Details of vacancy position of posts as of March 2013**

| District     | Sanctioned   | Working    | Vacancy (Percentage) |
|--------------|--------------|------------|----------------------|
| Belgaum      | 521          | 384        | 137 (26)             |
| Haveri       | 375          | 199        | 176 (47)             |
| Tumkur       | 535          | 336        | 199 (37)             |
| <b>Total</b> | <b>1,431</b> | <b>919</b> | <b>512 (36)</b>      |

Source: As furnished by the selected three ZPs

Vacancy percentage of essential posts in maintaining the social welfare hostels like wardens, cook and watchmen were 38 *per cent* of sanctioned posts in the selected three districts. The vacancy position was more in Haveri district when compared to the other two districts.

## 1.7 District Planning

Article 243 ZD of the Constitution of India provides for the District Planning Committee (DPC) in each district which is to be constituted by State Governments. The objective of DPC is to arrive at an integrated, participatory, coordinated idea for development of a district and it is responsible for consolidation and integration of all PRIs and Urban Local Bodies (ULBs) plans to articulate the development vision for the district. Audit observed the following deficiencies in district planning in the selected districts.

### 1.7.1 Delay in the preparation of the Comprehensive District Development Plans of the period 2008-13

GOI had issued (November 2007) guidelines for preparation of a Comprehensive District Development Plans (CDDP) for each district for the Eleventh Five Year Plan (EFYP) period (2007-12) facilitating the DPCs to prepare Annual District Development Plans (ADDPs) in tune with the CDDP. The Ministry of Panchayati Raj, GOI had also instructed for preparation of CDDP by March 2008.

Audit observed that in the three test-checked districts, the CDDPs were submitted by the respective consultants after a delay of more than three<sup>5</sup> years after the commencement of the EFYP period, which had resulted in the non-usefulness of the CDDPs.

The ZPs stated (November 2013) that the delay in the preparation of the CDDPs was due to delay in conducting the necessary meetings, delay in getting information from institutions and delay on the part of the consultants.

### 1.7.2 DPC meetings

As per the State Government circular dated 12 April 2001, DPC was to meet once in three months to prepare development plans for the district, coordinate planning, evaluate implementation of the plan programmes and promote innovative strategies. Audit observed that in all the three test-checked districts

<sup>5</sup> ZP, Belgaum (October 2010); ZP, Haveri (June 2010) and ZP, Tumkur (October 2010)

only three to seven DPC meetings<sup>6</sup> were held for the period 2008-09 to 2012-13, instead of the prescribed 20 meetings.

The ZP, Tumkur stated (August 2013) that the DPC meetings could not be conducted regularly because of non-availability of elected representatives. The reply of ZPs, Belgaum and Haveri had not been received (March 2014).

### **1.7.3 DPC funds**

The DPC fund is constituted with contributions of the local bodies and grants-in-aid provided by Government. The DPC fund may be used for payment of sitting fee to the members, commissioning of studies, *etc.*, and for meeting any other expenditure as approved by the DPC in connection with the performance of its functions.

The State Government prescribed the amounts of annual contributions to the DPC fund to be made by both the urban and rural local bodies in a district. Audit observed that the contributions were 0.88 *per cent*, 15.94 *per cent* and 5.14 *per cent* of the prescribed contributions in Belgaum, Haveri and Tumkur districts respectively for the period 2008-13.

## **1.8 Accountability framework**

### **1.8.1 Audit mandate**

**1.8.1.1** State Accounts Department (SAD) is the statutory external auditor for GPs. Its duty, *inter alia*, is to certify correctness of accounts, assess internal control system and report cases of loss, theft and fraud to audit entities and to the State Government.

Audit of accounts of 4,277 GPs as against 5,627 GPs planned, for the period up to 2012-13, was conducted by SAD as of March 2013.

**1.8.1.2** The Comptroller and Auditor General of India (CAG) audits and certifies the accounts of ZPs and TPs under Section 19(3) of CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971.

Audit of accounts of 350 PRIs as against 363 planned for the period up to 2012-13 was conducted as of March 2013.

The State Government entrusted (May 2011) the audit of GPs under Technical Guidance and Supervision (TGS) Module to the CAG up to the year 2014-15 by amending the KPR Act, 1993. As of March 2013, 29 GPs have been audited under TGS module.

## **1.9 Conclusion**

There was no mechanism at the apex level to oversee the devolution of functions to PRIs. All the activities under 'Welfare of disabled' subject were

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<sup>6</sup> Belgaum (six), Haveri (seven) and Tumkur (three)

not transferred to PRIs. No action was taken to revise the Activity Map. There was shortage of staff in the selected PRIs. The DPC meetings were not held regularly.

### **1.10 Recommendations**

- The working strength of the PRIs should be adequately strengthened particularly in the posts of wardens, cooks, *etc.*
- Activity map may be revisited.
- DPC meetings are to be conducted every quarter.

## SECTION 'B' - FINANCIAL REPORTING

### 1.11 Framework

**1.11.1** Financial reporting in the PRIs is a key element of accountability. The best practices in matters relating to drawal of funds, incurring of expenditure, maintenance of accounts, rendering of accounts by the ZPs and TPs are governed by the provisions of the KPR Act, Karnataka ZPs (Finance & Accounts) [KZP (F&A)] Rules, 1996, KPR TP (F&A) Rules, 1996, Karnataka Treasury Code, Karnataka Financial Code, Manual of Contingent Expenditure, Karnataka Public Works Accounts Code, Karnataka Public Works Departmental Code, Stores Manual, Budget Manual, other Departmental Manuals, standing orders and instructions.

**1.11.2** Annual accounts of ZPs and TPs are prepared in five statements for Revenue, Capital and Debt, Deposit and Remittance (DDR) heads as prescribed in Rule 37(4) and 30(4) of KZP (F&A) and KPR TP (F&A) Rules, 1996. GP accounts are prepared on accrual basis by adopting Double Entry Accounting System (DEAS) as prescribed under KPR GPs (Budgeting and Accounting) Rules, 2006. As per the recommendations of the TFC, the PRIs have to prepare the accounts in the Model Panchayat Accounting System (MAS) from 2011-12 as prescribed by the GOI. The ZPs and TPs prepared the accounts in MAS formats from 2011-12 but the GPs were yet to adopt the MAS formats.

### 1.12 Financial Reporting issues

#### 1.12.1 Budget formulation

Budget is the most important tool for financial planning, accountability and control. As per KPR Act, the budget proposals containing detailed estimates of income and expenditure expected during the ensuing year were to be prepared by the respective Standing Committees of PRIs after considering the estimates and proposals submitted by the executive authorities of PRIs every year. After considering the proposals, the Finance, Audit and Planning Committee was to prepare the budget showing the income and expenditure of the respective PRIs for the ensuing year and to place it before the governing body not later than the tenth day of March every year. The approved budget of PRIs had to be consolidated by the respective ZPs for submission to the State Government for consideration in the State budget. Further, supplementary budget was to be prepared and submitted to the State Government for approval in case of requirement exceeding sanctions and limitations.

#### 1.12.1.1 Limited role of TPs in the preparation of Budget

Three<sup>7</sup> ZPs, six<sup>8</sup> TPs under these ZPs and 18 GPs were test-checked to review the control and financial reporting systems in PRIs. It was observed that all

<sup>7</sup> Belgaum, Haveri and Tumkur

<sup>8</sup> Athani and Hukkeri (Belgaum ZP), Haveri and Savanuru (Haveri ZP), Chikkanayakanahalli and Pavagada (Tumkur ZP)

the test-checked TPs prepared budget for only salary and forwarded to ZP for incorporation in the ZP budget. No budget proposals were prepared for TP programmes by the TPs; instead it was the ZP which finalised the budget proposal for the district sector programmes which included TP programmes and forwarded to Government for allocation of funds. The State Government allocated lump sum grant to TPs under each ZP. The ZP allocated funds to each TP under the district. Thus, TPs did not have much role in the preparation of budget for TP schemes.

### 1.12.1.2 Budget provision and releases of funds in the selected three ZPs

Audit reviewed budget proposals and releases of funds to the three selected districts. The details of budget allocated, releases and expenditure there against are given in Table 1.10.

**Table 1.10: Statement showing the details of budget proposal, allocation and expenditure in the selected ZPs**

| Year         | Budget proposal | Budget allocation | Actual release (percentage with respect to budget allocation) | Expenditure (percentage to release) | (₹ in crore)  |
|--------------|-----------------|-------------------|---|-------------------------------------|---|
|              |                 |                   |   |                                     | Excess (+)/ Savings (-) of expenditure with respect to budget proposal (percentage) |
| 2008-09      | 545.99          | 472.38            | 613.26 (130)  | 421.65 (69)                         | -124.34 (23)  |
| 2009-10      | 607.47          | 447.30            | 467.18 (104)  | 433.01 (93)                         | -174.46 (29)  |
| 2010-11      | 970.67          | 461.76            | 551.39 (119)  | 506.71 (92)                         | -463.96 (48)  |
| 2011-12      | 656.90          | 524.78            | 574.55 (109)  | 513.60 (89)                         | -143.30 (22)  |
| 2012-13      | 729.35          | 602.88            | 734.14 (122)  | 636.22 (87)                         | -93.13 (13)   |
| <b>Total</b> | <b>3,510.38</b> | <b>2,509.10</b>   | <b>2,940.52 (117)</b>   | <b>2,511.19 (85)</b>                | <b>-999.19 (28)</b>   |

Source: As furnished by the selected three ZPs

It could be seen from the above table that the State Government allocated less budget than proposed by the Department, but released more than the allocated budget during 2008-13. However, the ZPs had not fully utilised the amount released by the Government during the period 2008-13 and the expenditure ranged from 69 to 93 *per cent* of the releases of the period.

Further, there were savings in expenditure ranging from 13 to 48 *per cent* with respect to the budget proposed during 2008-13. Thus, the budget proposed by the ZPs seemed to be in a routine manner without considering the actual requirement resulting in unrealistic budget.

### 1.12.2 Rush of expenditure

The financial rules require that expenditure should be evenly distributed throughout the year. The rush of expenditure particularly at the fag end of the financial year is regarded as a breach of financial rules. Audit noticed in the selected districts that 43 *per cent* of the total annual expenditure was incurred

during the last quarter of the year 2012-13 against the release of 21 *per cent* during the last quarter of the year.

### **1.12.3 Delay in receipt of ZP/TP Accounts**

The KPR Act, 1993 stipulated that annual accounts were to be passed by the General body of the PRIs within three months from the closure of the financial year and were to be forwarded to the Accountant General for audit. The delay in submission of annual accounts persisted despite being pointed out in earlier Audit Reports. Out of 30 ZPs, 14 ZPs forwarded the annual accounts for the year 2012-13 with delays of more than one month. Similarly, out of 176 TPs, 65 TPs submitted the accounts after delay of one month and 11 TPs were yet to forward the accounts of 2012-13 (March 2014). This was due to non-convening of the General body meetings by PRIs in time because of administrative reasons. Non-preparation of annual accounts and non-conduct of audit of CSS by Chartered Accountants (CAs) within the stipulated date were also attributed to delays in passing the annual accounts, *etc.*

### **1.12.4 Placement of SARs before the State Legislature**

The SARs of 22 ZPs for the year 2011-12 are yet to be placed in the State Legislature (January 2014).

### **1.12.5 Deficiencies in ZP and TP accounts**

The deficiencies noticed in accounts of ZPs and TPs during 2011-12 are detailed below.

- The State Government withdrew (October 2006 and June 2007) the Letter of Credit (LOC) system in Forest Divisions and Panchayat Raj Engineering Divisions. Consequently, both the divisions stopped issuing cheques. However, annual accounts of ZPs for the year 2011-12 reflected huge balances relating to earlier period as detailed in **Appendix 1.4**. This indicated that the ZPs had not reconciled the encashed cheques with treasuries.
- The State Government dispensed with (September 2004) the operation of TP and GP suspense accounts by the ZPs and funds were drawn directly from treasuries by the TPs. However, 16 ZPs had not taken any action to clear the suspense accounts. The balances outstanding in the annual accounts for the year 2011-12 relating to the period earlier to September 2004 are detailed in **Appendix 1.5**.

|                                  |
|----------------------------------|
| <b>1.13 Resource utilisation</b> |
|----------------------------------|

There are various schemes implemented by the PRIs. The Total Sanitation Campaign (TSC) scheme and TFC Grants were selected to ascertain the utilisation of fund by the PRIs.

### 1.13.1 Total Sanitation Campaign

**1.13.1.1** The GOI started Central Rural Sanitation Programme (CRSP) in 1986 for improving the quality of rural life and also to provide privacy and dignity to women. The CRSP started the TSC in the year 1999 as demand-driven approach.

The main objectives of the TSC are to improve the general quality of life in the rural areas, accelerating sanitation coverage in rural areas and increasing access to toilets. The TSC was renamed as 'Nirmal Bharath Abhiyan (NBA)' in the year 2012. The financial position of the TSC/NBA in the selected three districts is given in **Table 1.11** below.

**Table 1.11: Statement showing the financial position of the TSC/NBA in the selected districts**

| (₹ in crore) |                 |              |                                   |                       |                          |                 |
|--------------|-----------------|--------------|-----------------------------------|-----------------------|--------------------------|-----------------|
| Year         | Opening balance | Receipts     | Interest & miscellaneous receipts | Total available funds | Utilisation (percentage) | Closing balance |
| 2008-09      | 5.17            | 1.98         | 0.25                              | 7.40                  | 3.62 (49)                | 3.78            |
| 2009-10      | 3.78            | 14.80        | 0.26                              | 18.84                 | 9.31 (49)                | 9.53            |
| 2010-11      | 9.53            | 9.47         | 0.40                              | 19.40                 | 11.16 (58)               | 8.24            |
| 2011-12      | 8.24            | 14.11        | 0.65                              | 23.00                 | 13.05 (57)               | 9.95            |
| 2012-13      | 9.95            | 32.13        | 1.00                              | 43.08                 | 31.14 (72)               | 11.94           |
| <b>Total</b> | <b>36.67</b>    | <b>72.49</b> | <b>2.56</b>                       | <b>111.72</b>         | <b>68.28 (61)</b>        | <b>43.44</b>    |

Source: As furnished by the selected three ZPs

The fund utilisation of selected ZPs for the period 2008-09 to 2011-12 ranged from 49 to 58 *per cent* which was less than the prescribed 60 *per cent* of the total available funds.

#### 1.13.1.2 Implementation Plans

A Block Resource Centre (BRC) is to be established at the block level to consolidate the action plans of GPs into Block Implementation Plan (BIP) and BIPs in a district shall be consolidated into District Implementation Plans (DIP). Audit observed that four<sup>9</sup> of the selected TPs had not prepared the BIPs and also had not established BRCs. Further, 11<sup>10</sup> of the selected GPs had not prepared the annual plans. Thus, the grass-roots level institutions had not participated in the planning process of the TSC.

#### 1.13.1.3 Nirmal Gram Puraskar

The Nirmal Gram Puraskar (NGP) amount is given to the GPs which had achieved 100 *per cent* individual sanitation coverage (individual household latrines). The NGP amount is to be used for providing further sanitation facilities in the GPs.

<sup>9</sup> Athani, Haveri, Savanuru and Pavagada

<sup>10</sup> Adahalli and Parthanahalli (TP, Athani)  
Basapura, Hosaritti and Kulenuru (TP, Haveri)  
Bugatealur and Hitni (TP, Hukkeri)  
BK Halli (TP, Pavagada)  
Huralikuppi, Karadagi and Thevaramellihalli (TP, Savanuru)



The ZP, Tumkur released ₹97.13 lakh to 12 GPs of TP, Pavagada in March 2010. Audit observed that the NGP had been released to the GPs which had not achieved prescribed 100 *per cent* sanitation coverage and also not furnished the prescribed certificate. The amount was released to the GPs without any requisition to that extent from the GPs. This inadequacy in the planning and assessing the requirement on the part of the ZP resulted in non-utilisation of the NGP amount by the GPs, which further resulted in the refund of ₹66.40 lakh by the GPs.

### 1.13.2 Thirteenth Finance Commission Grants

#### 1.13.2.1 Unutilised Grants

The TFC recommended grant-in-aid to the local bodies as a percentage of the previous year's divisible pool of taxes over and above the share of the states. The GOI released General basic grant of ₹597.20 crore and Performance grant of ₹204.64 crore for the year 2012-13 to PRIs in Karnataka in two instalments each. The State Government instructed PRIs to follow the guidelines prescribed for incurring expenditure on rural development. In the test-checked PRIs, it was observed that expenditure ranged from 31 to 74 *per cent* of total available funds for the period 2010-13 and ₹22.08 crore remained unutilised as at the end of 31 March 2013 as detailed in **Table 1.12**, thereby defeating the intention of providing timely service to the rural population.

**Table 1.12: Statement showing the details of unspent balance of TFC grants**

| Name of the PRI         | (₹ in crore)                   |                                |                                |                       |   |                 |
|-------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------|---|-----------------|
|                         | Grants released during 2010-11 | Grants released during 2011-12 | Grants released during 2012-13 | Total grants released | Amount utilised (percentage of utilisation with respect to total grants released) | Closing balance |
| ZP, Belgaum             | 2.30                           | 3.38                           | 5.27                           | 10.95                 | 3.43 (31)   | 7.52            |
| ZP, Haveri              | 1.63                           | 2.40                           | 3.73                           | 7.76                  | 5.74 (74)   | 2.02            |
| ZP, Tumkur              | 2.66                           | 3.90                           | 6.06                           | 12.62                 | 6.70 (53)   | 5.92            |
| TP, Athani              | 0.50                           | 0.73                           | 1.13                           | 2.36                  | 1.22 (52)   | 1.14            |
| TP, Chikkanayakanahalli | 0.53                           | 0.78                           | 1.20                           | 2.51                  | 1.44 (57)   | 1.07            |
| TP, Haveri              | 0.44                           | 0.65                           | 0.99                           | 2.08                  | 1.50 (72)   | 0.58            |
| TP, Hukkeri             | 0.49                           | 0.72                           | 1.54                           | 2.75                  | 1.25 (45)   | 1.50            |
| TP, Pavagada            | 0.61                           | 0.89                           | 1.38                           | 2.88                  | 1.36 (47)   | 1.52            |
| TP, Savanuru            | 0.50                           | 0.74                           | 1.26                           | 2.50                  | 1.67 (67)   | 0.83            |
| <b>Total</b>            | <b>9.66</b>                    | <b>14.19</b>                   | <b>22.56</b>                   | <b>46.41</b>          | <b>24.31 (52)</b>   | <b>22.10</b>    |

Source: As furnished by the respective PRIs

#### 1.13.2.2 Delayed release of funds

The TFC guidelines stipulated that the GOI was to release the funds to the State Government. The funds were to be transferred to PRIs within five/ten days of their receipt depending upon the availability/non-availability of banking facilities, failing which interest at Reserve Bank of India rate was to be paid for the delayed period. Audit observed that there were delays ranging from 1 to 19 days in crediting funds to individual bank accounts of PRIs. The

interest of ₹1.37 crore for the delay in release of funds was not paid to PRIs by the State Government.

## 1.14 Other issues

### 1.14.1 *Non-submission of Non-payable Detailed Contingent (NDC) bills*

While codal provisions permit the Drawing and Disbursing Officers (DDOs) to draw funds on Abstract Contingent (AC) bills towards contingent charges required for immediate disbursement, DDOs are required to submit the NDC bills to the CAOs before the 15<sup>th</sup> of the following month. The CAO, ZP is to exercise watch over the pendency of NDC bills and under the orders of the CEO, ZP concerned, and issues advice to the Treasury Officer not to honour any bill presented by the defaulting DDOs and also withhold the salary of the DDOs.

In ZP, Haveri 33 DDOs had not submitted 117 NDC bills amounting to ₹21.08 lakh related to the period 2010-11 to 2011-12 as of March 2013.

### 1.14.2 *Cases of misappropriation/defalcation*

The State Government instructions stipulate that each PRI should report any case of loss, theft, embezzlement or fraud to the executive authority of the concerned ZP. These cases would then be investigated by the designated enquiry officer so that losses could be recovered, responsibility fixed and systemic deficiency, if any, removed.

As of November 2013, 27 cases of misappropriation were pending in ZP, Haveri and the amount involved was ₹1.05 crore. Out of these 27 cases, 10 cases were pending for more than five years.

### 1.14.3 *Non-withdrawal of unspent amount*

The State Government vide GO dated 8 September 2004 split the ZP and TP funds into three categories viz.; Fund I (Funds related to CSS and State share of CSS programmes), Fund II (State grant) and Fund III (Own Funds), and directed Treasuries to write back the unspent amount available at the end of the financial year in Fund II account to Government account after reconciliation. However, the treasuries did not write back the unspent balance of ₹1,468.54 crore outstanding under ZP and TP Fund II account for the year 2012-13.

### 1.14.4 *Locking up of funds*

An unspent amount aggregating to ₹14.37<sup>11</sup> crore was lying in inoperative bank accounts of selected three ZPs as on 31 March 2013 pertaining to various closed/inactive schemes<sup>12</sup> for the last one to five years and no action was taken

<sup>11</sup> Belgaum-₹9.17 crore, Haveri-₹0.02 crore and Tumkur-₹5.18 crore

<sup>12</sup> Ambedkar Bhavan, Jalmani, Mini Ambedkar Bhavan, Swachagrama, Swajaladhara, etc.

by the ZPs to refund the amount to Government. This resulted in locking up of Government funds to the extent of ₹14.37 crore.

#### **1.14.5 Utilisation Certificates**

The ZP, Tumkur released ₹41.14 crore to the Karnataka Rural Infrastructure Development Limited (KRIDL), Tumkur for implementing various works under different schemes during the period 2009-10 to 2012-13. The KRIDL furnished utilisation certificates (UCs) for ₹38.57 crore and returned ₹1.64 crore to ZP and the balance of ₹0.93 crore was still with the KRIDL. Similarly, out of ₹29.71 crore released to Nirmithi Kendra, Tumkur during the period 2008-09 to 2012-13, UCs were submitted for ₹26.92 crore and an unspent balance of ₹2.79 crore remained as at the end of March 2013. However, accounts were not obtained from KRIDL and Nirmithi Kendra by the ZP. Thus, the utilisation of ₹65.49 crore exhibited as expenditure in the annual accounts of the ZP was not ascertainable.

#### **1.14.6 Arrears in audit**

The CAO has to conduct internal audit of all the line departments of PRIs. It was noticed that in the test-checked ZPs of Belgaum, Haveri and Tumkur, the CAOs had conducted internal audit of only 97 units out of 385 units during 2012-13. The CAOs of the ZPs stated (December 2013) that audit could not be completed due to shortage of staff.

### **1.15 Double Entry Accounting System**

The State Government enacted the Karnataka Panchayat Raj (KPR) (Gram Panchayats (GPs) Budgeting and Accounting) Rules, 2006 which provided for mandatory preparation of accounts based on DEAS in GPs on accrual basis with effect from April 2007. The State Government decided (July 2007) to avail of the services of CA firms to introduce DEAS in GPs.

#### **1.15.1 Non-maintenance of the Books of Accounts**

In DEAS, the GPs have to record both the cash and credit transactions in the books of accounts – Cash Book, Journal Book and General Ledger. Seventeen<sup>13</sup> of the selected GPs had not maintained General Ledger and Journal Books. Thus, Audit could not ascertain the complete financial position of the GPs.

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<sup>13</sup> Adahalli, Kempwad and Parthanahalli (TP, Athani)  
Baraguru and Kuppur (TP, Chikkanayakanahalli)  
Basapura, Hosaritti and Kulenur (TP, Haveri)  
Bugatelur, Hitni and Mavanur (TP, Hukkeri)  
B.K Halli, Mangalawada and Rangasamudra (TP, Pavagada)  
Huralikuppi, Karadagi and Tevaramellihalli (TP, Savanuru)

### 1.15.2 Non-placement of the annual accounts

Annual accounts of the GPs shall be placed before the elected bodies for consideration and approval before 30 June of every year but the 13<sup>14</sup> selected GPs had not placed the annual accounts in DEAS before the elected bodies.

### 1.15.3 Training

The CAs were to train the GP staff in the software developed and ensure preparation of the accounts in DEAS for the year 2008-09 with the assistance of CAs and independently from 2009-10 onwards. However, staff of the 11<sup>15</sup> selected GPs had not been trained and accounts were prepared with the assistance of CAs up to the year 2012-13.

## 1.16 Poor response to Inspection Reports

The KZP (F&A) Rules stipulate that the heads 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 lies with the CEOs of ZPs. As of March 2013, 3,393 Inspection Reports (IRs) consisting of 12,462 paragraphs were outstanding in various ZPs. Year-wise details of IRs and paragraphs outstanding in respect of all the ZPs are detailed in **Appendix 1.6**. Out of 3,393 IRs outstanding, 1,273 (38 *per cent*) IRs containing 2,811 (23 *per cent*) paragraphs were pending for more than ten years, which highlighted the inadequate action of the CEOs in settlement of the objections.

## 1.17 Conclusion

The annual accounts of ZPs and TPs were submitted after due dates. TSC and TFC grants were not utilised optimally. Unspent amount of scheme funds were locked up in inoperative bank accounts. Balances under suspense heads of accounts were not reconciled. UCs were not obtained from the implementing agencies. Unspent balances were not written back.

## 1.18 Recommendations

- The annual accounts should be submitted in time.

<sup>14</sup> Adahalli, Kempwad and Parthanahalli (TP, Athani)  
Basapura, Kulenur and Hosaritti (TP, Haveri)  
Bugatealur, Hitni and Mavanur (TP, Hukkeri)  
B. K Halli (TP, Pavagada)  
Huralikuppi, Karadagi and Thevaramellihalli (TP, Savanuru)

<sup>15</sup> Adahalli, Kempwad and Parthanahalli (TP, Athani)  
Hosaritti and Kulenur (TP, Haveri)  
Bugatealur and Hitni (TP, Hukkeri)  
B.K Halli (TP, Pavagada)  
Huralikuppi, Karadagi and Tevaramellihalli (TP, Savanuru)

- PRIs should ensure optimum utilisation of the available resources and the resources should be utilised in a time bound manner to derive the intended benefit.
- Concerted efforts are needed to adjust the old outstanding balances under DDR heads of account by the ZPs.
- The ZPs and DDOs should respond promptly to the IRs issued by the Auditors for speedy settlements of audit observations.
- The ZPs should obtain the UCs from the implementing agencies before incorporating the figures in the annual accounts.
- The State Government should write back the unspent balances in the Fund II account of ZPs and TPs.

The matter was referred to the State Government in November 2013; reply has not been received (April 2014).



## **CHAPTER-II**

### **Results of Audit of Panchayat Raj Institutions**



## CHAPTER II

### RESULTS OF AUDIT

#### SECTION 'A' - PERFORMANCE AUDITS

##### DEPARTMENT OF HOUSING

#### 2.1 Indira Awaas Yojana

##### Executive summary

Indira Awaas Yojana is a flagship scheme of the Ministry of Rural Development, Government of India for meeting the housing needs of the rural population. The Department of Housing, Government of Karnataka had entrusted the implementation of this Scheme to Rajiv Gandhi Rural Housing Corporation Limited.

A performance audit of the Scheme for the period 2008-13 showed that only 3.43 lakh houses could be completed against the target of 6.64 lakh houses. Out of 5.74 lakh beneficiaries selected, 3.05 lakh (53 *per cent*) belonged to Scheduled Caste/Scheduled Tribe categories and minorities were 0.75 lakh (13 *per cent*), which was less than the stipulated targets of 60 and 15 *per cent* respectively.

Out of available funds of ₹2,457.12 crore, a sum of ₹2,158.67 crore (88 *per cent*) was utilised during 2008-13. Financial management was deficient as reconciliation was not done between cash book and bank balances. There were instances of loss of central assistance, delay in certifying the accounts and payments made to non-Indira Awaas Yojana beneficiaries. The entire fund of ₹215.81 crore, released under Homestead scheme, remained unfruitful as sites developed under the Scheme after incurring an expenditure of ₹121.38 crore were not distributed to the beneficiaries.

A permanent waiting list, as required, was not prepared. In 298 cases benefits had been extended to ineligible beneficiaries. The joint inspection of beneficiaries pointed out 76 cases of beneficiaries owning large houses and 89 beneficiaries using the assistance for constructing extensions to existing houses, indicating that these beneficiaries were not eligible under the Scheme.

Information, Education and Communication activities were not conducted and beneficiaries did not receive any technical assistance though stipulated in the guidelines. Efforts were not made to facilitate the beneficiaries in getting basic amenities through convergence of programmes. Monitoring of the implementation of the Scheme was not adequate.

The Information Technology audit showed that there were instances of invalid, incomplete and blank data indicating poor input controls and rendering data unsuitable for decision making process. The password control policy, audit trails, disaster recovery and business continuity plan were also absent. There was lack of transparency as the data was not accessible to the beneficiaries.



## **2.1.1 Introduction**

### **2.1.1.1 Background**

Indira Awaas Yojana (IAY), the flagship scheme of the Ministry of Rural Development (MORD) for meeting the housing needs of the rural population, was launched in May 1985 as a sub-scheme of Jawahar Rozgar Yojana. It is being implemented as an independent scheme since 1 January 1996. IAY aims at helping rural people below the poverty-line (BPL) in construction of dwelling units and upgradation of existing unserviceable kutcha houses by providing assistance in the form of grant. From 1995-96, the IAY benefits have been extended to widows or next-of-kin of defence personnel killed in action. Benefits have also been extended to ex-servicemen and retired members of the paramilitary forces as long as they fulfill the normal eligibility conditions of the Scheme. Three *per cent* of funds are reserved for the disabled BPL persons in rural areas. Since 2006-07, 15 *per cent* IAY funds are also being earmarked for BPL persons belonging to minority communities.

### **2.1.1.2 Salient features of the Scheme**

The salient features of the Scheme are as under:

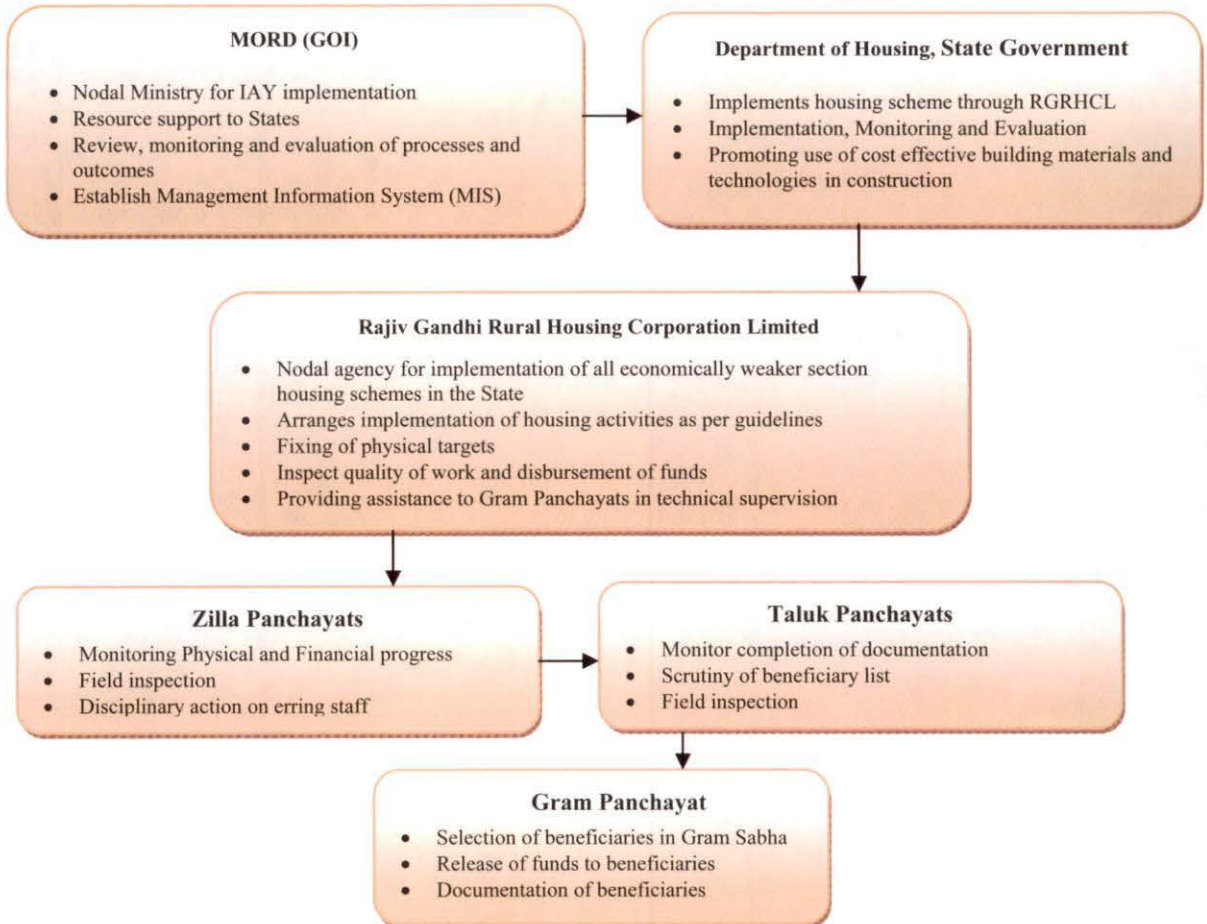
- It is a centrally sponsored scheme funded on cost-sharing basis between the Government of India (GOI) and the State Government in the ratio of 75:25;
- At least 60 *per cent* of the total IAY funds and physical targets should be utilised for construction/upgradation of dwelling units for Scheduled Caste (SC)/Scheduled Tribe (ST) BPL households and a maximum 40 *per cent* for non-SC/ST BPL rural households;
- The responsibility of proper construction of the house would be on the beneficiaries themselves;
- Allotment of dwelling units should be in the name of female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife;
- The ceiling on grant of assistance per unit cost under the IAY for construction of a new house and upgradation of an unserviceable kutcha house is fixed by GOI and revised periodically;
- In addition to the assistance provided under the IAY, an IAY beneficiary can avail of loan up to ₹20,000 from financial institutions per housing unit under Differential rate of Interest (DRI) Scheme at an interest rate of four *per cent* per annum.

## **2.1.2 Organisational structure**

The Department of Housing, Government of Karnataka is responsible for implementation of the Scheme through the Panchayat Raj Institutions (PRIs)

in Karnataka. The department has entrusted the implementation of this Scheme to Rajiv Gandhi Rural Housing Corporation Limited (RGRHCL), a Corporation established under the Companies Act. It is the nodal agency for implementation of all economically weaker section housing schemes in the State. The RGRHCL is to ensure proper implementation of the Scheme. The organisational structure for the implementation of the Scheme is depicted in **Chart 2.1**.

**Chart 2.1: Organisational structure**



### 2.1.3 Audit scope, sample and methodology

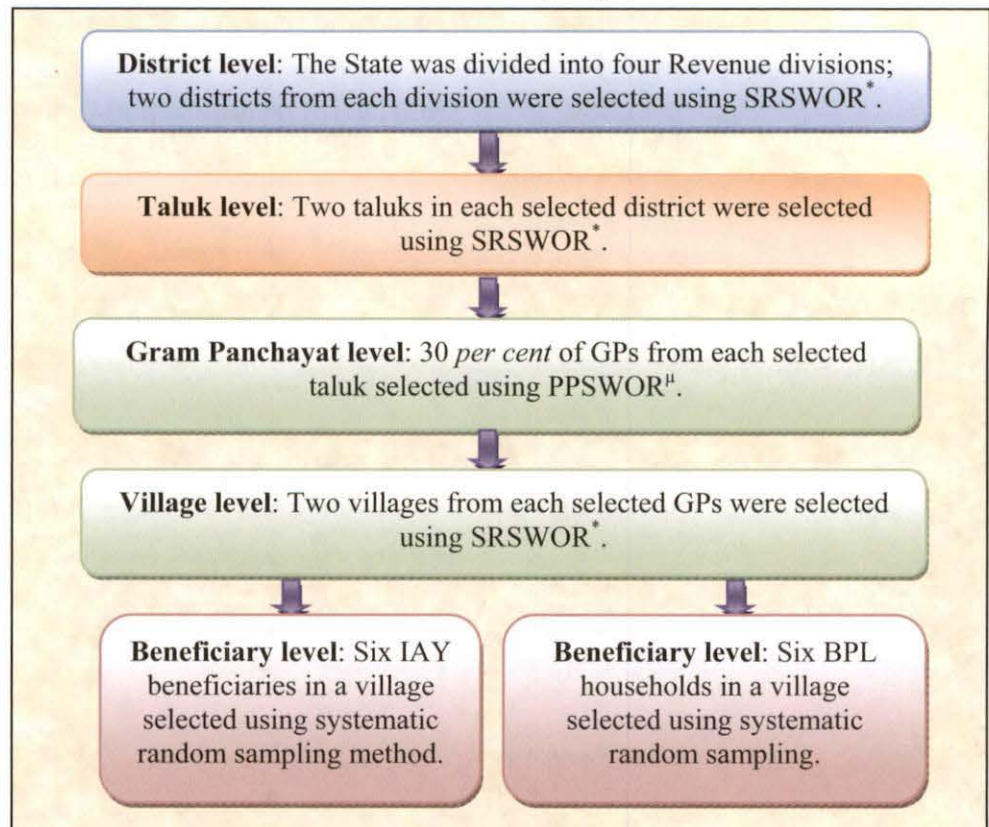
A performance audit of all housing schemes, including IAY, was conducted during 2002 and the findings were included in the Audit Report (Zilla Panchayats) 2002. Major findings of the audit included loss of central assistance, absence of reliable data, inadmissible expenditure and shortcomings in selection of beneficiaries. The Report is yet to be discussed by the Public Accounts Committee (January 2014).

The current performance audit of IAY for the period 2008-13 was conducted through test-check of records (April-September 2013) at RGRHCL, eight<sup>16</sup> Zilla Panchayats (ZPs), 16 Taluk Panchayats (TPs) and 119 Gram Panchayats (GPs) as detailed in **Appendix 2.1**.

<sup>16</sup> Chikamagalur, Chitradurga, Dharwar, Gadag, Gulbarga, Koppal, Mandya and Ramanagara

The sample was selected using 'stratified multi stage sampling design' *i.e.*, selection was at district, taluk, GP, village and beneficiary level. The sampling plan used is shown in **Chart 2.2**.

**Chart 2.2: Sampling Plan**



\* SRSWOR: Simple Random Sampling without Replacement

<sup>μ</sup> PPSWOR: Probability Proportional to Size without Replacement

The performance audit commenced with an Entry Conference held on 7 May 2013 with the Principal Secretary, Department of Housing, wherein audit methodology, scope, objectives and criteria were discussed. The Exit Conference was held with the Principal Secretary, Department of Housing on 19 November 2013.

#### **2.1.4 Audit objectives**

The main objectives of the performance audit were to ascertain whether:

- the allocation and the release of funds were made in an adequate and timely manner and that these were utilised economically and efficiently in accordance with the Scheme provisions;
- the physical performance in terms of number of units constructed and upgraded was as planned and targeted and that the constructions corresponded to the quality and financial parameters set out in the Scheme guidelines;
- the systems and procedures in place for identification and selection of the beneficiaries and the processes for allotment, construction and

upgradation of dwelling units were adequate and conformed to the Scheme provisions;

- the convergence of the IAY activities with other programmes, as envisaged, was effectively achieved and ensured availability of a complete functional dwelling unit; and
- the mechanism in place for monitoring and evaluation of the outcomes of the Scheme was adequate and effective.

### **2.1.5 Audit criteria**

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

- Guidelines of IAY issued (2004, 2010 and 2012) by the MORD;
- Outcome budget of the MORD;
- Circulars/instructions issued by the MORD; and
- Periodical reports/returns prescribed by MORD and the State Government.

### **Acknowledgement**

Audit acknowledges the cooperation and assistance extended by the State Government, RGRHCL, PRIs and their officials for conducting the performance audit.

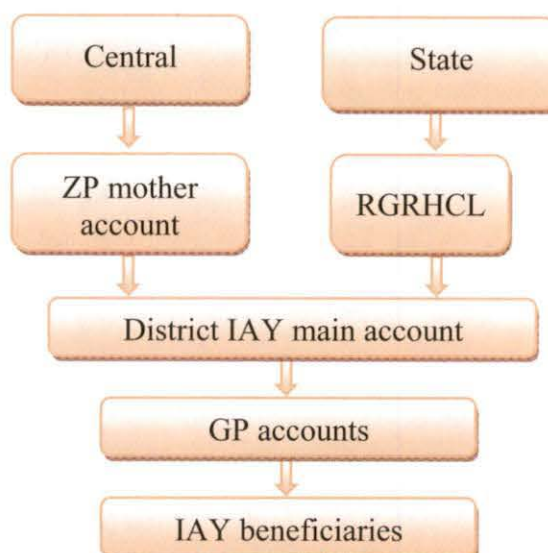
### **Audit findings**

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

### **2.1.6 Financial management**

As per the Scheme guidelines, central assistance under IAY should be allocated among the States/Union Territories (UTs) giving *75 per cent* weightage to rural housing shortage as per the latest census data and *25 per cent* weightage to number of people below poverty line. Similarly, inter-district allocation within a State/UT should be made by giving *75 per cent* weightage to housing shortage and *25 per cent* weightage to rural SC/ST population of the concerned districts. The targets for the blocks within a district and the village panchayats within the blocks are to be decided on the same principles.

IAY funds are operated by the ZP at the district level. Central assistance is released every year to the ZPs, in two instalments. The fund flow of the Scheme is depicted in **Chart 2.3**.

**Chart 2.3: Fund flow of the Scheme**

### 2.1.6.1 Utilisation of funds

As per the information furnished by the RGRHCL, the financial position under the Scheme for the period 2008-13 was as shown in **Table 2.1**.

**Table 2.1: Financial position of IAY**

| Financial Year | Available funds |                 |        |          |          | Expenditure | Closing Balance | Percentage of expenditure |
|----------------|-----------------|-----------------|--------|----------|----------|-------------|-----------------|---------------------------|
|                | Opening Balance | Grants received |        | Interest | Total    |             |                 |                           |
|                |                 | Centre          | State  |          |          |             |                 |                           |
| 2008-09        | 133.24          | 309.90          | 107.03 | 5.25     | 555.42   | 206.08      | 349.34          | 37                        |
| 2009-10        | 349.34          | 294.29          | 149.31 | 8.03     | 800.97   | 532.51      | 268.46          | 66                        |
| 2010-11        | 268.46          | 334.31          | 160.97 | 11.88    | 775.62   | 304.62      | 471.00          | 39                        |
| 2011-12        | 471.00          | 248.96          | 110.00 | 11.55    | 841.51   | 317.30      | 524.21          | 38                        |
| 2012-13        | 524.21          | 276.64          | 220.34 | 75.42    | 1,096.61 | 798.16      | 298.45          | 73                        |

Source: RGRHCL

It could be seen from the above that though sufficient funds were available, the expenditure incurred was less than 50 *per cent* during 2008-09, 2010-11 and 2011-12. This shows the tardy implementation of the Scheme.

The financial position of the test-checked ZPs for the period 2008-13 is detailed in **Appendix 2.2**. It was seen that none of the test-checked ZPs had utilised the available funds fully. The expenditure was less than 50 *per cent* during 2008-09 and 2010-11 in all the test-checked ZPs with exception of Gulbarga where the expenditure was 53 *per cent* during 2010-11.

The State Government stated (January 2014) that due to release of second instalment of the allocated amount by GOI during fag end of the years, the ZPs could not spend the amount within the same year. Further, during 2010-11 and 2011-12, the expenditure was very less due to merger of IAY with State sponsored schemes. The reply was not acceptable as the process of identification of beneficiaries could have been completed in anticipation of

receipt of funds and released to the identified beneficiaries as soon as the funds were received from GOI. Further, the previous years' balances were also available for disbursement to identified beneficiaries.

### **2.1.6.2 Loss of central assistance**

The ZPs are to send their proposal for release of second instalment complete in all respects latest by 31 December every year to GOI.

To maintain financial discipline, a mandatory deduction on account of late submission of proposal by the ZP was imposed by GOI, depending upon the date of receipt of complete proposal for release of second instalment.

On a scrutiny of release orders for the second instalment, Audit observed that an amount of ₹30.90 crore was deducted from 15 ZPs during the financial year 2011-12 for late submission of their proposals as detailed in **Appendix 2.3**.

The State Government stated (January 2014) that ZPs did not spend the amount due to non-selection of beneficiaries in the year 2010-11.

### **2.1.6.3 Non-transfer of interest amounting to ₹39.25 lakh**

The IAY funds are to be kept in a Nationalised/Scheduled/Cooperative bank or a Post Office in an exclusive and separate savings bank account of the ZP. The interest earned on the savings bank account of the IAY funds is to be treated as part of the IAY resources.

However, in the five<sup>17</sup> test-checked ZPs, interest of ₹39.25 lakh earned (approximately four *per cent* per annum) due to delay in transfer of funds from ZP mother accounts to IAY bank accounts during 2008-13, was not transferred to IAY accounts.

The State Government attributed (January 2014) the delay to the late receipt of release orders by the ZPs and transfer of officials in ZPs. The reply was not acceptable as the amount should have been transferred to IAY accounts as soon as the funds were received from GOI.

### **2.1.6.4 Loss of interest due to keeping the amount in current account**

The Scheme guidelines stipulate that IAY funds are to be maintained in a separate savings bank account. It was, however, seen that IAY and Homestead scheme funds of ₹36.19 crore released (2008-12) by the State Government to 11<sup>18</sup> ZPs had been kept in current accounts instead of savings bank accounts, resulting in loss of interest of ₹2.51 crore (@ four *per cent* per annum).

<sup>17</sup> Chikamagalur, Chitradurga, Gadag, Mandya and Ramanagara

<sup>18</sup> Bagalkote, Belgaum, Bidar, Bijapur, Dharwar, Gadag, Gulbarga, Haveri, Koppal, Raichur and Uttara Kannada

The State Government accepted (January 2014) it was an oversight that these accounts were opened as current accounts and instructed the banks to convert the same to savings bank accounts.

#### **2.1.6.5 Delay in release of State share**

The State Government is to release its share to the ZP within one month after the release of central assistance and the copy of the same should be endorsed to MORD. However, it was observed that the State Government had delayed the release of funds by 18 to 110 days (in one case the delay was 237 days) during the period 2008-13 as detailed in **Appendix 2.4**.

The State Government attributed (January 2014) the delay to late receipt of GOI sanctions by the ZPs up to one month. The reply was not acceptable as the delay in some cases was more than 30 days and there were delays even after receipt of GOI orders.

#### **2.1.6.6 Delay in certifying the accounts**

The Scheme accounts were to be approved by the General Body of the ZPs by 30 June of the ensuing financial year and the audited accounts submitted to the GOI before 30 September. It was observed that the Chartered Accountants (CAs) in six<sup>19</sup> test-checked ZPs had certified the accounts with delays ranging from one to five months during the period 2008-13. Further, it was seen in all the eight test-checked ZPs that the accounts had not been approved by the General Body in time.

The State Government accepted (January 2014) the delay in certifying the accounts and stated that GPs would be suitably instructed.

#### **2.1.6.7 Incorrect depiction of figures in the Annual Accounts**

In the 13 test-checked GPs of Chikamagalur and Gadag ZPs, differences were observed between the figures depicted in the Annual Accounts certified by CAs and those of cash books of the GPs for the period 2008-13 as detailed in **Appendix 2.5**. This had resulted in incorrect reporting of figures in the Annual Accounts.

The State Government accepted (January 2014) the incorrect depiction of figures in the Annual Accounts and stated that it would be rectified in 2013-14 Accounts.

#### **2.1.6.8 Non-reconciliation of balances**

Audit observed that none of the test-checked GPs had reconciled the cash book figures with those of Bank figures and most of the GPs had not updated the cash book. Audit scrutiny in 28 test-checked GPs of three ZPs showed that there were differences between the cash book and bank pass book balances as detailed in **Appendix 2.6**. Thus, Audit could not assess the correctness of the figures adopted in the Annual Accounts.

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<sup>19</sup> Chitradurga, Gadag, Gulbarga, Koppal, Mandya and Ramanagara

The State Government, while accepting the audit findings, had stated (January 2014) that the department had introduced direct cash transfer system to overcome the lacunae in the system.

The CA of RGRHCL had also pointed out in his Audit Report (2011-12) that the internal control on disbursements of the Government grants for the specified projects in respect of the rural schemes, where the funds were disbursed through the joint bank accounts operated by GPs, were found to be inadequate and was a major internal weakness.

The State Government stated (January 2014) that from 2013-14, the Department had introduced Global Positioning System (GPS) based progress monitoring through online direct release of funds to the beneficiary account which automatically took care of internal control mechanism.

#### **2.1.6.9 Drawal of amount through self cheques**

Audit scrutiny showed that a sum of ₹2.14 lakh in two<sup>20</sup> GPs in Gulbarga ZP and ₹0.10 lakh in Harokoppa GP in Ramanagara ZP had been drawn (May 2008-March 2011) on self cheques instead of crediting the same to beneficiaries' accounts. In the absence of disbursement details, beneficiaries' acknowledgements, etc., Audit could not ascertain whether the amounts were actually disbursed to beneficiaries or not.

The State Government stated (January 2014) that action would be initiated after verification.

#### **2.1.6.10 Payment made to non-IAY beneficiaries**

The Panchayat Development Officers (PDOs) of Harokoppa and Sogala GPs of Channapatna taluk, Ramanagara ZP had issued (2008-13) cheques amounting to ₹2.15 crore to IAY beneficiaries having savings bank accounts at Vyvasaya Seva Sahakari Sangha Niyamitha Bank, Sogala. However, it was seen from the passbook of GPs that cheques amounting to ₹28.93 lakh were credited to the account of Post Master, Channapatna instead of beneficiaries. On cross verification with the Post Office, it was observed that an amount of ₹9.10 lakh relating to 38 IAY beneficiaries had been credited to the accounts of four individuals who were not IAY beneficiaries. For the remaining amount of ₹19.83 lakh, details are awaited from the Post Master (January 2014). Thus, credit of amounts to eligible beneficiaries was doubtful and these transactions were fraught with the risk of misappropriation.

The State Government stated (January 2014) that the issue would be investigated and action would be taken.

#### **2.1.6.11 Payment of excess amount**

In Anoor and Uoodagi GPs of Gulbarga ZP, the concerned PDOs had paid assistance in excess of the unit cost of ₹35,000 and ₹40,000 to six

<sup>20</sup> Bhairamadagi and Uoodagi



beneficiaries during the years 2008-09 and 2009-10 respectively. This resulted in an excess payment of ₹28,000.

The State Government stated (January 2014) that action would be initiated after receipt of detailed report from GPs.

## 2.1.7 Physical performance

### 2.1.7.1 Targets and achievements

GP-wise targets are fixed each financial year by RGRHCL and conveyed to GPs through the respective ZP. During the review period, a total of 6,63,644 houses were targeted for construction by the State Government whereas only 5,74,148 beneficiaries had been selected and 3,43,150 houses had been completed. The reason for shortfall in selecting the beneficiaries was not furnished. The year-wise details are shown in **Table 2.2**.

**Table 2.2: Details of physical progress as on 31 March 2013**

| Series Year  | Target fixed by GOI | No. of houses targeted by the State Government | No. of beneficiaries selected | No. of houses completed (Percentage) | Incomplete houses (Percentage) |
|--------------|---------------------|--|-------------------------------|--------------------------------------|--------------------------------|
| 2008-09      | 74,023              | 1,48,046                                       | 1,34,884                      | 1,11,174 (82)                        | 23,710 (18)                    |
| 2009-10      | 1,43,311            | 1,85,288                                       | 1,62,184                      | 1,23,465 (76)                        | 38,719 (24)                    |
| 2010-11      | 99,055              | No fresh target fixed by State Government      |                               |                                      |                                |
| 2011-12      | 96,760              | 1,85,297                                       | 1,52,620                      | 86,098 (56)                          | 66,522 (44)                    |
| 2012-13      | 1,07,210            | 1,45,013                                       | 1,24,460                      | 22,413 (18)                          | 1,02,047 (82)                  |
| <b>Total</b> | <b>5,20,359</b>     | <b>6,63,644</b>                                | <b>5,74,148</b>               | <b>3,43,150 (60)</b>                 | <b>2,30,998 (40)</b>           |

Source: RGRHCL

Though GOI had fixed a target of 99,055 houses for the year 2010-11, the State Government did not fix any fresh target. However, as per information furnished to GOI, backlog of the previous years was treated as target and 95,311 houses were completed during 2010-11. The completion of houses during 2008-13 was 60 *per cent*. Thus, the fixation of targets was not realistic.

The details of houses targeted and completed (as on 31 March 2013) during the years 2008-09 to 2012-13 in the test-checked ZPs are shown in **Appendix 2.7**. It was seen that 11 to 38 *per cent* of the houses pertaining to years 2008-09 and 2009-10 remained incomplete even after a lapse of four years. The percentage of completion of houses in the test-checked ZPs during 2008-13 was 60. Though sufficient funds were available, non-completion of houses deprived the beneficiaries of housing facilities. The State Government stated (January 2014) that the unit cost was not sufficient for the poor people to construct houses and they were unable to mobilise additional funds. The reply is to be seen in light of the fact that RGRHCL had not taken any action to get them DRI loans from banks.

### 2.1.7.2 Unfruitful expenditure on incomplete houses

According to a circular issued by the State Government, funds are to be provided progressively to beneficiaries after completion of each stage, i.e. ₹7,500 on completion of foundation, ₹10,000 on completion up to lintel level and ₹10,000 for roof level completion and final release of ₹7,500 on completion.

Even allowing two years for completion of the houses, as stipulated in the guidelines, 19,050 and 31,591 houses sanctioned in the state during the year 2008-09 and 2009-10, respectively, were under different stages of construction. The delay in completion rendered the expenditure of ₹45.76 crore incurred on these houses largely unfruitful. The details are shown in Table 2.3.

**Table 2.3: Details of houses under different stages of construction (as on 31 March 2013)**

| Series Year  | No. of beneficiaries selected | Construction status |               |               |               | Expenditure incurred (₹ in crore) |              |              |
|--------------|-------------------------------|---------------------|---------------|---------------|---------------|-----------------------------------|--------------|--------------|
|              |                               | Foundation          | Lintel        | Roof          | Total         | Foundation                        | Lintel       | Roof         |
| 2008-09      | 1,34,884                      | 7,563               | 4,674         | 6,813         | 19,050        | 5.67                              | 4.67         | 6.81         |
| 2009-10      | 1,62,184                      | 11,928              | 8,652         | 11,011        | 31,591        | 8.95                              | 8.65         | 11.01        |
| <b>Total</b> |                               | <b>19,491</b>       | <b>13,326</b> | <b>17,824</b> | <b>50,641</b> | <b>14.62</b>                      | <b>13.32</b> | <b>17.82</b> |

Source: RGRHCL

The State Government stated (January 2014) that IAY was a beneficiary oriented scheme and it was being implemented for the poorest of the poor. In present market condition it was not practically possible for the beneficiary to construct a house within the assistance provided by the Government.

The reply was not acceptable as the State Government had not taken any action to help the beneficiaries to construct the houses by getting assistance from Banks and by converging IAY with other schemes.

### 2.1.8 Selection of beneficiaries

#### 2.1.8.1 Non-adherence to norms

The IAY guidelines envisage a prioritisation of beneficiaries as under:

- (i) Freed bonded labourers;
- (ii) SC/ST households, SC/ST households who are victims of atrocities, SC/ST households headed by widows and unmarried women, SC/ST households affected by flood, natural calamities like earthquake, cyclone and man-made calamities like riot, other SC/ST households;
- (iii) Families/widows of personnel from defence services/paramilitary forces killed in action;
- (iv) Non-SC/ST BPL households; and

- (v) Ex-servicemen and retired members of the paramilitary forces.

In addition to the above, three *per cent* of the fund was reserved for the disabled BPL persons in rural areas and 15 *per cent* for BPL persons belonging to minority communities.

The selection of the beneficiaries is subject to the condition that the households of all the above categories except (iii) are BPL.

Audit scrutiny in the test-checked GPs showed that the GPs had not maintained any records either about prioritising beneficiaries or about efforts made to give preference to them.

#### **2.1.8.2 Non-preparation of a permanent waitlist**

As per the guidelines, permanent IAY waitlists should be prepared on the basis of BPL lists in the order of seniority in the list. The GPs may draw out the shelterless families from the BPL list strictly in the order of ranking in the list. The permanent IAY waitlists so prepared are to be displayed at a prominent place either in the GP office or in any other suitable place in the village. The lists are also to be put on the website by the concerned ZPs.

It was observed that none of the test-checked GPs had prepared the permanent IAY waitlist. Therefore, Audit could not assess whether the GPs had selected the shelterless families from the BPL list strictly in the order of ranking in the list.

The State Government stated (January 2014) that the RGRHCL had issued various circulars and instructions to all the implementing officers to prepare permanent list. The reply was not acceptable as none of the test-checked GPs had prepared the list.

#### **2.1.8.3 Selection of beneficiaries by the Gram Sabhas**

As per the guidelines, the Gram Sabha is required to select the beneficiaries. The Gram Sabhas were to be attended by a Government servant who was a nominee of the Government and the selection made by the Gram Sabha was final. The list of selected beneficiaries was to be sent to the ZPs and TPs for their information.

The following are the audit observations in this regard:

- (i) Out of 119 test-checked GPs, 7,212 beneficiaries in 57 GPs were selected without Gram Sabha resolutions.
- (ii) In four<sup>21</sup> test-checked GPs, the selection of 243 beneficiaries was done in Samanya Sabha instead of Gram Sabha.
- (iii) The Gram Sabhas were selecting the beneficiaries without the presence of nominee of the Deputy Commissioner (DC) of the district.

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<sup>21</sup> Adavisompur, Asundi, Binkadakatti and Lakkundi (Gadag ZP)

- (iv) In many cases, the resolution copies of GPs did not contain the signatures and names of the Gram Sabha members who had attended the Gram Sabha meetings.

The State Government stated (January 2014) that one Government Officer had been nominated for more than one GP. It was not possible for the nominated Officer to attend all the Gram Sabhas as more than one GP were holding Gram Sabha on the same day and they were also attending to various other important works. Further, the PDO/Secretary who was a Government official was attending the Gram Sabha without fail. The reply was not acceptable as the Government servant nominated by DC was to attend Gram Sabha meetings.

#### **2.1.8.4 Selection of ineligible beneficiaries**

Audit test-checked 6,063 beneficiaries' files in the 119 test-checked GPs and observed 298 cases of ineligible beneficiaries as detailed below:

##### **➤ Selection of beneficiaries who already owned property**

Audit came across 288 cases in 23 GPs of Chikamagalur, Gulbarga, Mandya and Ramanagara ZPs where benefits had been extended to families who already owned a house.

##### **➤ Selection of beneficiaries who had availed benefits under previous housing schemes**

There was no mechanism to ensure that a selected beneficiary was not previously selected under IAY or any other housing schemes. It was seen that an assistance of ₹2.55 lakh was given twice under IAY to six beneficiaries in five<sup>22</sup> test-checked GPs. In Manchanayakanahally GP of Ramanagara ZP, one beneficiary got assistance both under IAY (₹0.35 lakh) and Ambedkar Housing Scheme (₹0.25 lakh).

##### **➤ Selection of retired Government personnel and kins of retired Government personnel**

In two test-checked GPs (Doddagangavadi and Kenchanakuppe) of Ramanagara ZP, two retired Government employees and the widow of a Government servant were given assistance of ₹1.05 lakh under IAY though their annual incomes were more than the income limit of ₹32,000, prescribed for BPL families. The assistance given to non-BPL families was irregular.

The State Government accepted it and stated (January 2014) that action would be initiated against the ineligible beneficiaries and concerned official.

<sup>22</sup> Nemmaru (Chikamagalur ZP), Hirenarthi and Yeliwala (Dharwar ZP), Marlanhalli (Koppal ZP) and Harokoppa (Ramanagara ZP)

### 2.1.8.5 Selection of SC/ST families and minorities

As per the guidelines, a separate list of SC/ST families in the order of their ranks is to be derived from the larger IAY list so that the process of allotment of 60 per cent of houses under the Scheme is facilitated. Thus, at any given time, there would be two IAY waitlists for reference, one for SC/ST families and the other for non-SC/ST families. The guidelines also stipulate that 15 per cent of the target shall be allocated to eligible minorities.

However, no such separate lists were prepared. In fact, as per the data obtained from RGRHCL, it was seen that the percentage of allotment of houses to SC/ST families and minorities during 2008-13 was less than 60 per cent and 15 per cent respectively as detailed in Table 2.4.

**Table 2.4: Details of category-wise selection of beneficiaries**

| Year         | No. of beneficiaries selected | Category-wise selection |               |                 |               | Percentage of selection |           |           |
|--------------|-------------------------------|-------------------------|---------------|-----------------|---------------|-------------------------|-----------|-----------|
|              |                               | SC                      | ST            | GEN             | MIN           | SC/ST                   | GEN       | MIN       |
| 2008-09      | 1,34,884                      | 48,395                  | 24,078        | 47,316          | 15,095        | 54                      | 35        | 11        |
| 2009-10      | 1,62,184                      | 55,055                  | 27,246        | 57,065          | 22,818        | 51                      | 35        | 14        |
| 2010-11      | No target fixed               |                         |               |                 |               |                         |           |           |
| 2011-12      | 1,52,620                      | 59,766                  | 26,605        | 45,088          | 21,161        | 57                      | 29        | 14        |
| 2012-13      | 1,24,460                      | 43,620                  | 20,667        | 43,787          | 16,386        | 52                      | 35        | 13        |
| <b>Total</b> | <b>5,74,148</b>               | <b>2,06,836</b>         | <b>98,596</b> | <b>1,93,256</b> | <b>75,460</b> | <b>53</b>               | <b>34</b> | <b>13</b> |

Source: RGRHCL

The selection of beneficiaries under SC/ST and minorities in the test-checked ZPs was also less than the stipulated target of 60 per cent and 15 per cent respectively as detailed in Appendix 2.8.

### 2.1.9 Selection of beneficiaries under Homestead Scheme

Homestead scheme was launched (24 August 2009) for the purpose of allotting sites to rural BPL households having neither agricultural land nor home site. The beneficiaries were to be selected only from the permanent IAY waitlists as per their ranking in the list. Under the scheme, financial assistance of ₹10,000 per beneficiary or actual, whichever was less, was to be provided for purchase/acquisition of a homestead site of an area around 100-250 square metre (sq mt). The land was required to be either in the name of the female member or jointly owned by the wife and the husband (in that order). Funding was to be shared by Centre and State in the ratio of 50:50.

An amount of ₹215.81 crore was released during 2009-10 and 2010-11 under this scheme, out of which ₹121.38 crore, as per Utilisation Certificate (UC), was utilised (March 2012) for the development of 31,971 Homestead sites. However, the sites developed were not distributed to the beneficiaries as per the UCs furnished up to 2011-12. The UCs for 2012-13 had not been furnished (November 2013). This resulted in unfruitful expenditure of ₹121.38 crore and locking up of the remaining ₹94.43 crore.

It was also observed that Chikamagalur (₹2.17 crore) and Dharwar (₹2.00 crore) ZPs had diverted ₹4.17 crore during 2010-11 to urban housing schemes and flood victims instead of rural BPL households not having sites.

### **2.1.10 Construction of house**

#### **2.1.10.1 Involvement of beneficiaries in construction**

As per guidelines, the beneficiaries should be involved in the construction of the house. For this purpose, the beneficiaries may make their own arrangements for procurement of construction material, engage skilled workmen and also contribute family labour. The beneficiaries will have complete freedom as to the manner of construction of the house. The responsibility for the proper construction of the house will be on the beneficiaries themselves.

During joint physical verification, beneficiaries confirmed that the houses were constructed by themselves. However, Audit scrutiny showed that an amount of ₹38.83 lakh, in four<sup>23</sup> GPs of Koppal ZP, was paid (2008-10) to Junior Engineers (JEs) but records of the houses having been constructed and handed over to the beneficiaries were not made available to Audit. Further, the names of the beneficiaries were recorded neither in the Khatha register nor in the Demand, Collection and Balance register. The PDOs stated (August 2013) that the JEs had not submitted any documents. Thus, the possibility of misuse of the amount of ₹38.83 lakh could not be ruled out.

The State Government stated (January 2014) that a detailed enquiry would be conducted and action would be initiated based on the enquiry report.

#### **2.1.10.2 Technical supervision**

As per the Scheme guidelines, technical supervision should be provided for construction of an IAY house. Foundation laying and lintel level are critical stages for maintaining the quality of the house. Therefore, technical supervision should be provided at least at these two stages.

It was seen that no such technical supervision was provided to beneficiaries by PRIs at any stage of construction.

The State Government stated (January 2014) that GOI had not allocated any separate grants for developing appropriate technology and capacity building at the grass-roots level in order to provide affordable houses to the rural poor. The reply cannot be accepted as the State Government should have mobilised either their own funds or from Government of India to develop technology and capacity building as per the Scheme guidelines.

<sup>23</sup> Karadona, Marlanhalli, Sangapura and Yeradona GPs (Gangavathi taluk)

### **2.1.11 Information, Education and Communication activities**

As per guidelines, Information, Education and Communication (IEC) material on Total Sanitation Campaign (TSC) was to be included in IAY publicity material.

Audit observed in the test-checked ZPs and GPs that no IEC activities were undertaken and no publicity materials in regard to IAY were published. Audit came across only 189 out of 1,258 beneficiaries surveyed who had been given assistance under TSC and water supply schemes. None of the test-checked GPs had undertaken any exercise to create awareness of convergence programmes among the beneficiaries.

### **2.1.12 Convergence with other schemes**

As per the Scheme guidelines, there should be convergence with:

- TSC for providing sanitary latrines;
- Rajiv Gandhi Grameena Vidyuthikarana Yojana to ensure free electricity connections to IAY houses;
- National Rural Water Supply Programme to provide every rural person with adequate water for drinking, cooking and other domestic basic needs on sustainable basis;
- Life Insurance Corporation of India has insurance policies called Janashree Bima for rural BPL families and Aam Aadmi Bima for the benefit of rural landless families. The District Rural Development Agencies (DRDAs) are to furnish the particulars of all the willing IAY beneficiaries every month to the respective nodal agency which is implementing the Janashree Bima and Aam Aadmi Bima in the ZP so that all willing IAY beneficiaries derive the benefits available under these insurance policies.

In addition to the above convergence of schemes, efforts may also be made to ensure that a jobless IAY beneficiary gets a job card under National Rural Employment Guarantee Act, 2005 (NREGA) and Self Help Group (SHG) membership under Swarnajayanti Gram Swarozgar Yojana. The State/District Administration and PRIs are expected to facilitate provision of all basic amenities for an IAY house.

Audit findings in this regard are detailed below.

#### **2.1.12.1 Absence of convergence activities**

Although IAY guidelines stipulated that beneficiaries should be provided with basic amenities in convergence with other schemes, no orders were issued by the State Government to extend the above programmes to IAY beneficiaries. As a result, implementation of the Scheme could not ensure provision of basic facilities to the beneficiaries.

Audit observed during joint physical verification of 1,258 houses that 821 houses (65 per cent) were without sanitary latrines, 784 houses (62 per cent) were without smokeless chulhas and 382 houses (30 per cent) were without electricity. Further, only 440 houses (35 per cent) had piped water supply and the remaining houses had water supply from other sources. The ZPs and GPs did not produce any records evidencing their efforts to facilitate IAY beneficiaries in getting these basic amenities through convergence of programmes.

The State Government stated (January 2014) that instructions had been issued for convergence of TSC with IAY from 2013-14. Similar steps need to be taken for other schemes as well.

### 2.1.13 Maintenance of records

Documentation is vital for scheme monitoring and the success of implementation of any scheme depends upon the proper maintenance of records relating to the scheme. Audit observed the following discrepancies in maintenance of records:

#### 2.1.13.1 Incomplete documentation in beneficiaries' files

The GPs maintain a separate file for each beneficiary. The file is required to contain various documents such as application, khatha extract, income certificate, caste certificate, work order, agreement, mortgage deed, payment details and the stage-wise photographs.

Test-check of 6,063 files showed instances of non-maintenance of records as detailed in Table 2.5.

**Table 2.5: Details of documents not kept in beneficiaries' files**

| ZP           | Total number of beneficiaries | No. of beneficiaries' files test-checked | Details of documents not kept on record |                |                    |                   |              |            |              |               |
|--------------|-------------------------------|--|---|----------------|--------------------|-------------------|--------------|------------|--------------|---------------|
|              |                               |  | Application                             | Khatha Extract | Income Certificate | Caste Certificate | Agreement    | Photos     | Work order   | Mortgage deed |
| Chikamagalur | 699                           | 657                                      | 101                                     | 140            | 127                | 73                | 186          | 38         | 187          | 426           |
| Chitradurga  | 1,788                         | 1,200                                    | 20                                      | 165            | 37                 | 37                | 3            | 85         | 44           | 45            |
| Dharwar      | 1,636                         | 485                                      | 30                                      | 63             | 60                 | 55                | 44           | 43         | 50           | 63            |
| Gadag        | 1,270                         | 758                                      | 37                                      | 358            | 213                | 123               | 202          | 29         | 231          | 325           |
| Gulbarga     | 1,433                         | 696                                      | 269                                     | 368            | 436                | 349               | 426          | 325        | 384          | 228           |
| Koppal       | 4,677                         | 1,196                                    | 154                                     | 221            | 191                | 193               | 160          | 124        | 164          | 175           |
| Mandya       | 829                           | 580                                      | 10                                      | 32             | 51                 | 51                | 38           | 135        | 58           | 0             |
| Ramanagara   | 801                           | 491                                      | 29                                      | 0              | 52                 | 36                | 0            | 169        | 29           | 12            |
| <b>Total</b> | <b>13,133</b>                 | <b>6,063</b>                             | <b>650</b>                              | <b>1,347</b>   | <b>1,167</b>       | <b>917</b>        | <b>1,059</b> | <b>948</b> | <b>1,147</b> | <b>1,274</b>  |

Source: Selected beneficiaries' files in the test-checked GPs

It was also observed that most of the applications were incomplete. The details such as BPL number, bank account number, etc., had neither been recorded nor had the applications been signed by the beneficiaries and by the PDOs/Secretary of the GPs. In the absence of these documents, Audit could not ascertain whether the houses were allotted to eligible BPL



beneficiaries and the ownership of the houses vested with the female or male member of the beneficiary household.

The State Government stated (January 2014) that all the required documents had been obtained in most of the cases but were not properly filed due to work pressure and negligence.

#### **2.1.14 Points noticed in Information Technology (IT) Audit of IAY**

RGRHCL had developed (2005-06) a beneficiary database for online monitoring of the progress of the housing schemes including IAY. This was referred to as Rajiv Gandhi Housing Online Monitoring System (RGHOMS). RGRHCL was not using the web-based local language enabled MIS program 'AWAASSoft' developed by the MORD.

The software has been developed using Microsoft Structured Query Language (SQL) Server (Back end) and Microsoft Dot Net Technology (Front end).

The housing data of allotments made under IAY during 2008-13<sup>24</sup> of eight<sup>25</sup> out of 30 ZPs were analysed (April to August 2013) using Computer Assisted Auditing Tool *i.e.* Interactive Data Extraction and Analysis (IDEA) software. Besides, the existence and adequacy of general IT controls in the organisation were also assessed in Audit.

##### **2.1.14.1 No provision to capture permanent IAY waitlist number**

The database did not have provisions to capture the permanent IAY waitlist number of the beneficiary. Thus, it was not possible to cross verify whether the beneficiaries were selected on the basis of seniority in BPL list.

##### **2.1.14.2 BPL number not captured in the database**

Analysis of data showed that BPL numbers in respect of 57,101 (33 per cent) out of 1,74,451 cases in the test-checked ZPs were either blank or zero.

Evidently, the "BPL Number" field was not a mandatory field and the system was allowing the GPs to enter any data as the BPL number.

In the absence of the data capturing the actual BPL number, it was not clear how RGRHCL was monitoring the selection of beneficiaries for the Scheme and ensuring that it was reaching the intended beneficiaries.

The State Government stated (January 2014) that BPL numbers were not captured as the new beneficiaries did not have BPL numbers. The absence of BPL number would render the data incomplete and monitoring would be ineffective in checking the instances of ineligible beneficiaries.

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<sup>24</sup> RGRHCL provided the data in April 2013

<sup>25</sup> Chitradurga, Chikamagalur, Dharwar, Gadag, Gulbarga, Koppal, Mandya and Ramanagara

### 2.1.14.3 GP resolution date

The fields related to GP resolution are resolution number, date and time. Audit observed that during 2008-09 to 2012-13, GP resolution date fields entered by the GPs were not valid as it was either “0”, blank or contained one or two digit numbers. There were 75,253 cases in the eight test-checked ZPs where resolution dates were either “0” or blank. Thus, it was not clear as to how RGRHCL was ensuring that the beneficiaries had been selected through a valid process in the Gram Sabha.

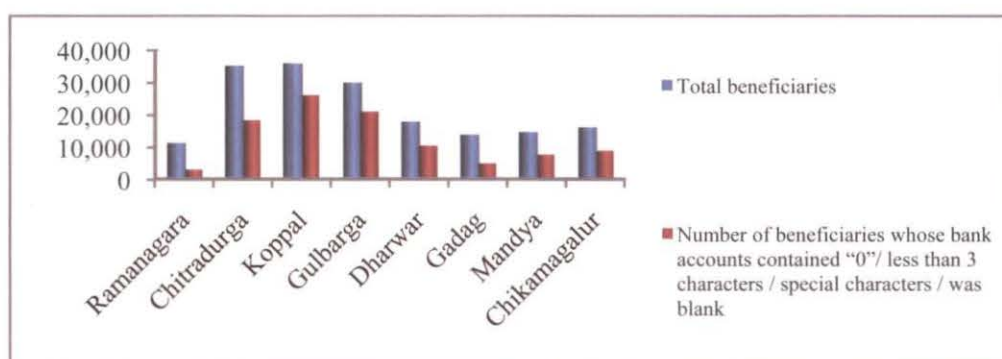
The State Government stated (January 2014) that GP resolution number and date were filled for those beneficiaries who had been selected under Gram Sabha. For the rest of them, these two columns would be null and this indicated the bifurcation between number of houseless/site-less families and selected beneficiaries. However, this would be rectified. The reply was not acceptable as the data captured in the system is only of selected beneficiaries under the Scheme and resolution date should therefore have been entered in that field in all cases.

### 2.1.14.4 Invalid bank account and payment data

As per the Scheme guidelines, payments to beneficiaries are to be made through crossed cheques, necessitating the beneficiary to have an account with a bank or post office.

Audit observed that bank account numbers in 99,168 (57 per cent) out of 1,74,451 cases were invalid as these had been left blank, contained “0”/less than three characters, etc. The details are depicted in **Chart 2.4** below.

**Chart 2.4: Number of beneficiaries without valid bank account**



In addition, the data table also had provision for capture of branch code and bank account status. These columns were also mostly left blank or contained invalid data such as two digit numbers, alpha numeric data, etc. The fields related to payment in respect of each instalment are cheque number, date, time and amount. It was found that the fields for cheque date and time were not being entered. This indicated that input controls were poor, affecting the quality of the data.

#### **2.1.14.5 Incomplete data on status of construction of house**

As per the Scheme guidelines, the payment to the beneficiary is to be made on staggered basis with respect to status of construction of house. In Karnataka, it is to be paid in four instalments. There is a provision in the database to enter the various stages of construction viz., foundation, lintel, roof and completed. This is an important control for a beneficiary being eligible for next instalment.

Audit observed in 1,816 cases that all four instalments had been paid although the details regarding the status of construction of the house were incomplete or had not been filled at all. Evidently, the Scheme criteria were not adhered to and the application did not debar entries regarding payment without the status of construction.

RGRHCL had reported to the GOI that 4,71,776 houses had been completed. However, considering that the data were not being updated properly, there was risk of inaccurate data being reported to the GOI.

##### **➤ Linkage of payment with construction**

It was also seen that there were 13,591 cases of allotments made during 2008-11 where only the first instalment had been paid which implied that the houses were still lying incomplete. Audit further checked the corresponding status of construction of the houses and found that in 4,319 cases (including 1,748 houses completed) the status of construction as recorded in the database merited payment of subsequent instalments. RGRHCL needs to review these cases to ascertain reasons for incomplete houses or whether it is a case of denial of payment to the beneficiary.

#### **2.1.14.6 Data on convergence not being captured**

Analysis of the data showed that there was provision to state 'Yes' or 'No' about the availability of water, sanitary latrines, chulha, biogas, electric connection, etc. However, these fields were mostly left blank, depriving RGRHCL of the ability to monitor convergence with other schemes.

It may be noted that RGRHCL had stated in its progress reports to GOI that 28,569 convergences had taken place during 2008-09. However, it was not clear as to how this was worked out as almost no data were being captured in this regard and no MIS report was generated from the system.

The State Government stated (January 2014) that details of convergence were captured only for IAY and for other state sponsored housing schemes these details were not captured. The reply was not acceptable as Audit noticed that the convergence details in regard to IAY were also not captured.

#### **2.1.14.7 No provision to capture assistance amount**

The database did not have any provision to capture the eligible assistance amount at the time of the selection of beneficiary. Incorporation of such a provision would ensure that no excess amounts are paid to the beneficiaries.

Audit compared the annual eligible assistance with the actual payments made to the IAY beneficiaries. It was observed that there were 3,507 beneficiaries who had received (2008-13) more than the eligible assistance. The excess worked out to ₹8.00 crore.

#### **2.1.14.8 Site and hut details not entered in the database**

The database had the provision to capture site details and details of size of huts, income of beneficiary, occupation, TP approval date, etc. These details would help in improved monitoring and corroborate the BPL status of the beneficiary.

Audit observed that these were not being entered uniformly. Moreover, during field audit and joint physical verification, Audit came across cases wherein the beneficiary, already owning houses, had used assistance to build extensions to existing houses which rendered the beneficiary as doubtful. Had this data been entered, such cases could have been detected on a review of the database. The other fields in the database which contained blank or invalid data are detailed in **Appendix 2.9**.

Thus, the objective of database for progress updation and release of funds to the beneficiaries was affected adversely as data in critical fields like TP's approval date, income, photograph, voter ID, etc., were not being entered.

#### **2.1.14.9 No provision to capture reason for allotment of houses to male members**

Allotment of dwelling units is to be in the name of the female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife. However, if there is no eligible female member in the family available/alive, house can be allotted to the male member of the deserving BPL family.

Audit test-checked the data to ascertain the number of male beneficiaries who had been allotted a house under the Scheme. The year-wise details are as under.

**Table 2.6: Number of male members allotted a house**

| Year    | Total number of beneficiaries selected as per Beneficiaries Tables | No. of male beneficiaries | Male members (Percentage) |
|---------|--|---------------------------|---------------------------|
| 2008-09 | 33,836   | 1,322                     | 3.91                      |
| 2009-10 | 45,135   | 1,564                     | 3.47                      |
| 2011-12 | 59,267   | 2,139                     | 3.61                      |
| 2012-13 | 36,213   | 1,212                     | 3.35                      |

Source: RGRHCL

While Audit accepts that under circumstances specified in the guidelines, there is no express bar on a male being allotted house under IAY, the fact remains that the database did not have any provision to capture the reason and reduce

the risk that Scheme guidelines were not being followed. These would have enabled the Management in better decision making and policy interventions.

#### **2.1.14.10 Inadequate logical access controls**

It was observed that GPs were not aware of any password control policies. RGRHCL had also not framed any such policies or issued directions to the GPs in this regard. Audit also observed that the tables did not contain fields for audit trail *i.e.* to capture date and user id when updations were carried out. Thus, there was a risk that unauthorised users will have access to the data particularly at the time of selection of beneficiaries and updating of payment details, affecting the integrity and reliability of the data.

#### **2.1.14.11 No access of the data to citizens or beneficiaries**

A beneficiary is someone who is entitled, under IAY, to receive financial aid to construct/upgrade unserviceable 'kutcha' houses.

The web-based application however has no provision for the beneficiary to check for his/her selection, transfer of funds to his accounts or lodge complaint and trace its subsequent response. Similarly, the database is also not accessible to other citizens. Thus, there is lack of transparency as citizens cannot view the reports or latest developments in the Scheme or lodge complaints.

These facilities for the empowerment of the beneficiary and citizens and promotion of e-governance are available in the 'AWAASSoft' developed by MORD.

### **2.1.15 Findings of Joint Inspection**

Audit, along with the departmental staff, conducted a survey of 1,258 beneficiaries in the test-checked 119 GPs to assess their perception and experience of the Scheme and to evaluate the construction of the house under the Scheme. Audit findings on the joint inspection are detailed below.

#### **2.1.15.1 Construction of large houses**

As per the Scheme guidelines, the plinth area of the houses should not be less than 20 sq mt and as per the State Government sanction order given to the beneficiary it should not be more than 38 sq mt.

In 38 test-checked GPs, Audit came across 76 cases of large houses having built-up area in the range of 70 to 120 sq mt. The approximate amount spent on constructing these houses could be at least more than ₹5.00 lakh, which indicated that the beneficiaries did not belong to BPL families. Some of the photographs below, taken during joint inspection, underscore the infraction:

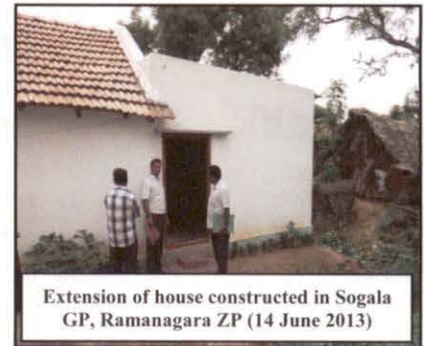


IAY house in Melapura GP, Mandya (16 May 2013) IAY house in Kodamballi GP, Ramanagara (28 June 2013)

### 2.1.15.2 Assistance used for construction of extension of houses

As per guidelines, assistance under IAY should be extended to the shelterless BPL households.

In 47 test-checked GPs, Audit observed that in 89 cases extensions to existing houses owned by the beneficiaries were constructed. The assistance provided to these beneficiaries was in gross violation of the Scheme guidelines.



### 2.1.15.3 Houses used for non-dwelling purpose

The houses constructed out of IAY assistance are to be utilised for human habitation. Audit came across 44 cases in 31 test-checked GPs where IAY benefits had been utilised for non-dwelling purpose *viz.*, cattle shed, godown, brick factory, grocery shop, vehicle shed, hotel, *etc.*

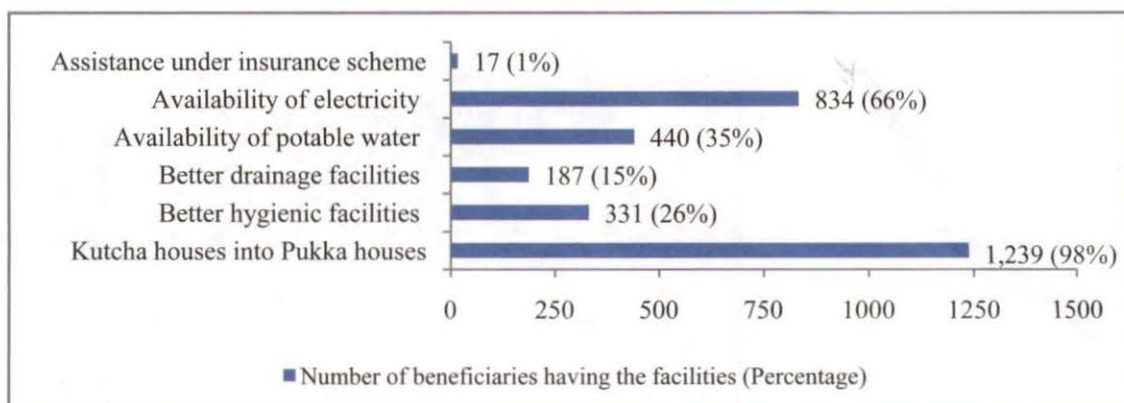


IAY benefits used for hotel - Lakshamma w/o Obblegouda, Mugulavalli GP, Chikamagalur (20 May 2013)

#### 2.1.15.4 Impact assessment

The impact of IAY as ascertained during joint physical verification of 1,258 beneficiaries is depicted in **Chart 2.5**.

**Chart 2.5: Impact of IAY**



In 98 *per cent* of the cases, the beneficiaries stated that the Scheme had made a positive impact in converting kutcha houses into pukka houses. However, only 15 and 26 *per cent* of the beneficiaries agreed that there was an impact with regard to availability of better drainage and hygienic facilities respectively. Only 35 *per cent* of the beneficiaries reported having access to potable water.

#### 2.1.16 Monitoring and Evaluation

##### 2.1.16.1 Monitoring and Evaluation Framework

As per the Scheme guidelines, officers dealing with the IAY at the State headquarters should visit districts regularly and ascertain through field visits whether the Scheme is being implemented satisfactorily and whether construction of houses is in accordance with the prescribed procedure. Similarly, officers at the district and block levels must closely monitor the implementation of IAY through visits to work sites. A schedule of inspection which prescribes a minimum number of field visits for each supervisory level functionary from the State level to the block level should be drawn up and strictly adhered to.

It was seen that no schedule of inspection was prescribed by the State Government and field inspections were not conducted in the test-checked ZPs and TPs.

The State Government stated (January 2014) that RGRHCL was conducting the review meetings and field inspections at district/taluk/GP level on regular basis. The reply was not acceptable as no documentary evidences were made available to Audit either at RGRHCL or in the test-checked ZPs to substantiate this. Further, as per the CA's report for the year 2011-12, inspection reports were available only for two GPs out of 5,628 GPs in the State.

### 2.1.16.2 State level Monitoring and Evaluation

The Principal Secretary, Housing Department monitored the implementation of all housing schemes including IAY through Monthly Programme Implementation Calendar (MPIC). RGRHCL used RGHOMS for monitoring the progress of IAY. As stated earlier, there were instances of invalid, incomplete and blank data indicating poor input controls and rendering data unsuitable for decision making process.

### 2.1.16.3 Vigilance and Monitoring Committee

The State Level Vigilance and Monitoring Committees (SLVMC) are to meet once in a quarter for monitoring the implementation of the programmes. A representative or nominee of the MORD should invariably be invited to participate in the meetings of the Committee.

The details of number of SLVMC meetings held during 2008-13 in the State are shown in **Table 2.7**.

**Table 2.7: Details of number of SLVMC meetings**

| Year    | No. of SLVMC meetings to be held | No. of SLVMC meetings held | No. of meetings in which representative of MORD was present |
|---------|----------------------------------|----------------------------|---|
| 2008-09 | 4                                | 2                          | Not attended  |
| 2009-10 | 4                                | -                          | -   |
| 2010-11 | 4                                | 3                          | 2   |
| 2011-12 | 4                                | 1                          | 1   |
| 2012-13 | 4                                | 1                          | 1   |

Source: As furnished by the RDPR Department

It could be seen from the above table that meetings were not held regularly during 2008-13.

### 2.1.16.4 Transparency and Accountability

As per guidelines, the PRIs should disclose the information about the permanent IAY waitlist, beneficiaries selected, transfer of funds to their accounts, distribution of funds block-wise/GP-wise, houses taken up at block level, etc. The SLVMC suggested in the meeting held on 11 December 2008 to upload these details in the departmental website also. However, Audit observed that these details were not available in the test-checked PRIs.

It was also observed that RGHOMS did not have any provision for the beneficiaries to check for their selection, transfer of funds to their accounts, lodge complaints and trace redressal of the same. Thus, there was absence of grievance redressal mechanism and lack of transparency as citizens could not view the reports or the latest developments in the Scheme. These facilities for the empowerment of the beneficiary and promotion of e-governance, available in the 'AWAASSoft' developed by MORD, should be provided in RGHOMS as well.



### **2.1.17 Conclusion**

The performance audit of the Scheme for the period 2008-13 showed that only 3.43 lakh houses could be completed against the target of 6.64 lakh houses. Out of 5.74 lakh beneficiaries selected, 3.05 lakh (53 *per cent*) belonged to SC/ST categories and minorities were 0.75 lakh (13 *per cent*), which was less than the stipulated targets of 60 and 15 *per cent* respectively.

Financial management was deficient as reconciliation was not done between cash book and bank pass book. There were instances of loss of central assistance, delay in certifying the accounts and payments made to non-IAY beneficiaries. The entire fund corpus of ₹215.81 crore released under Homestead scheme remained unfruitful as sites developed under the Scheme after incurring an expenditure of ₹121.38 crore were not distributed to the beneficiaries.

A permanent waiting list, as required, was not prepared. Benefits had been extended to ineligible beneficiaries. The joint inspection of beneficiaries brought out cases of beneficiaries owning large houses and beneficiaries using the assistance for constructing extensions to existing houses, indicating that these beneficiaries were not eligible under the Scheme.

IEC activities were not conducted, and beneficiaries did not receive any technical assistance though stipulated in the guidelines. Efforts were not made to facilitate the beneficiaries in getting basic amenities through convergence of programmes. Monitoring of the implementation of the Scheme was not adequate.

The IT audit showed that data entry in several essential fields was extremely poor. Some of these fields were particularly critical for identification of the beneficiary, monitoring and evaluation of the Scheme namely the BPL number and bank account details. The degree of invalid, incomplete and blank data indicated weak input controls in the application design and lack of awareness of the users.

Moreover, certain important fields such as the BPL family number, eligible assistance amount and permanent IAY waiting list had not been incorporated at all. No access had been given to citizens and beneficiaries, thus reducing transparency of the Scheme.

The password control policy, audit trails and disaster recovery and business continuity plan were also absent.

The deficiencies in the database reduced the confidence in the accuracy of the data and impacted effective monitoring.

### **2.1.18 Recommendations**

- There is a need to evolve an effective system of tracking fund movements between the GPs and beneficiaries and reconciliation should be carried out regularly by RGRHCL with PRIs.

- The selection process of beneficiaries should be strictly as per the Scheme guidelines.
- Record maintenance needs to be strengthened and insisted upon at the GP level.
- IEC activities should be stepped up for greater beneficiary awareness.
- The State Government should draw up a schedule of inspection at all levels prescribing minimum number of field visits.
- Monitoring mechanism should be strengthened to ensure timely completion of houses and adherence to quality in construction.
- Norms for periodic review of data quality should be prescribed so as to enable initiation of timely action.
- RGRHCL needs to incorporate proper audit trail in the system.
- Beneficiary status and performance reports should be accessible for public viewing to ensure greater transparency.
- User Manuals should be prepared and adequate training provided to the users so as to equip them to handle all the beneficiary applications efficiently, minimising incorrect data entry and processing.
- RGRHCL should ensure that all necessary fields are incorporated in the system design particularly those that are available on the 'AWAASSoft'.
- Software may be designed to include appropriate MIS reports to facilitate monitoring.

## RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

### 2.2 Implementation of Backward Regions Grant Fund Programme

#### Executive summary

The Government of India had launched (February 2007) Backward Regions Grant Fund Programme to redress regional imbalances in development and to provide financial resources for supplementing and converging existing developmental inflow into identified districts. In Karnataka, six districts were covered under the Programme.

Performance Audit of the Programme showed that Perspective Plan had not been prepared in Raichur district and guidelines for *inter se* allocation of funds within the Panchayat Raj Institutions and Urban Local Bodies considering district-specific backwardness indicators had not been prepared. Financial management was deficient as evidenced by loss of central assistance, delays in release of funds, *etc.* There were instances of lack of transparency in tendering and contract management. Training for capacity building as stipulated in the guidelines had not been imparted adequately. Monitoring was not adequate and evaluation of the training programme had not been done.

#### 2.2.1 Introduction

Government of India (GOI) had launched (February 2007) Backward Regions Grant Fund (BRGF) Programme (henceforth referred to as the Programme) for development of backward areas and to provide resources for supplementing and converging existing development inflows to selected backward districts. The objective was to mitigate the regional imbalances and speed up the development, thereby contributing towards poverty alleviation. The Programme was fully funded by GOI and is being implemented in six<sup>26</sup> identified districts of Karnataka.

#### 2.2.2 Organisational structure

The Programme was implemented in the State under the overall supervision of Principal Secretary, Rural Development and Panchayat Raj (RDPR) Department through Chief Executive Officers (CEOs) of Zilla Panchayats (ZPs), Executive Officers of Taluk Panchayats (TPs), Panchayat Development Officers of Gram Panchayats (GPs), Chief Officers of Urban Local Bodies (ULBs) and other implementing agencies. A High Powered Committee (HPC) under the chairmanship of the Chief Secretary was constituted (March 2007) at the State level for approving, managing, monitoring and evaluating the works proposed by the District Planning Committees (DPCs).

<sup>26</sup> Bidar, Chitradurga, Davanagere, Gulbarga, Raichur and Yadgir (bifurcated from Gulbarga)

### 2.2.3 Audit objectives

The main objectives of the Performance Audit of the BRGF Programme were to assess the adequacy and effectiveness of:

- planning and institutional arrangements;
- financial management;
- the implementation mechanism to achieve the intended objectives; and
- the monitoring mechanism and evaluation processes.

### 2.2.4 Audit criteria

The sources for audit criteria were:

- Guidelines of the Programme and instructions issued by GOI and State Government;
- General Financial Rules, 2005 and Karnataka Financial Code (KFC);
- Karnataka Transparency in Public Procurements Act, 1999 (KTPP Act) and Rules, 2000.

### 2.2.5 Scope of audit and methodology

Performance Audit of the BRGF Programme for the period 2007-13 was conducted (May-September 2013) by test-check of records at RDPR Department, Abdul Nazir Saab State Institute of Rural Development, Mysore (ANSSIRD), three ZPs, six TPs, 48 GPs, six ULBs and 10 other implementing agencies (detailed in **Appendix 2.10**). The units (except ZP, Davanagere) were selected using '*probability proportional to size without replacement method*' with size measure as expenditure. The ZP, Davanagere was selected at the request of the State Government. The audit objectives, scope and methodology were discussed with the Principal Secretary, RDPR Department during an Entry Conference held in May 2013. An Exit Conference was held with the Additional Chief Secretary to Government of Karnataka, RDPR Department in February 2014 to explain the audit findings, which were generally accepted by the Department.

### Acknowledgement

Audit acknowledges the cooperation and assistance extended by the State Government and the audited entities in conducting the performance audit.

### 2.2.6 Financial management

The Ministry of Panchayati Raj, GOI releases funds to the State Government (Finance Department). The funds are, in turn, released to the implementing agencies through RDPR Department. The Programme consists of two funding

windows, namely, Capability Building Fund (CBF) and Development Fund. CBF was to be utilised primarily to build capacity in planning, implementation, monitoring and improving accountability and transparency. Development Fund was to be used to fill up critical gaps in integrated development, identified through the participative planning processes.

### 2.2.6.1 Financial position

During the period 2007-13, GOI had released ₹514.65 crore to the State Government, out of which an amount of ₹502.10 crore was utilised. However, no expenditure was incurred during 2007-08 despite the availability of ₹96.49 crore. Subsequently, GOI did not release ₹108.34 crore allocated for the year 2008-09, depriving the State Government of Central assistance. The details are indicated in **Table 2.8**.

The financial position of the test-checked districts is detailed in **Appendix 2.11**.

**Table 2.8: Receipt and utilisation of funds under BRGF during 2007-13**

(₹ in crore)

| Year         | Capability Building Fund |              |              | Development Fund |               |               | Total         |               |               | Unspent balance |
|--------------|--------------------------|--------------|--------------|------------------|---------------|---------------|---------------|---------------|---------------|-----------------|
|              | A                        | R            | E            | A                | R             | E             | A             | R             | E             |                 |
| 2007-08      | 5.00                     | 10.00*       | Nil          | 103.34           | 86.49         | Nil           | 108.34        | 96.49         | Nil           |                 |
| 2008-09      | 5.00                     | Nil          | 10.00        | 103.34           | Nil           | 86.49         | 108.34        | Nil           | 96.49         |                 |
| 2009-10      | 5.00                     | 8.39         | 8.39         | 103.34           | 102.54        | 102.54        | 108.34        | 110.93        | 110.93        |                 |
| 2010-11      | 5.00                     | 5.00         | 5.00         | 103.34           | 103.17        | 103.17        | 108.34        | 108.17        | 108.17        |                 |
| 2011-12      | 5.00                     | 2.69         | 2.69         | 113.91           | 94.83         | 62.50         | 118.91        | 97.52         | 65.19         |                 |
| 2012-13      | 5.00                     | 3.50         | 0.46         | 113.91           | 98.04         | 120.86        | 118.91        | 101.54        | 121.32        |                 |
| <b>Total</b> | <b>30.00</b>             | <b>29.58</b> | <b>26.54</b> | <b>641.18</b>    | <b>485.07</b> | <b>475.56</b> | <b>671.18</b> | <b>514.65</b> | <b>502.10</b> | <b>12.55</b>    |

Source: RDPR Department      A: Allocation      R: Releases      E: Expenditure

\* There was excess over allocation as funds earmarked for 2006-07 were released during 2007-08.

The State Government stated (March 2014) that funds could not be utilised as they were released late and action plans prepared in October/November 2007 were approved by GOI in February 2008. However, this deprived the State of funds to the tune of ₹108.34 crore allocated for the year 2008-09.

### 2.2.6.2 Incorrect reporting of expenditure

Utilisation Certificates (UCs) are to depict the actual utilisation of funds so that there is correct reporting of expenditure. Contrary to this, two implementing agencies (ANSSIRD and TP, Manvi) had submitted UCs treating the advances of ₹4.80 crore paid (2010-12) to other agencies<sup>27</sup> as expenditure, although these amounts had not been utilised (March 2013).

The State Government stated (March 2014) that instructions had been issued to submit UCs for the amount utilised.

<sup>27</sup> (i) ANSSIRD (2010-11) - advances to Karnataka Rural Infrastructure Development Limited (₹4.00 crore) and State Institute for Urban Development (₹0.50 crore);  
(ii) TP, Manvi (2011-12) - advance paid to Nirmithi Kendra (₹0.30 crore)

### 2.2.6.3 Delay in release of fund

As per the State Government orders, the ZPs were to transfer the Programme funds to Implementing Officers (IOs) within 15 days of the amount being released by the State Government, failing which they were liable to pay interest at Reserve Bank of India (RBI) rate.

Audit observed that ZP, Raichur had transferred (2007-12) ₹7.49 crore to IOs with delays ranging from 22 to 93 days in five cases, 254 to 368 days in 14 cases and 537 days in one case. It had, however, not transferred the applicable interest amounting to ₹28.62 lakh to the IOs.

The State Government accepted the audit observation and stated (March 2014) that action would be taken to transfer funds through Real Time Gross Settlement (RTGS) to IOs at State level from 2014-15 which would prevent such delays in future.

### 2.2.6.4 Maintenance of multiple bank accounts

As per the State Government order (May 2000), only one bank account should be maintained for each scheme. Further, Paragraph 4.8 of the Programme guidelines provided for maintaining a separate account either in a nationalised bank or in a post office. However, Audit observed that ZP, Raichur and Deputy Commissioner (DC), Chitradurga had maintained multiple<sup>28</sup> bank accounts, including one which was not in a nationalised bank<sup>29</sup>.

It was also seen that DC, Chitradurga had not exhibited the transactions pertaining to one<sup>30</sup> bank account in BRGF cash book during the period September 2008 to December 2012. This resulted in understatement of receipts and expenditure to the extent of ₹13.23 lakh and ₹13.18 lakh respectively. Thus, maintenance of multiple bank accounts not only contravened the Programme guidelines but was also fraught with the risk of misuse of Programme funds.

The State Government stated (March 2014) that multiple bank accounts had been closed and a single bank account was being maintained. However, the reply was silent about operation of bank account in the cooperative bank.

## 2.2.7 Planning and Institutional arrangements

### 2.2.7.1 Preparation of Perspective Plan

As per the Programme guidelines, a well-conceived participatory Perspective Plan for 2007-12 in each district was required to be prepared on the basis of a diagnostic study of its backwardness including a baseline survey. This plan was to integrate multiple programmes in operation in the district concerned and, therefore, address backwardness through a combination of resources that would flow to the district.

<sup>28</sup> DC, Chitradurga (four accounts) and ZP, Raichur (six accounts)

<sup>29</sup> Raichur District Central Cooperative Bank Ltd.

<sup>30</sup> State Bank of Mysore-A/c.No.64029222426

Audit observed that out of three test-checked districts, no Perspective Plan was prepared for Raichur district and, thus, the critical gaps in the district were not identified. The State Government stated (March 2014) that suitable instructions would be issued to the district.

In the remaining two districts, the Comprehensive District Development Plans (CDDPs) for the period 2007-12 were prepared after identifying the priority areas for the districts. The common priority areas in these two CDDPs were providing basic infrastructure facilities in Scheduled Caste (SC)/Scheduled Tribe (ST) colonies, viable, sustained and dignified employment opportunities for SC/ST population, improving facilities in Primary Health Centres, providing adequate fodder and animal care facilities, providing alternate commercial activities for small and marginal farmers, providing female literacy, *etc.*

### 2.2.7.2 Annual Action Plans

The Annual Action Plans (AAPs) should be in line with the Perspective Plan. In all the three test-checked districts, AAPs were prepared and duly approved by DPCs. In the case of Raichur, which did not have a Perspective Plan, it was not possible to ascertain whether the AAPs adequately addressed the priority areas. In Davanagere and Chitradurga districts, it was observed that viable, sustained and dignified employment opportunities for SC/ST population, providing adequate fodder and animal care facilities, providing alternate commercial activities for small and marginal farmers, providing information and training to small farmers, providing female literacy, *etc.*, were not reflected in the AAPs. Audit also observed that works/activities, as detailed below, had been executed beyond those included in the approved AAPs, which was indicative of deficiencies in the planning process.

- Twenty nine<sup>31</sup> implementing agencies in the test-checked districts had incurred (2008-12) an amount of ₹1.98 crore on 55 activities/works not included in the AAPs.
- Five<sup>32</sup> implementing agencies in the test-checked districts had procured (2008-12) materials costing ₹1.92 crore in excess of the quantities specified in the AAPs.

The State Government stated (March 2014) that as the approval of the ZP members was obtained and due to the urgency of the situation and the works not being covered in other schemes, these works were not included in the AAPs. However, the reply was not acceptable as execution of works which were not in the approved AAPs defeated the very objective of planned execution.

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<sup>31</sup> four implementing agencies in Chitradurga (12 cases), 17 implementing agencies in Davanagere (32 cases) and eight implementing agencies in Raichur (11 cases)

<sup>32</sup> one in Chitradurga, three in Davanagere and one in Raichur

### 2.2.7.3 Institutional arrangements

The Programme guidelines stipulated providing specific staff to GPs *i.e.* a trained community level person to provide knowledge inputs to the community on agriculture, water management, livestock management, *etc.*, and one barefoot engineer<sup>33</sup> to enhance local engineering capacity. Similarly, at taluk level one Panchayat Resource Centre (PRC) was to be set-up with one engineer for preparation of estimate and monitoring quality of execution, an accountant and a social specialist to conduct participatory planning by mobilising villagers to attend Gram Sabha. However, the State Government had not provided the required technical support to any of the six TPs and 48 GPs test-checked (September 2013).

The State Government accepted (March 2014) the need to consider outsourcing but also felt that there had been savings as the Programme had been implemented with their own staff. However, the reply was not totally acceptable as the objective was not to generate savings but to strengthen local capacity which was not achieved as was confirmed in all the 48 test-checked GPs.

### 2.2.7.4 Non-issue of guidelines for allocation of funds

The Programme guidelines required the State Government to issue guidelines for *inter se* allocation of the Programme funds to different levels of Panchayat Raj Institutions (PRIs) and ULBs considering the backwardness index or level of development and addressing specific district-wise priorities. However, such guidelines had not been issued.

The State Government stated (March 2014) that action would be taken to issue guidelines.

## 2.2.8 Development funds

During 2007-13, GOI released ₹485.07 crore under Development Fund for addressing critical gaps in integrated development, identified through the participative planning process in the BRGF districts. Of this, ₹475.56 crore was utilised as of March 2013. Irregularities observed during review of utilisation of the Fund are detailed below.

### 2.2.8.1 Diversion of funds

Contrary to the Programme guidelines, an amount of ₹32.30 lakh was irregularly diverted (2008-12) by eight implementing agencies for construction of steps to temple, payment of travelling allowance and honorarium to participants for participating in meetings, conducting coaching class, *etc.*

The State Government stated (March 2014) that the DPCs had approved the works and the objective of the Programme was to supplement and converge

<sup>33</sup> Engineer trained in minor engineering repairs such as electricity repair, repair of hand pump, repair of agricultural pump sets, *etc.*



the existing schemes. The reply was not acceptable as such works were not permitted under the Programme guidelines.

#### **2.2.8.2 Expenditure towards exposure visits**

National Capability Building (NCB) framework for Panchayat Raj elected representatives and functionaries specifies visits to identified beacon Panchayats through a transparent and independent process. Study visits to other beacon Panchayats can be organised so as to promote exposure to best practices and replicate models of development and good governance. However, 10<sup>34</sup> implementing agencies in two test-checked districts had organised study visits incurring an expenditure of ₹39.62 lakh for elected representatives and staff to Sharjah, Dubai, towns and cities in North India/Karnataka instead of beacon Panchayats. In none of these cases, tour notes and study reports were available on record.

The State Government stated (March 2014) that exposure visits were being undertaken as part of the training programme but the reply was silent about the above cases pointed out by Audit.

Audit is of the opinion that such visits should be undertaken only if they have a direct impact on the implementation of the Programme.

#### **2.2.9 Tendering process**

The discrepancies and irregularities in the tendering process are given in the succeeding paragraphs.

##### **2.2.9.1 Non-compliance with KTPP Act**

- Provisions of KTPP Act stipulate that where the value of the goods or services to be procured by a local authority exceeds ₹1.00 lakh, tenders have to be necessarily invited. However, in 11 cases, four<sup>35</sup> implementing agencies had procured goods in excess of ₹1.00 lakh (Total ₹34.58 lakh) without inviting tenders. The denial of the benefit of competitive rates could not be ruled out.
- As per the guidelines issued (December 2002) by the State Government, fresh tenders are to be invited when less than three tenders are received for a work. Contrary to this, DC, Chitradurga had accepted single tenders in eight cases for works costing ₹41.42 lakh in the first call itself.
- In another four cases of three<sup>36</sup> test-checked implementing agencies, the tender forms were made available only for a short duration ranging from one to three days and not till the notified dates of closure of issue of tender forms.

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<sup>34</sup> eight implementing agencies in Davanagere and two implementing agencies in Raichur

<sup>35</sup> GP, Bhogavati (one case); GP, Hirekotnekal (one case); TP, Davanagere (eight cases) and TP, Manvi (one case)

<sup>36</sup> Panchayat Raj Engineering Division (PRED), Raichur (two cases); TP, Davanagere (one case) and ZP, Chitradurga (one case)

The State Government stated (March 2014) that instructions would be issued to follow the KTPP Act strictly in calling for tenders.

### **2.2.10 Execution of works and procurement of goods and services**

The basic objective of the Programme was to execute development works in backward areas, which were either not executed under other developmental activities or were essential to bridge the gaps in critical areas. In the three test-checked ZPs, out of the total 1,655 sanctioned works, 1,045 works were completed, 436 works were incomplete and 174 works had not started due to non-availability of land (during 2008-13). Reasons for non-completion of 436 works were not on record (as on March 2013). Audit observed the following deficiencies in execution of works.

#### **2.2.10.1 Non-recovery of liquidated damages**

Tender conditions provide for recovery of liquidated damages from the contractors for delayed completion of works. However, Audit observed in the two test-checked districts that liquidated damages amounting to ₹19.59 lakh had not been recovered in nine<sup>37</sup> test-checked cases during the period 2008-12, though there were delays in completion of these works.

The State Government stated (March 2014) that extension for completion of works in Chitradurga district was given on the oral request of the supplier. The reply was not acceptable as this was not in accordance with the agreement and the extension was not recorded. The reply was silent about non-recovery of liquidated damages in Raichur district.

#### **2.2.10.2 Unfruitful expenditure**

A work of construction of ST girls' dormitory building at Gurugunta village in Lingasugar taluk of Raichur district was entrusted (September 2009) to a contractor for ₹75.60 lakh, with a stipulation to complete the work within nine months (including monsoon). However, the work had not been completed even after a lapse of three years due to non-receipt of matching grant of ₹30.07 lakh from the Social Welfare Department. This rendered the expenditure of ₹57.81 lakh incurred (as on March 2013) on the work unfruitful.

The State Government stated (March 2014) that the Social Welfare Department had agreed to release the matching grant.

#### **2.2.10.3 Unfruitful expenditure on procurement**

Audit observed that three implementing agencies had purchased equipment costing ₹87.40 lakh. It was, however, seen that these equipment items were not put to use for the reasons as detailed in **Table 2.9**, rendering the entire expenditure unfruitful.

<sup>37</sup> City Municipal Council (CMC), Raichur (three cases); PRED, Raichur (one case) and DC, Chitradurga (five cases)

**Table 2.9: Details of unfruitful expenditure incurred on procurement**

| Name of the Implementing Agency | Name of the item purchased (Number)   | Remarks   |
|---------------------------------|---|---|
| DC, Chitradurga                 | Trailer mounted jetting machines for cleaning drains (four) costing ₹28.88 lakh procured in April 2010 for ULBs.                              | Machines lying idle as there were no underground drainage systems |
|                                 | Audio and visual equipment items for training halls costing ₹6.94 lakh procured in November 2008 for ULBs.                                    | Not put to use as training halls not constructed in ULBs          |
| ZP, Chitradurga                 | JCB 3DX Backhoe Loaders (two) costing ₹42.44 lakh procured in June 2010 for PRED, Chitradurga.  | Machines not put to use as there was no demand from contractors   |
| CMC, Raichur                    | Bio-metric instruments for monitoring attendance (eight) in the office of CMC, Raichur costing ₹9.14 lakh procured in November 2010/May 2011. | Not commissioned and manual attendance system being followed      |

Source: As furnished by the Implementing Agencies

The State Government stated (March 2014) that JCB 3DX Backhoe Loaders procured by ZP, Chitradurga and bio-metric instruments procured for CMC, Raichur were lying idle and that steps would be taken to use them after repairs, but they did not agree that the other two equipment items procured by DC, Chitradurga were kept idle. However, this is not factually correct as the ULBs concerned had accepted (July 2013) that there was no requirement and hence these were not used.

#### 2.2.10.4 Wasteful expenditure

DPC, Chitradurga had approved (November 2007) a project to establish very small aperture terminal (VSAT) connectivity for video/audio conferencing, voice over internet protocol (VOIP) and data transfer services among all GPs, TPs and ZP of Chitradurga district. The State Government, while releasing the funds, had instructed (September 2008) to obtain technical guidance from e-Governance Department before implementing the project.

The ZP, Chitradurga had released (February 2009) ₹0.85 crore to 185 GPs for providing infrastructure for e-connectivity. The ZP entered into (May 2009) an agreement with Karnataka State Electronics Development Corporation Limited (KEONICS) for creation of communication and data network design, network bandwidth of 128 kbps in 192 centres (ZP, TPs and GPs). The ZP paid (May 2009 and January 2010) ₹0.72 crore to KEONICS and ₹2.53 crore to six<sup>38</sup> agencies for procuring accessories such as Multi-point control units, computers, printers, projectors, etc. However, the equipment items procured by the ZP were lying idle.

<sup>38</sup> M/s. Tasktel Technologies, Bangalore (₹0.52 crore);  
M/s. Siddarth Infotech and M/s. Nclose Technologies, Mangalore (₹1.94 crore);  
M/s. S.G. Enterprises, M/s. Guru Vaibhav Enterprises and District Supply and Marketing Society, Chitradurga (₹0.07 crore)

It was seen that the ZP had not obtained the technical guidance from e-Governance Department and commenced the project without ensuring its feasibility. Third party (M/s.SJM Institute of Technology, Chitradurga) for reviewing the report on Hybrid connectivity for voice data, video and internet across all GPs, TPs and ZP was appointed only in November 2010. The third party had pointed out (February 2011) that against the required bandwidth of 512 kbps for VSAT connectivity, bandwidth of 128 kbps was installed by the ZP and no infrastructure facilities were available at GPs and TPs. It was also stated that computer literacy of the operators was poor.



The State Government stated (March 2014) that arbitration petition had been filed against the General Manager, KEONICS and also that the connectivity work had been stopped.

Thus, the objective of establishing VSAT connectivity could not be achieved, rendering the entire expenditure of ₹4.10 crore wasteful.

### **2.2.11 Activities taken up under Capability building component**

Capability building funds were to be used to facilitate participatory planning, decision making, implementation and monitoring of different schemes for better governance and service delivery. Under this, training was to be provided to elected representatives and officials of PRIs and ULBs. Providing telephone and e-connectivity, establishing accounting and auditing system, establishment and maintenance of training help lines, *etc.*, were other important components. Under this component, GOI had released ₹29.58 crore during 2007-13, out of which ₹26.54 crore was utilised, leaving a balance of ₹3.04 crore (March 2013).

The following irregularities were observed during the review of implementation of various activities under the Capability building component.

#### **2.2.11.1 Training to elected representatives and staff of PRIs**

During 2007-13, 137 training programmes were conducted for 92,516 elected representatives and staff (82 *per cent*) against the target of 1,12,916. However, exclusive training on maintenance of accounts, use of online service, preparation and forwarding of UCs, *etc.*, were not imparted.

The State Government stated (March 2014) that such trainings were being provided under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and in future would be provided under BRGF also.

### 2.2.11.2 *Payments not supported by details*

In the following cases, the holding of workshops and trainings were not supported by details.

- Town Municipal Council (TMC), Harapanahalli had entrusted the exhibition on child labour, women development, *etc.*, to Sapna Educational Society for ₹17.50 lakh during April 2010. Administrative approval was accorded by CEO, ZP Davanagere on 16 April 2010 for conducting 75 workshops and 100 exhibitions. However, within a span of three days, the agency had completed all the programmes (175) and payment of ₹17.45 lakh was made on 24 April 2010. No details of personnel who had attended the workshops and exhibitions were provided to Audit. The State Government stated (March 2014) that these details were available with Sapna Educational Society. However, such details should have been available with the TMC and conducting 175 workshops/exhibitions in the TMC locality in just three days appears doubtful.
- Four<sup>39</sup> implementing agencies had arranged (2007-12) training programmes for unemployed youths in driving, beautician's course, tailoring, computer and embroidery. Payments of ₹6.56 crore were made to the agencies without obtaining the details such as, candidates' applications, place of training, details of examinations and issue of certificates, evaluation reports, copies of driving licences issued, signed attendance, details of infrastructure facilities available, *etc.* As a result, the correctness of the amount of ₹6.56 crore could not be assessed. It was assured that details would be provided during the Exit Conference (February 2014); however, the same were not provided. The State Government stated (March 2014) that these details were available with the agencies who had provided the training. However, the reply was not acceptable as in the absence of such details with the implementing agencies, the genuineness of the expenditure was doubtful.

### 2.2.11.3 *Non-creation of helpline centres*

As per the Programme guidelines, helpline centres in BRGF districts and at the State level were to be set up to provide a speedy channel of clarification and information to trained persons and to link help seekers. It was observed that such centres were set up neither in any of the test-checked districts nor at the State level.

The State Government stated (March 2014) that action had been taken to provide manpower to the existing helpline under MGNREGS for this Programme.

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<sup>39</sup> ZP, Chitradurga (₹2.39 crore); ZP, Davanagere (₹3.77 crore); TP, Davanagere (₹0.08 crore) and TMC, Harapanahalli (₹0.32 crore)

## 2.2.12 Monitoring and Evaluation

### 2.2.12.1 Inspection of works and quality check

The Programme guidelines provided for preparing a schedule for inspection of BRGF works and instituting a Quality Monitoring System (QMS) for maintaining the quality of works. The working of QMS was to be regularly reviewed by the HPC. However, it was seen that no such QMS system had been introduced in the State (September 2013). Further, it was observed that though financial audit was conducted in all the three test-checked districts, physical verification of works had not been conducted.

The State Government stated (March 2014) that instructions would be issued to conduct physical verification on a regular basis and also stated that the State and District Quality Monitors appointed to inspect all works of the departments would be asked to inspect BRGF works in future.

### 2.2.12.2 Peer Review of Panchayats not conducted

Paragraph 4.13 of the Programme guidelines provided for conducting peer reviews of progress by GPs and TPs and such peer review reports were to be reviewed at the district level by Review Committees. However, neither such reviews were conducted in any of the 48 test-checked GPs nor Review Committees were constituted by DPCs in the three test-checked districts.

The State Government stated (March 2014) that action would be taken to conduct peer review of Panchayats in future.

### 2.2.12.3 Social Audit and vigilance at grass-roots level

As per the Programme guidelines, the State Government was required to issue guidelines on Social Audit of works by Gram or Ward Sabhas in rural areas and Area Sabhas and Ward Committees in urban areas. However, in none of the 48 test-checked GPs, Social Audit of BRGF works was undertaken (September 2013).

In this regard, the State Government explained (March 2014) that *Jamabandis*<sup>40</sup> were being conducted in accordance with the Karnataka Panchayat Raj (*Jamabandi*) Rules, 2004, wherein all the works taken up by the GPs would be reviewed in public gathering and the works taken up under BRGF would also be reviewed in this *Jamabandi*. Therefore, the State Government has decided that there would be no separate Social Audit to review BRGF works. Audit is of the view that while the State Government may not feel the need to have a separate Social Audit of BRGF works, it must at least ensure that works are reviewed in the *Jamabandis*.

<sup>40</sup> Congregation of people for effective implementation of Rural Development Programmes and to ensure people participation, transparency, information to public and grievance redressal by Taluk Panchayats

#### **2.2.12.4 Evaluation**

The Programme guidelines emphasised on monitoring and evaluation of training, especially during 2009-12. However, no such evaluation on outcome of the training and impact on planning, implementation and monitoring at PRIs and ULBs levels were undertaken. Further, in none of the three test-checked districts, the DPCs had conducted an impact assessment of the Programme (September 2013).

#### **2.2.12.5 Non-maintenance of database**

As per the Programme guidelines, the Nodal Department should maintain a computerised database which could contain details of UCs submitted by implementing agencies of all Panchayats in BRGF districts. However, Audit scrutiny showed that no such database had been maintained by RDPR Department.

The State Government stated (March 2014) that action would be taken to issue instructions to maintain computerised database in respect of BRGF works.

### **2.2.13 Conclusion**

Perspective Plans were prepared in two of the three test-checked districts. However, the works taken up annually did not entirely address the priority areas outlined in the Perspective Plans. The guidelines for *inter se* allocation of funds within the PRIs and ULBs considering district-specific backwardness indicators had not been prepared. Central assistance of ₹108.34 crore was lost due to non-utilisation of funds during 2007-08. There were delays in transferring funds to the implementing agencies. Implementation of the Programme suffered due to lack of institutional arrangement and absence of technical support. Although 1,045 works were completed, Audit came across instances of non-compliances with tender conditions, KTPP Act, etc. Training for capacity building had not been imparted adequately and genuineness of expenditure incurred on training could not be assessed in the absence of requisite details. Monitoring was not adequate as Social Audit had not been conducted and evaluation of the training programme had not been done.

### **2.2.14 Recommendations**

- Institutional arrangements and professional support may be provided on priority within a definite timeframe.
- Funds released by GOI may be transferred directly into the bank accounts of PRIs and ULBs concerned to avoid delays in transfer of funds.
- Government should conduct Social Audit of BRGF works as per guidelines.
- Government should ensure proper monitoring and evaluation at various levels for effective implementation of the Programme and utilisation of the funds within the stipulated time frame.

## SECTION 'B' - COMPLIANCE AUDIT

### DEPARTMENT OF WOMEN AND CHILD DEVELOPMENT

#### 2.3 Implementation of Bhagyalakshmi Scheme

##### 2.3.1 Introduction

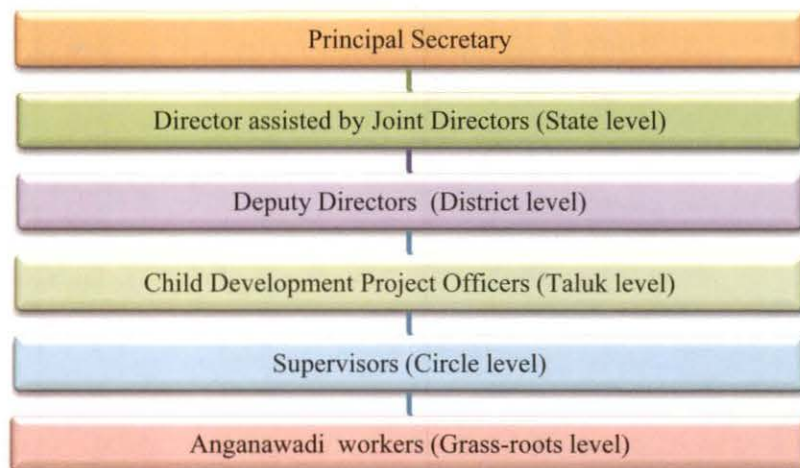
Bhagyalakshmi Scheme (Scheme) was launched by the Government of Karnataka during 2006-07 for Below Poverty Line (BPL)<sup>41</sup> families. The objective of the Scheme was to empower the girl child by way of financial assistance and benefits under the Scheme were limited to two girls in each BPL family.

Under the Scheme, the State Government is to deposit a fixed sum in the name of the girl child with Life Insurance Corporation of India (LIC). The maturity amount *i.e.* the deposit and the accrued interest is to be made available to the beneficiary girl child when she attains 18 years of age. The amount of deposit was initially fixed at ₹10,000 each for first and second girl child from 1 April 2006 to 31 July 2008. This was subsequently increased to ₹19,300 and ₹18,350 for the first and second girl child respectively from August 2008 onwards.

The Scheme also provides for certain interim payments such as, scholarships (each year) up to standard XII and insurance coverage to parent/guardian of the beneficiary, subject to fulfilment of eligibility criteria specified in the guidelines.

##### 2.3.2 Organisational structure

Department of Women and Child Development (Department), headed by the Principal Secretary, was designated (October 2006) as the nodal department to implement the Scheme. The organisational structure for implementation of the Scheme is as shown below.



<sup>41</sup> Annual income limit fixed by Government of Karnataka for BPL eligibility was ₹17,000 in urban areas and ₹12,000 in rural areas.



### 2.3.3 Audit scope and methodology

The audit of the implementation of the Scheme was conducted (April-September 2013) covering the period 2006-12<sup>42</sup> by test-check of records of the Director, Women and Child Development Department (hereinafter referred to as the Director), six<sup>43</sup> Deputy Directors (DDs) and 12<sup>44</sup> Child Development Project Officers (CDPOs), selected by using simple random sampling method. Audit scrutinised 7,303 applications (five *per cent*) out of 1,40,206 applications received in the test-checked CDPOs. Besides, Audit also analysed the data<sup>45</sup> in respect of 12 test-checked CDPOs to ascertain the accuracy and reliability of the information forming the basis of the decision making process. The audit findings are discussed in succeeding paragraphs.

### 2.3.4 Financial management

The Scheme was announced in the budget 2006-07 and allocated ₹234 crore. In order to draw and utilise the grant, a Trust named 'Bhagyalakshmi Trust' chaired by the Principal Secretary, Finance Department was created in March 2007, pending identification of fund manager. The State Government had appointed (July 2007) LIC as the fund manager through Memorandum of Understanding (MOU). LIC was to provide a long term investment vehicle called pooled account into which the fund as earmarked in the budget was to be deposited by the State Government, based on the estimated number of girl children likely to be born in a quarter. The funds so deposited into the pooled account would earn interest at the rates declared by LIC.

Out of ₹1,859.81 crore drawn by the Trust (₹166 crore) and the Department (₹1,693.81 crore) during the period from 2006-07 to 2011-12, an amount of ₹1,857.44 crore was deposited with LIC in 61 instalments and ₹2.37 crore was spent towards administrative charges, advertisement charges, *etc.* Audit findings with regard to financial management are discussed in succeeding paragraphs.

#### 2.3.4.1 Fund management through 'Bhagyalakshmi Trust'

It was seen that though LIC had been appointed as the fund manager during July 2007, the Trust was dissolved only in November 2012. Further, the Trust had not framed rules for management of funds, though stipulated in the Trust deed. In the absence of any rules, the Trust had parked (August 2007-April 2009) Scheme funds aggregating ₹93.04 crore in fixed deposits/savings account instead of depositing the same with LIC. This resulted in potential loss of interest to the extent of ₹36.70 lakh as the interest rates declared by LIC were higher than the rates offered in fixed deposits/savings account.

<sup>42</sup> 2012-13 was not considered as the enrolment under the Scheme was allowed up to one year of the birth of the girl child.

<sup>43</sup> Bangalore Urban, Bellary, Davanagere, Haveri, Mangalore and Mysore

<sup>44</sup> Bangalore Central and Sumangali Sevashram (Bangalore Urban), Bellary Urban and Hospet (Bellary), Davanagere and Jagalur (Davanagere), Haveri and Ranebennur (Haveri), Mangalore Rural and Puttur (Mangalore), Mysore Rural and Nanjangud (Mysore)

<sup>45</sup> Database backup provided by National Informatics Centre (NIC)

### **2.3.4.2 Details of fund/amount transferred to LIC**

The database did not have the provision to capture the amounts transferred to LIC, certificate number issued by LIC, probable maturity amount payable to the girl child, details of cancellation of bonds in cases of ineligibility/child death, *etc.* This rendered the data incomplete as the financial status of the Scheme was not being captured.

The Director accepted (December 2013) the audit observation and stated that action would be taken to maintain online the status of funds transferred to LIC.

### **2.3.4.3 Delays in release of funds to LIC**

As per the MOU, certificates issued to the girl children provided for payment of specified maturity amount to the beneficiary. The maturity amount was worked out considering that the funds would be deposited in advance and would remain invested till the beneficiary completes 18 years.

Audit observed that the payments relating to girl children born during 2007-11 were made (December 2008-January 2013) to LIC with delays ranging from 5 to 17 months in 20 instalments and 26 months in one instalment (excluding the period of one year stipulated for enrolment of the girl child under the Scheme). The delay in release of funds to LIC would result in short realisation of maturity value.

The Scheme also provides for 50 *per cent* of premium of parental insurance under Janashree Bima Yojana from the interest earned in the pooled account. It was seen that LIC had rejected (2008-12) insurance claims relating to parental deaths in 500 cases on the grounds of non-receipt of funds from the Government against those beneficiaries' accounts. Though the beneficiaries were enrolled under the Scheme within the due date prescribed, consequent on delay in providing the required amount to the LIC, the very objective of providing social security to the beneficiary in the event of death of a parent was defeated.

The Director stated (December 2013) that the matter had been brought to the notice of the Government and insurance claims would be settled wherever the records were in order.

### **2.3.4.4 Wrong calculation of interest**

A sum of ₹744.70 crore was deposited with LIC during the year 2012-13. Scrutiny of calculation sheet showed that interest amount (on ₹744.70 crore) credited to the pool account had been wrongly calculated as ₹44.61 crore instead of ₹44.97 crore. This resulted in short credit of interest of ₹0.36 crore.

The Director stated (December 2013) that it would be recalculated and action would be taken accordingly.

### **2.3.5 Enrolment of the girl child**

As per the conditions laid down by the Government, parents of the girl child from a BPL family are required to make an application to their jurisdictional Anganawadi worker. Along with the application, they are required to enclose documents *viz.*, birth certificate, permanent BPL card, income certificate, domicile certificate, *etc.* It was also stipulated that families having more than three children would not be given assistance and benefits, if already extended, would be withdrawn.

The deficiencies noticed in enrolment of girl children are detailed in succeeding paragraphs.

#### **2.3.5.1 Incomplete data entries**

Analysis of the data showed that though 1,40,206 beneficiaries had been enrolled in the 12 test-checked CDPOs, data entry was done only in respect of 1,03,300 beneficiaries. The failure to process all the applications online created a backlog and the database was incomplete for monitoring the implementation of the Scheme.

The Director accepted (December 2013) the audit observation and attributed the backlog in entries to lack of infrastructure and shortage of staff. It was further stated that instructions had been issued to CDPOs/DDs to complete backlog entries at the earliest.

#### **2.3.5.2 Inconsistency in establishing BPL criteria**

At the time of inception of the Scheme (October 2006), it was compulsory to furnish a copy of the permanent BPL card issued by Department of Food and Civil Supplies (F&CS). Later the Department allowed (June 2007) acceptance of income certificates *in lieu of* BPL cards in cases where issue of permanent BPL cards were pending. However, the Government reviewed (March 2011) this decision of accepting income certificates as the enrolment of 84 *per cent* of total girl child population (during 2009-10) was not realistic and instructed that both permanent BPL card and income certificate were compulsory.

The criterion was again changed during September 2011 and only permanent BPL cards were accepted from 2011-12 onwards. After the insistence on the permanent BPL card, it was observed that enrolment had drastically reduced to 1,76,336 beneficiaries in the year 2011-12 from an average of 2,95,279 (2006-11).

Audit observed in 10<sup>46</sup> out of 12 test-checked CDPOs that 29,901 children had been enrolled on the basis of temporary BPL ration cards during the period 2006-11, contravening the Scheme guidelines. CDPO, Bangalore Urban had not furnished the details of children enrolled on the basis of temporary ration

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<sup>46</sup> Bellary Urban, Haveri, Hospet, Jagalur, Mangalore Rural, Mysore Rural, Nanjangud, Puttur, Ranebennur and Sumangali Sevashram

cards and there were no such cases in Davanagere CDPO. On cross verification of records in four<sup>47</sup> CDPOs by Audit with the online data of Department of F&CS, 118 temporary cards were found to have been confirmed later as Above Poverty Line (APL) by the F&CS Department. The possibility of similar cases in other CDPOs could not be ruled out. Thus, indecisiveness in establishing BPL criteria led to enrolment of ineligible beneficiaries. The undue benefit could have been avoided had CDPOs cross verified these with the data of F&CS Department.

Analysis of data also showed that 3,832 beneficiaries having temporary BPL cards had been enrolled (2006-12) under the Scheme. Further, BPL numbers in respect of 75,221 cases were either blank or zero, rendering data unsuitable for checking cases of enrolment of ineligible beneficiaries.

Even after Government had reiterated (September 2011) that only permanent BPL cards were to be accepted, 137 girl children were enrolled in three test-checked CDPOs (Bangalore Central, Hospet and Nanjangud) on the basis of temporary BPL cards during 2011-12.

Further, audit scrutiny of 7,303 applications showed that there were discrepancies in 146 income certificates viz., income certificate with nil income (20 cases), income certificate in the name of the child (six cases), amount in the income certificate tampered with (seven cases), income certificate pertained to mother's family (113 cases).

The Director stated (December 2013) that action had been taken to cancel the bonds issued to APL families and those who had submitted temporary cards.

### **2.3.5.3 Enrolment of ineligible girl child**

Out of 7,303 applications test-checked it was observed that 1,050 ineligible girl children (14 per cent) had been enrolled under the Scheme as detailed below.

- There were 620 applicants who had been enrolled under the Scheme though APL cards had been enclosed to their applications;
- There were 200 families having more than three children. It was also seen that 10 test-checked CDPOs were themselves aware of 670 such cases where families had more than three children; however, action had not been taken to withdraw the assistance already extended;
- There were 188 families whose annual income was more than the prescribed limit for BPL families; and
- There were 42 cases where BPL card belonging to the Mother's parents was accepted for enrolment.

<sup>47</sup> Bellary Urban (27), Hospet (69), Ranebennur (17) and Sumangali Sevashram (5)

Analysis of the data showed that the database contained 121 cases where income of the families was more than ₹17,000, evidencing that ineligible beneficiaries had been provided assistance under the Scheme. Income certificate numbers in 71,586 cases had not been entered. There were 159 cases where income certificate numbers were same but incomes were different, rendering the data unreliable. Further, 24 girl children belonging to families having more than three children had been enrolled under the Scheme. It was also seen that though there were 5,370 families with three children, only 167 families (three *per cent*) had undergone family planning operation. This indicated that the provisions of the Scheme guidelines were not insisted upon.

The Director stated (December 2013) that letters had been addressed to the concerned DDs to take action as per the audit observation.

#### **2.3.5.4 Non-enclosing of terminal family planning certificates**

As per the Scheme guidelines, parents of the beneficiary girl child should not have more than three children, including the beneficiary child. In case where there were three children at the time of enrolment, the parents should undergo terminal family planning operation and a family planning certificate to that effect should be enclosed along with the application.

It was, however, observed in 462 out of 7,303 cases that though the parents were having three children, family planning certificates were not enclosed along with the applications.

The Director stated (December 2013) that action would be taken to collect the family planning certificates.

### **2.3.6 Irregularities in processing and scrutiny of applications**

#### **2.3.6.1 Inadequacy in verification of application**

Audit observed that applications were not verified properly by the departmental officers and there were discrepancies as detailed below.

- Applications not signed by CDPOs (177) and DDs (178);
- Applications not dated by applicants (496), Anganawadi workers (513), Supervisors (513), CDPOs (522) and DDs (150); and
- Dates of application and scrutiny by Anganawadi workers, Supervisors, CDPOs were same (770). This is not possible as these officials function at different locations.

This showed that applications were not scrutinised thoroughly before processing.

The Director stated (December 2013) that it was only a procedural lapse. This reply cannot be accepted as the signatures and dates were essential to provide

an assurance that applications of only eligible beneficiaries were being processed.

### 2.3.6.2 Regularising delays in processing applications

Though 48,130 applications (during 2006-10) were received in time, they were not processed and sent to LIC due to administrative/technical reasons. The State Government decided (October 2012) to regularise these delayed applications and instructed that suitable action be taken against the officials responsible.

Accordingly, the State Government paid/adjusted (October 2012 and January 2013) ₹78.68 crore to LIC for regularising 48,130 applications. Further, as maturity value should be same for all the applications of that year, an additional amount of ₹25.40 crore was paid to LIC towards interest. However, out of 48,130 applications, the Government had forwarded only 46,583 names to LIC leaving a balance of 1,547 names not intimated for issue of certificates (June 2013). Thus, delay in processing the applications resulted in avoidable payment of interest of ₹25.40 crore and locking up of ₹3.24 crore in respect of 1,547 names not intimated. Further, there was no documentary evidence in support of action initiated by the Department against the erring officials.

The Director stated (December 2013) that applications could not be processed in time due to non-availability of exclusive staff and infrastructure for the Scheme and lack of computer knowledge amongst the field staff. The reply was not acceptable as the Department had not given due priority to processing of applications.

### 2.3.6.3 Discrepancies in birth certificates

Audit came across 708 out of 7,303 cases wherein there were discrepancies in the birth certificates as detailed in **Table 2.10** below.

**Table 2.10: Details of discrepancies in birth certificates**

| Discrepancies   | No. of cases |
|---|--------------|
| Date of birth tampered with (2006-07)   | 66           |
| Birth certificate without child's name  | 510          |
| Name of the child was written by pen on the photo copy of the birth certificate | 125          |
| Sex of the child was mentioned as 'male'  | 4            |
| Application date is before the date of birth of the child                       | 3            |
| <b>Total</b>  | <b>708</b>   |

Source: Compiled by Audit after scrutinising applications

It could be seen from the above that the birth certificates were not properly scrutinised and applications were processed in a routine manner, resulting in enrolment of ineligible beneficiaries.

The Director stated (December 2013) that the concerned DDs had been asked to examine these issues. It was further stated that the Scheme guidelines did not insist upon the child's name on the birth certificate. The reply was not acceptable as the declaration by the Supervisor (Format III of the Scheme guidelines) mandated verification of the name of the beneficiary on the birth certificate.

#### **2.3.6.4 Non-adherence to time frame requirement**

The Department had prescribed time limit to process the applications at each stage, *i.e.*, Anganawadi worker to Supervisor (one month), CDPO (15 days), Deputy Director (30 days) and Director (15 days).

Analysis of data showed that there were median delays of 72 days at CDPO level, 123 days at DD level and 154 days at Director level in processing the applications, evidencing that prescribed time limits were not adhered to. These delays would subsequently affect the maturity amount receivable by the beneficiary.

The Director accepted (December 2013) the audit observation and attributed the delays to lack of infrastructure, non-availability of computer and exclusive trained staff for the implementation of the Scheme.

#### **2.3.7 Issuance of certificate**

The approved applications along with required funds are forwarded to LIC for issue of certificates. On receipt of certificates from LIC, the Department should verify the correctness of the entries printed in the certificates and the same should be handed over to the beneficiaries.

##### **2.3.7.1 Calculation of projected maturity value**

As per the MOU, the beneficiary girl child will be entitled to the scholarship amounts under Shiksha Sahayog Yojana<sup>48</sup> (SSY) if she completes standard IX, X, XI and XII. This will be in addition to the projected maturity value of the Scheme. Audit scrutiny of calculation sheet of projected maturity value showed that the scholarship amount payable under SSY was included as a deposit while working out the maturity value. This was not in order since the beneficiary under the Scheme is required to study up to standard VIII only in order to be eligible. The fact that she continues/discontinues to study further should not affect the maturity value entitled under the Scheme. Thus, the inclusion of scholarship amount resulted in inflated maturity value as detailed in **Table 2.11**.

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<sup>48</sup> SSY is a social security scheme for providing economic support for educational purposes to the children of parents covered under Janashree Bima Yojana

**Table 2.11: Details of inflated maturity value**

| Particulars   | Amount deposited per child | (Amount in ₹)                                |   |
|---|----------------------------|--|---|
|   |                            | Projected maturity amount payable as per MOU | Actual maturity value worked out by Audit |
| Girl child born during 2006-07  | 10,850                     | 34,751                                       | 31,811                                    |
| Girl child born during 2007-08 (1 <sup>st</sup> child)                            | 10,000                     | 34,165                                       | 31,224                                    |
| Girl child born during 2007-08 (2 <sup>nd</sup> child)                            | 10,000                     | 40,918                                       | 37,925                                    |
| Girl child born during 2008-09 (born after 1 August 2008) - 1 <sup>st</sup> child | 19,300                     | 1,00,097                                     | 90,249                                    |
| Girl child born during 2008-09 (born after 1 August 2008) - 2 <sup>nd</sup> child | 18,350                     | 1,00,052                                     | 90,204                                    |

Source: MOU and calculation sheet furnished by LIC

Further, the beneficiaries may not have been aware of the additional benefits of scholarships available under SSY as these were neither disclosed in the certificates nor given wide publicity.

The Director stated (December 2013) that action had been taken to give wider publicity about scholarship benefit.

### 2.3.7.2 *Incorrect issue of certificates to first and second child*

The Scheme envisages that the mother or guardian of the beneficiary would be enrolled in Janashree Bima Yojana and Group Term Life Insurance scheme to get insurance benefit. The insurance premium, up to July 2008, was deducted out of the interest earned in the account of first beneficiary child and subsequently the State Government included (August 2008 onwards) the insurance premium in the deposit amount of the first child<sup>49</sup>. This necessitated that the fact of the girl child being first or second beneficiary should be clearly mentioned in the application form. Audit, however, observed that the application form was deficient as there was no column for mentioning the order of the beneficiary under the Scheme. This also resulted in incorrect projection of maturity value and the deficiencies observed in the records of 12 test-checked CDPOs are detailed below.

- 991 second beneficiaries in 12 test-checked CDPOs were issued certificates (up to July 2008), which stated the projected value applicable to the first beneficiary girl child. This would result in payment of lower maturity value consequent on deduction of parental insurance premium.
- 113 second beneficiaries in eight test-checked CDPOs were enrolled as first beneficiaries (August 2008 onwards). This resulted in excess deposit of ₹1.07 lakh<sup>50</sup>.
- 1,071 first beneficiaries in nine test-checked CDPOs were wrongly mentioned (2006-12) as second beneficiaries. As a result, parental insurance premium would not be recovered, depriving the beneficiaries

<sup>49</sup> From August 2008 onwards deposit amounts were ₹19,300 for 1<sup>st</sup> child and ₹18,350 for 2<sup>nd</sup> child

<sup>50</sup> ₹950 (₹19,300 - ₹18,350) x 113 = ₹1,07,350



of parental insurance as well as scholarship benefits. This is evident as the LIC had already rejected claims of five beneficiaries due to non-recovery of parental insurance premium.

The Director stated (December 2013) that action had been initiated to rectify the omissions.

#### **2.3.7.3 Difference in maturity value**

As per the MOU, a sum of ₹10,850 was to be deposited for girl child born during 2006-07 and the maturity amount payable was ₹34,751. However, Audit observed that LIC had issued certificates with the maturity value as ₹31,072 to 64,112 beneficiaries born during 2006-07. This was because the Government had deposited ₹10,000 instead of ₹10,850 in respect of these beneficiaries. This not only created disparity among the beneficiaries born in the same year but could, in the future, lead to legal problems at the time of making payments.

The Director stated (December 2013) that suitable action would be taken to rectify the maturity value.

#### **2.3.7.4 Difference in date of birth of the child**

Audit scrutiny of applications in offices of three<sup>51</sup> test-checked CDPOs showed that in 93 cases, the date of birth of a child, as recorded in LIC certificate, differed from that on the birth certificate. Due to difference in dates of birth, the children would be deprived of the actual maturity value on completion of 18 years. It is pertinent to mention here that two beneficiaries, though born after August 2008 and eligible to get ₹1,00,097, would only get ₹34,165 as they had been issued LIC certificates with dates of birth prior to August 2008<sup>52</sup>. In another six<sup>53</sup> cases, the Government had deposited excess amount of ₹55,800 (₹9,300 x 6) and beneficiaries would get ₹1,00,097 instead of ₹34,165.

#### **2.3.7.5 Safeguards to ensure continuing eligibility of the girl child**

The following conditions are to be fulfilled by beneficiary girl child for claiming the deposit amount from LIC on completion of 18 years.

- the beneficiary should be immunised up to the age of 16 years as per the immunisation schedule given by the Health Department.
- the beneficiary should not be engaged in child labour.

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<sup>51</sup> Bangalore Central (87), Mangalore Rural (five) and Nanjangud (one)

<sup>52</sup> Deposit amounts and maturity values had been revised with effect from 1 August 2008 as detailed in Table 2.11 (*Paragraph 2.3.7.1*)

<sup>53</sup> Beneficiaries born prior to August 2008 but dates of birth as recorded in LIC certificates were after August 2008

- the beneficiary should attend Anganawadi centre/pre-school until she attains the age of six and continue school education up to minimum of VIII standard in Government recognised school.
- the beneficiary should not get married before attaining the age of 18 years.
- beneficiary's parent should undergo terminal family planning operation (maximum three children) and a certificate to that effect should be furnished.

The beneficiary database maintained in the Department contains columns/fields which enable it to track the continuing eligibility of the beneficiary girl child. However, Audit observed that out of 1.03 lakh beneficiaries, immunisation details of only 0.13 lakh beneficiaries (13 *per cent*) had been captured.

Further, though there were 71,727 children in the age group of three to six, only 5,066 children (seven *per cent*) had been enrolled in Anganawadi centres. Out of 10,182 children more than six years old, only 928 children (nine *per cent*) had been enrolled in schools. It could, therefore, be seen that though the above details were mandatory, these were either not updated or norms were not being followed.

The Director stated (December 2013) that action would be taken to make the follow up entries.

### **2.3.8 Denial of Scheme benefits**

#### **2.3.8.1 Denial of insurance benefits**

As stated earlier, parent/guardian of beneficiary is provided insurance coverage (₹42,500 for natural death and ₹1,00,000 for accidental death)<sup>54</sup> under Janashree Bima Yojana and Group Insurance. In this connection, LIC had prescribed (June 2008) a list of documents required to settle death claims. On the demise of the insured parent, the second parent/guardian should be insured.

It was observed that 6,224 insured parents had expired during the period 2006-13 in the State. However, in none of these cases, the second parent/guardian had been nominated for insurance coverage. This resulted in denial of insurance coverage to the second parent/guardian and scholarship benefits to the beneficiary under SSY.

The Director accepted (December 2013) the audit observation and stated that action had been initiated to nominate the surviving second parent/guardian after getting the information from the field offices.

<sup>54</sup> ₹30,000 for natural death and ₹75,000 for accidental death as per modified rates (with effect from 1 August 2008)

It was also observed that 301 accidental death claims in the State were settled by LIC as natural death claims for want of documents which were not prescribed earlier such as, original certificate, police charge sheet, etc. The Department also did not challenge the necessity of documents called for by LIC. As a result, families of the deceased were deprived of eligible insurance benefits, which was higher in the case of accidental death.

The Director stated (December 2013) that instructions had been issued to DDs to furnish the required documents for the settlement of accidental death claims.

#### **2.3.8.2 Non-payment of scholarship to beneficiary students**

As per the MOU, the girl children were eligible for a scholarship amount of ₹300 per annum up to standard III. However, Audit observed that though 2,246 beneficiaries (out of 7,303 beneficiaries) born during 2006-07 and 2007-08 would have completed standard I or II, not even a single child had been paid the scholarship amount. The database also showed that none of the 928 children, who had attended school, had been sanctioned scholarship.

#### **2.3.8.3 Delay in furnishing information regarding death of beneficiary**

In case of death of the beneficiary, the information is to be passed on to LIC by the concerned DD/CDPO along with the LIC certificate and a copy of death certificate. Subsequently, LIC is to refund the deposited amount and interest accrued thereon to the State Government. Scrutiny of records of six<sup>55</sup> test-checked CDPOs showed that information regarding death of 236 beneficiaries was submitted to LIC with delays ranging between less than a year and extending beyond four<sup>56</sup> years. Two CDPOs (Ranebennur-55 and Sumangali Sevashram-23) had not sent information about the death of 78 beneficiaries relating to the period 2007-13. The details were not furnished in respect of the other four CDPOs.

### **2.3.9 Monitoring**

#### **2.3.9.1 Formation and functioning of Task Force at taluk level**

The Government had instructed (March 2007) the Department to form a Task Force at each taluk level comprising the Tahsildar (as President) to monitor the effective implementation of the Scheme and coordinate with other specified departments to ensure that all eligible children are enrolled under the Scheme.

Out of 12 test-checked CDPOs, Task Force had not been formed in one CDPO (Bellary Urban). Though Task Force had been formed in six CDPOs, meetings had not been conducted monthly, as envisaged. The number of meetings conducted during 2007-13 in these CDPOs ranged from nil to

<sup>55</sup> Bangalore Central (38), Hospet (14), Mangalore Rural (five), Mysore Rural (57), Nanjangud (119) and Puttur (three)

<sup>56</sup> Less than one year (59 cases), one to two years (79 cases), two to three years (58 cases), three to four years (26 cases) and more than four years (14 cases)

eight<sup>57</sup>. The remaining five<sup>58</sup> CDPOs had not furnished the information. Thus, the Department did not monitor the functioning of Task Force.

### 2.3.9.2 Formation of Coordinating Committees

As per the MOU, Coordinating Committees consisting of representatives of LIC and the Department were to be set up at State, district and taluk level as detailed in **Table 2.12** to review the implementation of the Scheme.

**Table 2.12: Details of formation of Coordinating Committees**

| Level          | Members of Committees   |
|----------------|---|
| State level    | Divisional Manager (Pension & Group scheme), Bangalore from LIC and the Director, Department of Women and Child Development |
| District level | District Branch Manager of LIC and Deputy/Assistant Director  |
| Taluk level    | Nodal Officers of LIC and CDPO  |

Source: MOU

However, Coordinating Committees had not been formed in three test-checked CDPOs (Mangalore Rural, Mysore Rural and Sumangali Sevashram). Further, there was no documentary evidence in support of having formed such Coordinating Committees in other nine test-checked CDPOs.

The Director stated (December 2013) that regular meetings were conducted with LIC at State level to sort out the issues relating to the Scheme and district level officers also attended the meetings. The reply was not acceptable as the terms and conditions of MOU were not adhered to.

### 2.3.9.3 Non-reconciliation of departmental figures with that of LIC

LIC should carry out periodical reconciliation of financial data/figures, beneficiaries' enrolment, double certificates, cases of parental and beneficiaries' deaths, settlement of insurance claims, etc., with the Department and submit a report to the Government.

There were no records to suggest that reconciliation, as envisaged above, had been carried out. LIC stated (October 2013) that statement of remittances and utilisation certificates of the funds were being provided to the Department. However, the reply was silent about reconciliation.

It was also seen that 6,224 parents and 7,708 beneficiaries had expired (July 2013) in the State. However, LIC continued to recover insurance premium in respect of these cases in a routine manner, which resulted in excess recovery of ₹75.42 lakh. The Department also failed to notice the excess recovery which may be due to non-reconciliation of data with LIC.

The Director stated (December 2013) that reconciliation was carried out with LIC on regular basis. The reply was not acceptable as there were no records to suggest that reconciliation was done.

<sup>57</sup> Bangalore Central (six), Mangalore (four), Mysore Rural (four), Nanjangud (eight), Puttur (seven) and Sumangali Sevashram (nil)

<sup>58</sup> Davanagere, Haveri, Hospet, Jagalur and Ranebennur

#### **2.3.9.4 Improper maintenance of applications in field offices**

The Scheme was spread over a period of 18 years for each beneficiary and hence required safe custody of related documents. However, Audit observed that in eight<sup>59</sup> test-checked CDPOs, all applications were kept in gunny bags and dumped in a room. Such conditions of custody of documents are fraught with risk as any loss of application would lead to legal complications at a later stage.

The Director accepted (December 2013) the audit observation and stated that instructions had been given to all district officers to maintain the applications in a systematic manner.

#### **2.3.9.5 Discrepancies in maintenance of records**

As per the Scheme guidelines, the Anganawadi worker is required to maintain a separate record for each beneficiary to ensure compliance with the following conditions:

- The child should attend either Anganawadi or any other educational institution recognised by the Government.
- The child should get immunised from birth to 16 years of age. A certificate issued by medical authority for having immunised the child should be collected by the Department.

However, scrutiny of 422 beneficiaries' records in six<sup>60</sup> Anganawadi centres showed the following shortcomings:

- While 19 (five *per cent*) children attended Anganawadi only for six months, 22 (five *per cent*) and 15 (four *per cent*) children attended Anganawadi only for one and two years respectively.
- 215 (51 *per cent*) children had not attended Anganawadi centre. The details of these children having attended other pre-schools recognised by Government were also not available.
- In respect of 186 (44 *per cent*) children, no documentation regarding immunisation was available.

The Director stated (December 2013) that instructions had been issued to DDs to maintain the records properly.

#### **2.3.9.6 Non-tracking of children**

As per the provision of the Scheme, after enrolment of the girl child under the Scheme, it is the responsibility of the Department to monitor the progress of the beneficiary up to six years.

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<sup>59</sup> Bangalore Central, Bellary Urban, Davanagere, Haveri, Hospet, Jagalur, Mysore Rural and Ranebennur

<sup>60</sup> Bangalore Central, Bellary Urban, Davanagere, Mysore Rural, Nanjangud and Sumangali Sevashram

On a review of records in eight out of 12 test-checked CDPOs, Audit observed that though 1,06,652 children had been enrolled under the Scheme, the Department was not aware of the whereabouts of 7,814<sup>61</sup> children (seven *per cent*). Further, 974 certificates were not distributed by six<sup>62</sup> CDPOs. This not only contravened the Scheme guidelines but also fulfilment of primary objective of empowering the girl child could not be ensured.

The Director stated (December 2013) that action had been taken to link the Scheme software with Education Department's software (*Hejje Guruthu*) and instructions had been issued to DDs to trace 7,814 children.

### 2.3.10 Conclusion

In order for the beneficiary girl child to be eligible at the age of eighteen, the Scheme has laid down too many terms and conditions which are not capable of being tracked on a continuous basis. This is because the data is not being updated periodically and fields relating to financial data are altogether missing in the database. Hence, the Scheme as envisaged is bound to have lots of lacunae in implementation such as delays and deficiencies in processing applications and inclusion of ineligible beneficiaries. Further, a Scheme that is difficult for the parents/beneficiaries to comprehend fully since the department has not undertaken adequate awareness programs will only leave the parents knocking on various doors-(BPL certificate, birth certificate, income certificate, immunisation certificate, attendance in Anganawadi, attendance in school, family planning certificates, death certificate of parent/child, change in conditions/benefits for higher class studies, *etc.*) and thus encourage red tapism.

### 2.3.11 Recommendations

- The unique identity of each beneficiary to be established to ensure that the beneficiary is extended the benefits of the Scheme only once.
- 'Aadhaar' authentication for tracking beneficiaries and making payments may be considered.
- Stronger Information Technology (IT) system integrated with LIC databases should be put in place that is with validations regarding correct premiums, discharge of policies and payment of maturity value/scholarship.
- Increase awareness about the terms and conditions of the Scheme and its benefits through focused and widespread Information, Education and Communication (IEC) campaign.

<sup>61</sup> Bangalore Central (1,074), Bellary Urban (130), Davanagere (2,668), Hospet (137), Mysore Rural (1,620), Nanjangud (62), Puttur (13) and Sumangali Sevashram (2,110)

<sup>62</sup> Bangalore Central (722), Bellary Urban (38), Haveri (65), Hospet (133), Mysore Rural (eight) and Sumangali Sevashram (eight)

**DEPARTMENT OF AGRICULTURE, DEPARTMENT OF ANIMAL HUSBANDRY & VETERINARY SERVICES AND WATERSHED DEVELOPMENT DEPARTMENT**

**2.4 Implementation of Rashtriya Krishi Vikas Yojana**

**2.4.1 Introduction**

Rashtriya Krishi Vikas Yojana (RKVY) (henceforth referred to as the Scheme) was launched in May 2007 with the aim of achieving four *per cent* annual growth in agricultural sector during the XI plan period (2007-12) by ensuring holistic development of agriculture and allied sectors. It is a State plan scheme to incentivise states to draw plans for their agriculture sector more comprehensively, taking agro-climatic conditions, natural resource issues and technology into account, and integrating livestock, poultry and fisheries more fully. The eligibility for assistance under the Scheme would depend upon the amount provided in the State Plan budgets for agriculture and allied sectors, over and above the base line percentage expenditure incurred by the State Governments on agriculture and allied sectors.

The Department of Agriculture is the nodal department for implementation of the Scheme in the State. The RKVY cell, headed by a Project Coordinator, was established during September 2011 to oversee the implementation of the Scheme. There is also a State Level Sanctioning Committee<sup>63</sup> (SLSC) responsible for sanctioning the projects and reviewing the implementation of the Scheme. During the XI plan period, SLSC had approved 296 projects spread across 19 sectors.

**2.4.2 Audit scope and methodology**

Audit of 'Implementation of RKVY' was conducted during April to August 2013 by test-checking 15 out of 135 projects in five<sup>64</sup> sectors. For this purpose, records of 15 district level officers; University of Agricultural Sciences (UAS), Bangalore; UAS, Dharwar and University of Horticultural Sciences (UHS), Bagalkote were test-checked. Besides, 330 beneficiaries were surveyed and 21 project locations were jointly inspected during audit. The audit findings are discussed in succeeding paragraphs.

**2.4.3 Financial management**

**2.4.3.1** The pattern of funding under the Scheme is 100 *per cent* Central grant. The State Government receives funds from Government of India (GOI) through treasury. On receipt of credit confirmation from GOI, the State Government issues orders to the implementing departments/agencies to utilise these funds for the approved projects.

<sup>63</sup> SLSC comprises Chief Secretary of the State as Chairman and Secretaries of all related departments of the State Government, *etc.*

<sup>64</sup> Agriculture mechanisation, Agricultural research, Animal husbandry, Micro/Minor irrigation and Organic farming

Against the releases (2007-13) of ₹2,307.52 crore under the Scheme, the expenditure incurred was ₹2,082.59 crore (90 per cent). The details of funds received and utilised during 2007-13 under the test-checked sectors and projects are given in Table 2.13.

**Table 2.13: Details of funds received and utilised under test-checked sectors and projects**

(₹ in crore)

| Sector                    | No. of projects approved | No. of projects test-checked (Percentage) | Project cost               |                                    | Releases                   |                                    | Expenditure                |                                    |
|---------------------------|--------------------------|---|----------------------------|------------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|
|                           |                          |   | All projects in the Sector | Test-checked projects (Percentage) | All projects in the Sector | Test-checked projects (Percentage) | All projects in the Sector | Test-checked projects (Percentage) |
| Agriculture Mechanisation | 15                       | 2 (13)                                    | 343.61                     | 90.00 (26)                         | 345.72                     | 112.89 (33)                        | 336.68                     | 106.61 (32)                        |
| Agricultural Research     | 68                       | 5 (7)                                     | 260.45                     | 127.50 (49)                        | 162.13                     | 45.53 (28)                         | 136.16                     | 21.11 (16)                         |
| Animal Husbandry          | 43                       | 4 (9)                                     | 252.91                     | 44.89 (18)                         | 264.87                     | 40.81 (15)                         | 165.04                     | 26.94 (16)                         |
| Micro/Minor Irrigation    | 2                        | 2 (100)                                   | 92.00                      | 92.00 (100)                        | 55.00                      | 55.00 (100)                        | 55.00                      | 55.00 (100)                        |
| Organic Farming           | 7                        | 2 (29)                                    | 138.40                     | 65.00 (47)                         | 93.45                      | 20.05 (21)                         | 50.91                      | 19.69 (39)                         |
| <b>Total</b>              | <b>135</b>               | <b>15 (11)</b>                            | <b>1,087.37</b>            | <b>419.39 (39)</b>                 | <b>921.17</b>              | <b>274.28 (30)</b>                 | <b>743.79</b>              | <b>229.35 (31)</b>                 |

Source: As furnished by the department

It could be seen that there was short release of funds *vis-à-vis* the project costs ranging from ₹37 crore to ₹98.32 crore in respect of three<sup>65</sup> sectors. However, the reasons for short release of funds were not furnished to Audit. There was excess release of funds under Animal Husbandry and Agriculture Mechanisation sectors. This was mainly due to re-appropriation of funds from other sectors. Funds to the extent of 84 per cent had been utilised in the test-checked 15 projects. The shortfall in utilisation under two sectors (Agricultural Research and Animal Husbandry) was mainly on account of non-executing of all the components envisaged in the project reports.

Audit observed that the State Government had not formulated any conditions for release of funds to the implementing agencies.

#### 2.4.3.2 Incorrect reporting of expenditure

The provisions of General Financial Rules, 2005 stipulate that an institution or organisation receiving the grants should furnish a certificate of actual utilisation of the grants received within 12 months of the closure of the financial year. The Scheme guidelines stipulated that the Utilisation Certificates (UCs) should disclose whether the specified, quantified and qualitative targets were reached against the funds utilised. They should also contain an output-based performance. Audit, however, observed that the implementing departments/agencies furnished UCs to the nodal department/RKVY Cell for the entire amount received by them even before their utilisation. RKVY Cell had also treated the UCs furnished by the implementing departments/agencies as expenditure and submitted the UCs to

<sup>65</sup> Agricultural Research, Micro/Minor Irrigation and Organic Farming



the Department of Agriculture and Cooperation (DAC), GOI, in a routine manner without ascertaining the actual utilisation of funds.

The Institute for Social and Economic Change, Bangalore (ISEC); Directors of Research, UAS, Bangalore and Dharwar had also submitted UCs for ₹211.46 crore received during 2007-13, despite the fact that only a sum of ₹137.11 crore<sup>66</sup> had been actually spent and the balance of ₹74.35 crore was lying in bank accounts (June 2013). The Vice-Chancellor of UAS, Dharwar stated (July 2013) that UCs had been submitted for funds released and not for the actual expenditure incurred.

The State Government stated (April 2014) that UCs were furnished to GOI on the basis of actual funds drawn from treasury. This indicated that UCs were submitted based on drawal of funds and not on the basis of their utilisation.

#### **2.4.3.3 Non-maintenance of a separate bank account and Cash Book**

The State Government had issued (May 2000) instructions that the implementing agencies should maintain a separate Cash Book and bank account for each scheme. It was, however, seen that none of the implementing officers had either maintained a separate Cash Book or operated a separate bank account for the Scheme. The Scheme funds were routed through general accounts contrary to the instructions.

The State Government accepted (April 2014) the audit observations and stated that separate accounts would be maintained in future.

#### **2.4.3.4 Parking of Scheme funds**

Codal provisions stipulate that money should not be drawn from the treasury unless it is required for immediate disbursement. It is also not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

It was seen that the Scheme funds to the extent of ₹186.75 crore<sup>67</sup> were deposited (April 2008 to March 2012) in fixed deposits, evidencing that funds drawn were not required for immediate disbursement. It was also observed that the Deputy Directors of Animal Husbandry and Veterinary Services, Bangalore (Urban) and Dharwar had not utilised ₹55 lakh received during 2008-10 even after three to five years (October 2013). The possibility of drawing funds to avoid lapse of budget grants could not be ruled out. The Executive Engineer, Estate Section, UAS, Bangalore accepted (August 2013) the audit observation.

The State Government stated (April 2014) that RKVY was a new project for the Universities of Agriculture, therefore, funds were drawn and kept in fixed

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<sup>66</sup> ISEC: Receipts-₹3.55 crore, Expenditure-₹0.80 crore;  
UAS, Bangalore: Receipts- ₹146.30 crore, Expenditure-₹100.99 crore;  
UAS, Dharwar: Receipts- ₹61.61 crore, Expenditure-₹35.32 crore

<sup>67</sup> ₹171 crore by Mission Director, State Agriculture Management Agency (April 2008-October 2009) for 1 to 3 months, ₹13 crore by Executive Engineer, Estate Section, UAS, Bangalore (July-August 2008) for six months and ₹2.75 crore by ISEC since March 2012.

deposits to avoid lapse of grant. The reply was not acceptable as the codal provisions were not adhered to.

#### **2.4.3.5 Loss of interest due to deposit of funds in current account**

Audit scrutiny of records in three Universities (UAS, Bangalore; UAS, Dharwar and UHS, Bagalkote) showed that the Scheme funds were operated through current bank accounts instead of savings bank account, resulting in potential loss of interest of ₹7.08 crore<sup>68</sup>.

The Comptroller, UAS, Bangalore attributed (September 2013) deposit of funds in current account to oversight. The Director of Research, UHS, Bagalkote stated (July 2013) that the University was newly established then and funds were deposited in current account. The Director of Research, UAS, Dharwar also stated (July 2013) that the Scheme funds were credited to current account instead of savings bank account.

The State Government accepted (April 2014) the audit observations.

#### **2.4.3.6 Drawal of funds on Abstract Contingent bills**

Codal provisions stipulate that all the Heads of Offices authorised to draw Abstract Contingent (AC) bills should forward their Non-payable Detailed Contingent (NDC) bills to their countersigning officers before the close of the first week following the month to which the bills relate. It was, however, seen that the NDC bills in UAS, Bangalore and Dharwar were submitted (2011-13) with delays ranging from 1 to 5 months (₹1.90 crore) and 6 to 11 months (₹22.97 crore).

The Assistant Comptroller of UAS, Bangalore stated (August 2013) that grants were released at the fag end of the year, necessitating drawal of funds to avoid lapse of grants. The reply was not acceptable as drawal of funds to prevent lapse of budget grants was not permissible and AC bills were required to be drawn for meeting emergent requirements.

The State Government stated (April 2014) that drawing of AC bills for overseas purchase of equipment was inevitable as Store Purchase Officer (SPO) had to make advance payments. The reply is not acceptable as AC bills were drawn not only by SPO but also by other Drawing and Disbursing Officers of the Universities for reasons that lacked such justification.

### **2.4.4 Planning**

The Scheme guidelines require that each district should formulate district agriculture plan (DAP) by including resources available from other existing schemes. The DAP would present the financial requirement and the sources of financing the agriculture development plan in a comprehensive way. Each state was required to prepare a State Agricultural Plan (SAP) by integrating all DAPs to present the vision for agriculture and allied sectors.

<sup>68</sup> ₹3.90 crore in UAS, Bangalore (2008-13); ₹2.06 crore in UAS, Dharwar (2011-13) and ₹1.12 crore in UHS, Bagalkote (2009-13)

An amount of ₹2.30 crore was earmarked by GOI for preparation of DAPs and SAP. The nodal department entrusted (October 2007) the work of preparation of SAP for the State and DAPs for all the districts to ISEC. The ISEC had prepared DAPs (October 2007-June 2009) for all the districts and SAP was prepared during June 2009. Audit findings related to planning process are discussed in succeeding paragraphs.

#### **2.4.4.1 Deficiencies in agricultural plans**

The planning process of the Scheme seeks to encourage convergence with existing schemes of State/GOI and coordination with various departments. It is also stipulated that DAP should integrate multiple programmes which are in operation in the district concerned. It was seen that the DAPs and the SAP were not comprehensive due to the following deficiencies:

- Convergence with other programmes and departments was not factored in while preparing DAPs. The Director, ISEC accepted (August 2013) the audit observation and stated that convergence could not be attempted due to paucity of time and lack of expertise at district level. The Coordinator, RKVY Cell, Department of Agriculture also admitted (August 2013) that convergence plans from other departments had not been prepared.

The State Government stated (April 2014) that the work of preparation of DAPs and SAP was completed successfully by ISEC. However, the reply did not explain the reasons for their non-convergence with other programmes.

- The Scheme guidelines also stipulated that projects proposed should be consistent with DAPs and SAP. It was, however, seen that a few projects approved by SLSC during August 2009 had not originated from DAPs or SAP. After approval of these projects, ISEC had intimated (November 2009) the Government for revising the DAPs and the SAP so as to include these projects. The details such as number and names of such projects were not available on record.

The State Government stated (April 2014) that the projects were presented to the SLSC by the respective departments in consultation with the district level officers. However, the reason for these projects not originating from DAPs or SAP was not explained.

- No study on agro-climatic condition, availability of technology and natural resources available in the State was conducted before preparation of DAPs and SAP, though stipulated in the Scheme guidelines. The Project Coordinator, RKVY Cell stated (September 2013) that UAS, Bangalore had conducted a study during 1984-85 under National Agriculture Research Project. The reply was not acceptable as a study conducted two decades ago would not be relevant unless updated. Moreover, DAPs and the SAP prepared by ISEC did not have any reference to the study conducted in 1984-85.

The State Government stated (April 2014) that no study was conducted before preparation of DAPs and SAP.

#### **2.4.4.2 Non-categorisation of Stream I and II**

According to the Scheme guidelines, grants for each State would be provided in two separate Streams. Stream-I projects are specific projects for which at least 75 per cent of the allocation should be utilised. Stream-II projects are ongoing State sector projects for which not more than 25 per cent of the allocated funds should be utilised.

Audit observed that four projects, namely, Karnataka Seed Mission, Karnataka Farm Mechanisation, Organic farming and Agro-processing were incorrectly categorised under Stream-I, though these were ongoing State sector schemes. As a result of incorrect categorisation, excess allocation of funds to the extent of ₹491.68 crore was made to these projects during the period 2007-13.

The State Government stated (April 2014) that the funds for Stream-I and Stream-II projects were proposed together for approval in SLSC. The reply was silent about utilisation of more than 25 per cent of the allocated funds for Stream-II projects.

#### **2.4.4.3 Non-preparation of shelf of projects**

As per the Scheme guidelines, districts were required to prepare a shelf of projects, for proposing to the SLSC under Stream-I. Audit observed that shelf of projects was not prepared by the district level officers in the test-checked districts. Non-preparation of shelf of projects denied the opportunity of prioritising the projects to be taken up. Further, no records were available to assess that the project proposals were scrutinised by the nodal department before submitting them to the SLSC.

The Project Coordinator, RKVY Cell stated (September 2013) that technical scrutiny of the projects submitted by different departments/institutions could not be undertaken by them due to large volume of work and shortage of manpower.

### **Implementation of projects**

Sector-wise findings of test-checked projects are detailed in succeeding paragraphs.

#### **2.4.5 Agriculture Mechanisation**

The sector aims to support farmers with timely subsidy to own farm machinery and equipment excluding tractors, besides establishment of at least one Custom Hire Centre (CHC) in each taluk from where farmers can hire equipment and implements, establishment of service centres, agro-processing centres, etc.

Fifteen projects were approved by the SLSC during 2007-13, of which 11 projects were completed, three were under progress and one project was not commenced (March 2013). Reasons for delays in completion of the projects were not furnished to Audit. The implementation of two projects on farm mechanisation (approved during September 2008 and April 2011) was test-checked in 10<sup>69</sup> taluks of five districts. An expenditure of ₹10.80 crore had been incurred against the releases of ₹11.42 crore in the test-checked districts.

#### **2.4.5.1 Procedural lapses in procurement and distribution**

Raitha Sampark Kendras<sup>70</sup> (RSKs) ascertain the requirements of farmers and forward the consolidated requirements to Assistant Directors of Agriculture (ADAs) for placing indents with the suppliers. ADAs receive the equipment and distribute them to the beneficiaries after verifying payment of their contributions.

Audit observed deviations from the prescribed procedure in receipt and distribution of equipment to farmers, as detailed below:

- Funds amounting to ₹13.20 lakh were drawn in advance (March 2010-February 2013) from the treasury towards the subsidy amount to be released to the distributor without ensuring receipt of farmers' contribution to the cost (20 cases). The ADA, Gundlupet stated (July 2013) that funds were drawn from treasury in advance to avoid lapse of grants.

The State Government stated (April 2014) that subsidy amount would be released only after receipt of farmers' contributions. The reply was contrary to the codal provisions which prohibited drawal of funds in advance to prevent loss of grants.

- Government share of ₹8.34 lakh out of the Scheme funds had been released (March 2010-March 2013) to the distributor even prior to receipt (May 2010-June 2013) of stock (14 bills) in two taluks (Koppal and Gangavathi).

The State Government stated (April 2014) that instructions had been issued to taluks for submitting information regarding release of grants to the distributors prior to the receipt of stock.

- In four<sup>71</sup> taluks of three districts, it was also seen that 148 equipment items costing ₹30.06 lakh were procured (September 2010-May 2013) and retained in stock without ascertaining requirement from farmers (August 2013). The ADA of Gundlupet stated (July 2013) that the stock

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<sup>69</sup> Bangalore North and Bangalore South (Bangalore Urban district), Chamarajanagara and Gundlupet (Chamarajanagara district), Dharwar and Kundgol (Dharwar district), Kolar and Srinivasapura (Kolar district) and Gangavathi and Koppal (Koppal district)

<sup>70</sup> Farmer facilitation centre

<sup>71</sup> Chamarajanagar and Gundlupet (Chamarajanagar), Dharwar (Dharwar), and Gangavathi (Koppal)

would be replaced or issued when the requirement arose. Other taluks<sup>72</sup> ADAs attributed (August-September 2013) these to oversight, instructions of Joint Directors of Agriculture (JDAs), *etc.*, and stated that action would be taken to issue the stock as early as possible.

The State Government accepted (April 2014) the audit observation and stated that equipment items were procured in anticipation of the requirements during *kharif* season.

- Receipt and distribution of stock could not be correlated due to incorrect maintenance of records in all the test-checked taluks.

The State Government stated (April 2014) that instructions had been given to all the staff regarding record keeping and maintenance. It was further stated that reminders would also be issued.

- ADAs of five<sup>73</sup> test-checked taluks failed to ensure distribution of equipment to the farmers within one month of their application, though stipulated. ADAs attributed (July-August 2013) it to delay in release of funds.

The State Government, while accepting the audit observation, stated (April 2014) that equipment would be supplied to the applicants on 'first come basis' and availability of funds. The reply is not acceptable as this was in violation of the project guidelines.

#### **2.4.5.2 Purchase of non-permissible equipment**

As per the Scheme guidelines, purchase and distribution of tractors to farmers at subsidised rates was not permitted. Audit observed that Government subsidy of ₹19.40 crore was incurred on purchase and distribution of 3,193 tractors during the years 2008-10. The Director of Agriculture, Bangalore stated (July 2013) that even though the Scheme guidelines prohibited such purchases, the Detailed Project Report (DPR) included purchase of tractors under the project. The JDAs of test-checked districts stated (June-August 2013) that tractors were supplied to the farmers at subsidised rate on the basis of instructions of the Director of Agriculture, Bangalore.

The State Government stated (April 2014) that though tractors were not covered under subsidy programme, these were procured as part of innovative schemes. The reply is not acceptable as tractors had been purchased under Agriculture Mechanisation, which was violative of the Scheme guidelines.

#### **2.4.5.3 Non-establishment of Custom Hire Centres**

Though the DPR envisaged allocation of ₹14.64 crore for establishment of CHCs spread over four years (2008-12), action plans prepared by the State made an allocation of ₹86.75 crore for two years (2008-10). It was, however, seen that CHCs were not established in the State, depriving the needs of small

<sup>72</sup> Chamarajanagar, Dharwar and Gangavathi

<sup>73</sup> Bangalore (North), Dharwar, Gangavathi, Kolar and Kundgol

and marginal farmers for farm equipment. The Deputy Director of Agriculture, Field Trials, Bangalore stated (August 2013) that no beneficiary came forward to avail the benefit. This evidenced that the DPR was prepared without any need-analysis.

#### 2.4.5.4 Findings of beneficiary survey

Audit conducted (July-August 2013) beneficiary survey involving 100 beneficiaries in the five test-checked districts. None of the beneficiaries expressed dissatisfaction about the equipment supplied under the test-checked projects.

### 2.4.6 Agricultural Research

The SLSC had approved 68 projects during 2007-13 under this Sector to be implemented by the Universities of Bagalkote, Bangalore, Dharwar, Raichur, and Shimoga. Out of the 68 approved projects, 17 projects were completed and 51 projects were under progress as on March 2013. Five projects were selected by Audit for test-check.

#### 2.4.6.1 Status of the test-checked projects

The details of project costs, funds released and utilised under the test-checked projects are given in Table 2.14.

**Table 2.14: Financial details of the test-checked projects**

| (₹ in crore)  |              |          |                             |  |
|---|--------------|----------|-----------------------------|--|
| Name of the project<br>(Date of approval)   | Project cost | Releases | Expenditure<br>(Percentage) | Remarks  |
| Strengthening of transfer of technology, UAS, Bangalore and Dharwar<br>(November 2007)                          | 100.00       | 20.18    | 13.77 (68)                  | Only 20 per cent of the project cost was released due to which the envisaged components could not be achieved. Even the funds released were not absorbed fully and shortfall in manpower was not tackled even after five years of project implementation. Funds were also diverted for other purposes as stated in Paragraph 2.4.6.3.  |
| Climate change and contingent crop planning, Bangalore<br>(January 2010)  | 0.50         | 0.35     | 0.25 (71)                   | Even the released amount was not fully utilised. The project was further limited to six hoblis <sup>74</sup> of Tumkur district without extending the benefit of the project to the entire State of Karnataka as envisaged in the original DPR. The project was not completed due to limited allotment of funds and not providing communication systems by Agriculture Department. |
| Promotion of integrated farming system, Dharwar<br>(April 2011)   | 11.00        | 11.00    | 4.51 (41)                   | Even 50 per cent of the funds released were not utilised. This was mainly due to delay in appointment of village level facilitators and technical supervisors who were required to demonstrate the project implementation at field.  |
| E-pest surveillance and advisory services against pests and diseases in selected crops, Dharwar<br>(April 2011) | 1.00         | 1.00     | 0.45 (45)                   | The DPR included coordination with National Centre for Integrated Pest Management for web-based platform for data entry of scouting, analysis and issue of advisories, which was not initiated even though funds were released during August 2011. Tenders for development of software were also not processed yet.  |
| Promotion of integrated farming system, Bagalkote<br>(April 2011)   | 13.00        | 13.00    | 2.13 (16)                   | Only 16 per cent of the funds released were utilised as of March 2013. As a result, the envisaged components of the project were not carried out. SLSC in its seventh meeting opined (April 2011) that implementation of the project in 25,000 hectares by each University was difficult due to non-availability of manpower. Evidently, the DPR prepared was not realistic.       |

Source: As furnished by the department

<sup>74</sup> Cluster of villages in a taluk

The State Government stated (April 2014) that the shortfall in achievement was due to prevailing drought conditions and delay in release of funds. It was further stated that targets would be covered effectively in due course.

#### 2.4.6.2 Idle equipment

UAS, Dharwar had procured (September 2008) seven kiosks<sup>75</sup> costing ₹8.68 lakh and had installed them in two project locations. Joint inspection of these kiosks showed (June-August 2013) that three kiosks were not in working condition due to non-maintenance/repairs. Audit also verified (August 2013) four kiosks installed (September 2009) in two project locations by UAS, Bangalore and found that two kiosks were not put to use since two years due to non-upgradation of software, thereby depriving the farmers easy access to information on agriculture activities, benefits, etc.



The following equipment items procured by UAS, Dharwar also remained idle for more than four years of their purchase due to non-availability of training hall as detailed in **Table 2.15**.

**Table 2.15: Details of idle equipment**

| Name of the equipment | Date of purchase | Numbers held in stock and cost of each equipment | Total cost (in Rupees) | Number of months for which equipment kept idle (as of May 2013) |
|-----------------------|------------------|--|------------------------|---|
| Electric stabiliser   | 27.08.2008       | 10 x ₹2,453                                      | 24,530                 | 57  |
| Hitachi LCD-Projector | 09.09.2008       | 1 x ₹40,788                                      | 40,788                 | 56  |
| A-3 Size Printer      | 02.12.2008       | 2 x ₹56,242                                      | 1,12,484               | 53  |
| Photo Copier Toshiba  | 24.04.2008       | 1 x ₹55,120                                      | 55,120                 | 61  |
| <b>Total</b>          |                  |  | <b>2,32,922</b>        |   |

Source: Information furnished by the department and compiled by Audit

Similarly, at VC Farm, Mandya, Linear Laminator linked with Epson Ultra chrome printer worth ₹5.99 lakh procured during January 2009 was not put to use. The department stated (August 2013) that the printer could not be put to use due to high cost of cartridge.

#### 2.4.6.3 Diversion of funds

The Comptroller, UAS, Bangalore had diverted ₹6.21 crore out of ₹9.00 crore released for the project on strengthening of transfer of technology during the period 2008-11 for various other purposes such as construction of buildings, renovations to buildings, repairs to buildings, electrical fittings, sanitary

<sup>75</sup> An instrument for providing information to farmers on agriculture activities, schemes, agriculture benefits, etc.



fittings, etc. Audit observed that these amounts were utilised for purposes other than the objectives envisaged for the project.

The State Government stated (April 2014) that these works were taken up and executed to create better facilities under the project. The reply was not acceptable as the expenditure incurred was not related to the project and was, therefore, inadmissible.

#### **2.4.6.4 Irregular purchase**

The Director of Research, UAS, Dharwar had procured (November 2010) nine air conditioners costing ₹2.59 lakh even though such procurements were not envisaged in the DPRs. The Vice-Chancellor, UAS, Dharwar accepted (July 2013) the point and stated that the need for air conditioners was felt at a later stage. However, approval of SLSC for the purchase was not furnished to Audit (September 2013).

#### **2.4.6.5 Findings of beneficiary survey**

##### **➤ Promotion of integrated farming systems**

Out of 20 beneficiaries surveyed (July-August 2013), 16 beneficiaries expressed satisfaction about the inputs supplied under the project on promotion of integrated farming systems. However, four beneficiaries stated that inputs supplied were not utilised due to drought conditions.

##### **➤ E-pest surveillance and advisory services against pest and diseases in selected crops**

Out of 10 farmers surveyed (July-August 2013) in two villages in Dharwar district (Garag and Aminbhavi), six farmers stated that they were not aware about the project being implemented in their village and the quantum of benefits available under the project. The remaining four farmers expressed satisfaction about the benefits obtained from the project.

### **2.4.7 Animal Husbandry**

The SLSC had approved 43 projects (costing ₹252.91 crore) up to the period 2012-13 under this sector. Of the projects approved, 20 projects were completed and 23 projects were under progress. Against the release of ₹264.87 crore, the expenditure incurred was ₹165.04 crore (62 per cent). The shortfall in achievement of financial target was due to non-completion of infrastructure facilities and non-execution of all the envisaged components of the projects as detailed in succeeding paragraphs. Audit test-checked four projects costing ₹44.89 crore. The findings are detailed below.

#### **2.4.7.1 Intensifying of Animal Health and Extension Services**

The project was approved by SLSC during September 2008 at a project cost of ₹24.92 crore. Against the project cost, ₹21.44 crore was released, of which ₹10.67 crore was spent. The project, *inter alia*, envisaged purchase of

vehicles for mobile veterinary clinics, procurement of equipment, establishment of 4,224 travises<sup>76</sup> for all the 176 taluks of the State for providing timely treatment to animals at the villages.

➤ ***Non-procurement of mobile vans***

Scrutiny showed that instead of 176 vehicles, the Director of Animal Husbandry and Veterinary Services, Bangalore had procured (February 2009) only 50 six-seater Mahindra Bolero jeeps (28 *per cent*) and provided to 50 taluks at a cost of ₹2.32 crore. Even the envisaged additions and modifications to the vehicles were not provided. It was also seen in three<sup>77</sup> test-checked taluks that apart from treatment and extension services, the vehicles were utilised for administrative purposes and given out for use by other departments. This restricted the envisaged facilities such as veterinary diagnostics, preventive, breeding, therapeutic services to livestock at the door step of the farmers in villages and led to non-achievement of the project objectives.

The State Government stated (April 2014) that SLSC had decided not to purchase new vehicles. However, the reply did not specify the reason for providing jeeps against mobile vans and for using them for purposes other than providing veterinary services.

➤ ***Incomplete works***

Against the release (2008-12) of ₹4.50 crore to 147 taluks towards additions or alterations of buildings, only ₹3.53 crore (73 *per cent*) was utilised in 110 taluks, resulting in locking up of ₹97 lakh.

The State Government stated (April 2014) that the remaining funds would be utilised.

Joint inspection (June-August 2013) of four veterinary hospitals also showed that additions and alterations to these hospital buildings were incomplete. On ascertaining the reasons, the department stated that the delay was due to change of locations, locking up of funds with executing agencies, *etc.*

The State Government stated (April 2014) that necessary instructions had been given to the Deputy Directors of Animal Husbandry department to complete additions and alterations to the buildings and avoid locking up of funds.

➤ ***Diversion of funds to activities not included in Project Reports***

Out of the ₹21.44 crore received (2008-11), the Department of Animal Husbandry and Veterinary Services had diverted (June 2012) ₹4.00 crore to

<sup>76</sup> As per DPR, travises are necessary to restrain animals for examination, treatment and artificial insemination. These are to be fixed in villages where mobile veterinary clinic is visiting on a specified day and time of the week.

<sup>77</sup> Bangalore South, Chamarajanagara and Gangavathi

the Deputy Directors of 24 districts towards implementation of commercial dairy development scheme, though this was not included in the DPR. Release of funds towards activities not included in the DPR was irregular and could not be justified in audit.

The State Government accepted (April 2014) the audit observation.

➤ **Findings of beneficiary survey**

Fifty beneficiaries, whose livestock were vaccinated under the project, stated (June-August 2013) that their livestock were vaccinated and there were no complaints.

**2.4.7.2 Augmenting of vaccine production (Two projects)**

The SLSC had approved two projects during September 2008 and April 2010 at a cost of ₹15.47 crore and ₹50 lakh respectively. The main components of the project were to supply livestock vaccines to the farmers of the State to achieve herd immunity against the disease with coverage up to 80 per cent from the existing level of 35 per cent (2007-08), modification of the laboratory at the Institute of Animal Health and Veterinary Biologicals, Bangalore (IAH&VB) to Good Manufacturing Practices (GMP) standards.

- Audit observed that the achievement of administering vaccination has not reached the target of 80 per cent even after completion of XI Five Year Plan period (2007-12). Except for Pestes des Petits Ruminants (PPR) vaccination, no significant improvement was seen from the levels that existed during 2007-08 as detailed in **Table 2.16** below.

**Table 2.16: Comparison of coverage of vaccination of animal population in the State**

| Disease        | (in percentage) |         |
|----------------|-----------------|---------|
|                | 2007-08         | 2011-12 |
| Anthrax        | 0.68            | 0.97    |
| PPR            | 38.54           | 85.52   |
| Enterotoxaemia | 43.89           | 41.29   |

Source: As furnished by the department

The State Government stated (April 2014) that all vaccines could not be administered due to shortfall in manpower.

- The work of modification of the Rabies and PPR laboratory was entrusted (May 2011) to a contractor for a tendered cost of ₹44.78 lakh. Mobilisation advance of ₹13.43 lakh was also paid to the contractor against the bank guarantee which expired during August 2011. However, the work was not commenced (September 2013), leading to undue benefit to the contractor. The Director stated (June 2013) that the work would be commenced as early as possible.

➤ **Non-compliance with Good Manufacturing Practices standards**

The IAH&VB was brought under (2007-08) the GMP standards which, *inter alia*, stipulated modification in building and civil works, latest manufacturing process, assuring the quality of finished product, *etc.*

Records showed that the vaccine manufacturing units of IAH&VB did not comply with the GMP standards even after being intimated (December 2008) by the Deputy Drug Controller. It was also seen that though the Institute had received an amount of ₹9.00 crore during 2009-10 and 2010-11 towards renovation and up-gradation of existing facility, the funds were not utilised.

As a result of non-fulfilment of the conditions/standards of GMP, the licence expiring during December 2012 had not been renewed and vaccine production had to be stopped from January 2013. However, as seen during joint inspection (October 2013), the department continued manufacturing vaccines without obtaining a valid licence in violation of the Drugs and Cosmetic Act and with the risk of administering non-approved vaccines to livestock.



Audit also visited (June–August 2013) five laboratories in the premises of IAH&VB and found that none of the laboratories were compliant with GMP standards.

➤ **Idle equipment**

Audit observed that even though the works of modifications of five laboratories were not commenced, the department had placed the order (April 2010) for procurement of 22 equipment items worth ₹10.65 crore. Out of these, six equipment items (costing ₹5.06 crore) were not put to use due to delay in modifying laboratories to GMP standards. The project remained incomplete even as of August 2013.

**Idle equipment procured out of the Scheme funds - IAH & VB, Hebbal, Bangalore (19 October 2013)**



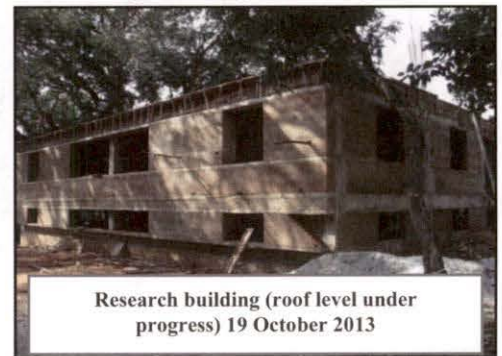
The State Government accepted (April 2014) the audit observation and stated that laboratories could not be modified due to delay in finalisation of tenders.

#### 2.4.7.3 Centre for development of vaccine and diagnostics

The SLSC had approved the project (July 2009) at a cost of ₹11 crore. The project, *inter alia*, envisaged construction of a research centre which was estimated at ₹3.20 crore. However, the GOI released ₹4.00 crore during 2009-11, of which ₹1.80 crore was released (March 2010) to Public Works Department (PWD) for construction of the research centre.

The Commissioner, Department of Agriculture, however, instructed (August 2010) the Director to withhold the project and divert the money for other project. Accordingly, PWD was asked to return the amount. PWD expressed (September 2010) their inability to return the money and continued the civil works. Finally, the permission to continue the work was given in July 2012 after which PWD recommenced the work, leading to delay of two years. As

of October 2013, the physical progress of the building had reached roof level. Thus, indecisiveness of the implementing officers led to the research centre remaining incomplete even after three years. Non-completion of the building also resulted in non-execution of other components such as developing diagnostic antigens and rapid kits for newer diseases, rapid and confirmatory diagnosis of existing diseases, improvement of existing vaccines, development of new generation vaccines, development of thermo stable vaccines, *etc.*



The State Government accepted (April 2014) the delay and stated that the work would be completed in a couple of months. However, the reply did not explain the reasons for withholding the project after entrusting it to PWD.

#### 2.4.8 Micro/Minor Irrigation

Under this sector only two projects of *Suvarna Krishi Honda* (farm ponds) were proposed with the objective of developing rain fed farming systems in and outside watershed areas/integrated development of watershed areas, providing assistance for development of land, conserving and improving ground water table by storing rain water, *etc.*

##### 2.4.8.1 Absence of need-based analysis

The SLSC had approved (November 2007) the project at a cost of ₹250 crore spread over a period of five years. Though it was an ongoing State sector project, the Commissioner, Watershed Development Department, Bangalore had proposed the project for the years 2007-08 and 2008-09 (costing ₹92 crore) under Stream-I, which was in contravention of the Scheme guidelines.

The project cost was revised to ₹55 crore on the basis of progress of works and release of funds (2007-09). As a result, out of 90,817 farm ponds proposed for construction, only 56,380 (62 per cent) farm ponds were completed (March 2013). In five<sup>78</sup> test-checked districts, 6,129 (54 per cent) farm ponds were constructed against the target of 11,272 farm ponds. Against a financial target of ₹11.05 crore for these two projects (2007-08 and 2008-09) in the five test-checked districts, ₹5.92 crore (54 per cent) had been utilised. The project was not implemented after 2009-10 onwards due to non-release of sufficient funds as envisaged. Thus, the planning and selection of the project was driven more by the perceived availability of funds and less by a need-based analysis.

The State Government stated (April 2014) that due to shortfall in release of funds, the programme could not be carried out as envisaged. However, the reply did not explain the reasons for short release of funds.

#### **2.4.8.2 Irregular selection of beneficiaries**

As per the DPR, 40 per cent of the beneficiaries under the project were to be selected from Scheduled Castes (SC)/Scheduled Tribes (ST) category. It was, however, seen that out of total 6,129 beneficiaries selected in the five test-checked districts, only 1,289 beneficiaries (21 per cent) belonged to the SC/ST category.

The State Government stated (April 2014) that benefits were provided to willing farmers belonging to SC/ST category. This indicated that the DPR was prepared without observing the laid down guidelines.

The DPR also stipulated that the beneficiaries should be selected out of only small farmers and marginal farmers. However, in four<sup>79</sup> taluks of two test-checked districts, 93 big farmers were selected during 2008-09 and extended benefit of ₹8.99 lakh under the Scheme, which was inadmissible. The District Watershed Development Officer (DWDO), Dharwar accepted (July 2013) the audit observations and stated that deviations had taken place which would be avoided in future.

The State Government stated (April 2014) that no big farmer was selected in Koppal district. However, the evidence gathered by Audit indicated that big farmers were indeed selected under the project.

#### **2.4.8.3 Findings of joint verification**

- Audit conducted joint physical verification (July-August 2013) of farm ponds of 90 beneficiaries in the five test-checked districts and observed that 47 farm ponds were not maintained by these beneficiaries after availing the benefits. Due to non-maintenance of the farm ponds, accumulation of silt, dumping of waste, damage of farm ponds segments, etc., were observed by Audit. As a result, neither water could

<sup>78</sup> Bangalore (Urban), Chamarajanagara, Dharwar, Kolar, and Koppal

<sup>79</sup> Alnavar, and Aminbhavi (Dharwar district), Koppal and Gangavathi (Koppal district)

be stored in these farm ponds nor full benefit of investment of ₹4.61 lakh could be derived. Planting of horticultural and forestry plants alongside the farm ponds were also not carried out by the beneficiaries, though envisaged.

The State Government accepted the audit observation and stated (April 2014) that silting up of farm ponds in black soil was inevitable as black soil was more prone to erosion. It was further stated that farmers had been advised to desilt the farm ponds.

- The DPR stipulated that the unit cost for each pond was to be ₹9,800 which included earth work excavations; inlet-cum-outlet with boulders; silt trap (₹9,500) and planting of horticulture and forestry plants (₹300). Audit verified vouchers and measurement books (MB) in 526 cases of Dharwar district and found that the department had executed only earthwork excavation. The beneficiaries had given undertakings to complete the remaining items of work. However, on physical verification of farm ponds of 20 beneficiaries, it was observed that the remaining items of work were not executed (September 2013) in all these cases. As a result, the works did not yield desired results under the project. The possibility of works remaining incomplete in more cases also could not be ruled out. The DWDO, Dharwar accepted (July 2013) the audit observation and stated that funds were insufficient to meet the expenditure on construction of farm ponds.

The State Government stated (April 2014) that remaining items of work were not executed as the beneficiaries were small and marginal farmers who were unable to spend a sum of ₹5,000. The reply suggests a weakness in the Scheme as the weakest section of farmers who should in fact be the ones to benefit are unable to avail the benefits of the Scheme.

- In order to assess the utility of farm ponds constructed, each beneficiary had to be issued a farmer card wherein all the details such as water stored, ground water table, *etc.*, had to be recorded. Physical verification showed that the farm pond owners were not issued farmer cards. As a result, the utility of these ponds, the output in the nearby bore wells, *etc.*, could not be assessed by Audit.

#### **2.4.9 Organic farming/Bio-fertiliser**

The SLSC had approved seven projects on organic farming during the period 2007-13, of which four projects were completed and three projects were under progress. Out of seven projects, two projects were selected for test-check.

##### **2.4.9.1 Research Institute on Organic farming (RIOF)**

The objective of the project was to develop and promote suitable bio-fertilisers, bio-pesticides, promote capacity building for organic farming stakeholders, mitigate problems in organic farming sector, *etc.* A building with infrastructure facilities (costing ₹2.35 crore) for implementing these components was also proposed in the UAS, Bangalore campus. The proposed

building under RIOF had been completed (September 2009) after incurring an expenditure of ₹2.08 crore. Audit observed on physical verification (24 August 2013) of the building that a portion of the building was occupied by implementing officers of other projects<sup>80</sup>.

Though the SLSC had approved the project (November 2007) with a project period of five years at a cost of ₹50 crore, only a sum of ₹5.05 crore (10 per cent) was released (2007-11). Reason for shortfall in release was not furnished to Audit.

The Coordinator and Nodal Officer, RIOF, UAS, Bangalore stated (August 2013) that all the envisaged components of the project could not be undertaken due to reduction in release of funds, resulting in non-achievement of the objectives.

#### **2.4.9.2 Organic farming – On-site activities**

The project costing ₹15 crore was approved by SLSC during April 2011, with a project period of three years. The project aimed at production of quality and safe agricultural products which contain no chemical residue by practising eco-friendly production methods and farming systems that restore and maintain soil fertility. The project was implemented in all 176 taluks of the State and an amount of ₹14.65 crore was spent as of March 2013.

The implementation of project was test-checked in five<sup>81</sup> districts. Out of ₹1.53 crore released (October 2011-March 2012), an amount of ₹1.45 crore was spent (March 2013). The shortfall in utilisation was on account of non-certification of the products as organic and non-establishment of market link for organic products. However, the target of bringing 2,200 hectares of land under organic farming in the test-checked districts had been achieved.

The State Government accepted (April 2014) the findings and stated that maximum emphasis was given for certification of organic farms and establishment of market links for organic products during the year 2013-14.

#### **2.4.9.3 Findings of beneficiary survey**

Audit conducted (June-August 2013) survey of 50 farmers in the test-checked districts, which showed the following:

- Sixteen farmers were not provided competitive prices for the organic products grown;
- Eighteen farmers stated that low yield in organic farming was due to deteriorated soil health;
- Ten farmers expressed difficulties in practising organic farming due to lack of labour force; and

<sup>80</sup> Project Investigators of Bio-fuel Research, All India Coordinated Research Project (AICRP) on Agro-forestry, etc.

<sup>81</sup> Bangalore (Urban), Chamarajanagara, Dharwar, Kolar, and Koppal



- Forty five farmers stated that no marketing link and certification of the organic produce was provided either by the non-governmental organisations (NGOs) or by the department.

The ADAs of all the test-checked taluks expressed (June-August 2013) the apprehension that the farmers might revert to inorganic methods of cultivation due to non-provision of market link to sell organic products grown by them. The Deputy Director, Organic farming cell also stated (August 2013) that suitable proposals for market development for organic products were not received in order to ensure continuation of organic farming by the beneficiaries.

The State Government stated (April 2014) that organic farming activities were labour intensive and yields would improve by the third year of organic conversion. It was further stated that certification of organic farms and establishment of market linkages was done in 2013-14.

#### **2.4.10 Monitoring of the Scheme**

##### **2.4.10.1 Monitoring and evaluation by SLSC**

The SLSC, formed in November 2007, was to meet once a quarter to review the implementation of the Scheme. However, the SLSC had met only nine times against the stipulated 22 meetings during 2007-13. Audit also observed that SLSC had not ensured categorisation of projects as Stream-I and II while approving projects under the Scheme as detailed in *Paragraph 2.4.4.2*.

The State Government accepted (April 2014) the audit observation and stated that only limited number of meetings had been conducted.

##### **2.4.10.2 Submission of progress reports and returns to DAC**

Audit requested (August 2013) for the copies of progress reports and returns under the Scheme furnished to DAC for verification. The Project Coordinator stated (September 2013) that the information regarding financial and physical progress had been updated on the web-based RKVY Database and Management Information System (RDMIS) from the year 2009-10. Audit observed lacunae in updating data in RDMIS as detailed below.

- The Deputy Director, RKVY Cell is authorised to enter the data, effect corrections, modify the data already uploaded with the consultation and approval by GOI. However, there was no provision for validation of data by any superior officer of the nodal department. Thus, there was no monitoring and verification of data by the departmental officials.
- Though the website was operational only from 2009-10, the identification numbers of all the projects sanctioned for the prior period were shown as commenced from 2010-11, which was incorrect.

The State Government stated (April 2014) that identification numbers were self generated in the RDMIS software and restricted to one year

period. This indicates that there is a lacuna in the application which needs to be modified.

- The status of four completed projects was shown as “ongoing” and the status of the one abandoned project was shown as completed. Even the status of the two projects was shown as “completed” without incurring any expenditure. Further, there were differences between the data uploaded in RDMIS and information available with the implementing agencies.

The State Government stated (April 2014) that project-wise physical and financial progress had been updated in RDMIS. The reply is not acceptable as the discrepancies persisted in RDMIS as verified by Audit (April 2014).

- The units of measurement of physical targets and the achievements in four projects were either not mentioned or different from actual measurable units.
- Physical targets indicated in six projects could not be related to the project objectives. Achievements of five projects shown in RDMIS were inter-changed and did not pertain to the particular projects.

As a result of the above discrepancies, the integrity and reliability of data uploaded in RDMIS could not be relied upon, rendering the data unsuitable for decision making process.

#### ***2.4.10.3 Non-conducting of statutory and internal audit of the Scheme***

According to the Scheme guidelines, the nodal department should ensure preparation of project-wise accounts by the implementing agencies, which should be subjected to the normal process of statutory audit. General Financial Rules, 2005 also provided for internal audit by the implementing department. Audit observed that internal audit of the projects under the Scheme was not taken up by any of the test-checked implementing departments, and statutory audit of the projects implemented by the Department of Agriculture was not conducted.

#### ***2.4.10.4 Non-maintenance of Assets Register***

As per the Scheme guidelines, the nodal department is to ensure that the assets created under the projects should be maintained and assets that are no longer required should be redeployed to other needy places. Audit observed that assets register was not maintained either by the nodal department or by the implementing agencies/departments to monitor usage of assets created under the Scheme.

The State Government stated (April 2014) that instructions had been issued to maintain Asset register.

#### **2.4.10.5 Evaluation of the Scheme**

The GOI had entrusted (July 2013) ISEC, Bangalore to evaluate the Scheme implemented during XI Five Year Plan period. The evaluation was under progress and, as a result, the objective of maximising returns to the farmers in Agriculture and allied sectors during XI plan period was yet to be assessed (September 2013).

#### **2.4.11 Conclusion**

- Financial management was deficient as evidenced by incorrect reporting of expenditure, diversion of funds, parking of funds in fixed deposits, idle equipment, *etc.*
- Agricultural plans were prepared without conducting any study on the existing resources. The projects approved did not consider any convergence with other ongoing schemes.
- The objectives of the test-checked projects were not achieved due to non-execution of all the envisaged components, deviations from the project guidelines, shortfall in manpower, *etc.*
- There were differences between the data uploaded in RDMIS and information available with the implementing agencies. Erroneous entries had been made in the RDMIS and there was no system of monitoring this data by RKVY Cell. As a result, the RDMIS data on physical and financial performance of the Scheme was not reliable, rendering the data unsuitable for decision making process.

#### **2.4.12 Recommendations**

- The department needs to evolve a system to track the expenditure incurred by implementing departments/agencies. The State Government needs to review the projects where funds were parked in fixed deposits and lying unutilised for more than six months.
- Concerted efforts should be made to ensure convergence of RKVY with ongoing schemes.
- Monitoring should be strengthened to ensure achievement of objectives envisaged. The nodal department should be vigilant in uploading data in RDMIS to avoid misrepresentation of facts and its usage thereafter.

**RURAL DEVELOPMENT AND PANCHAYAT RAJ  
DEPARTMENT**

**2.5 Unproductive investment on a water supply scheme**

**The Zilla Panchayat, Bellary took up a water supply scheme to Kudithini village in Bellary taluk which remained non-functional as the water could not be stored in the impounding reservoir due to seepage. This resulted in unproductive investment of ₹6.14 crore, besides depriving the targeted population of drinking water supply.**

With the objective of providing drinking water supply to Kudithini village in Bellary taluk (Bellary district), the Chief Executive Officer (CEO) of Zilla Panchayat (ZP), Bellary had accorded (December 2003) administrative approval to a community-based water supply scheme under Sector Reforms Programme.

The work estimated to cost ₹3.02 crore was entrusted (December 2003) to Karnataka Rural Infrastructure Development Limited<sup>82</sup> (KRIDL) with stipulation to complete the same by December 2006. However, KRIDL could complete only 70 per cent of the work within the stipulated period after incurring an expenditure of ₹2.22 crore. As a result, the CEO, ZP, Bellary withdrew the work from KRIDL and entrusted (December 2006) the remaining civil works costing ₹2.39 crore to the Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Bellary. The balance works, *inter alia*, included construction of raw water sump, pump house, laying pipelines and spreading black cotton (BC) soil blanket in the impounding reservoir (IR). The PRED, Bellary completed the works in October 2010 after incurring an expenditure of ₹2.26 crore.

The Chief Engineer, Panchayat Raj Engineering Department (CE) who inspected (November 2010) the works observed that water stored in the IR had been getting drained through seepages and the BC soil blanket of 20 centimetre (cm) had not been laid uniformly. The Superintending Engineering, PRED Circle, Bellary visited (February 2011) the site with a consultant who observed that the IR had been founded on the foreshore of an existing minor irrigation tank and the bed of IR was pervious. The consultant recommended either flooding the tank bed for one more rainy season and observing its behaviour or spreading a BC soil blanket over the tank bed up to a depth of 80 cm. Thereafter, the CEO, ZP, Bellary entrusted (April 2011) the work of providing the BC soil blanket to KRIDL at an estimated cost of ₹2.75 crore. KRIDL incurred (August 2011) an expenditure of ₹1.66 crore to complete the work. However, even after spreading the BC soil blanket up to a depth of 80 cm, water could not be stored in the IR due to seepage. The CE opined (May 2011) that the IR had not been constructed on a suitable site and suggestions of technical experts or geologists could have been taken before taking up the work. The BC soil blanket work executed by KRIDL was inspected (November 2011) by another consultant who confirmed the presence of pervious strata below the IR bed and recommended for

<sup>82</sup> Formerly Karnataka Land Army Corporation (KLAC)

sandwiching a plastic membrane between clay layers laid on the IR bed to plug the seepage.

The State Government, while accepting the fact, stated (November 2013) that the State Level Empowered Committee had approved (April 2013) the revised estimate of ₹8.74 crore for carrying out the work of geo-membranes. It was further stated that all efforts made by PRED and KRIDL to store water in the IR went in vain due to wrong selection of site and directions had been issued to ZP, Bellary to fix responsibility on the concerned implementing officers for this lapse.

Thus, the investment of ₹6.14 crore so far made, which was more than twice the estimated cost, was rendered unproductive, due to improper selection of site for constructing the IR and failure to conduct permeability test before taking up the work. These lapses deprived the targeted population of drinking water supply for more than nine years.

## **2.6 Unfruitful expenditure on water purification systems**

**Failure of the Executive Engineer, Panchayat Raj Engineering Division, Chitradurga to include liability clause in the agreements and take action to repair Stand Alone Water Purification Systems resulted in unfruitful expenditure of ₹26.84 lakh, besides denial of safe drinking water to students.**

The Government of India (GOI) had introduced (November 2008) 'Jalmani' Scheme (Scheme), a 100 *per cent* centrally sponsored scheme, to install Stand Alone Water Purification System (SAWPS) in selected rural schools. The Scheme was to be implemented by the State Government or institutions nominated by the State Government. The Scheme guidelines, *inter alia*, stipulated that Operation and Maintenance (O&M) of SAWPS would be the responsibility of manufacturers and suppliers till the life time of these systems, which should not be less than five years. The guidelines also stipulated to incorporate a suitable protocol of O&M while awarding the contract to the selected manufacturers or suppliers and impose product liability insurance so that the manufacturers or suppliers could be held accountable for lack of maintenance or any lacunae in the system.

The State Government identified 9,479 rural schools in Karnataka for the implementation of the Scheme during the year 2010-11, for which the GOI released (March 2010) ₹7.08 crore. The State Government had instructed Panchayat Raj Engineering Divisions (PRED) to procure SAWPS from nine agencies empanelled (September 2009) at the State level.

The Executive Engineer (EE), PRED, Chitradurga entered into agreements (October-December 2010) with three agencies for supply and installation of 511 SAWPS (one unit per school) including maintenance of the units for five years. The agencies supplied (2010-11) these SAWPS costing ₹43.11 lakh<sup>83</sup> to 511 schools. A sum of ₹32.33 lakh (75 *per cent* of the total cost of

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<sup>83</sup> ₹9,650 (unit cost) x 431 = ₹41,59,150; ₹1,900 (unit cost) x 80 = ₹1,52,000

₹43.11 lakh) was paid (March-October 2011) to these agencies. It was, however, seen that product liability clause had not been included in the agreements to guard against failure to provide agreed services by the agencies, as stipulated in the Scheme guidelines.

Information compiled from the reports (November 2012) of Block Education Officers of all the six taluks of Chitradurga district showed that 299 out of 511 SAWPS costing ₹26.84 lakh had become defunct within a year of installation.

Though the EE, PRED, Chitradurga had directed (November-December 2011) these agencies to repair the defunct units, this had not been done. In the absence of the product liability clause in the agreements, the EE, PRED, Chitradurga could not initiate action against the defaulting agencies. Instead, the EE proposed (December 2011) to Chief Executive Officer, Zilla Panchayat, Chitradurga to repair the defunct units with the remaining amount of ₹10.78 lakh due to these agencies. However, none of these units had been repaired or replaced (May 2013). It was also seen that one of the agencies, M/s. Magic Water RO System, Bangalore, was not empanelled by the State Government. Therefore, procurement of 145 units (80 units in Holalkere and 65 units in Hosadurga) from this agency was irregular.

Thus, failure of the EE, PRED, Chitradurga to include the product liability clause in the agreements to hold the agencies accountable for lack of maintenance and initiate action to repair SAWPS resulted in unfruitful expenditure of ₹26.84 lakh, besides denial of safe drinking water to the children studying in these 299 schools.

The State Government stated (November 2013) that SAWPS had been repaired at a cost of ₹1.34 lakh through a local service provider. It was also stated that action had been initiated (September 2013) to blacklist these three agencies. The reply was not acceptable as SAWPS had been repaired only in three taluks (Challakere, Hiriyur and Holalkere) and not in the remaining three taluks (Chitradurga, Hosadurga and Molkalmuru). Further, quality test reports after repairing SAWPS in three taluks had not been furnished. As a result, availability of potable water to school children could not be assessed in audit. Responsibility should be fixed for failure to include the product liability clause which led to unfruitful expenditure.

## **2.7 Wasteful expenditure on construction of a deck slab bridge**

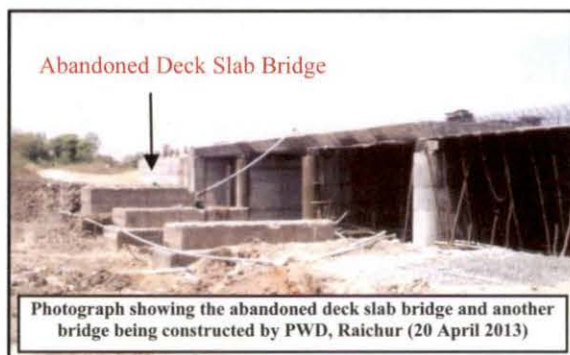
**Failure of the Executive Engineer, Panchayat Raj Engineering Division, Raichur to complete the construction of a deck slab bridge resulted in wasteful expenditure of ₹20.45 lakh. The EE also failed to ensure safe custody of materials which resulted in loss of ₹9.96 lakh.**

The Deputy Commissioner (DC), Raichur had approved (February 2008) the work of construction of a deck slab bridge to connect two villages (Hirekudalgi and Khanapur) of Devdurga taluk, Raichur district at an estimated cost of ₹50 lakh (₹40 lakh from Flood Relief fund and ₹10 lakh from Member of Legislative Assembly fund). The Chief Engineer, Panchayat

Raj Engineering Department, Bangalore (CE) accorded the technical sanction during April 2008.

Audit scrutiny (February 2010 and August 2012) showed that the work was taken up (2007-08) departmentally and the Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Raichur had entrusted the work to a contractor without calling for tenders. The EE, PRED, Raichur charged materials costing ₹26.17 lakh<sup>84</sup> to this work. The work was abandoned (September 2008) after executing the work up to plinth level and incurring an expenditure of ₹20.45 lakh which included ₹6.01 lakh<sup>85</sup> towards cost of materials utilised. The reason for stopping the work was not forthcoming from the records made available to Audit. Further, the EE did not ensure safe custody of materials and claimed that the balance quantity of cement (4,425 bags) costing ₹9.96 lakh was washed away in floods. However, there was no documentary evidence in support of this claim as the material at site (MAS) account was not maintained. As a result, the genuineness of the claim that the material was washed away could not be assessed in audit.

During January 2011, the State Government approved the work of construction of bridge at the same place under National Bank for Agriculture and Rural Development assistance at an estimated cost of ₹97 lakh. The Executive Engineer, Public Works department (PWD), Raichur took up this work by the side of abandoned deck slab bridge and entrusted (August 2012) the same to a contractor for ₹1.04 crore (tendered cost ₹94.47 lakh). The work was completed and submission of Project Completion Report was pending (August 2013).



The failure of EE, PRED, Raichur in completing the work taken up departmentally resulted in wasteful expenditure of ₹20.45 lakh on abandoned work and consequential escalation of cost of work from ₹50 lakh to ₹104 lakh. The EE also failed to ensure safe custody of materials which resulted in loss of ₹9.96 lakh.

Audit scrutiny also showed that the DC, Raichur had written (July 2010) to the CE to verify the quality of work done and initiate disciplinary action against the erring officials. The CE, in turn, had requested (September 2010) the Principal Secretary to Government of Karnataka, Rural Development and Panchayat Raj Department for permission to initiate action against the concerned officials. However, no action has been taken in this regard till date (August 2013).

<sup>84</sup> Cement: 5,779 bags costing ₹13.13 lakh and Steel: 28 metric tons costing ₹13.04 lakh

<sup>85</sup> Cement: 1,354 bags costing ₹3.17 lakh and Steel: 6.089 metric tons costing ₹2.84 lakh

The State Government stated (August 2013) that the work was stopped due to heavy floods (2008-09) and tenders were not called for as the nature of the work was urgent. It was also stated that materials were issued (March-November 2008) directly to the Section Officer concerned and contended that only 2,425 cement bags (costing ₹5.67 lakh) were washed away. The reply was not acceptable as stock and issue register showed that 2,000 cement bags (costing ₹4.12 lakh) were issued to the Section Officer earlier during March 2007, which had not been accounted for. Moreover, the urgent nature of the work could not be justified in Audit as connectivity to the two villages was provided only after a lapse of five years.







## **CHAPTER-III**

### **An overview of Urban Local Bodies**



## CHAPTER III

### SECTION 'A' AN OVERVIEW OF URBAN LOCAL BODIES

#### 3.1 Introduction

**3.1.1** The 74<sup>th</sup> Constitutional amendment enacted in 1992 envisioned creation of local self-governments for the urban area population wherein municipalities were provided with the constitutional status for governance. The amendment empowered Urban Local Bodies<sup>86</sup> (ULBs) to function efficiently and effectively as autonomous entities to deliver services for economic development and social justice with regard to 18 subjects listed in the XII Schedule of the Constitution.

The category-wise ULBs in the State as of March 2013 are shown in **Table 3.1** below.

**Table 3.1: Category-wise ULBs in Karnataka State**

| Category                        | Number of ULBs |
|---------------------------------|----------------|
| City Corporations (CCs)         | 8              |
| City Municipal Councils (CMCs)  | 44             |
| Town Municipal Councils (TMCs)  | 94             |
| Town Panchayats (TPs)           | 68             |
| Notified Area Committees (NACs) | 5              |

Source: Administrative Report of UDD for the year 2012-13

The CCs are governed by Karnataka Municipal Corporations Act, 1976 (KMC Act) and other ULBs are governed by Karnataka Municipalities Act, 1964 (KM Act). Each Corporation/Municipal area is divided into a number of wards, which are determined and notified by the State Government considering the population, geographical features, economic status, *etc.*, of the respective area.

#### 3.2 Organisational structure

**3.2.1** The Urban Development Department (UDD) is headed by Principal Secretary to Government of Karnataka and is the nodal department. The organisational structure with respect to functioning of ULBs in the State is shown in **Appendix 3.1**.

The Directorate of Municipal Administration (DMA), established in December 1984, is the nodal agency to control and monitor the administrative, developmental and financial activities of the ULBs except Bruhat Bangalore Mahanagara Palike (BBMP), which functions directly under the UDD.

<sup>86</sup> Classified as City Corporations, City Municipal Councils, Town Municipal Councils and Town Panchayats based on the population

### 3.2.2 Composition of ULBs

All the ULBs have a body comprising Corporators/Councillors elected by the people under their jurisdiction. The Mayor/President who is elected on majority by the Corporators/Councillors presides over the meetings of the Council and is responsible for governance of the body. While the ULBs other than BBMP have four<sup>87</sup> Standing Committees, BBMP has 12<sup>88</sup> Standing Committees to deal with their respective functions. The Commissioner/Chief Officer is the executive head of ULBs.

3.2.3 The subordinate wings of UDD and their responsibilities are indicated in **Table 3.2** below.

**Table 3.2: Subordinate wings of UDD and their responsibilities**

| Wing                     | Responsibilities   |
|--------------------------|--|
| Municipal Administration | <ul style="list-style-type: none"> <li>To ensure that ULBs discharge their functions and guide them in discharge of obligatory, special and discretionary functions</li> <li>Urban reforms, especially relating to revenue collection, computerisation and accounting</li> <li>Implementation of the Centrally Sponsored and State Government Schemes</li> </ul>   |
| Town Planning            | <ul style="list-style-type: none"> <li>Assist the Government in formulation of policies on matters related to planning and development of urban and rural areas of the State</li> <li>Extending technical support to Urban Development/Planning authorities, ULBs in preparation and enforcement of development plans and preparation of town extension schemes, <i>etc.</i></li> </ul>  |
| Urban Land Transport     | <ul style="list-style-type: none"> <li>Periodical assessment of travel demand in a given urban area through scientific methods</li> <li>Determination of the level of public transport required in different corridors and the type of transport systems required based on a comprehensive appraisal of public transport technologies</li> <li>Assessment and recommendation of the new investments needed for creation of infrastructure over a specified time horizon</li> <li>Liaisoning with the municipal bodies/ Urban Development Authorities (UDAs) in designing and developing integrated policies and plans for city level transportation and their financing</li> </ul> |

Source: Administrative Report of UDD for the year 2012-13

3.2.4 In order to ensure comprehensive development and to improve service delivery system in thickly populated areas and urbanised areas in the

<sup>87</sup> 1) Accounts 2) Public Health, Education and Social Justice 3) Taxation, Finance and Appeals 4) Town Planning and Improvement

<sup>88</sup> 1) Accounts 2) Appeals 3) Education 4) Establishment and Administrative Reforms 5) Horticulture 6) Major Public Works 7) Markets 8) Public Health 9) Social Justice 10) Taxation and Finance 11) Town Planning and Improvement and 12) Ward level public works

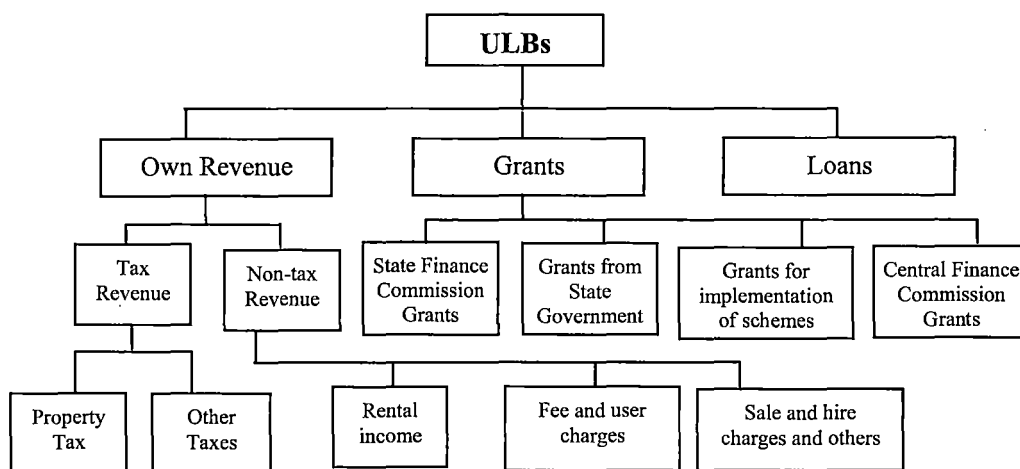
State, the State Government constituted various Boards/Authorities<sup>89</sup> assigning specific functions to them.

### 3.3 Financial profile

#### 3.3.1 Resources of ULBs

The ULBs do not have a large independent tax domain. The finances of ULBs comprise receipts from own sources, grants and assistance from Government of India (GOI)/State Government and loans procured from financial institutions or nationalised banks as the State Government may approve. The property tax on land and buildings is the mainstay of ULB's own revenue. While power to collect certain taxes is vested with the ULBs, powers pertaining to the rates and revision thereof, procedure of collection, method of assessment, exemptions, concessions, *etc.*, are vested with the State Government. The own non-tax revenue of ULBs comprise fee for sanction of plans/mutations, water charges, *etc.*

Grants and assistance released by the State Government/GOI as well as loans raised from financial institutions are utilised for developmental activities and execution of various schemes. The flow chart of finances of ULBs is as shown below.



#### 3.3.2 Custody of funds in ULBs

The grants received from the State Government are kept in Personal Deposit account of ULBs maintained at Treasury. All receipts are to be credited into the treasury/bank and any money required for disbursement is drawn from the treasury/bank through cheque. The grants received for implementation of schemes are kept in banks duly authorised by the State Government. The

<sup>89</sup> Bangalore Development Authority, Bangalore Metro Rail Corporation Limited, Bangalore Metropolitan Regional Development Authority, Bangalore Metropolitan Task Force, Bangalore Water Supply and Sewerage Board, Karnataka State Town Planning Board, Karnataka Urban Infrastructure Development and Finance Corporation, Karnataka Urban Water Supply and Drainage Board, UDAs for 27 cities

Drawing and Disbursing Officers (DDOs) under ULBs are empowered to draw the grant from the treasury/banks after getting sanction from the Commissioner/Chief Officer.

### 3.3.3 Release of grants to ULBs

The details of grants released by the State Government to ULBs during the period from 2008-09 to 2012-13 are as shown in **Table 3.3**.

**Table 3.3: Statement showing release of grants to ULBs**

(₹ in crore)

| ULBs          | 2008-09      |                | 2009-10      |                | 2010-11      |                | 2011-12      |                | 2012-13      |                |
|---------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
|               | Budget       | Grant released | Budget       | Grant released | Budget       | Grant released | Budget       | Grant released | Budget       | Grant released |
| CCs           | 802          | 749            | 679          | 662            | 617          | 616            | 2,800        | 2,864          | 3,544        | 2,669          |
| CMCs/<br>TMCs | 1,210        | 1,259          | 1,335        | 1,372          | 1,789        | 1,936          | 1,252        | 1,126          | 1,513        | 1,126          |
| TPs/<br>NACs  | 449          | 331            | 351          | 438            | 474          | 423            | 285          | 258            | 290          | 214            |
| <b>Total</b>  | <b>2,461</b> | <b>2,339</b>   | <b>2,365</b> | <b>2,472</b>   | <b>2,880</b> | <b>2,975</b>   | <b>4,337</b> | <b>4,248</b>   | <b>5,347</b> | <b>4,009</b>   |

Source: State Budget Estimates and Finance Accounts

It could be observed from the table above that though the grants released by the State Government to all ULBs increased by six *per cent* in 2009-10, 20 *per cent* in 2010-11, 43 *per cent* in 2011-12, the same decreased by six *per cent* in 2012-13 when compared to the release of previous year. The grants released to CMCs/TMCs decreased by 11 *per cent* in 2011-12 and 2012-13 when compared to the release of 2008-09. The grants released to CCs increased by 282 *per cent* during 2011-12 and 256 *per cent* during 2012-13 when compared to 2008-09. The increase in grant to CCs was mainly due to release of grants under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) to BBMP and CC, Mysore and also due to release of grants under Mukhya Mantri Nagarothan Yojane, Tribal Sub-Plan (TSP)/Special Component Plan (SCP) to all CCs. The decrease in grants to CMCs and TPs was due to non-release of grants under SCP and TSP programmes.

### 3.3.4 Revenue and expenditure of ULBs

The revenue of ULBs include own revenue, assigned revenue, grants, loans, etc. Details of revenue and expenditure of ULBs are shown in **Table 3.4** below.

**Table 3.4: Statement showing revenue and expenditure of ULBs**

(₹ in crore)

| Revenue                          | 2008-09         | 2009-10         | 2010-11         | 2011-12         | 2012-13         | Total            |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Own Revenue                      | 1,024.77        | 1,669.73        | 2,459.29        | 2,469.56        | 1,481.85        | 9,105.20         |
| Assigned revenue and devolutions | 2,391.33        | 2,505.59        | 3,026.46        | 3,391.34        | 3,807.58        | 15,122.30        |
| Central Government Grants        | -               | 343.85          | 306.80          | 582.78          | 749.75          | 1,983.18         |
| Loans and other capital grants   | 1,918.95        | 963.51          | 2,680.94        | 2,090.66        | 2,246.68        | 9,900.74         |
| Finance Commission Grants        | 175.03          | 120.41          | 185.46          | 440.89          | 521.66          | 1,443.45         |
| <b>Total</b>                     | <b>5,510.08</b> | <b>5,603.09</b> | <b>8,658.95</b> | <b>8,975.23</b> | <b>8,807.52</b> | <b>37,554.87</b> |

| Expenditure                     | 2008-09         | 2009-10         | 2010-11         | 2011-12         | 2012-13         | Total            |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Establishment                   | 499.83          | 532.81          | 481.51          | 685.44          | 927.99          | 3,127.58         |
| Maintenance                     | 519.83          | 517.91          | 534.90          | 591.87          | 619.86          | 2,784.37         |
| Welfare Expenditure of Citizens | 27.24           | 72.68           | 49.92           | 54.46           | 58.34           | 262.64           |
| Capital Expenditure             | 523.02          | 746.54          | 825.76          | 766.45          | 751.23          | 3,613.00         |
| Others                          | 62.31           | 81.91           | 89.27           | 105.41          | 89.77           | 428.67           |
| <b>Total</b>                    | <b>1,632.23</b> | <b>1,951.85</b> | <b>1,981.36</b> | <b>2,203.63</b> | <b>2,447.19</b> | <b>10,216.26</b> |

Source: As furnished by DMA (Previous years' figures revised by DMA based on the Fund Based Accounting System maintained by the ULBs)

The above position indicated that though the collection of own revenue increased by 141 *per cent* during the period 2008-09 to 2011-12, it decreased by 40 *per cent* in 2012-13 when compared to that of 2011-12. Further, the total own revenue collected during the period 2008-09 to 2012-13 constituted only 24 *per cent* of the total revenue of all ULBs during the same period. Thus, the ULBs were largely dependent on Government grants.

The maintenance expenditure constituted 27 *per cent* of the total expenditure during the period 2008-13, whereas the capital expenditure constituted 35 *per cent* during the same period.

### 3.3.5 Financial position of selected ULBs

Out of 214 ULBs in the State, Audit test-checked the records of BBMP and 14<sup>90</sup> other ULBs to review the budgetary control and financial reporting system in ULBs.

#### 3.3.5.1 Financial position of BBMP

The financial position of BBMP for the period 2008-12 is given in **Appendix 3.2**. Audit scrutiny of the financial statements of BBMP prepared under Fund Based Accounting System (FBAS) for the years 2008-09 to 2011-12 showed the following.

- General Fund registered an increase of 209 *per cent* during the last four years period ended 31 March 2012 whereas Enterprise Fund registered an insignificant increase of two *per cent* over the same period.
- The liabilities showed an increasing trend during the period 2008-12. It registered an increase of 123 *per cent*.
- Long term debt (Loans) increased from ₹1,314.12 crore in 2008-09 to ₹3,476.12 crore in 2011-12 (165 *per cent*).
- Fixed assets registered an increase of 82 *per cent* from ₹6,538.12 crore in 2008-09 to ₹11,878.22 crore in 2011-12.
- The current assets also increased from ₹1,052.60 crore in 2008-09 to ₹2,966.45 crore as at the end of 2011-12. The increase was 182 *per cent*.

<sup>90</sup> Two CCs – Davanagere and Hubli-Dharwar; Three CMCs – Doddaballapura, Harihara and Mandya; Five TMCs - Devanahalli, Harapanahalli, Maddur, Nelamangala and Srirangapatna; Four TPs – Channagiri, Honnali, Nagamangala and Pandavapura



- Details of assets and liabilities were not disclosed in the financial statements.

### 3.3.5.2 Financial position of other ULBs

The details of own revenue *i.e.*, tax and non-tax revenue realised in 13 test-checked ULBs are shown in **Appendix 3.3**. The TMC, Harapanahalli had not furnished the details.

The analysis of revenue indicated that:

- There was increasing trend in tax revenue of ULBs as the tax revenue increased from ₹30.32 crore to ₹46.14 crore during 2008-09 to 2011-12 mainly due to increase in collection of property tax.
- The main sources of non-tax revenue were rent, water charges, building licence fee, trade licence fee, *etc.* It increased from ₹25.79 crore to ₹39.00 crore during 2008-09 to 2011-12.
- The own resources of ULBs were not adequate and they were dependent on grants and loans from the Central and State Governments for recurring expenditure also.

### 3.3.5.3 Property Tax

The State Government introduced the Self Assessment Scheme (SAS) applicable to all municipalities of the State with effect from 1 April 2002. The position of property tax demanded, collected and outstanding at the end of March 2013 in respect of 213 ULBs (except BBMP) in the State is as shown in **Table 3.5** below.

**Table 3.5: Position of demand, collection and balances of property tax**  
(₹ in crore)

| Year    | Opening Balance | Current year Demand | Total  | Collection | Balance | Percentage of collection |
|---------|-----------------|---------------------|--------|------------|---------|--------------------------|
| 2008-09 | 175.60          | 180.55              | 356.15 | 200.11     | 156.04  | 56                       |
| 2009-10 | 156.04          | 199.50              | 355.54 | 216.16     | 139.38  | 61                       |
| 2010-11 | 139.38          | 258.66              | 398.04 | 290.03     | 108.01  | 73                       |
| 2011-12 | 108.01          | 290.61              | 398.62 | 288.79     | 109.83  | 72                       |
| 2012-13 | 109.83          | 342.00              | 451.83 | 284.18     | 167.65  | 63                       |

Source: As furnished by DMA

The position of property tax demanded, collected and arrears outstanding for the five years ended 31 March 2013 in respect of 14 test-checked ULBs is shown in **Appendix 3.4**.

In the 14 test-checked ULBs, against the total demand of property tax of ₹244.12 crore raised during the five year period ended 31 March 2013, ₹219.45 crore was collected. Although the collection of property tax was 90 *per cent* of the demand raised during the years 2008-09 to 2012-13, it was observed that no action was taken by the test-checked ULBs to widen the tax

net by identifying all land and buildings situated in the municipal area and also issue appropriate demand notices as envisaged in the KMC Act and KM Act.

The DMA stated (March 2014) that GIS<sup>91</sup> had been introduced in ULBs to widen the tax net and ULBs had taken action to collect property tax by formation of teams. However, Audit was of the opinion that GIS was not being used effectively in the test-checked ULBs.

#### **3.3.5.4 Short realisation of water charges**

It shall be the duty of every Municipality to provide supply of wholesome water for the domestic use of inhabitants. The supply of water for domestic and non-domestic users was to be charged at the prescribed rates.

It was seen in 13 test-checked ULBs that a sum of ₹122.78 crore (67 per cent) was collected towards water charges against the total demand of ₹183.77 crore during the period 2008-09 to 2012-13. Details are given in **Appendix 3.5**. TMC, Harapanahalli had not furnished the year-wise details. The DMA stated (March 2014) that efforts were being made to recover the balance of arrears.

#### **3.3.5.5 Non-realisation of rent**

As of March 2013, 13 test-checked ULBs (except TP, Honnali) had raised demand of ₹28.98 crore towards rent from stalls, shops and market complexes for the period 2008-09 to 2012-13, against which a sum of ₹25.20 crore (87 per cent) was collected. The arrears in realisation of rent at the end of 31 March 2013 amounted to ₹3.78 crore as indicated in **Appendix 3.6**. The shortfall in realisation of rent reduced the revenues of these ULBs to that extent, thereby widening the resource gap. The TMC, Nelamangala had not furnished the details for the year 2008-09.

The DMA stated (March 2014) that steps were being taken by the ULBs to collect the arrears.

#### **3.3.5.6 Non-remittance of cess amount**

As of March 2013, 13 out of 14 test-checked ULBs had not remitted to State Government ₹57.43 crore collected towards Beggary, Health and Library cess as detailed in **Appendix 3.7**. TMC, Harapanahalli had not furnished the details.

The similar position in the test-checked ULBs indicated that the issue of non-remittance of cess amount was likely to be common across all ULBs in the State.

The DMA stated (March 2014) that action would be taken to remit the outstanding cess amount to Government.

<sup>91</sup> Geographic Information System (GIS) based property tax involves proper mapping of properties using satellite images so that ULBs are able to have a full record of properties in the city and bring them under tax net.

### 3.3.5.7 *Short recovery of income tax*

There was a short deduction of income tax from work bills of contractors during 2007-08 to 2009-10 in TMC, Harapanahalli. In March 2012, the income tax authorities issued notices for payment of ₹0.18 crore towards short deduction of income tax and interest thereon for the assessment years 2008-09 to 2010-11. The same was paid by TMC, Harapanahalli in December 2012 out of State Finance Commission (SFC) Grant. This was irregular and avoidable as the TMC should have deducted the income tax amount from contractors' bills.

## 3.4 State Finance Commission

The 73<sup>rd</sup> and 74<sup>th</sup> Constitutional amendments mandated the constitution of SFC every five years to determine sharing of revenue between the State Government and local bodies. So far, three SFCs were constituted and recommendations of the first and second SFCs were implemented.

The third SFC had recommended (December 2008) the devolutions to the ULBs at 10 *per cent* of State's Net Own Revenue Receipts to be implemented from 2010-11 onwards. However, the State Government decided only in October 2011 to allocate 8.5 *per cent* of Non-loan Net Own Revenue Receipts (NLNORR) during 2011-12 and increase it by 0.5 *per cent* every year. The State Government released ₹3,653.68 crore to ULBs during 2012-13 which was 6.33 *per cent* of NLNORR (₹57,720 crore).

## 3.5 Devolution of Functions, Funds and Functionaries

### 3.5.1 *Transfer of functions*

The 74<sup>th</sup> Constitutional amendment envisaged devolution of 18 functions listed in the XII Schedule of the Constitution to ULBs. As of March 2013, the State Government had transferred 14 functions to ULBs. Two<sup>92</sup> functions were being implemented by both ULBs and the State Government. The other two functions namely, Urban Planning and Fire Services had not been transferred to ULBs. The water supply for domestic and industrial purposes was implemented through separate agencies<sup>93</sup> of the State Government.

### 3.5.2 *Transfer of funds*

Devolution of funds to ULBs is a natural corollary to the implementation of transferred functions. The State Government releases funds directly to the ULBs to implement the devolved functions. In addition, grants are released to implement State and Centrally Sponsored Schemes. Audit test-checked the functions of civic amenities (water supply) including street lighting, public health (solid waste management, sewerage and other health programmes) to ascertain the extent of transfer of funds. The State Government had not

<sup>92</sup> (1) Urban forestry, protection of environment and ecology (ULBs and Forest Department)

(2) Slum improvement and up-gradation (ULBs and Slum Development Board)

<sup>93</sup> Bangalore Water Supply and Sewerage Board for BBMP area and Karnataka Urban Water Supply and Drainage Board for other ULBs

separately earmarked funds for these functions. The funds were released as lump sum amount under SFC grants. It was seen that 14 test-checked ULBs had spent ₹236.90 crore on civic amenities (including street light) and ₹191.37 crore on public health functions during 2008-09 to 2011-12.

The DMA stated (March 2014) that funds under SFC grants were released as untied grants and ULBs would spend the amount for street light, public health, solid waste management, sewerage and other health programmes. The fact remains that since these activities have not been earmarked separately, it would not be possible to ascertain the actual allocation and expenditure for these activities.

### **3.5.3 Transfer of functionaries**

The KMC and KM Acts stipulate that the State Government may, if it considers necessary, appoint personnel including officers from Karnataka Municipal Administrative Service to ULBs and also depute the staff as per the percentage fixed under Karnataka Municipalities (Recruitment of Officers and Employees) Rules, 2010.

As at the end of March 2013, the total sanctioned strength of the CMCs, TMCs and TPs were 25,134 whereas the working strength was 12,433 (49 per cent). The working strength in the 14 selected ULBs was only 42 per cent. The vacancy position of staff required for public health and civic amenities of 14 test-checked ULBs was 55 per cent and 69 per cent respectively. The vacancies in the posts of Office Manager, Revenue Officer, Health Inspector and Water Supply Operator were more than 50 per cent of the sanctioned strength, which hampered the functioning of ULBs.

The DMA stated (March 2014) that action would be taken to fill up the existing vacancies.

## **3.6 Accountability framework**

### **3.6.1 Powers of the State Government**

The Acts governing ULBs entrust the State Government with the following powers so as to enable it to monitor the proper functioning of the ULBs.

- frame rules to carry out the purposes of KMC and KM Acts;
- dissolve those ULBs which fail to perform or default in the performance of any of the duties imposed on them;
- cancel a resolution or decision taken by ULBs if Government is of the opinion that it is not legally passed or in excess of the powers conferred by provisions of the Acts;
- regulate the classification, method of recruitment, conditions of service, pay and allowance, discipline and conduct of the staff and officers of ULBs.

A detailed list of duties and powers of officers of ULBs is given in **Appendix 3.8**.

### **3.6.2 Vigilance mechanism**

The Lokayukta appointed by the State Government has power to investigate and report on allegations or grievances relating to the conduct of officers and employees of ULBs.

### **3.6.3 Audit mandate**

The Controller, State Accounts Department (SAD) is the primary auditor of ULBs in terms of KMC and KM Acts. The State Government entrusted (May 2010) the audit of accounts of all ULBs<sup>94</sup> to the Comptroller and Auditor General of India (CAG) under Section 14(2) of CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971 from 2008-09 and under Technical Guidance and Supervision from 2011-12 onwards by amending the statutes (October 2011).

### **3.6.4 Arrears in primary audit**

Out of 214 ULBs, audit of accounts of 180 ULBs for the period up to 2011-12 was conducted by SAD as of 31 March 2012. The audit of remaining 34 ULBs (16 per cent) was not conducted due to non-submission of accounts by ULBs and inadequate staff in SAD.

In the test-checked ULBs, the audit of accounts of CC, Davanagere was not done by SAD since its upgradation from CMC in January 2007 for want of appointment of Chief Auditor and deployment of requisite staff for conducting audit. The audit of CMC, Mandya and two<sup>95</sup> ULBs was conducted up to 2009-10 and 2010-11 respectively. The position was better in the remaining 10<sup>96</sup> ULBs as the audit had been conducted up to 2011-12.

### **3.6.5 Response to Audit observations**

The Commissioners/Chief Officers are required to rectify the defects and omissions contained in the Inspection Reports (IRs) and report their compliance to SAD within three months from the date of issue of IRs. As of March 2012, 1,75,223 audit paragraphs involving monetary value of ₹1,624.06 crore were brought out in IRs of ULBs issued up to 31 March 2012. Out of this, 4,791 paragraphs involving ₹901 crore related to the period earlier to 2008-09. The Controller, SAD stated (January 2014) that due to non-submission of replies by the audited institutions, the paragraphs were outstanding.

On a review of the Statutory Auditor's Report on the Accounts of BBMP for the year ended 31 March 2010, it was observed that audit paragraphs involving

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<sup>94</sup> except Notified Area Committees (NAC)

<sup>95</sup> TMC, Maddur and CC, Hubli-Dharwar

<sup>96</sup> Channagiri, Devanahalli, Doddaballapura, Harapanahalli, Harihara, Honnali, Nagamangala, Nelamangala, Pandavapura and Srirangapatna

financial irregularities amounting to ₹1,511.85 crore for the period from 1964-65 to 2008-09 were outstanding (November 2012). Out of this, an amount of ₹247.41 crore was proposed for recovery by Audit. During the course of last audit conducted for the year 2009-10, 226 audit paragraphs involving financial irregularities amounting to ₹350.31 crore were communicated to BBMP by the Statutory Auditor for taking corrective action.

### 3.7 Resource utilisation

#### 3.7.1 Thirteenth Finance Commission grants

The Thirteenth Finance Commission (TFC) was constituted to recommend the measures needed to augment the consolidated funds of the States to supplement the resources of the Panchayat Raj Institutions (PRIs) and ULBs. The Commission recommended grant-in-aid to the local bodies as a percentage of the previous year's divisible pool of taxes, over and above the share of the States. The State Government allocated the grants to all ULBs based on the population and issued (August 2010) guidelines for execution.

The GOI released general basic grants of ₹264.10 crore and performance grants of ₹246.24 crore for the year 2012-13 to ULBs in two instalments.

##### 3.7.1.1 Delayed release of funds

The TFC guidelines stipulated that the funds should be transferred to the accounts of ULBs within five days from the date of receipt of grant from GOI, failing which the State Government would be liable to release the instalment with interest at the RBI rate for the delayed period. The GOI released the instalments during December 2012, March 2013 and August 2013. Audit observed that there were delays ranging from 10 to 47 days, in transfer of funds to ULBs. The interest of ₹2.70 crore for the delay in releasing of funds was not released to ULBs by State Government.

##### 3.7.1.2 Non-utilisation of TFC grants

It was observed in the test-checked ULBs that utilisation of TFC grants during 2010-13 ranged from 25 to 78 per cent and ₹48.91 crore remained unutilised at the end of 31 March 2013 as detailed in Table 3.6, thereby defeating the objective of providing timely service to the urban population as envisaged.

**Table 3.6: Details of unspent balance of TFC grant**

(₹ in crore)

| Name of the ULB     | Grant released during 2010-11 | Grant released during 2011-12 | Grant released during 2012-13 | Total grant released | Amount utilised | Balance | Percentage of utilisation |
|---------------------|-------------------------------|-------------------------------|-------------------------------|----------------------|-----------------|---------|---------------------------|
| CC, Davanagere      | 3.21                          | 6.10                          | 11.33                         | 20.64                | 6.89            | 13.75   | 33                        |
| CC, Hubli-Dharwar   | 4.77                          | 7.99                          | 15.56                         | 28.32                | 9.64            | 18.68   | 34                        |
| TP, Channagiri      | 0.40                          | 0.76                          | 0.57                          | 1.73                 | 0.91            | 0.82    | 53                        |
| TMC, Devanahalli    | 0.64                          | 1.22                          | 0.99                          | 2.85                 | 0.72            | 2.13    | 25                        |
| CMC, Doddaballapura | 0.70                          | 1.34                          | 1.00                          | 3.04                 | 0.77            | 2.27    | 25                        |

| Name of the ULB    | Grant released during 2010-11 | Grant released during 2011-12 | Grant released during 2012-13 | Total grant released | Amount utilised | Balance      | Percentage of utilisation |
|--------------------|-------------------------------|-------------------------------|-------------------------------|----------------------|-----------------|--------------|---------------------------|
| TMC, Harapanahalli | 0.52                          | 0.94                          | 0.69                          | 2.15                 | 1.07            | 1.08         | 50                        |
| CMC, Harihara      | 0.73                          | 1.38                          | 1.03                          | 3.14                 | 0.98            | 2.16         | 31                        |
| TP, Honnali        | 0.36                          | 0.68                          | 0.87                          | 1.91                 | 0.62            | 1.29         | 32                        |
| TMC, Maddur        | 0.46                          | 0.86                          | 0.31                          | 1.63                 | 1.04            | 0.59         | 64                        |
| CMC, Mandya        | 1.52                          | 2.89                          | 2.16                          | 6.57                 | 2.84            | 3.73         | 43                        |
| TMC, Nagamangala   | 0.36                          | 0.64                          | 0.48                          | 1.48                 | 0.64            | 0.84         | 43                        |
| TMC, Nelamangala   | 0.37                          | 0.67                          | 0.53                          | 1.57                 | 1.23            | 0.34         | 78                        |
| TP, Pandavapura    | 0.39                          | 0.73                          | 0.52                          | 1.64                 | 0.87            | 0.77         | 53                        |
| TMC, Srirangapatna | 0.49                          | 0.88                          | 0.67                          | 2.04                 | 1.58            | 0.46         | 77                        |
| <b>Total</b>       | <b>14.92</b>                  | <b>27.08</b>                  | <b>36.71</b>                  | <b>78.71</b>         | <b>29.80</b>    | <b>48.91</b> | <b>38</b>                 |

Source: As furnished by ULBs

None of the test-checked ULBs except CMC, Harihara had maintained a separate register for TFC grant transactions. Thus, Audit could not ensure the correctness of the amount utilised and balance available under TFC.

Out of ₹162.93 crore received during the period 2010-13, BBMP had utilised only ₹88 crore.

The DMA stated (March 2014) that instructions had been issued to all the ULBs to utilise the grants and submit the Utilisation Certificates (UCs) to enable them to obtain the remaining amount of TFC grants.

### 3.7.1.3 Non-preparation of Action Plan

As per guidelines issued (August 2010) by the State Government for utilisation of TFC grants, an Action Plan was required to be prepared and approved by Council and also by DMA before utilisation of grants. However, no such Action Plan was prepared by BBMP before utilisation of grants.

### 3.7.1.4 Loss of interest

BBMP operated the TFC funds through a current account opened in Syndicate Bank instead of savings bank account which yields interest on unspent amount. As a result, BBMP lost the opportunity of earning interest of ₹1.92 crore (approximately) on unspent funds during 2012-13 at the rate of 3.5 per cent of interest applicable on savings account. In spite of this being pointed out in the previous Audit Report, no action was taken by the BBMP.

### 3.7.2 Urban Infrastructure Development Scheme for small and medium towns

Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) launched during December 2005 is a Centrally Sponsored Scheme for improvement of urban infrastructure in towns and cities in a planned and integrated manner. The DMA is the nodal agency for implementation of the scheme in the State. The funding pattern between Centre, State and ULB is 80:10:10. State Level Sanctioning Committee (SLSC) approved 38 projects at an estimated cost of ₹682.49 crore during 2006-08. Though all the projects ought to be completed by March 2012, only

nine projects were completed and one<sup>97</sup> project was not started as at the end of March 2013. Out of nine projects completed, eight projects exceeded the approved project cost by ₹9.26 crore which was not approved by the SLSC.

The DMA furnished (March 2014) the latest position of projects, wherein 14 projects had been completed and six were scheduled to be completed by March 2014 and remaining 18 projects would be completed by December 2014.

### **3.8 Conclusion**

Out of 18 functions to be devolved to ULBs, the State Government had not devolved two functions. There was more than 50 *per cent* shortage of staff in all the ULBs. The ULBs had not adopted GIS effectively to identify the properties to levy property tax. The ULBs did not utilise the entire TFC grants during the period 2010-13. The test-checked ULBs had not maintained records for proper accounting of TFC grants. There was poor response to Audit observations.

### **3.9 Recommendations**

- The ULBs may be encouraged to use GIS effectively to widen the property tax network.
- The working strength of the ULBs should be increased, particularly in posts relating to public health and civic amenities where vacancies are high.
- Adequate staff to be provided for timely audit of ULBs by SAD.
- Timely release of TFC grants followed by effective utilisation of the same by the ULBs.
- ULBs should ensure that income tax is deducted from work bills of contractors so as to avoid payment of tax and penalty from their grants.

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<sup>97</sup> Water supply project for Mulabagilu



## SECTION 'B' - FINANCIAL REPORTING

### 3.10 Framework

**3.10.1** Financial reporting in the public sector is a key element of accountability. According to Karnataka Municipalities Accounting and Budgeting Rules, 2006 (KMABR), the ULBs shall prepare the financial statements consisting of Receipts and Payments Account, Balance Sheet, Income and Expenditure Account along with Notes on Accounts in the form and manner prescribed and submit them to the auditor appointed by the State Government, within two months from the end of the financial year.

#### **3.10.2** *Municipal reforms*

The initiative of municipal reforms was started during 2006 through the Nirmala Nagara programme whose components, among others, included accounting reforms, computerisation of municipal functions, setting up public grievance system, etc. This programme was initially funded by Karnataka Urban Development Coastal Environmental Project. Only 57 ULBs, including eight<sup>98</sup> CMCs which merged with BBMP were covered under this programme. These reforms are now adopted by the remaining ULBs of the State under Karnataka Municipal Reforms Project (KMRP).

The Municipal Reforms Cell (MRC) working under DMA is responsible for computerisation and maintaining accounts under FBAS in ULBs (except BBMP). To bring in better governance and more efficient service delivery through the use of technology and process re-engineering, the State Government initiated (2005) the process of computerisation of municipal functions in all the ULBs of the State in a phased manner.

#### **3.10.3** *Accounting reforms*

On the recommendations of XI Finance Commission, GOI entrusted the responsibility of prescribing appropriate accounting formats for the ULBs to the CAG of India.

The Ministry of Urban Development, GOI developed the National Municipal Accounts Manual (NMAM) as recommended by the CAG's Task Force. The State Government brought out the KMABR based on the NMAM with effect from 1 April 2006. KMABR was introduced in a phased manner in all the ULBs except BBMP. As of 31 March 2013, all the ULBs were preparing the fund-based accounts in double entry system. BBMP was maintaining FBAS based on the Bangalore Mahanagara Palike (Accounts) Regulations, 2001.

<sup>98</sup> Bommanahalli, Bommasandra, Byatarayanapura, Dasarahalli, KR Puram, Kengeri, Rajarajeshwarinagara and Yelahanka

### 3.10.4 Budget formulation

According to the provisions of KMC Act, KM Act and Rule 132 of KMABR, the ULBs were to prepare the budget estimates before 15 January each year for the ensuing financial year and submit to the Municipal Council for approval. Further, as per Rule 133 of KMABR, the ULBs should have two rounds of public consultations during November and December before finalisation of budget. The approved budget should be notified in two local newspapers having maximum circulation. The Commissioner/Chief Officer was to seek additional funds, if any, through re-appropriation/additional grants after getting the approval of the Municipal Council.

Out of 14 test-checked ULBs, two<sup>99</sup> ULBs had conducted public meetings before finalisation of budget estimates for the years 2009-13 and three<sup>100</sup> ULBs held public meetings for the year 2012-13. One ULB, i.e., CMC, Doddaballapura conducted a public meeting for the year 2010-11. Only CMC, Doddaballapura notified the abridged copy of approved budget in two local newspapers for the year 2009-10. The remaining 13 ULBs had no records to show that the budget approved by the Council was notified in the newspapers.

It was also seen that 13<sup>101</sup> out of 14 test-checked ULBs had incurred expenditure though there were delays ranging from 5 to 298 days in passing the budget during the period 2009-13. Thus, the expenditure incurred by the ULBs till the budget had been finally passed, was unauthorised.

In BBMP, there were delays ranging from 3 to 24 weeks in approving the budget during the period 2008-09 to 2012-13. The Commissioner, BBMP stated (December 2013) that vote on account was obtained during that period but the reason for delayed approval was not furnished.

## 3.11 Financial Reporting Issues

### 3.11.1 Preparation of unrealistic budget in BBMP

The details of budget estimates *vis-à-vis* actuals in BBMP during the years 2008-12 are detailed in Table 3.7 below.

Table 3.7: Details of budget and actuals in BBMP during the years 2008-12

| Year    | Receipt  |          | Variation<br>(Percentage) | Payments |          | Variation<br>(Percentage) |
|---------|----------|----------|---------------------------|----------|----------|---------------------------|
|         | Budget   | Actuals  | Amount                    | Budget   | Actuals  | Amount                    |
| 2008-09 | 2,842.48 | 2,478.99 | 363.49 (13)               | 2,918.71 | 2,356.68 | 562.03 (19)               |
| 2009-10 | 3,959.29 | 3,639.30 | 319.99 (8)                | 4,238.42 | 3,403.62 | 834.80 (20)               |
| 2010-11 | 8,446.75 | 3,319.77 | 5,126.98 (61)             | 8,488.54 | 3,626.18 | 4,862.36 (57)             |
| 2011-12 | 9,401.05 | 4,003.08 | 5,397.97 (57)             | 9,398.55 | 3,838.99 | 5,559.56 (59)             |

Source: Approved Budget Copy

<sup>99</sup> CC, Davanagere and TMC, Maddur

<sup>100</sup> CMC, Harihara, CMC, Mandya and TP, Pandavapura

<sup>101</sup> Channagiri, Davanagere, Devanahalli, Doddaballapura, Harapanahalli, Harihara, Honnali, Maddur, Mandya, Nagamangala, Nelamangala, Pandavapura and Srirangapatna

**3.11.1.1 Budget estimates for receipt**

It could be observed from **Table 3.7** that as compared to budget estimates, short realisation of receipts ranged from 8 to 61 *per cent* during the period 2008-12. Further, it was seen from the details of receipt provided to Audit that there was 'nil' receipt under three heads against estimated receipts projected in the budget and short realisation ranged from 1 to 99 *per cent* in other 25 heads during the period 2010-12.

**3.11.1.2 Budget estimates for expenditure**

The payments made during the years 2008-09 to 2011-12 when compared to the budgeted provisions were short by 19 to 59 *per cent*. Further, during 2010-11 and 2011-12, the expenditure under the head of account "Engineering-Capital Investment-Plan," was 'nil' against the budget provision of ₹1,000 crore and ₹306 crore respectively. In other 18 heads of account, savings was more than 50 *per cent* during the period 2010-12 and there was excess over budget in four heads of account during the same period.

**3.11.2 Budget estimates in other test-checked ULBs**

The details of budget estimates *vis-à-vis* actuals of 14 test-checked ULBs for the years 2008-09 to 2011-12 are detailed in **Table 3.8** below.

**Table 3.8: Statement showing details of budget estimates and actual during 2008-12**

| Year     | Receipt  |         | Variation<br>(Percentage) | Payments |         | Variation<br>(Percentage) |
|----------|----------|---------|---------------------------|----------|---------|---------------------------|
|          | Budget   | Actuals |                           | Budget   | Actuals |                           |
| 2008-09  | 748.45   | 358.80  | 389.65 (52)               | 800.44   | 366.59  | 433.85 (54)               |
| 2009-10  | 1,101.71 | 511.58  | 590.13 (54)               | 1,182.36 | 510.07  | 672.29 (57)               |
| 2010-11  | 962.69   | 574.73  | 387.96 (40)               | 1,049.45 | 574.57  | 474.88 (45)               |
| 2011-12* | 789.85   | 418.59  | 371.26 (47)               | 835.82   | 383.08  | 452.74 (54)               |

Source: Budget estimates of ULBs \*For 11 ULBs only.

The variation between the budget estimates and actuals for receipts ranged between 40 and 54 *per cent* and for payments ranged between 45 and 57 *per cent* during the period 2008-12. This indicated that the budgets approved by the test-checked ULBs were not realistic.

**3.11.3 Budget estimates of selected functional heads**

The total amount of provision made in the budget of 14 test-checked ULBs for the period 2008-09 to 2011-12 and actual amount spent in respect of following functional heads (Water Supply including Street Lighting (Civic Amenities)) and Solid Waste Management, Sewerage and Public Health and others (Public Health) are detailed in **Table 3.9**.

**Table 3.9: Details of budget and actuals of selected functional head during 2008-12**

| Particulars              | (₹ in crore) |         |            |
|--------------------------|--------------|---------|------------|
|                          | Budget       | Actuals | Difference |
| Street light             | 101.06       | 74.94   | 26.12      |
| Water supply             | 162.56       | 161.96  | 0.60       |
| Solid waste management   | 128.96       | 107.51  | 21.45      |
| Sewerage                 | 10.50        | 5.38    | 5.12       |
| Public health and others | 78.60        | 78.48   | 0.12       |

Source: As furnished by the ULBs

A comparison of budget provision and expenditure incurred on four functions by the 14 test-checked ULBs during the period 2008-12 showed that ULBs irregularly spent more than the budget provision as detailed below.

- **Street light:** Six<sup>102</sup> out of 14 test-checked ULBs incurred expenditure on street lighting in excess of budget provision during the period 2008-09 to 2011-12 to the extent of ₹1.80 crore.
- **Water supply:** In 10<sup>103</sup> ULBs, the expenditure on water supply had exceeded the budget provision during the period 2008-09 to 2011-12 to the extent of ₹30.44 crore.
- **Solid waste management:** In five<sup>104</sup> ULBs, the expenditure incurred on solid waste management during 2008-09 to 2011-12 had exceeded the budget provision to the tune of ₹3.28 crore.
- **Public health and others:** The expenditure on public health and others incurred by eight<sup>105</sup> ULBs during the period 2008-09 to 2011-12 had exceeded the budget provision to the extent of ₹5.26 crore.

The DMA stated (March 2014) that excess expenditure over the budget provision was due to taking up of emergency works and increase in prices.

### 3.11.4 Preparation and certification of accounts

#### 3.11.4.1 Audit of Annual Accounts of ULBs

According to KMABR, the financial statements of ULBs should be audited by the Chartered Accountants (CAs) appointed by the DMA. The CA, after completion of audit, should submit a report along with the audited accounts to the Municipal Council and the State Government. **Table 3.10** shows the position of accounts prepared by ULBs and certified by the CAs during the period 2008-09 to 2011-12 (February 2014).

<sup>102</sup> Channagiri, Doddaballapura, Harapanahalli, Honnali, Nagamangala and Nelamangala

<sup>103</sup> Davanagere, Devanahalli, Doddaballapura, Harapanahalli, Honnali, Hubli-Dharwar, Maddur, Nelamangala, Pandavapura and Srirangapatna

<sup>104</sup> Channagiri, Davanagere, Doddaballapura, Harapanahalli and Hubli-Dharwar

<sup>105</sup> Davanagere, Doddaballapura, Harihara, Honnali, Hubli-Dharwar, Nelamangala, Pandavapura and Srirangapatna

**Table 3.10: Position of preparation and certification of accounts as on February 2014**

| Year         | Total Number of ULBs required to prepare accounts | Number of ULBs which prepared the accounts | Number of ULBs accounts certified by CAs | Balance of accounts to be certified |
|--------------|---|--|--|-------------------------------------|
| 2008-09      | 128   | 128  | 126                                      | 2                                   |
| 2009-10      | 213   | 213  | 208                                      | 5                                   |
| 2010-11      | 213   | 213  | 205                                      | 8                                   |
| 2011-12      | 213   | 213  | 132                                      | 81                                  |
| 2012-13      | 213 <sup>106</sup>                                | 183  | NF                                       | NF                                  |
| <b>Total</b> |   | <b>950</b>                                 | <b>671</b>                               | <b>96</b>                           |

Source: As furnished in reply of DMA (March 2014) NF: Not furnished

Despite preparation of 950 accounts by the ULBs, the CAs had not certified 96 accounts and details of certification of 183 accounts for the year 2012-13 had not been furnished (March 2014).

The status of audit of annual accounts of 14 test-checked ULBs is given in Table 3.11 below.

**Table 3.11: Status of preparation and certification of financial statements in test-checked ULBs**

| Year         | Number of test-checked ULBs which prepared accounts |            |            |           |               | Number of accounts certified by CAs |            |            |           |               |           |
|--------------|---|------------|------------|-----------|---------------|-------------------------------------|------------|------------|-----------|---------------|-----------|
|              | CC<br>(2)   | CMC<br>(3) | TMC<br>(5) | TP<br>(4) | Total<br>(14) | CC<br>(2)                           | CMC<br>(3) | TMC<br>(5) | TP<br>(4) | Total<br>(14) | Balance   |
| 2008-09      | 2   | 3          | 3          | 2         | 10*           | 1                                   | 3          | 3          | 2         | 9             | 1         |
| 2009-10      | 2   | 3          | 5          | 4         | 14            | 1                                   | 3          | 4          | 4         | 12            | 2         |
| 2010-11      | 2   | 3          | 5          | 4         | 14            | 0                                   | 3          | 3          | 3         | 9             | 5         |
| 2011-12      | 2   | 3          | 5          | 3         | 13            | 0                                   | 1          | 1          | 1         | 3             | 10        |
| 2012-13      | 2   | 3          | 2          | 0         | 7             | 0                                   | 0          | 0          | 0         | 0             | 7         |
| <b>Total</b> |   |            |            |           | <b>58</b>     | <b>2</b>                            | <b>10</b>  | <b>11</b>  | <b>10</b> | <b>33</b>     | <b>25</b> |

Source: Information furnished by ULBs

\*Note: In four ULBs the FBAS was introduced with effect from 2009-10.

It could be observed that the annual financial statements in respect of one ULB for the year 2011-12 and seven ULBs for the year 2012-13 were not finalised as of September 2013. Despite preparation of 58 accounts in selected ULBs, the CAs had not certified 25 accounts for the years 2008-09 to 2012-13. The delay in certification of annual accounts of selected ULBs ranged from 8 to 42 months. The percentage of financial statements for the year ended 31 March 2012 not certified by the CAs to total number of financial statement prepared in respect of test-checked ULBs ranged from 10 to 77 per cent. Further, none of the ULBs (except CC, Davanagere for the year 2008-09) adopted the certified accounts through body of Councillors.

<sup>106</sup> except BBMP

### 3.11.4.2 *Audit of Annual Accounts of BBMP*

As per Rule 9(1) of Part-II of KMC Act, the Commissioner, BBMP is responsible for preparation of Annual Accounts by 1 October each year for scrutiny by the Chief Auditor appointed by the Government. The Controller, SAD has been designated as Chief Auditor.

However, audited accounts were furnished only up to 2009-10. Accounts for the 2010-11 and 2011-12 had been submitted to the Chief Auditor and audit comments were awaited. Annual Financial Statement for 2012-13 was yet to be finalised (December 2013).

### 3.11.5 *Non-submission of statement of expenditure*

As per Rule 73 of KMABR, the amount paid to Public Works Department and other implementing agencies should be treated as advance and a statement showing the outlay incurred during each month with up-to-date figures should be obtained and adjusted against the advances paid. The unspent balance of advance released for the work, if any, should be claimed immediately after the completion of work from the agency. In eight<sup>107</sup> of the 14 test-checked ULBs, it was observed that a sum of ₹7.60 crore was released to implementing agencies, during the period prior to 2012-13, to incur expenditure on behalf of ULBs. However, the statement of expenditure was not received and adjusted against the advances given by these ULBs. No action was taken by the ULBs to obtain the unspent amount also. This had resulted in incorrect exhibition of figures in accounts.

The DMA stated (March 2014) that three<sup>108</sup> ULBs had obtained UCs to the extent of ₹2.14 crore and other ULBs would obtain UCs after completion of works.

### 3.11.6 *Non-maintenance of cash book, bank book and registers*

#### 3.11.6.1 *Cash books*

The TMC, Harapanahalli had not maintained cash books for the years 2008-09 to 2010-11 and partially maintained for the period during 2011-12 and 2012-13. Further, entries recorded were not attested by the officer designated for the purpose. The TP, Pandavapura had not maintained cash book to record Enterprise Fund related cash transactions during the period 2009-11.

The DMA stated (March 2014) that TP, Pandavapura had maintained the cash book and no reply was given in respect of TMC, Harapanahalli. The reply was not acceptable as the cash book was not produced during audit.

<sup>107</sup> Davanagere – ₹160.95 lakh, Devanahalli – ₹100.00 lakh, Harapanahalli – ₹114.64 lakh, Maddur – ₹136.82 lakh, Nagamangala – ₹20.00 lakh, Nelamangala – ₹80.00 lakh, Pandavapura – ₹139.76 lakh and Srirangapatna – ₹7.80 lakh

<sup>108</sup> Davanagere, Nelamangala and Srirangapatna

### **3.11.6.2 Bank books**

Para 12 of KMABR stipulates maintenance of bank book for each bank account operated to record the bank transactions. However, Harapanahalli and Nelamangala ULBs had not maintained bank books in respect of 23 and 21 bank accounts respectively and TMC, Devanahalli had not updated the bank books during 2012-13 (September 2013) for eight bank accounts operated by it.

The DMA accepted (March 2014) the objection relating to TMC, Harapanahalli but stated that TMC, Nelamangala maintained bank books relating to 16 out of 21 bank accounts. The reply was not acceptable as the bank books were not produced during audit.

### **3.11.6.3 Registers**

There were 12 test-checked ULBs which had not maintained the registers prescribed under KMABR as detailed in **Appendix 3.9**. In the absence of these records, Audit could not ensure the correctness of the figures exhibited under Assets and Liabilities in the accounts.

The DMA stated (March 2014) that nine ULBs were maintaining the registers and others would maintain them. The reply was not acceptable as the registers were not produced during audit.

## **3.12 Internal control**

The State Government did not have Internal Audit Wing to oversee the functions of ULBs. Further, it was observed that ULBs were not adhering to financial rules as the statement of expenditure was not obtained and annual accounts were not prepared and certified within the stipulated dates. Non-maintenance of cash books, bank books and mandatory registers indicated inadequate internal control system in ULBs.

The DMA stated (March 2014) that proposal for establishment of Internal Audit Wing to oversee the functions of ULBs had been submitted to the Government in September 2009.

## **3.13 Theft, loss, misappropriation, etc.**

During 2011-12, the Controller, SAD had reported misappropriation/defalcation cases involving ₹0.34 crore in ULBs of 13 districts of the State in his Administrative Report. However, the report also stated that no action was taken to recover the loss due to misappropriation/defalcation in ULBs reported to DMA.

The DMA stated (March 2014) that the action was being initiated on the reports of Controller, SAD in case of theft, loss, misappropriation, etc.

### 3.14 Comments on Accounts

#### 3.14.1 Discrepancies and omissions in test-checked ULBs

A review of the annual accounts of 14 test-checked ULBs showed the following deficiencies.

- Adverse balances under Reserves, Provisions and Earmarked fund,
- Non-creation of Revolving fund under Integrated Development of Small and Medium Towns Scheme (IDSMT),
- Non-provision for service tax and bad debts,
- Incorporation of loan amount drawn by other autonomous bodies on behalf of ULBs without details.

The details are given in **Appendix 3.10**.

The DMA stated (March 2014) that action would be taken to rectify the omissions.

##### 3.14.1.1 Non-reconciliation of Treasury Accounts

As per Rule 12 of KMABR, the ULBs are required to reconcile the balances with Treasury. However, CMC, Doddaballapura and CC, Hubli-Dharwar had not reconciled the differences of ₹8.56 crore and ₹3.59 crore, respectively, as at the end of March 2013. The remaining 12 test-checked ULBs had generally prepared the reconciliation statement of banks/treasury accounts during the period 2008-13 and the differences noticed were minor.

##### 3.14.1.2 Cash based system of Accounting

The CC, Hubli-Dharwar had followed the cash based system of accounting for recognition of income other than property tax like, rent, interest, *etc.*, in contravention of Rule 19 of KMABR.

The DMA stated (March 2014) that action would be taken as per the KMABR.

##### 3.14.1.3 Depreciation

None of the test-checked ULBs had maintained fixed asset register to record full particulars including quantitative details and status of fixed assets during the five years ended 31 March 2013. In the absence of this, the correctness of depreciation of ₹161.65 crore charged off in the accounts during the period 2009-12 could not be ensured in audit.

The DMA stated (March 2014) that ULBs were being advised to maintain the Asset Register.



### **3.14.2 Discrepancies in FBAS of BBMP**

The Bommanhalli Zone had 62 bank accounts during 2012-13, out of which the following bank accounts relating to Assistant Controller of Finance, Executive Engineer (EE) and Assistant Revenue Officer, HSR Layout were test-checked for correctness of the figures adopted in the FBAS of BBMP. The discrepancies noticed are as under.

#### **(a) Account No. 03207 (Assistant Controller of Finance, Bommanahalli)**

- BBMP had not posted the balances in the FBAS General Ledger.
- Interest amount of ₹20.26 lakh had not been recorded in the FBAS Ledger accounts.
- An amount of ₹1.57 lakh paid on 20 May 2011 had not been recorded in the FBAS General Ledger.

#### **(b) Account No. 00038 (EE, Bommanahalli)**

- Cash book had not been written from 1 April 2009 to 23 October 2009.
- The EE had not reconciled the cash book figures with FBAS books. The differences were observed in the months of November 2009, January, February and March 2010, June, July and November 2012 and March 2013.
- Earnest Money Deposit amount received from online applicants were not taken to cash book by the EE and also to FBAS Ledger. The entire amount was kept outside the BBMP accounts.
- Interest earned on the Flexi Accounts of ₹1.29 crore during 2012-13 was not accounted as receipt by the EE and also in FBAS accounts.
- The cash book balance was not reconciled with bank account since January 2011.

#### **(c) Account No. 1434 (EE, Bommanahalli)**

- FBAS accounted for ₹87,22,604 towards payment made instead of ₹86,90,237 shown in cash book on 22 May 2009.
- There was no system to cross check/reconcile discrepancies between FBAS and Divisional Office figures.

#### **(d) Account No. 93290 (Assistant Revenue Officer, HSR Layout )**

The FBAS section had made available only General Ledger for two months *i.e.* February 2010 and March 2010. However, no records such as Cash Book, Daily Collection Book with details of receipt from

agencies like Bangalore One and amounts received online were made available to Audit by the Assistant Revenue Officer, HSR Layout.

The above deficiencies indicate that the figures adopted in FBAS cannot be fully relied upon.

### 3.15 Others

#### 3.15.1 Time-barred cheques

Rule 51 of KMABR stipulates that the entry for the time-barred (stale) cheque should be reversed by crediting the amount which was originally debited. However, as seen from the respective bank reconciliation statements prepared by three<sup>109</sup> ULBs as on 31 March 2013, there were time-barred cheques amounting to ₹5.42 crore without reversal.

#### 3.15.2 Physical verification of stores

Audit observed that there was no system of conducting physical verification of stores in 13 out of 14 test-checked ULBs. In CC, Hubli-Dharwar, physical verification of stores was being carried out. The CMC, Doddaballapura stated (November 2013) that they had carried out the physical verification. However, as verified from the Stock Verification Report enclosed to the reply, the physical verification of stores was done only during 2013-14.

The DMA stated (March 2014) that physical verification of stores would be conducted in future.

### 3.16 Conclusion

In spite of preparation of accounts by ULBs, there was shortfall in certification of accounts by CAs during the years 2008-09 to 2012-13. Budgets prepared by ULBs were not realistic as evidenced by overall savings in both receipts and payments *vis-à-vis* budget provisions. Internal control mechanism was inadequate as there was no Internal Audit Wing and there were instances of non-maintenance of cash books, bank books and control registers, non-submission of statement of expenditure by the external agencies and excess of payments over budget sanctions.

There were deficiencies and omissions in the annual accounts of BBMP and other ULBs.

### 3.17 Recommendations

- Expenditure should not be incurred in excess of provision.
- Accounts should be prepared and certified timely.
- Figures in FBAS should be correctly adopted from the source records.

<sup>109</sup> CC, Davanagere - ₹5.30 crore, CMC, Doddaballapura - ₹0.02 crore and TMC, Harapanahalli - ₹0.10 crore

- All prescribed Registers should be maintained by the ULBs.
- An Internal Audit Wing should be established for ULBs.
- Details of fixed assets need to be maintained.



# **CHAPTER-IV**

## **Results of Audit of Urban Local Bodies**



## CHAPTER - IV

### SECTION 'A' - PERFORMANCE AUDIT

#### URBAN DEVELOPMENT DEPARTMENT

#### 4.1 Solid Waste Management in Bruhat Bangalore Mahanagara Palike

##### Executive summary

Bruhat Bangalore Mahanagara Palike discharges its obligatory function of solid waste management as per the provisions of Karnataka Municipal Corporations Act, 1976. A performance audit of solid waste management in Bruhat Bangalore Mahanagara Palike showed, *inter alia*, the absence of a notified policy for solid waste management, resulting in lack of direction for effective management and scientific disposal of waste. Absence of reliable and complete data about quantum of waste generated in the city, non-preparation of contingency plan and inadequate institutional mechanism rendered waste management programmes ineffective. Consequently, the main objectives of minimising the burden on the landfills, as envisaged in Municipal Solid Waste Rules and prevention of environmental degradation were not achieved.

Inadequate operational controls resulted in weak financial management, leading to unfruitful and excess expenditure as well as diversion of funds. Bruhat Bangalore Mahanagara Palike had lost the assistance of ₹280.17 crore due to delay in preparation of Master Plan. Efficiency in collection of waste was poor and no efforts had been made to promote waste segregation. Lack of scientific processing facilities at landfill sites and non-compliance with the rules resulted in open dumping of mixed wastes leading to environmental pollution. Adequate efforts to mobilise revenue resources through user charges were not made to meet the cost of operation and maintenance for waste management. Cases of improprieties in contract management of works relating to waste management wherein payment of ₹630.28 crore made to contractors for packages and additional works were also observed. Lack of monitoring by Bruhat Bangalore Mahanagara Palike and Urban Development Department resulted in unscientific disposal of wastes posing potential public health hazards.

##### 4.1.1 Introduction

Municipal Solid Waste (MSW) comprises residential and commercial wastes generated in a municipal area in either solid or semi-solid form excluding industrial hazardous wastes but including treated bio-medical wastes. Bio-Medical Waste (BMW) is any waste which is generated in health care establishments (HCEs) during diagnosis, treatment or immunisation of human beings or animals.

The Government of India (GOI), in exercise of the powers conferred under the Environment (Protection) Act, 1986, had framed Municipal Solid Wastes

(Management and Handling) Rules, 2000 (MSW Rules) and Bio-Medical Wastes (Management and Handling) Rules, 1998 (BMW Rules) to regulate the management and handling of MSW and BMW wastes to protect and improve the environment and to prevent health hazards to human beings and other living creatures. As per these Rules, every municipal authority is responsible for collection, segregation, storage, transportation, processing and disposal of these wastes. The Karnataka Municipal Corporations (KMC) Act, 1976 also mandates Solid Waste Management (SWM) as an obligatory function of all the municipal corporations (Section 58).

A performance audit of 'Solid Waste Management in Bruhat Bangalore Mahanagara Palike (BBMP)' was conducted (March-August 2013) as the city faced an unprecedented garbage crisis in August 2012 due to indiscriminate dumping of mixed waste, public protests and closure of some of its landfill sites/dump yards on account of non-compliance with MSW Rules. The snap strike (August 2012) by contractors responsible for cleaning, collection and transportation of MSW led to dumping of garbage in open spaces and road sides in various parts of the city, created health hazards and aggravated the damage to environment.

#### **4.1.2 Organisational structure**

The Principal Secretary, Urban Development Department (UDD) is responsible for enforcing and overseeing the implementation of MSW Rules by BBMP. Duties and responsibilities of officers of the administrative department and BBMP are given in **Appendix 4.1**.

#### **4.1.3 Audit scope and methodology**

There are 198 wards in BBMP functioning under the jurisdictional control of eight<sup>110</sup> zonal offices. The performance audit covering the period 2008-13 was conducted by test-check of records at Central Office, Chief Engineers (CEs), SWM and four<sup>111</sup> zones of BBMP, which were selected by adopting the 'Probability proportional to size without replacement' method with size measure as expenditure. There are six Referral Hospitals in BBMP, out of which three<sup>112</sup> Referral Hospitals were selected using 'simple random sampling' method to assess compliance with BMW Rules. Besides, 10<sup>113</sup> landfill sites/dump yards, the selected three Referral Hospitals and three<sup>114</sup> slaughter houses were jointly inspected during audit.

The audit objectives, scope and methodology were discussed with the Principal Secretary, UDD at an Entry Conference held in March 2013. The

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<sup>110</sup> Bangalore (East), Bangalore (South), Bangalore (West), Bommanahalli, Byatarayanapura, Dasarahalli, Mahadevapura and Rajarajeshwarinagar

<sup>111</sup> Bangalore (East), Bangalore (South), Bangalore (West) and Rajarajeshwarinagar

<sup>112</sup> Banskankari Referral Hospital (South zone), Srirampura Referral Hospital (West zone) and Ulsoor Referral Hospital (East zone)

<sup>113</sup> Anjanapura, Cheemasandra, Doddaballapur, Doddabidarakallu, Lakshmpura, Mandur (North), Mandur (South), Mavallipura, S.Bingipura and Subbarayanapalya

<sup>114</sup> Pottery Road, Tannery Road and Usman Khan Road

Exit Conference was held with the Principal Secretary, UDD in December 2013 and the audit observations were generally accepted by the State Government. The State Government replied in January 2014. The replies have been suitably incorporated.

#### **4.1.4 Audit objectives**

The objectives of the performance audit were to assess whether:

- adequate institutional mechanism was in place for effective administration and management of MSW and BMW as per relevant Act and Rules;
- the management of infrastructure available for SWM activities was efficient and effective;
- the financial resources for SWM activities were adequate and funds provided were timely and utilised efficiently and effectively; and
- the monitoring mechanism and evaluation were in place and were effective.

#### **4.1.5 Audit criteria**

The main sources of audit criteria in evaluating the performance of SWM were as under:

- MSW Rules;
- BMW Rules;
- Plastic Waste (Management and Handling) Rules, 2011;
- Karnataka Transparency in Public Procurements Act, 1999 and rules thereunder; and
- Government orders, notifications, instructions and meeting proceedings.

#### **Acknowledgement**

Audit acknowledges the cooperation and assistance extended by the State Government and BBMP in conducting the performance audit.

#### **Audit findings**

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



#### **4.1.6 Planning**

##### **4.1.6.1 Absence of a well-defined waste policy**

Effective SWM requires a well-defined waste policy to establish waste management systems and to carry them forward in a sustainable manner. The policy should, *inter alia*, provide for the strategies to recycle, reuse and reduce ('3Rs') waste, which would lessen the amount of waste meant for final disposal and thus, the cost of disposal. Further, consumers as well as the general public need to be educated about the benefits of the '3Rs' to ensure significant public support for recycling and reduction strategies.

The UDD had notified in 2004 a State Policy for integrated SWM in urban local bodies (ULBs). However, BBMP neither implemented the policy nor complied with the MSW Rules, which resulted in lack of direction for effective management and scientific disposal of MSW and filing of several public interest litigations. In view of this, the State Government had directed the Commissioner, BBMP to frame a separate waste policy. Though an integrated SWM policy was prepared by BBMP in 2011, it was not forwarded to the UDD for being notified. As a result, the policy remained only on paper and the implementation plan outlined in the draft policy had not been translated into action (January 2014).

It was also seen that neither the State Government nor BBMP had introduced strategies for reduction, reuse and recycling of waste. As a result, disposal remained the only method of management of waste, instead of waste minimisation and waste reduction. Further, no efforts were made to promote the '3Rs' of waste management through the print or audio-visual media and to educate citizens about the threat to environment and health posed by waste.

The State Government accepted the audit observation and stated (January 2014) that due to unprecedented garbage crisis in August 2012, the policy was being reviewed by Expert Committee. It was further stated that BBMP had been instructed to carry out awareness programmes on minimising the waste generation by adopting '3Rs'.

##### **4.1.6.2 Non-preparation of contingency plan**

The Action Plan prepared by BBMP for management of MSW was approved by Karnataka State Pollution Control Board (KSPCB) in June 2011. It was, however, seen that there was no micro-level planning for primary waste collection, secondary transportation, bulk waste management, processing and disposal of MSW. Audit also did not come across any contingency plan in BBMP for tackling any unforeseen situation or crisis. The absence of contingency plan and closure of dumpsites at Anjanapura, Cheemasandra, Mavallipura and Subbarayanapalya led to dumping of mixed wastes in the available sites<sup>115</sup>. Further, BBMP could not follow the approved Action Plan, resulting in non-achievement of the objectives envisaged.

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<sup>115</sup> Doddaballapur, Lakshmpura, Mandur and S.Bingipura

The State Government stated (January 2014) that instructions had been given for adopting suitable decentralised contingency plans for collection and transportation of MSW in all zones.

#### **4.1.6.3 Assessment of quantum of waste generated**

Proper assessment of quantity and characteristic of waste generated is essential for correct planning and successful implementation of SWM. It was, however, seen that BBMP did not have data about quantum of waste generated annually for the period under review.

It is pertinent to mention that the Hon'ble High Court had directed (January 2013) BBMP to weigh, for one month, MSW collected from each ward, after it was transported to the filling stations and before it was unloaded. Accordingly, BBMP had weighed MSW collected from each ward for the month of February 2013 and average waste generation was reported as 3,600 metric tons (MT) per day. Scrutiny of this weightment statement showed abnormal variations in the quantum of waste collected on different days in the same wards, raising doubts about the reliability of data. The absence of complete and reliable data rendered waste management programmes ineffective and resulted in unscientific disposal of MSW, as discussed in succeeding paragraph.

The State Government, while accepting the audit observation, stated (January 2014) that action would be taken to assess the quantum of waste generated and rectify the discrepancies pointed in audit.

#### **4.1.6.4 Institutional mechanism**

Allocation of roles, responsibilities and accountability among various agencies is important to ensure that the rules are implemented in line with the desired objectives. Audit observed that officers involved in overseeing the implementation of MSW Rules did not have specific job responsibilities and an Expert Committee<sup>116</sup> to guide BBMP in management of MSW was constituted only in September 2012. The creation of posts of Additional Commissioner (SWM), three additional CEs and allocation of responsibilities among them was done only in November 2012. It was also seen that Additional Commissioner (SWM) did not have a minimum fixed tenure and this post was held by nine incumbents as additional charge in a short period of 16 months (June 2012-September 2013). It was only in October 2013 that an Environment Cell was formed to oversee the implementation of MSW Rules. Thus, the institutional mechanism during 2008-13 was not adequate, adversely affecting the administration and management of MSW in BBMP, as reflected in subsequent paragraphs.

The State Government accepted (January 2014) the audit observation.

<sup>116</sup> Expert Committee comprises seven subject-expert members with the Commissioner, BBMP as the Chairman

#### 4.1.7 Financial management

##### 4.1.7.1 Fund position

BBMP receives funds for execution of SWM activities from various sources such as central grants through Twelfth and Thirteenth Finance Commissions and State grants, besides own funds. The Chief Accounts Officer (CAO), BBMP releases funds, through Letter of Credit (LOC), to SWM divisions and the zonal offices.

The details of funds released and utilised for SWM in BBMP during 2008-13 were as detailed in Table 4.1.

**Table 4.1: Year-wise release and expenditure for SWM**

| Year         | (₹ in crore)                 |                                  |
|--------------|------------------------------|----------------------------------|
|              | Release of funds through LOC | Expenditure of EE, SWM and zones |
| 2008-09      | 114.60                       | 123.85                           |
| 2009-10      | 121.83                       | 152.47                           |
| 2010-11      | 259.68                       | 261.64                           |
| 2011-12      | 278.09                       | 258.74                           |
| 2012-13      | 334.28                       | 310.90                           |
| <b>Total</b> | <b>1,108.48</b>              | <b>1,107.60</b>                  |

Source: Furnished by CAO, BBMP

It could be seen that BBMP had spent more than the releases during the period 2008-11.

It was stated by the Finance Officer, BBMP that unspent balances at the end of the financial year were not withdrawn from the divisions and zones by the central office. The expenditure was met out of opening balance and current year assets. However, this could not be verified by Audit as the test-checked zones had not provided the details of opening balances.

##### ➤ *Non-reconciliation*

The correctness of the fund position for SWM could not be assessed in audit due to the following reasons:

- Overall release during 2008-13 as furnished by CAO, BBMP was ₹1,108.48 crore, whereas the break-up of releases to SWM divisions and zones of BBMP aggregated ₹998.11 crore, leaving a difference of ₹110.37 crore.
- As per CAO, BBMP, a sum of ₹627.06 crore was released to four test-checked zones during 2008-13 whereas the figures furnished by Assistant Controller of Finance (ACF) of these zones aggregated ₹662.89 crore. The difference of ₹35.83 crore was not reconciled.

- Expenditure figures reported to the Hon'ble High Court were at variance with those furnished to Audit. The differences in the test-checked zones aggregated ₹246.69 crore for the years 2009-13.

The State Government stated (January 2014) that differences would be reconciled with the zonal offices.

#### 4.1.7.2 *Loss of assistance*

There was a proposal (July 2007) in the fifth State Level Empowered Committee (SLEC) of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) to seek central assistance under JNNURM for SWM projects in Bangalore. For this purpose, BBMP had entrusted (September 2007) the work of preparation of a Master Plan and a Detailed Project Report (DPR) to M/s. Infrastructure Development Corporation (Karnataka) Limited, Bangalore (IDECK) at a cost of ₹97.80 lakh. The Master Plan and DPR were to be submitted by February 2008 and April 2008 respectively. The IDECK submitted the final Master Plan and DPR in March 2009 after a delay of 12 months. As a result, the project was not funded under JNNURM and BBMP lost the opportunity of availing assistance of ₹280.17 crore<sup>117</sup>.

The State Government stated (January 2014) that the delay had occurred in resubmitting the DPR after incorporating the changes/modifications suggested by the Committee formed to verify and vet the DPR. This shows that adequate time frames were not set up for this exercise. Responsibility needs to be fixed to avoid such delays in future.

#### 4.1.7.3 *Utilisation of Thirteenth Finance Commission Grants*

The State Government had released (July 2010-March 2013) General Basic Grant of ₹152.04 crore and General Performance Grant (February 2012-April 2013) of ₹28.50 crore to BBMP as assistance under Thirteenth Finance Commission Grants. The State Government had stipulated that a minimum of 25 per cent of these grants was to be utilised for SWM activities. However, scrutiny of Utilisation Certificates (UCs) furnished by BBMP showed that BBMP did not utilise the General Performance Grant and could utilise only 22 per cent (₹33.31 crore) out of General Basic Grant for SWM activities. This resulted in non/short utilisation of Thirteenth Finance Commission grants of ₹11.83 crore<sup>118</sup> for the allocated purpose. Audit observed that State Government has not prescribed any penal clause for non-release/utilisation of the minimum grant earmarked for SWM.

The State Government stated (January 2014) that the utilisation of Thirteenth Finance Commission grants would be expedited. However, no action plan to utilise the grants within Thirteenth Finance Commission period (2010-15) was furnished to Audit.

<sup>117</sup> Central share ₹196.12 crore and State share ₹84.05 crore

<sup>118</sup> Non-utilisation of General Performance Grant – ₹7.13 crore; Short utilisation of General Basic Grant – ₹4.70 crore

#### 4.1.7.4 *Diversion of funds*

Out of Thirteenth Finance Commission Grants, BBMP had extended (April and August 2012) a soft loan of ₹4.50 crore for 15 years to M/s. Terra Firma Biotechnologies Limited (TFBL), a processing unit, at the interest rate of six *per cent* per annum. The soft loan was given for developing additional infrastructure in the interest of expediting the processing of MSW.

Audit scrutiny showed that a sum of ₹15.17 lakh had been recovered (November 2012) and credited to a deposit account instead of crediting the same to SWM account. This resulted in diversion of funds. It was also seen that BBMP had submitted the UC treating the loan amount as expenditure, which was not as per the guidelines.

The State Government, while accepting the objection, stated (January 2014) that the amount lent as soft loan would not be shown in UC and would be utilised for the intended purpose. However, the fact remained that the UC had already been submitted to the Central Government. The reply was silent on the issue of diversion of funds.

#### 4.1.7.5 *Resource generation*

Levy and collection of user charges to meet service cost of SWM was one of the mandatory ULB level reforms required under JNNURM. The provisions<sup>119</sup> of KMC Act empowered Corporations to levy SWM cess on every owner or occupier of buildings or lands or both in the city and prescribed the rate of cess on plinth area basis. The rates for collection of SWM cess (March 2004) ranged from a minimum of ₹10 per month for a residential building of plinth area up to 1,000 square feet (sq ft) to a maximum cess rate of ₹600 per month for hotels, *kalyana mantapas*, etc., with plinth area exceeding 50,000 sq ft.

For the period 2008-11, the service providers<sup>120</sup> were responsible to collect cess from the generators of waste and remit it to BBMP. From 2011-12 onwards BBMP notified (February 2011) payment of SWM cess as mandatory along with property tax.

It was seen that BBMP did not ensure collection and remittance of SWM cess by the service providers during 2008-11. Audit worked out that a minimum of ₹66.17 crore<sup>121</sup> could have been collected during this period from 18.38 lakh households in the three zones test-checked. Even the penalty of ₹9.60 crore for non-performance of this contractual agreement was not recovered.

From the year 2011-12 onwards, the payment of SWM cess was linked to property tax returns. BBMP realised ₹66.54 crore as user charges during

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<sup>119</sup> Section 103 B (2) and Rule 19 A of Schedule III of KMC Act (w.e.f. 9 March 2004)

<sup>120</sup> Service providers were entrusted with the task of collection and transportation of municipal solid waste in the core zones of BBMP and had to fulfill the contract condition of levy and collection of SWM cess from waste generators (As per Article 3.2C (a) and (b) of agreement)

<sup>121</sup> 18.38 lakh x ₹10 per month (lowest rate) x 36 months = ₹66.17 crore

2011-13, which was only 17 per cent of the projected Operation & Maintenance (O&M) cost (₹402.34 crore). This resulted in extra burden on BBMP in meeting these expenses at the cost of creating infrastructure facilities. Actual collection of user charges during 2011-13 was 73 per cent of the collection proposed (₹90.62 crore) in DPR. The inability of BBMP in widening its resource base was attributable to the following:

- BBMP had notified (February 2011) that cess will be collected with property tax. As the property tax returns were not filed in respect of BBMP-rented properties, these properties did not pay SWM cess. BBMP had not envisaged any other mechanism to collect SWM cess from such properties. Audit scrutiny showed that there were 4,214 BBMP-rented market shops in the test-checked zones which did not pay SWM cess of ₹50.57 lakh for the period 2011-13, considering the minimum rate of ₹50 per month per shop due to deficiency in the BBMP notification.

The State Government stated (January 2014) that there was no policy for collection of SWM cess from BBMP-rented buildings and instructions, on the basis of audit observation, had been issued to concerned officials to draw up an action plan. The reply was not acceptable as the KMC Act had the provision to collect collection of SWM cess from rented buildings, which was not implemented.

- Plinth area was the basis for levying SWM cess and maximum cess payable for different categories of buildings was as detailed in **Table 4.2** below.

**Table 4.2: Rates of maximum cess payable (category-wise)**

| Category  | Plinth areas           | Cess payable per month |
|---|------------------------|------------------------|
| Commercial buildings                              | 5,000 sq ft and above  | ₹200                   |
| Industrial buildings                              | 5,000 sq ft and above  | ₹300                   |
| Hotels, <i>kalyana mantapas</i> and nursing homes | 50,000 sq ft and above | ₹600                   |

Source: KMC Act

Thus, buildings having plinth area of more than 5 to 20 times the limit of 5,000/50,000 sq ft were also paying the same rate of cess. As the quantum of waste generation has relatively a direct bearing on the area of operation, the cess leviable was disproportionate to the quantum of waste generation.

- There was no provision of a field for the number of units, in the property tax module. As a result, an assessee having multi-unit residential/commercial complex was liable to pay cess as a single entity irrespective of the number of units. Thus, the cess leviable was not proportionate to the number of units and denied BBMP the actual cess amount due.
- SWM cess was not paid by places of worship as they were exempt from payment of property tax and service charges.

- It was also seen that though KMC Act provided for levy and collection of SWM cess on land, no specific rate was fixed.
- There was no provision in the KMC Act to collect SWM cess on generation of bulk quantities of wastes during special occasions (social, religious, commercial and political functions/activities) and from traders not occupying buildings (hawkers, pavement vendors, etc.).
- Though there was a provision in BBMP property tax rules for collection of penal interest on belated payment of property tax, no such clause existed for levying penal interest on belated payment of SWM cess.

Thus, non-coverage of all the waste generators and non-levy of appropriate cess amount in proportion to the nature and quantum of waste generated denied BBMP the opportunity of recovering its service cost.

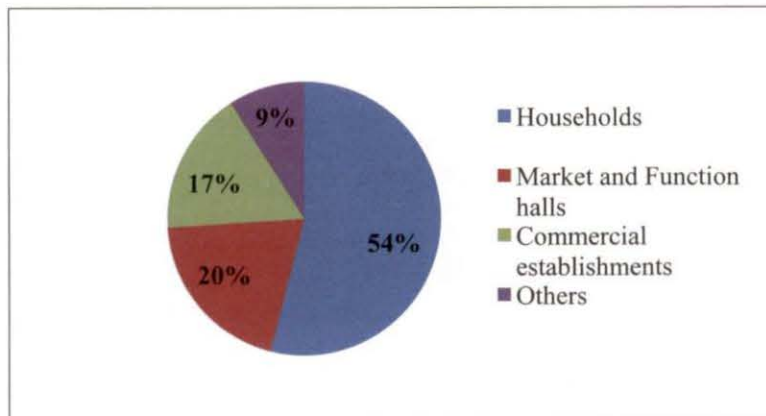
The State Government stated (January 2014) that instructions, on the basis of audit observations, had been issued to draw up an action plan to levy SWM cess and to modify the property tax application for collecting the penalty on belated payment of SWM cess. It was further stated that proposal to fix the rates on the basis of waste generation by the unit would be moved to make amendments in the KMC Act.

### Operational management

Operational management of MSW includes waste collection, segregation, storage, transportation, processing and its ultimate disposal.

As stated earlier, BBMP did not have realistic data about quantum of waste being generated in the city. According to the DPR prepared (March 2009) by IDECK for SWM in BBMP, waste generation for the year 2008 was projected at 5,033 MT per day and sector-wise generation of waste was as depicted in **Chart 4.1**.

**Chart 4.1: Sources of waste generation**



Source: DPR for SWM prepared by IDECK

BBMP had outsourced (November 2006-March 2007) 75 per cent of MSW activities to service providers and 25 per cent of the activities were managed by BBMP through its own resources. The scope of the work of service providers was limited to door-to-door collection, street sweeping, cleaning of drains/public toilets and transporting the waste collected to the identified waste processing and disposal facility. There were 88 outsourced contract packages covering 198 wards of BBMP. Of these, 78<sup>122</sup> out of 146 wards in the test-checked zones are covered in 36 packages. Audit test-checked 10 out of these 36 packages.

Audit findings on the operational management are discussed in succeeding paragraphs.

#### 4.1.8 Collection

Collection means lifting and removal of solid waste from collection points or any other location. The MSW Rules, *inter alia*, prescribed methods for organising house-to-house collection and stipulated that construction or demolition debris should be separately collected and disposed off following proper norms. Audit scrutiny showed the following:

##### 4.1.8.1 Door-to-door collection

The service level benchmarks identified by Ministry of Urban Development envisaged achievement of 100 per cent efficiency in collection of MSW. As per the information furnished (March 2010) by BBMP to the State Government, the household level coverage of SWM services was 70 per cent and the collection efficiency<sup>123</sup> was only 56 per cent. BBMP did not make available the latest position regarding coverage and efficiency of collection. It was also seen in the test-checked zones that basic documents such as activity records by service providers and attendance extracts of Pourakarmikas<sup>124</sup>, area coverage records, *etc.*, in BBMP managed wards had not been maintained. In the absence of these basic records, the efficiency of the collection activities could not be assessed in audit. It was, however, seen that 8,061 complaints<sup>125</sup> relating to non-clearance/burning of garbage, weeds in drains, street sweeping not done and non-removal of dead animals had been registered (2008-13) in three test-checked zones. Even the scrutiny of weighment statement for the month of February 2013 showed that garbage had not been collected daily in 29 wards. Thus, service level benchmark had not been achieved.

The State Government stated (January 2014) that door-to-door collection was practised in all the wards. However, no documentary evidence was provided in support of this claim.

<sup>122</sup> Bangalore (East)-21 out of 44 wards, Bangalore (South)-26 out of 44 wards, Bangalore (West)-18 out of 44 wards and Rajarajeshwarinagar-13 out of 14 wards

<sup>123</sup> The total waste collected versus the total waste generated

<sup>124</sup> Sanitary workers

<sup>125</sup> Bangalore (West) - 1,807, Bangalore (South) - 809 and Rajarajeshwarinagar - 5,445



#### 4.1.9 Segregation

Segregation means separating the solid waste into groups of organic, inorganic, recyclable and hazardous wastes. It enables channelisation of recyclable wastes for processing and minimises the load of solid waste, thereby reducing the burden on landfills.

According to DPR, MSW primarily comprises 50-53 *per cent* of organic fraction and 37-45 *per cent* of inorganic fraction. Out of this inorganic fraction, 14-18 *per cent* is recyclable and 20-23 *per cent* is combustible. Accordingly, the landfilling is required only for 6-10 *per cent*, which is inert.

##### 4.1.9.1 Segregation of waste at source

The implementation schedule (Schedule II) in MSW Rules envisaged organising awareness programmes to promote segregation of waste and undertaking phased programmes to ensure community participation in waste segregation.

The segregation of waste at source in BBMP was only 10 *per cent* (September 2012) and no steps were taken by BBMP to promote waste segregation. It was only in September 2012 that the Commissioner, BBMP issued a public notice for segregation of wet, dry, garden waste, construction debris, sanitary waste and household hazardous waste. However, the mechanism in BBMP to ensure compliance with the provisions of this public notice was not furnished to Audit. The details of awareness programmes undertaken by BBMP were also not furnished, though called for (April 2013). Even the agreements entered into by BBMP with the service providers for collection and transportation of MSW did not include a clause for segregation of waste. It was seen that though the tenderers, during pre-bid meeting, had proposed to undertake 100 *per cent* segregation of waste at source at an additional five *per cent* of the contract value, BBMP did not consider the proposal. Hence, service providers were not liable to ensure segregation of waste. As a result, segregation was not taking place, leading to different kinds of waste being mixed together for dumping. This limited the possibility of processing recyclable wastes due to inadequate processing facilities and resulted in additional burden on landfills. Some of the photographs below, taken during joint inspection (March-June 2013), show the dumping of mixed waste in landfills/dump yards.



Dumping of mixed wastes at Mandur North and Mandur South landfills (7 June 2013)

The State Government stated (January 2014) that steps were being taken to promote waste segregation and dry waste collection centres were installed in each ward to collect the dry waste. It was further stated that KMC Act was being amended to levy penalty for non-segregation of waste. The reply was silent about non-inclusion of segregation clause in the agreement with the service providers.

#### 4.1.9.2 Unfruitful expenditure on Garbage Segregation Unit

Audit scrutiny showed that proposal to establish Garbage Segregation Unit at Mandur (North) with machinery was approved (January 2009) and the machinery consisting of garbage cutter machine, plastic dryer machine, etc., was purchased (September 2009) after incurring an expenditure of ₹99.46 lakh. However, the segregation unit could not be commissioned due to non-provision of internal wiring (October 2013).

It was seen from the correspondence file that proposal for providing internal wiring, at an estimated cost of ₹21.73 lakh, had been forwarded (September 2012) to the Commissioner, BBMP and the Commissioner had sought (November 2012) the status report. However, no action has been taken since then. Thus, failure of BBMP in commissioning the Garbage Segregation Unit for more than three years led to dumping of mixed waste in the landfill and resulted in unfruitful expenditure of ₹99.46 lakh.



Garbage Segregation Unit at Mandur North (7 June 2013)

The State Government stated (January 2014) that the segregation unit could not be commissioned due to non-availability of power line at the site and action would be taken to make use of the unit at the earliest. The reply was not acceptable as the basic requirement of power line should have been ensured prior to purchase of equipment.

#### 4.1.10 Storage

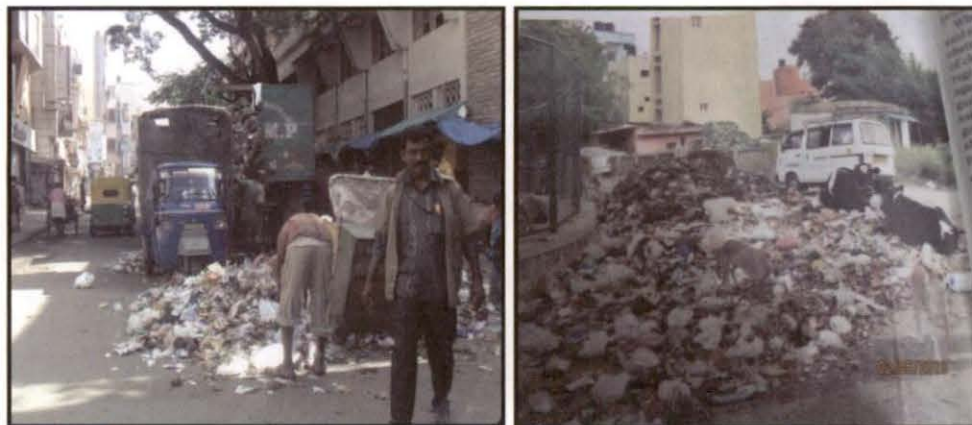
Storage means temporary containment of municipal solid wastes in a manner so as to avoid littering, attracting vectors<sup>126</sup>, stray animals and excessive foul odour. As per MSW Rules, stored waste should not be exposed to open atmosphere as this may create unhygienic and insanitary conditions around it. Manual handling of waste should be prohibited and should be carried out only under proper precaution if unavoidable due to constraints.

BBMP did not provide the details of storage facilities established and maintained by it. Therefore, Audit could not verify the efforts made by BBMP to ensure adequacy and suitability of storage facilities. The scope of

<sup>126</sup> Vector is a carrier which transfers an infective agent from one host to another e.g., mosquito

the agreements with the service providers also did not include any provision of storage as waste was to be collected and transported to the designated place. However, instances of unauthorised dumping at road sides were seen in the city, spreading foul odour and creating environmental pollution. It was also seen that manual handling of waste was taking place without proper safety measures. This not only violated the MSW Rules but also led to unhygienic conditions causing problems to health and contamination of the environment.

Some of the photographs below, taken during the review period, underscore this infraction.



Road side dumping of waste at Avenue Road (25 September 2013) and K R Market (2 May 2013)



Manual handling of waste at Lakshmipura dump yard (13 June 2013)

The State Government stated (January 2014) that bins had been removed completely to avoid multiple handling of waste and attraction of animals like cows and dogs. The reply was not acceptable as removal of bins led to dumping of waste on pavements/roads and instances of overflowing of bins had also been noticed in Audit. The reply was silent on the issue of manual handling of waste.

#### 4.1.11 Transportation of MSW

Transportation refers to conveyance of MSW from place to place hygienically through specially designed transport system so as to prevent foul odour, littering, unsightly conditions and accessibility to vectors.

#### 4.1.11.1 *Improper transportation facility for MSW*

As per compliance criteria stipulated in MSW Rules, vehicles used for transportation of wastes should be covered and designed to avoid multiple handling of wastes, prior to final disposal. However, a few instances were seen where vehicles without proper covering had been used for transportation of MSW, creating insanitary conditions.



The State Government stated (January 2014) that covered vehicles were being used for transporting MSW. The reply could not be accepted as transportation of MSW in damaged and partly covered vehicles had been observed during joint physical verification.

#### 4.1.11.2 *Wasteful expenditure on vehicles tracking system*

BBMP had installed (June 2008) a web-enabled automated vehicles tracking system using Global Positioning System (GPS) to track the vehicles used for transportation of garbage to landfills. BBMP had availed of the services of Karnataka State Electronics Development Corporation Limited (KEONICS) for operating this system and had incurred (July 2008-January 2011) an expenditure of ₹64.68 lakh on the project, which also included cost of installation of GPS in the vehicles. Against the requirement of 600 GPS to be installed in vehicles, 422 GPS had been purchased (July and October 2008) and only 387 GPS had been installed, with delays ranging up to 29 months.

Three reports *viz.*, vehicle tracking report, vehicle running/non-running status and dumpsite report were generated through the system on a daily basis and submitted to BBMP. However, BBMP did not use these reports to cross-verify transportation claims. Further, the shortcomings pointed out in these reports such as missing GPS from 13 vehicles, non-tracking of vehicles due to weak signals, system errors, tampering of instruments, non-availability of power due to absence of battery mode, *etc.*, were not rectified. BBMP discontinued (November 2012) the services of KEONICS and the system had remained idle since then (October 2013).

The State Government attributed (January 2014) the shortcomings in the tracking system to factors such as absence of in-built battery instrument, communication signal, bad weather, *etc.*, and stated that the system was discontinued due to the garbage crisis and floating of new tenders for collection and transportation of MSW. It was further stated that bills had been passed on the basis of GPS monthly reports. The reply was not acceptable as GPS had not been installed in all the vehicles and no documentary evidence in support of passing the bills using GPS reports was furnished to Audit. There was not only a wasteful expenditure of ₹64.68 lakh but the opportunity to regulate and monitor transportation claims using GPS was also lost to BBMP.

#### **4.1.11.3 Discrepancies in award of work**

BBMP had awarded (November 2009) a contract to M/s. Matha Overseas Limited for transportation of MSW from three landfills<sup>127</sup> to the integrated facility at Doddaballapur maintained by TFBL. As per the agreement, payments were to be made at the rate of ₹4.74 per MT of MSW per km on the basis of weighment certificates given by TFBL. The contractor claimed payments for 21,917 trips in which 6.38 lakh MT of MSW had been transported, for which BBMP paid (2009-13) a sum of ₹29.99 crore.

It was seen that qualification criteria had been changed twice within a span of seven months (January-August 2009) and the work was awarded in the third call of tender. The criterion for transporting 'at least 500 MT of MSW and 500 MT of any other material in a period of at least 12 months during the preceding five years' was changed to 'transportation of 10,000 MT of MSW or any other material in each of the preceding three years'. The nature of vehicle was changed from 'tipper trucks' to 'trucks', which was in violation of MSW Rules as it entailed manual as well as multiple handling of waste. The possibility of realigning tender criteria to favour intended bidder(s) could not be ruled out.

The State Government stated (January 2014) that tender conditions were modified to prevent those agencies from participating against whom inquiry had been taken up for alleged malpractices. It was further stated that the specification of vehicle was changed from 'tipper truck' to 'truck' as MSW could not be loaded directly into closed tipper trucks. The reply was not acceptable as alleged agencies should have been blacklisted to prevent them from participating. Modification of tender conditions is against the intent of competitive bidding for obtaining the most appropriate bidder. Moreover, tipper trucks were being used for transportation of MSW from wards of BBMP. Hence, changing the specification of vehicle only for this work was not justifiable.

#### **➤ Transportation of MSW in excess of vehicle load capacity**

TFBL was to be paid ₹66 per MT by BBMP for receiving MSW. At the time of submission of tender documents, the contractor had provided the details of vehicles with copy of Regional Transport Office (RTO) documents indicating the 'gross axle load' capacity as 25 MT. Scrutiny of weighment data provided by TFBL showed that the quantum of waste reported to be transported in 20,315 out of total 21,917 trips was in excess of 25 MT, which was not feasible. The excess quantum of waste worked out to 92,146 MT, for which BBMP had paid ₹6.89 crore to the contractor. It was also seen that there was no mechanism in BBMP to verify the genuineness of the contractor's claims; there were no weigh bridges at the originating three landfills and payments were made only on the basis of weighment data given by TFBL.

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<sup>127</sup> Cheemasandra (153 km), Mandur (153 km) and Subbarayanapalya (170 km)

The State Government stated (January 2014) that the agency had modified the body of the vehicles to increase the capacity to make more profit by reducing the number of trips. The reply was not acceptable as no documentary evidence in support of the modification of vehicles had been furnished to Audit.

#### **4.1.11.4 Fictitious payments on transfer of MSW**

The details of 180 vehicles registered in the VAHAN<sup>128</sup> database of Transport Department were verified to assess the genuineness of the vehicles used for transportation of MSW in the city. It was seen that 17 vehicles used in Bangalore (West) zone for transportation of MSW were registered as non-transportation vehicles viz.; two wheeler, four wheeler, bus, etc. BBMP did not verify the authenticity of transportation claims of such vehicles and passed the bills without necessary checks. As a result, payments of ₹88.95 lakh made on these vehicles during 2008-13 were fictitious.

Audit also observed that in 63 out of 180 vehicles, fitness certificates were not renewed for vehicles which transported MSW for a period ranging up to 33 years<sup>129</sup> which contravened the provisions of Motor Vehicle Act. It was also observed that 29 vehicles more than 15 years old<sup>130</sup> (as of April 2008) were used for transportation of MSW which was in contravention of the agreement clause.

The State Government stated (January 2014) that Zonal Joint Commissioner (West) had been informed to examine the observation and furnish the report.

### **4.1.12 Processing**

Processing refers to the process by which solid wastes are transformed into new or recycled products so as to minimise burden on landfill.

#### **4.1.12.1 Inadequate processing capacity**

As stated earlier, the quantum of waste generation for the year 2008 was projected at 5,033 MT per day. However, the processing capacity in BBMP was only 2,900 MT per day from four<sup>131</sup> integrated facilities for processing and disposal of MSW. As per DPR (March 2009), proposals for establishing four<sup>132</sup> new integrated facilities with a capacity of 2,400 MT per day were being finalised. It was, however, seen during joint physical verifications (May 2013) that three of these new facilities (except Chakkasandra) were only

<sup>128</sup> VAHAN is a comprehensive database containing all the details of vehicles and enables automation of vehicle related activities at RTOs.

<sup>129</sup> Up to five years – 30 vehicles; 5-10 years – 19 vehicles; 10-15 years – 10 vehicles; 15-20 years – three vehicles; more than 20 years – one vehicle

<sup>130</sup> 15 to 20 years – 18 vehicles; 20 to 25 years – eight vehicles; 25 to 30 years – two vehicles; 40 to 45 years – One vehicle

<sup>131</sup> Bommanahalli (300 MT), Doddaballapur (1,000 MT), Mandur South (1,000 MT) and Mavallipura (600 MT)

<sup>132</sup> Cheemasandra (200 MT), Mandur North (1,000 MT), Subbarayanapalya (200 MT) and Chakkasandra (1,000 MT)

landfills without any processing facility, resulting in dumping of mixed waste in these sites. The facility at Chakkasandra could not be taken up for which reasons were not on record. Apart from these landfills, BBMP had five dump yards (Anjanapura, Doddabidarakallu, Kannahalli, Lakshmipura and Seegehalli) and one landfill (S.Bingipura), which also did not have processing facilities.

Thus, BBMP did not step up its processing capacity, which was reduced (March 2013) to 2,000 MT per day as Mavallipura processing unit had been closed (July 2012) and Karnataka Compost Development Corporation had stopped accepting garbage from BBMP. This led to dumping of unprocessed waste at Mandur (North) and Mandur (South) landfills far in excess of their optimum capacities, emanating foul smell in the villages surrounding the landfills.

To control the malodour, the Government accorded approval (September 2012) for installation of a High Pressure Atomisation System with 600 nozzles using Ecosorb odour neutralising solution and the work was entrusted (December 2012) to M/s. Pioneer Recruiters & Management Private Limited, Bangalore. BBMP had incurred an expenditure of ₹1.41crore<sup>133</sup> on odour control system (May 2013). Apart from this, BBMP had incurred an expenditure of ₹29.99 crore on transporting MSW from three landfills not having processing facilities to TFBL (detailed in *Paragraph 4.1.11.3*).

Thus, the failure of BBMP in augmenting its processing capacity led to accumulation of unprocessed MSW to the extent of 23.50<sup>134</sup> lakh MT and additional expenditure of ₹31.40 crore, besides creating health hazards and contamination of the environment.

The State Government accepted (January 2014) the audit observation.

#### **4.1.13 Slaughter houses**

Slaughter houses and meat producing units are classified under Red category by the KSPCB due to high potential for contamination and release of pollutants.

There are three<sup>135</sup> slaughter houses functioning under the jurisdiction of BBMP. About 18.95 lakh animals were slaughtered in these three slaughter houses during the period 2009-13 and animal waste generated during this period ranged from 7 to 8.25 MT per day. The details for 2008-09 had not been furnished to Audit.

On the directions (August 2002) of the Hon'ble High Court of Karnataka to relocate slaughter houses to the outskirts of city limits, BBMP had purchased

<sup>133</sup> ₹76.83 lakh on capital expenditure and ₹63.99 lakh on operational cost

<sup>134</sup> Anjanapura - 1.00 lakh MT, Cheemasandra - 3.00 lakh MT; Kannahalli - 1.05 lakh MT, Mandur (North) - 6.00 lakh MT, Mandur (South) - 4.00 lakh MT, Mavallipura - 7.00 lakh MT and S.Bingipura - 1.45 lakh MT

<sup>135</sup> Pottery Road, Tannery Road and Usman Khan Road

(July 2005 and August 2006), from Karnataka Industrial Area Development Board (KIADB), 40.68 acres of land at Iggalur for a sum of ₹2.24 crore. However, the construction of modern abattoir at Iggalur could not be taken up due to public protests. BBMP then purchased (November 2009) another 40 acres of land from KIADB at Harohalli for ₹24 crore, besides paying a sum of ₹93.51 lakh as penal interest for delayed payment. However, the project at Harohalli was also not completed due to public protests. Thus, the expenditure of ₹27.18 crore incurred on purchasing lands at Iggalur/Harohalli has remained unfruitful (January 2014) and slaughter houses continue to function within the city limits.

The State Government, while accepting the audit observation, stated (January 2014) that penal interest had not been paid to KIADB. The reply was not acceptable as the bill for ₹93.51 lakh had been passed in November 2012.

- ***Unauthorised functioning of slaughter house at Tannery Road***

The civil slaughter house at Tannery Road is the oldest slaughter house operating since 1920. The authorisation and consent granted (October 2008) by KSPCB to operate this slaughter house was valid up to June 2009. However, the authorisation was not renewed as KSPCB had pointed out following persistent violations in the operation and maintenance of the slaughter house:

- The Effluent Treatment Plant (ETP) constructed for treatment of wash water was not working.
- The untreated effluents were being discharged into BBMP storm water drains and foul smell spread to the surrounding areas.
- The sample analysis report of untreated effluent to the adjacent storm water drain showed that total suspended solids had exceeded the stipulated standards.
- The housekeeping near ETP was very poor.
- Solid waste, accumulated cow dung and other body parts of animals were not disposed off properly.

Despite opportunities given by KSPCB, BBMP did not comply with the conditions stipulated by the Board. The slaughter house continued to operate without valid authorisation. Finally, KSPCB issued (April 2013) prohibitory orders to prevent the discharge of effluent outside the premises or into storm water drain. However, it was observed during joint physical verification (July 2013) that the slaughter house was functioning in insanitary conditions and the violations, as observed by KSPCB, still persisted. Some of the photographs below taken during joint inspection confirm the audit contentions.





Blood of slaughtered animals flowing through open drain and lying in open at slaughter house, Tannery Road (17 July 2013)

- ***Slaughter houses at Usman Khan Road and Pottery Road***

These two slaughter houses had been functioning without any ETP. As a result, liquid waste, mixed with blood of slaughtered animals, was flowing directly into drainage without treatment as seen during the joint inspection (July 2013). Joint inspection also showed that the capacity of lairage<sup>136</sup> was not adequate in slaughter house at Usman Khan Road.

The functioning of slaughter houses in total disregard of norms is a matter of concern having adverse consequences on public health as well as the environment.

The State Government accepted (January 2014) the audit observations and stated that action had been initiated to obtain the authorisation and upgrade the facilities at the slaughter houses.

#### **4.1.14 Landfills**

Landfilling refers to disposal of residual solid wastes on land in a facility designed with protective measures against pollution of ground water, surface water and air fugitive dust, wind-blown litter, bad odour, fire hazard, bird menace, pests or rodents, greenhouse gas emissions, slope instability and erosion.

As per MSW Rules, BBMP is responsible for management of MSW by setting up waste processing and disposal facilities including landfills. Such facilities should meet the specifications and standards specified in Schedules III and IV of MSW Rules.

<sup>136</sup> A place where livestock are kept temporarily (a waiting, holding or recovery area supplied with appropriate animal handling capacities at a slaughter house)

#### 4.1.14.1 *Improper selection of landfill sites*

Five<sup>137</sup> landfills/dump yard sites were situated on forest land or near water bodies, which was in contravention of MSW Rules.

The State Government stated (January 2014) that Mavallipura landfill had been selected in accordance with MSW Rules. This is not acceptable as part of the Mavallipura landfill was a forest land and was close to the Yelahanka Air Base, contravening MSW Rules. The reply was silent about other dumpsites under objection.

#### 4.1.14.2 *Buffer zone around landfill*

Schedule III of MSW Rules provide for maintenance of a buffer zone area of no-development around landfill site. It was seen that buffer zone was not maintained in any of the 10 landfill sites/dump yards. As a result, habitations had come around seven<sup>138</sup> out of 10 test-checked landfills/dump yards, as seen during joint physical inspections. This not only contravened MSW Rules but also posed hazards to public health. In 25 acres of Doddabidarakallu dump yard belonging to BBMP, 10 acres had been encroached upon by private party and a residential layout with asphalted roads, drainage systems, *etc.*, had been formed.

The State Government accepted (January 2014) the audit observation and stated that efforts would be made to create the buffer zones around these sites.

#### 4.1.14.3 *Facilities at landfills/dump yards*

The status of availability of facilities<sup>139</sup>, as seen during joint inspection of 10 landfills and dump yards, are discussed below.

- Seven units were not well protected in the absence of gates, compound walls/fencing. As a result, entry of unauthorised persons and stray animals could not be avoided.
- None of the landfills/dump yards had maintained waste inspection facility and kept fire protection equipment to monitor waste brought in for landfill and to meet exigencies of fire hazard. The absence of fire protection equipment would incapacitate the landfill authorities to extinguish fire in time, besides having adverse effect on environment through release of dioxin and other greenhouse gases.

<sup>137</sup> Mavallipura, Mandur North and Mandur South (Forest land); Subbarayanapalya and S.Bingipura (near water body);

<sup>138</sup> Anjanapura, Cheemasandra, Doddabidarakallu, Lakshmipura, Mandur (South), Mavallipura and Subbarayanapalya

<sup>139</sup> Rule 7 (2) read with Schedule III (Specification of landfill sites) of MSW Rules, 2000 prescribes the list of facilities to be maintained at the landfill sites such as fencing with proper gate, formation of approach and internal roads, waste inspection facility, office facility, shelter for keeping equipment and machinery including pollution monitoring equipment, weigh bridges, fire protection equipment, drinking water, lighting arrangement and safety provisions.

- Weigh bridges had not been installed in seven out of ten test-checked landfills/dump yards. It was also seen that though weigh bridge structures had been procured (September 2011) for installation in five units, the same were lying idle due to non-availability of electrical connections.



- Mavallipura and Lakshmipura sites did not have proper approach roads and in five<sup>140</sup> sites, internal roads had not been formed. This would affect free movement of vehicles and other machinery within the sites, particularly during monsoon season.
- Six<sup>141</sup> units did not have any office facility, four<sup>142</sup> landfills/dump yards did not have drinking water facility, while lighting facilities were not available in four<sup>143</sup> landfills/dump yards.
- Though *windrow*<sup>144</sup> platform with impermeable base is required for processing of compost, composting at Doddaballapur (TFBL) was being carried out without *windrow* platform, leading to contamination of ground water.

The State Government, while accepting (January 2014) the audit observations, stated that necessary action would be taken to provide facilities at landfills/dump yards.

#### 4.1.14.4 Landfill at Mavallipura

BBMP had entered into (August 2004) an agreement with M/s. Ramky Infrastructure Limited (RMIL) for conversion of waste to compost and landfilling of residual inert waste<sup>145</sup> at Mavallipura. As per the agreement, tipping fee<sup>146</sup> was payable to RMIL on the actual quantity of inert waste shifted to landfill site after processing and removal of recyclables from MSW supplied by BBMP. BBMP had supplied (March 2007-February 2012) 9.21 lakh MT of MSW to RMIL and had paid ₹11.54 crore<sup>147</sup> for shifting 5.52 lakh MT of inert waste to the landfill. In this connection, following observations are made:

<sup>140</sup> Anjanapura, Doddabidarakallu, Lakshmipura, Subbarayanapalya and S.Bingipura

<sup>141</sup> Anjanapura, Cheemasandra, Lakshmipura, Mandur (North), Subbarayanapalya and S.Bingipura

<sup>142</sup> Anjanapura, Cheemasandra, Lakshmipura and Mandur (North)

<sup>143</sup> Anjanapura, Lakshmipura, Cheemasandra and Subbarayanapalya

<sup>144</sup> Wastes are shredded and mixed and placed into rows for large scale composting known as windrows

<sup>145</sup> Material left as residue after processing of MSW and removal of organic and recyclables

<sup>146</sup> Tipping fee is the fee payable by BBMP to concessionaire (operator) which is calculated on the quantity of residual inert waste.

<sup>147</sup> Tipping fee @ ₹198 per MT up to March 2011 and @ ₹218 per MT for subsequent period

➤ **Lacunae in the agreement**

Though the payment was to be made on the residual inert waste after processing, percentage of maximum permissible inert waste was not specified in the agreement. It was seen that BBMP had made payments considering the inert waste at 60 *per cent*, whereas the inert content as per DPR was only 6 to 10 *per cent*.

The State Government stated (January 2014) that as per the technical report of the Expert Sub-committee constituted for analysing the percentage of rejects generated in the composting facility, reject was assessed at 62 *per cent*. The reply was not acceptable as rejects include both inerts and recyclables and BBMP was to pay only for inert waste. As per the Technical report (April 2013) on characterisation of waste, biodegradable and recyclables accounted for 59 and 32 *per cent* respectively, thus leaving inert quantity of nine *per cent*.

➤ **Excess payment**

As per the proposal for Bio-mining (February 2013), there was accumulated quantity of about seven lakh MT of unprocessed MSW in Mavallipura landfill against 9.21 lakh MT of MSW supplied by BBMP. RMIL had processed only 2.21 lakh MT. Accordingly, the tipping fee, even at 60 *per cent* as inert waste, would amount to ₹2.63 crore. However, payment of ₹11.54 crore had been made, resulting in excess payment of ₹8.91 crore.

The State Government accepted the audit observation and stated (January 2014) that the same would be verified.

➤ **Fictitious claims on transfer of inert waste to landfill**

RMIL had deployed two vehicles for transporting residual inert waste from the landfill area to the designated place of filling. RMIL had claimed payments on the basis of trip sheets of these two vehicles, showing the time taken for each trip and the quantity of inert waste transported. A scrutiny of the trip sheets for six months (July 2010, September 2010, December 2010, January 2011, February 2011 and April 2012) suggested that they were not based on actual recording of data as can be seen from observations detailed below.

- (a) there were 31 instances where the same vehicle was shown to have transported the inert waste at the same time but with different quantities.
- (b) there were 281 cases when the time gap between two consecutive trips of the same vehicle ranged from one to seven minutes, which was not feasible considering the time needed for loading/unloading the inert waste and the average distance to be travelled over nine acre area of landfill facility.

BBMP had accepted the claims made by operator and certified by project Engineer even without exercising the basic random checks. Fraudulent practices in the preparation of trip sheets indicating payment for quantity of inert waste not transported cannot, therefore, be ruled out.

The State Government stated (January 2014) that discrepancy, if any, would be verified and rectified before releasing the balance payment.

➤ *Short-supply of compost*

As per agreement, RMIL was required to supply 500 MT of compost/organic manure to BBMP every year free of cost. During 2008-12, BBMP however had received only 32 MT of compost.

The State Government stated (January 2014) that the cost for the balance quantity of compost would be recovered from the agency.

**4.1.14.5 Treatment of leachate**

Leachate is the liquid that seeps through solid wastes or other medium and has extracts of dissolved or suspended material from it. It is important to treat the leachate to reduce ground and surface water contamination. It was observed that none of the test-checked units (except Mavallipura) had the facilities for treating leachate. It was also observed that six<sup>148</sup> test-checked landfills/dump yards did not have any provision for leachate collection. During joint physical verification, vast stretches of stagnant and flowing leachate were seen in and around landfills/dump yards, evidently leading to contamination of ground water and environmental hazard.



Untreated leachate at Mandur (North) and Mandur (South) landfills (7 June 2013)

The State Government stated (January 2014) that action would be taken to establish suitable leachate management systems in these landfills/dump yards.

**4.1.14.6 Unscientific dumping of MSW in Quarries**

MSW Rules specifies construction of a non-permeable lining system at the base and walls of waste disposal area to prevent pollution problems from landfill operations. Audit observed that MSW was being dumped in the

<sup>148</sup> Anjanapura, Cheemasandra, Doddabidarakallu, Lakshmipura, Subbarayanapalya and S.Bingipura

quarries of Anjanapura, Lakshmipura and S.Bingipura by BBMP. Further, authorisations for dumping of MSW in these quarries were not obtained by BBMP. As blasting of rocks is a vital quarrying activity, the existence and formation of crevices in the quarry naturally and due to human intervention is inevitable. The leachate in the dumped MSW on reaching the surface of rocks will percolate through the crevices, mix with ground water and contaminate the entire stream underneath. The contamination of water leads to serious environmental degradation.

The State Government stated (January 2014) that due to delay in operationalisation of processing plants and acute garbage crisis, as a contingency measure temporary arrangements were made to dispose of waste in these quarries to avoid epidemic breakup. The reply is not acceptable as ground water contamination also poses a serious threat to potable water besides contravening MSW Rules.

#### **4.1.14.7 Unwarranted expenditure on rainwater harvesting**

BBMP (erstwhile BMP) had entered into (June 2005) an agreement with M/s. Srinivasa Gayathri Resource Recovery Limited (SGRRL) on Build, Own, Operate and Transfer (BOOT) basis to convert MSW into fuel pellets/fluff, etc., at Mandur (South) and landfill the rejects of the process as per MSW Rules. To meet the water requirement for this project, BBMP had incurred (April 2010-May 2012) an expenditure of ₹1.91 crore on development of three rainwater harvesting ponds at Mandur (South). As per the agreement, SGRRL had to meet, at its expense, the cost of water supply system in accordance with Good Industry Practice. It was seen during joint physical verification that the project was not completed, rainwater harvesting ponds were not connected and were filled with leachate/muddy water. Thus, the expenditure of ₹1.91 crore incurred by BBMP was not only extra contractual but was also rendered wasteful.

The State Government stated (January 2014) that the financial assistance was extended to SGRRL to encourage rain water harvesting. The reply was not acceptable as the project was incomplete and extending financial assistance was not justified in terms of the conditions of agreement.

#### **4.1.15 Other points of interest**

##### **4.1.15.1 Entrustment of additional works**

The Commissioner, BBMP had approved (July 2010) award of additional works for effective management of collection, transportation of MSW and street sweeping activities. The works were entrusted in both BBMP managed wards as well as wards covered by service providers. As of March 2013, the test-checked zones had incurred an expenditure of ₹177 crore on additional works. The following observations are made in this regard:

- An expenditure of ₹32.99 crore had already been incurred on additional works during 2008-10 though the Commissioner had accorded approval only in July 2010;

- Work orders were issued on the basis of quotations, without entering into agreements with the contractors or insisting on performance securities. Considering the performance security collected from service providers at 10 per cent of the service fee payable, the security amount due from the contractors entrusted with additional works aggregated to ₹17.70 crore which BBMP failed to obtain;
- Periodical inspection reports by concerned authorities were not produced to Audit;
- In Bangalore (East) zone, work orders in 31 cases were issued after completion of works, with delays ranging from 5 to 71 days;
- An expenditure of ₹24.72 crore was incurred (2009-13) in Bangalore (South) and Rajarajeshwarinagar zones on desilting of drains, which was already a part of the stipulated activities of service providers. Similarly, Bangalore (West) zone had incurred (2008-13) an expenditure of ₹3.49 crore on cleaning of public toilets, which was also part of contract agreements entered into with the service providers;
- An expenditure of ₹3.98 crore was incurred (2008-13) in Bangalore (West) zone on mosquito control programme under SWM, though a separate budget head is provided under 'Health-General', resulting in diversion of funds to that extent;
- A sum of ₹32.50 crore was spent (2008-13) in Bangalore (East), Bangalore (West) and Rajarajeshwarinagar zones on 'dump yard problems' and ₹1.18 crore by Bangalore (East) zone on 'other expenditure' without any records detailing the nature of works.

Thus, in the absence of transparency, non-maintenance of supporting records and claims passed contravening the canons of financial propriety, the correctness of the expenditure incurred on these additional works could not be assessed in audit.

The State Government stated (January 2014) that action would be taken as per the observations raised by Audit.

#### **4.1.15.2 Non-renewal of Bank Guarantees**

Codal provisions stipulate that Bank Guarantees (BG) should be obtained from the contractors as a valid security towards performance of contracts. These had to be renewed on expiry and encashed in case of any default on the part of the contractor.

Audit scrutiny in the test-checked three zones showed that BGs were not on record in four packages and renewal details were not available in nine packages. Further, BGs were not renewed in 23 packages beyond January 2009 even though the contracts were initially up to March 2010 and were extended from time to time.

The State Government stated (January 2014) that old contracts had been terminated and such instances would be avoided in future.

#### **4.1.15.3 Irregularities in purchases of cleaning materials**

The Commissioner, BBMP had instructed (November 2009 and November 2011) that cleaning materials could be purchased, once in four months, in BBMP managed wards subject to a maximum of ₹1.00 lakh per annum. Audit observed that BBMP managed wards in the test-checked three zones had spent (2010-13) ₹6.80 crore on purchase of cleaning materials against the maximum permissible limit of ₹2.05 crore. Audit did not come across any records such as indents, sanctions, etc., indicating existence of any mechanism to ensure that purchases were need-based. It was also seen that though the receipts of materials were taken to the stock register, issue of materials had not been recorded. Even the periodical stock verification of the materials was not conducted. Audit scrutiny also showed that purchases were made without calling for tenders, resulting in denial of competitive rates to BBMP and lack of financial checks of zonal/head office levels.

The State Government stated (January 2014) that permissible limit of ₹2.05 crore was less compared to the requirement and would be ratified. It was further stated that letter had been written to the zonal office heads calling for explanation.

#### **4.1.15.4 Non-collection of bio-medical waste**

BMW Rules stipulated that no untreated BMW should be stored for more than 48 hours without the permission of the competent authority at the source of generation.

BBMP had entered into agreements (August 2010) with two<sup>149</sup> agencies for collection and safe disposal of BMW generated by the clinical<sup>150</sup> wing of BBMP. As per agreements the service providers were required to collect the BMW on a daily basis. The payments were to be made on the basis of compliance certificates furnished by the respective medical officers.

Audit scrutiny of BMW Registers for the period from December 2010 to March 2013 showed that there were 1,051 instances when BMW had not been collected on a daily basis from 24 Referral hospitals/maternity homes. Untreated BMW had not been collected up to six days, which was in violation of BMW Rules. However, the Medical Officers had furnished the compliance certificates without reporting periods of non-collection of BMW. This resulted in release of full payment without deduction though the agreement provided for proportionate levy of penalty for non-collection of BMW on daily basis. Non-collection of BMW on a daily basis not only contravened the agreement clause but also posed potential public health hazards. Further, it

<sup>149</sup> M/s. Mardi Eco Industries (for Bangalore South) and M/s. Sembramky (for Bangalore North)

<sup>150</sup> Clinical wing refers to the Referral hospitals, Nursing Homes and Health units managed by BBMP



was observed that the rate of penalty for each instance of non-compliance of daily collection of BMW was not prescribed as was done in the agreement entered into for collection and transportation of MSW by Health Wing of BBMP.

BMW Registers for the period prior to December 2010 had not been maintained in the test-checked Referral hospitals. As a result, Audit could not assess the extent of compliance with BMW Rules for the period prior to December 2010.

Further, the agreement contained a clause which provided for cancellation of agreement with the agency in case of repeated default. Empanelment of only two agencies for the purpose reduced the leverage with BBMP to invoke the cancellation clause and to monitor compliance.

The State Government accepted (January 2014) the audit observation and stated that necessary action had been taken for regular clearance of BMW from BBMP hospitals.

#### ***4.1.15.5 Non-renewal of authorisation***

BMW Rules stipulated that every health care unit should seek authorisation from the competent authority for handling and disposal of BMW. It was seen that authorisation details had not been indicated in eight out of 62 health care units functioning under the clinical wing of BBMP. In another six cases, non-renewal of authorisations ranged from 3 to 39 months.

The State Government, while accepting the observation, stated (January 2014) that action had been initiated by health care units for obtaining authorisation/renewal.

#### ***4.1.15.6 Plastic Waste***

Plastic waste comprises any plastic product such as carry bags, pouches or multi-layered packaging, which have been discarded after use or after their intended life is over. Under the Plastic Waste (Management and Handling) Rules, 2011, Municipal authority is responsible for regulating the usage of plastics and is responsible for setting up, operationalisation and co-ordination of the waste management system and associated functions to ensure safe collection, storage, segregation, transportation and disposal of post consumer plastic waste.

Audit observed the following in respect of plastic wastes:

- a) During joint physical verification of landfills, huge quantities of plastics were seen dumped at the sites without recovering the plastic for channelisation to recyclers.
- b) Segregation of waste was minimal and the processing of plastics was done only in two out of ten landfills.

- c) Under the principle of Extended Producer's Responsibility (EPR) plastic manufacturers should finance the establishment of plastic waste collection centers but no action was taken by BBMP in this regard.
- d) Plastic rules were not incorporated in the Municipal bye laws of BBMP.

The State Government accepted (January 2014) the observations made by Audit and stated that action would be taken to get plastic manufacturers to finance establishment of plastic waste collection centres under EPR and that amendments would be made in KMC Act to incorporate plastic waste rules.

#### **4.1.16 Monitoring**

Monitoring of SWM is a key prerequisite for keeping track of changes in waste quantity and quality, and their resultant impact on health and the environment.

##### ***4.1.16.1 Monitoring Committee to supervise performance of service providers***

As per the agreements entered into with the service providers, BBMP had to set up a Monitoring Committee comprising Health Officers, Medical Officers and *Shuchi Mitras*<sup>151</sup> to supervise the work of service providers. However, no such Committee was set up by BBMP.

Further, the service provider was required to submit a declaration for having performed all the activities and tasks, as envisaged in the agreement. In the test-checked zones, the concerned Health/Engineering division had not insisted on the prescribed mandatory declarations by service providers and bills were, passed in a routine manner for payment of ₹453.28 crore for contractors packages and ₹177 crore for additional works during 2008-13 by merely recording as "Satisfactory" without supporting records for compliance of the specified activities. The payment of ₹630.28 crore for SWM activities during 2008-13 contravened the canons of financial propriety.

The State Government stated (January 2014) that action would be taken as per the observation raised by Audit.

##### ***4.1.16.2 Project Engineer to supervise functioning of processing units***

Project Engineers, appointed to supervise functioning of processing units, were to review and monitor the activities of the Concessionaires. However, as per the agreement, Project Engineers were appointed and paid by the Concessionaires. This would restrict the independence of the Project Engineers. This was evident in the case of the Mavallipura processing unit which had been closed for non-compliance with MSW Rules by KSPCB, but no such omissions had been reported by the concerned Project Engineer.

<sup>151</sup> Shuchi Mitras are volunteers who monitor SWM in their neighbourhood

The State Government accepted (January 2014) the audit observation and stated that BBMP had no control over the Project Engineers. It was further stated that proposal to appoint Project Engineer by BBMP would be submitted so that the activities of processing units could be monitored.

#### **4.1.16.3 Pollution Monitoring**

Periodical tests to assess the ambient air quality and water quality were not conducted in test-checked landfills/dump yards. Pollution monitoring equipment were also not kept in any of the test-checked landfills/dump yards except in Mavallipura and TFBL. As a result, the extent of contamination of surface and ground water, soil and air could not be determined and consequent impact on the environment could not be assessed.

The State Government stated (January 2014) that action would be taken to get the water samples and air ambient quality tests conducted periodically in landfill sites.

#### **4.1.16.4 Monitoring by UDD**

The State Government has the overall responsibility for enforcement of MSW Rules. As per these Rules, BBMP was required to furnish Annual Reports to the UDD with a copy to the KSPCB by 30 June each year. In addition, BBMP was also required to report accidents relating to SWM, if any, in the prescribed format to the UDD.

During the review period (2008-13) BBMP had furnished (February 2010) only one Annual Report to UDD. Further, out of four<sup>152</sup> fire accidents which had occurred during the review period, only one accident (Subbarayanapalya) had been reported to UDD by BBMP. Insistence on such reports could have enabled UDD in monitoring the SWM activities of BBMP.

The State Government accepted (January 2014) the audit observations and stated that periodical submission of Annual Reports would be insisted upon.

#### **4.1.17 Good Practices**

- BBMP has introduced a “Facebook” page for SWM. Such an initiative must be sustained and expanded in future.
- In the test-checked Bangalore (South) zone, 51,000 coloured bins costing ₹32.54 lakh had been procured and distributed (April-May 2011) to 25,500 households to promote segregation of waste into biodegradable and non-biodegradable waste.
- The use of plastic by BBMP in road construction.

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<sup>152</sup> Mandur North (2010-11 and 2012-13), Mandur South (2012-13) and Subbarayanapalya (2012-13)

#### 4.1.18 Conclusion

Institutional mechanism in BBMP to oversee the implementation of solid waste management was not adequate. Absence of a well-defined policy, contingency plan and reliable/complete data about quantum of waste generated in the city rendered waste management programmes ineffective and resulted in unscientific disposal of waste. BBMP lost the assistance of ₹280.17 crore due to delay in preparation of Master Plan. BBMP had spent more than the releases during the period 2008-11. There were instances of diversion and short utilisation of grants, short collection of cess, non-coverage of all the waste generators, etc. Efficiency in collection of municipal solid waste, bio-medical waste and plastic waste was poor. The segregation of waste at source was only 10 *per cent* and no steps were taken to promote waste segregation. Instances of unauthorised dumping at road sides were observed. BBMP had failed to augment its processing capacity which led to accumulation of unprocessed MSW to the tune of 23.50 lakh MT, besides creating health hazards and contamination of the environment. Thus, compliance with the rules regulating municipal solid waste and bio-medical waste continued to be poor even after 13 years of the framing of rules. Movement of transportation vehicles was not monitored by BBMP and there was no system to regulate the transportation claims. Cases of improprieties in contract management of works relating to waste management were also observed and possibility of fictitious/inflated claims could not be ruled out. Monitoring was also ineffective leading to non-realisation of the objectives of protecting and improving the environment through scientific management of waste.

#### 4.1.19 Recommendations

- BBMP should carry out, periodically, a comprehensive assessment of the amounts of waste being generated by installing weigh bridges at all landfills/dumpsites and recording weighment data through automated system without human interference for aiding policy-making and intervention. BBMP should also conduct periodical physical/cross verification of data through competent authority.
- BBMP should consider launching an effective and visible awareness campaign to promote segregation, recycling and reduction of waste with the participation of Resident Welfare Associations and Non-Government Organisations.
- Buffer zones around dumpsites should be maintained and periodic monitoring of dumpsites for contamination of environment should take place.
- BBMP should take steps to improve its processing capacity and identification of land for setting up scientific landfills should be done on a priority basis. Landfilling should be restricted to inert waste.
- Adequate efforts to mobilise revenue resources should be made to meet the O&M cost of SWM.

- State Government should prescribe suitable penal clause for non-utilisation of minimum General Basic and Performance Grants prescribed for SWM activities under Thirteenth Finance Commission.
- Immediate action should be taken to review cases of improprieties in contract management of works relating to waste management.
- Monitoring at all levels should be strengthened and management information system should be introduced for effective monitoring.

## SECTION 'B' - COMPLIANCE AUDIT

### URBAN DEVELOPMENT DEPARTMENT

#### 4.2 Wasteful expenditure

**Failure of Bruhat Bangalore Mahanagara Palike in ensuring availability of land before commencement of works led to stoppage of the project proposed for treatment of sewage entering the storm water drain of Vrishabhavathi valley. This resulted in wasteful expenditure of ₹7.46 crore and defeated the very objective of keeping the environment clean.**

The Karnataka Public Works Departmental Code requires that a work should be taken up for execution only after ensuring availability of all requisite inputs such as land, designs and drawings, *etc.*

Test-check of records (December 2012) in Bruhat Bangalore Mahanagara Palike (BBMP) showed that the Commissioner, BBMP had proposed (June 2008) a project of 'Facelift of Vrishabhavathi valley' for treatment of sewage flowing in the storm water drain (SWD). The proposed project included construction of one MLD<sup>153</sup> Sewage Treatment Plant (STP), 12 numbers of 250 KLD<sup>154</sup> STPs, 11 number of 600 mm diameter Reinforced Cement Concrete (RCC) pipeline to connect the proposed STPs and four chain-link fencing works. These works, estimated to cost ₹18.19 crore, were proposed in the primary SWD of Vrishabhavathi valley connecting Mysore Road and Magadi Road running for a length of 6.80 kilometres. The works were tendered and entrusted (May to December 2008) to 20 contractors for execution at a total cost of ₹21.71 crore.

Out of the total 28 works, 15 works<sup>155</sup> (tendered cost: ₹11.24 crore) could not be commenced due to non-availability of land. The remaining 13 works (tendered cost: ₹10.47 crore), which included one MLD STP, eight 250 KLD STPs, two 600 mm diameter RCC pipeline works and two chain-link fencing works, were partially completed after incurring an expenditure of ₹7.40 crore. As the works remained incomplete, the Commissioner, BBMP ordered (September 2011) to rescind all the contracts on 'as is where is' basis and instructed that required works were to be estimated afresh.

Audit scrutiny showed that though the Commissioner, BBMP had appointed (July 2008) a consultant for preparation of estimates, tendering and finalisation of tenders, the Commissioner did not ensure preparation of a detailed project report (DPR) for the project as a whole. BBMP had paid ₹5.93 lakh to the consultant and ₹2.72 lakh was yet to be paid (January 2014). BBMP also failed to assess the availability of land and ensuring clearances from other institutions such as Bangalore University for laying the pipelines. Thus, the defective planning and failure of BBMP in ensuring availability of

<sup>153</sup> Million Litres per Day

<sup>154</sup> Kilo Litres per Day

<sup>155</sup> Four STPs (250 KLD), nine RCC pipeline works and two chain-link fencing works

requisite inputs such as land and DPR led to execution of the project in parts, resulting in stoppage of works and wasteful expenditure of ₹7.46 crore. Non-completion of the project also defeated the very objective of keeping the environment clean by treating the sewage.

A joint inspection of the work spot (December 2012) also showed that the civil works of partially completed STPs and RCC pipelines were not being utilised and these were in a dilapidated condition filled with solid waste, debris and growth of bushes. Garbage was found burning in one of the STPs and parts of the chain-link fencing were stolen.

The State Government accepted (January 2014) the audit observation that DPR was not prepared and works could not be completed due to non-availability of land. It was also stated that works were entrusted to different contractors who were unable to understand the concept in totality as they were engaged in their own tendered works.

#### **4.3 Loss of revenue**

**The City Municipal Council, Bijapur lost revenue of ₹3.01 crore due to delay of one year in giving effect to the revised water tariff approved by the Government.**

The State Government entrusted (January 2010) the operation and maintenance of the water supply system of Bijapur (Scheme) to the Karnataka Urban Water Supply and Drainage Board (Board) subject to the following conditions:

- The City Municipal Council, Bijapur (CMC) was to revise the water tariff as and when the Government revised the same for urban local bodies;
- The Board was to meet the entire cost of operation and maintenance of the Scheme out of the revenue collections and the shortfall, if any, would be made good by the Government from out of the State Finance Commission (SFC) grants due to the CMC;
- The Board was responsible for billing, collection of water charges, fees, rental deposits, *etc.*;
- The Board was to get an incentive of eight *per cent* of the revenue collected every month.

The Board entered (January 2010) into a Memorandum of Understanding with the CMC on these lines.

The Government revised the consumer water tariff upward in the urban areas of the State with effect from 20 July 2011. However, the Board continued to collect water charges at the pre-revised rates till June 2012 as the CMC had passed (March 2012) a resolution to implement the revised tariff only from 1 July 2012.

Postponement of recovery of water charges at revised rates by a year resulted in revenue loss of ₹3.01 crore in respect of 39,810 water connections. During the period from July 2011 to June 2012, the expenditure on operation and maintenance of the Scheme was higher by ₹8.26 crore than the revenue collection, which was reimbursable to the Board by the Government after deducting it from the SFC grant due to the CMC.

Thus, the CMC lost ₹3.01 crore of the SFC grant which could have been otherwise spent on developmental activities. The Board also lost the incentive of ₹24.08 lakh on the revenue of ₹3.01 crore lost by the CMC.

The State Government accepted (March 2014) the audit observation and stated that action had been initiated to recover the loss of ₹3.01 crore by serving demand notices to the consumers. It was further stated that ₹98.54 lakh had been collected up to January 2014.

#### 4.4 Unauthorised exemption resulting in loss of revenue

**In contravention of the provision of Karnataka Municipalities Act, Town Municipal Council, Sankeshwar, exempted a firm from paying property tax under capital value system. This resulted in loss of revenue of ₹1.98 crore.**

Government of Karnataka, as part of its urban reforms process, amended (November 2001) the Karnataka Municipalities Act, 1964 (KM Act) and introduced a system of self-assessment of property tax on the basis of taxable capital value having regard to the estimated market value of the land and estimated cost of erecting the building. The system of determining the Annual Rateable Value (ARV) on the basis of annual gross rent for the purpose of assessing property tax was abolished. The guidelines relating to self-assessment of property tax in municipalities stipulated that it was unfair on the part of municipalities to pass resolution rejecting any provision of the law passed by the State Legislature. Codal provisions<sup>156</sup> also stipulate that in cases where there are no definite rules or specific orders of the Government as to conditions, forms, *etc.*, agreements should be entered into only after obtaining the sanction of the Government who will take necessary legal and financial advice in each case.

Audit scrutiny of records (August 2012) in Town Municipal Council (TMC), Sankeshwar showed that there had been a dispute pending in court regarding payment of tax between a firm<sup>157</sup> and the TMC. The dispute was settled through an agreement (December 1992) whereby the firm was required to pay a lump sum amount of ₹85,000 per annum as tax (including property tax) for the period 1988-98 (10 years) and, from 1998-99 onwards, annual enhancement of five *per cent* on the tax amount payable was agreed upon. It was seen that the agreement was for an indefinite period and was entered into

<sup>156</sup> Paragraph 401 of Karnataka Financial Code

<sup>157</sup> Shri Hiranyakeshi Co-operative Sugar Factory Limited, Sankeshwar



without obtaining the sanction of the Government. Even a saving clause for revocation or cancellation of the agreement was not included.

After the introduction of system of self-assessment on the basis of capital value, TMC, Sankeshwar issued (July 2003) a demand notice to the firm to pay property tax for the years 2002-03 and 2003-04 under self-assessment scheme. The firm, inviting reference to the agreement, requested (6 August 2003) for withdrawal of the demand notice. TMC, Sankeshwar then passed (7 August 2003) a resolution permitting the firm to continue to pay property tax under old system *i.e.* on ARV basis. There was no documentary evidence in support of the copy of the resolution having been forwarded to the State Government. It was further seen that TMC, Sankeshwar had raised (October 2010) a demand for ₹1.46 crore for the period 2005-11 under capital value system. Though demand was raised, it was not recorded in the Demand, Collection and Balance (DCB) register of the TMC. The Chief Officer, TMC stated (September 2013) that demand would be included in DCB Register. The property tax payable for the period 2005-13 under capital value system worked out to ₹2.11 crore, whereas the firm had paid only ₹0.13 crore (as on March 2013), resulting in short recovery of ₹1.98 crore.

The improper decision of the TMC, contravening the provision of the KM Act and non-inclusion of saving clause in the agreement, resulted in loss of revenue amounting to ₹1.98 crore and in extending undue financial benefits to the firm.

The State Government stated (February 2014) that the TMC's resolution (August 2003) to levy property tax on ARV basis was in order as the firm had undertaken developmental/repair works in the areas coming under its limits. The reply was not acceptable as the resolution was in contravention of the KM Act, which stipulated that taxes should be levied as notified by the State Government.

#### **4.5 Avoidable expenditure on road markings**

**Executive Engineer, C.V. Raman Nagar division of Bruhat Bangalore Mahanagara Palike executed the work of providing road markings on roads where these were not required, resulting in an avoidable expenditure of ₹22.50 lakh.**

Road markings are essential to guide the road users and to ensure a smooth and orderly flow of traffic. Markings should be provided at appropriate places so as to optimise their visibility and effectiveness. The code of practice for road markings (IRC: 35-1997) issued by the Indian Roads Congress (IRC) prescribes a uniform system for road markings on rural and urban roads with paints or thermoplastic material. The code, *inter alia*, stipulates that centre lines on unimportant roads with less than five metres wide carriageway are undesirable as these entail discomfort and hazard. In such cases, short sections of centre lines may be provided on approaches to busy intersections, pedestrian crossings, level crossings, horizontal and summit curves with restricted sight distance and on locations where driver's visibility is reduced.

The code also prescribes that carriageway edge lines should ordinarily be provided only on roads with more than two lanes.

Audit scrutiny of records (July 2013) in the office of the Executive Engineer, C.V. Raman Nagar division of Bruhat Bangalore Mahanagara Palike (BBMP) showed that the sanctioned estimates of four test-checked works had provided for road marking with hot thermoplastic compound on 135 roads. It was further seen that the width of 126 out of these 135 roads was less than five metres. Therefore, marking of these roads with thermoplastic material was contrary to IRC norms, which resulted in avoidable extra expenditure of ₹22.50 lakh as shown in Table 4.3 below.

**Table 4.3: Details of expenditure incurred on road markings**

| Name of the work   | No. of roads (less than five metres wide) | Road marking with thermoplastic material (quantity in sq m) | Rate per sq m | Expenditure (₹ in lakh) |
|--|---|---|---------------|-------------------------|
| Providing asphaltting to roads at LIC Colony and surrounding areas in HAL 3 <sup>rd</sup> Stage in Ward No. 58 | 21  | 1,683.81  | 425.00        | 7.16                    |
| Providing asphaltting to main road and cross roads at HAL 3 <sup>rd</sup> Stage in Ward No. 58                 | 24  | 931.50  | 430.00        | 4.01                    |
| Providing asphaltting to New Thippasandra area in HAL 3 <sup>rd</sup> Stage in Ward No. 58                     | 39  | 2,071.50  | 430.00        | 8.91                    |
| Asphaltting of main road and cross roads at GM Palya and Byrasandra area in Ward No. 58                        | 42  | 623.16  | 389.00        | 2.42                    |
| <b>Total</b>   | <b>126</b>                                |   |               | <b>22.50</b>            |

Thus, the failure of the division to follow the IRC specifications resulted in unnecessary road marking with thermoplastic material at a cost of ₹22.50 lakh, which was avoidable.

The State Government stated (April 2014) that road markings were provided as these were important roads and the estimates had been approved by the Chief Engineer (East), BBMP. The reply was not acceptable as the traffic density of these roads was not made available to substantiate that these were important roads.

#### 4.6 Doubtful execution of works

**Potholes filling work and maintenance of roads in Ward No.86 of Bruhat Bangalore Mahanagara Palike had been completed at a cost of ₹15.40 lakh. However, within 20 days of completion, an identical estimate was prepared incorporating the items of works already completed and the works were executed again by incurring an expenditure of ₹15.40 lakh, which was doubtful.**

The Assistant Executive Engineer (AEE), Sarvagnanagar Sub-division, Bharathinagar division of Bruhat Bangalore Mahanagara Palike (BBMP) had taken up (June 2008) the work of 'filling of potholes and engaging private labour for maintenance of work in Ward No.86' at an estimated cost of ₹15 lakh. The Superintending Engineer, East (SE) had accorded administrative approval and technical sanction in July 2008. As per the completion report, the work was completed on 25 May 2009 and payment of ₹15.40 lakh was made (August 2009) by Executive Engineer (EE), C.V. Raman Nagar division. Meanwhile, the Sub-division was transferred to the jurisdiction of EE, Sarvagnanagar division in June 2009.

Within 20 days of completion, AEE, Sarvagnanagar Sub-division again prepared (10 June 2009) another estimate for 'maintenance of roads in Jai Bharath Nagara in Ward 86' costing ₹25 lakh. The estimate included the same items of work which had been completed in May 2009. The estimate was technically sanctioned by the SE in July 2009. The work was completed during March 2010 and payment of ₹29.57 lakh for this work was made by EE, Sarvagnanagar division.

Audit scrutiny of the works (June-July 2013) executed under both the estimates showed the following:

- Both the estimates related to maintenance of roads in Ward No.86 of BBMP.
- Both the estimates had provided for filling of potholes on the same 20 roads. The number of potholes, length and width of the potholes were the same in both the estimates.
- Both the estimates had provided for desilting of drains of the same 10 roads. However, the chainage of the drains was more in the second estimate.
- Painting of boards and painting letters with Japan paint had been included in both the estimates.
- Providing six ornamental name boards, each at the rate of ₹9,600 had been included in both the estimates.
- Both the estimates had been prepared by the AEE, Sarvagnanagar Sub-division though payments were made by two different divisions.
- No survey or preliminary reports indicating the details of potholes had been prepared. Even the details of pre-measurements had not been furnished to Audit.

Preparation of an identical estimate for the same works for the second time within 20 days of completion of the work and execution of the same items again were indicative of fraudulent practices in the execution of the work, resulting in doubtful expenditure of ₹15.40 lakh.

The State Government stated (January 2014) that potholes filling had been done for different works and approximate estimates had been prepared on the basis of requirements for the whole financial year. The reply was not acceptable as the estimates should be prepared on the basis of pre-measurements or survey reports, which was not done. Further, three-stage photographs of works were not kept on record and the road history was not recorded though instructed by the authorities while according technical and administrative approvals.



(D. J. BHADRA)  
Principal Accountant General  
(General and Social Sector Audit)

BANGALORE  
The 20 JUN 2014

COUNTERSIGNED



(SHASHI KANT SHARMA)  
Comptroller and Auditor General of India

NEW DELHI  
The 123 JUN 2014

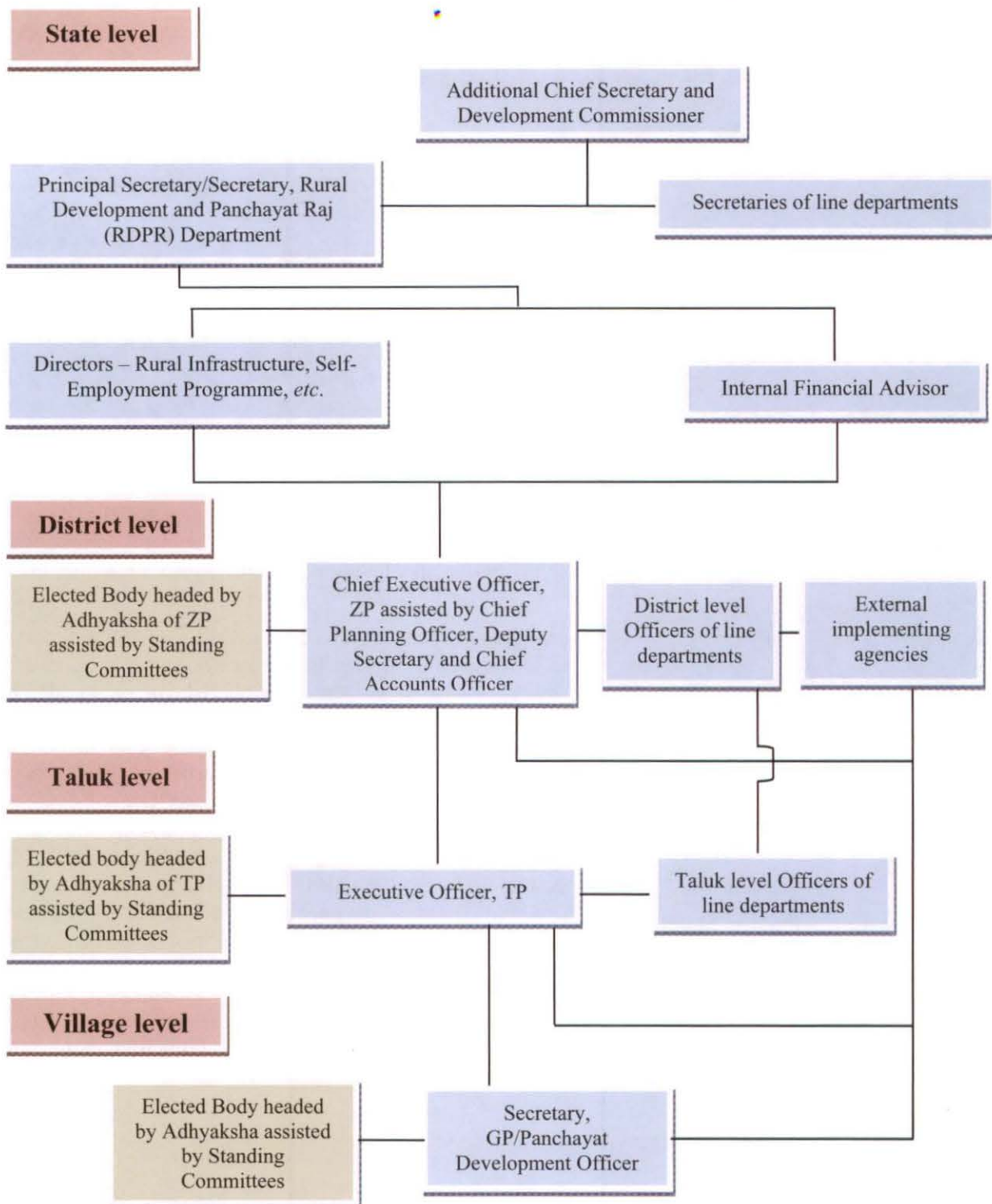




# **APPENDICES**



**Appendix 1.1**  
**Organisational structure of PRIs**  
 (Reference: Paragraph 1.3/Page 2)





## Appendix 1.2

## Statement showing the fund flow arrangements in flagship schemes

(Reference: Paragraph 1.4.1/Page 2)

| Scheme  | Fund flow  |
|---|--|
| Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) | GOI and State Government transfer their respective share of MGNREGS funds into a bank account called State Employment Guarantee Fund (SEGF) set up outside the State accounts. The Director, MGNREGS administers onward transfer of funds to PRIs.   |
| Sarva Shiksha Abhiyan (SSA)   | The funding pattern of SSA is aligned with the Five Year Plans. The funding was to be shared between the Central and State Governments in the ratio of 75:25 during Tenth Five Year Plan (2002-07) and 50:50 thereafter. The State Government releases the funds to the district level officers through Chief Executive Officers (CEOs) of ZPs, who in turn releases to School Development Management Committees for implementation of the Scheme.   |
| National Rural Health Mission (NRHM)                                | Funds for NRHM are released by GOI to the States through two separate channels <i>i.e.</i> , through State Finance Department for direction and administration, rural and urban family welfare services, procurement of supplies and services, <i>etc.</i> , and directly to the State Health Society for implementation of the Scheme. From the year 2007-08, the States were to contribute 15 <i>per cent</i> of the required funds duly reflecting their requirements in a consolidated Programme Implementation Plan (PIP). Funds were provided on the basis of approval of these PIPs by GOI.                                     |
| Mid-Day Meals (MDM)   | The Central assistance received is credited to the State funds and the State Government, after including its allocation, releases funds to the ZPs. The Central assistance for the Scheme is provided by way of free supply of food grains and also expenditure is reimbursed in the form of subsidy for transportation and cost of cooking. In addition, assistance for physical infrastructure like kitchen-cum-store, water supply, <i>etc.</i> , is also provided by GOI.  |
| Pradhan Mantri Gram Sadak Yojana (PMGSY)                            | PMGSY is a 100 <i>per cent</i> Centrally Sponsored Scheme (CSS). 50 <i>per cent</i> of the cess on high speed diesel is earmarked for this programme. The State Rural Road Development Agency is to select a bank with internet connectivity at the State Headquarters for maintaining the programme account. Once selected, the account shall not be changed to any other bank/branch without the concurrence of National Rural Road Development Agency. The Ministry of Rural Road Development releases the programme funds, administrative/travel expenses and quality control funds into the programme and administrative account. |

Source: Schemes guidelines

## Appendix 1.3

## Details of major State and district sector schemes implemented by PRIs

(Reference: Paragraph 1.4.5/Page 5)

| Scheme   | Project Details of the Scheme/Project   | Opening balance | Releases | Total fund available | (₹ in crore)  |
|--|---|-----------------|----------|----------------------|---|
|  |   |                 |          |                      | Expenditure w.r.t total fund available (percentage) |
| Gram Swaraj Yojane                                     | The Scheme was introduced to give special emphasis to improve the service delivery by the GPs   | 21.69           | 85.00    | 106.69               | 64.30 (60)  |
| Suvarna Gramodaya Yojane                               | Aims at developing vibrant village communities by adopting an intensive and integrated approach to rural development in thousand villages every year                                  | 336.54          | 349.14   | 685.68               | 462.35 (67)   |
| Mukhya Mantri Grameena Raste Abhivrudhi Yojane (CMGSY) | The Scheme under National Bank for Agriculture and Rural Development assisted Rural Infrastructure Development Fund was implemented for rural roads improvement and road connectivity | 30.04           | 149.80   | 179.84               | 145.91 (81)   |

Source: 2012-13 Annual Report of RDPR and Scheme guidelines

## Appendix 1.4

## Statement showing amount under 'II PWD cheques' and 'II Forest cheques' under Major Head 8782 for the year 2011-12

(Reference: Paragraph 1.12.5/Page 12)

(₹ in crore)

| Sl. No. | Name of the District | PWD cheques | Forest cheques |
|---------|----------------------|-------------|----------------|
| 1.      | Bagalkote            | 12.02       | 0.05           |
| 2.      | Bangalore (Rural)    | (-) 7.05    | (-) 0.42       |
| 3.      | Bangalore (Urban)    | 5.14        | 0.04           |
| 4.      | Belgaum              | 17.38       | 0.79           |
| 5.      | Bellary              | 9.81        | (-) 0.66       |
| 6.      | Bidar                | (-) 0.54    | 0.25           |
| 7.      | Bijapur              | 0           | 0.01           |
| 8.      | Chamarajanagar       | 2.49        | 0.004          |
| 9.      | Chitradurga          | 0           | 0.01           |
| 10.     | Dharwar              | 36.26       | 2.77           |
| 11.     | Gadag                | 3.68        | (-) 0.05       |
| 12.     | Haveri               | 0.02        | 0              |
| 13.     | Kodagu               | (-) 13.03   | 2.64           |
| 14.     | Kolar                | 2.71        | 0.90           |
| 15.     | Koppal               | (-) 0.69    | 0.18           |
| 16.     | Mandya               | 1.98        | (-) 0.003      |
| 17.     | Mysore               | 21.67       | 3.30           |
| 18.     | Raichur              | (-) 27.32   | 0.20           |
| 19.     | Tumkur               | 26.02       | 6.34           |
| 20.     | Udupi                | 0.03        | 0              |
| 21.     | Uttara Kannada       | (-) 10.15   | (-) 2.55       |

Source: SARs of ZPs

## Appendix 1.5

## Statement showing balances under Taluk Panchayat and Gram Panchayat Suspense accounts for the year 2011-12

(Reference: Paragraph 1.12.5/Page 12)

(₹ in crore)

| Sl. No. | Name of the District | TP Suspense account | GP Suspense account |
|---------|----------------------|---------------------|---------------------|
| 1       | Bangalore (Rural)    | 19.50               | (-) 7.05            |
| 2       | Bangalore (Urban)    | 11.36               | (-) 0.67            |
| 3       | Bidar                | 4.86                | 1.27                |
| 4       | Chamarajanagar       | (-) 20.78           | 0.25                |
| 5       | Davanagere           | (-) 0.84            | 0                   |
| 6       | Dharwar              | 1.04                | 1.34                |
| 7       | Gadag                | 5.23                | 2.28                |
| 8       | Hassan               | 9.18                | 0.03                |
| 9       | Haveri               | 37.31               | 1.19                |
| 10      | Kodagu               | 0                   | 0.33                |
| 11      | Kolar                | (-) 0.22            | 0                   |
| 12      | Koppal               | 59.83               | 0                   |
| 13      | Mandya               | 1.99                | (-) 7.22            |
| 14      | Mysore               | 5.07                | (-) 5.94            |
| 15      | Raichur              | (-) 0.80            | 0.02                |
| 16      | Tumkur               | 0.04                | 0                   |

Source: Annual Accounts of ZPs

## Appendix 1.6

Statement showing outstanding IRs &amp; Paras as at the end of March 2013

(Reference: Paragraph 1.16/Page 17)

| ZP                | More than 10 years (till 2002-03) |              | 05 to 10 years (up to 2003-08) |              | 03 to 05 years (2008-10) |              | 2010-11    |              | 2011-12   |            | 2012-13    |              | Total        |               |
|-------------------|-----------------------------------|--------------|--------------------------------|--------------|--------------------------|--------------|------------|--------------|-----------|------------|------------|--------------|--------------|---------------|
|                   | IRs                               | Paras        | IRs                            | Paras        | IRs                      | Paras        | IRs        | Paras        | IRs       | Paras      | IRs        | Paras        | IRs          | Paras         |
| Bagalkote         | 14                                | 29           | 24                             | 51           | 5                        | 45           | 8          | 75           | 0         | 0          | 7          | 56           | 58           | 256           |
| Bangalore (Rural) | 55                                | 70           | 118                            | 212          | 94                       | 337          | 22         | 144          | 1         | 3          | 9          | 56           | 299          | 822           |
| Bangalore (Urban) | 7                                 | 8            | 27                             | 59           | 15                       | 55           | 6          | 32           | 0         | 0          | 8          | 32           | 63           | 186           |
| Belgaum           | 171                               | 475          | 51                             | 194          | 23                       | 184          | 13         | 130          | 1         | 6          | 2          | 22           | 261          | 1011          |
| Bellary           | 82                                | 191          | 40                             | 224          | 7                        | 57           | 10         | 95           | 0         | 0          | 8          | 104          | 147          | 671           |
| Bidar             | 42                                | 102          | 26                             | 133          | 7                        | 71           | 4          | 31           | 0         | 0          | 5          | 72           | 84           | 409           |
| Bijapur           | 74                                | 147          | 45                             | 145          | 4                        | 21           | 5          | 25           | 0         | 0          | 5          | 31           | 133          | 369           |
| Chamarajanagar    | 5                                 | 6            | 35                             | 119          | 12                       | 48           | 5          | 22           | 1         | 3          | 5          | 23           | 63           | 221           |
| Chikamagalur      | 23                                | 27           | 34                             | 81           | 24                       | 143          | 16         | 93           | 0         | 0          | 3          | 34           | 100          | 378           |
| Chikkaballapur    | 27                                | 51           | 52                             | 173          | 13                       | 71           | 18         | 122          | 1         | 2          | 0          | 0            | 111          | 419           |
| Chitradurga       | 6                                 | 18           | 8                              | 27           | 22                       | 128          | 12         | 117          | 0         | 0          | 7          | 33           | 55           | 323           |
| Dakshina Kannada  | 19                                | 27           | 18                             | 49           | 5                        | 26           | 7          | 40           | 0         | 0          | 6          | 27           | 55           | 169           |
| Davanagere        | 39                                | 74           | 31                             | 71           | 9                        | 27           | 12         | 60           | 0         | 0          | 13         | 111          | 104          | 343           |
| Dharwar           | 62                                | 128          | 67                             | 143          | 15                       | 64           | 21         | 76           | 3         | 10         | 5          | 36           | 173          | 457           |
| Gadag             | 67                                | 173          | 34                             | 130          | 8                        | 30           | 8          | 81           | 0         | 0          | 7          | 57           | 124          | 471           |
| Gulbarga          | 76                                | 197          | 32                             | 102          | 7                        | 33           | 10         | 62           | 0         | 0          | 5          | 59           | 130          | 453           |
| Hassan            | 33                                | 46           | 46                             | 125          | 17                       | 80           | 12         | 79           | 0         | 0          | 8          | 64           | 116          | 394           |
| Haveri            | 23                                | 38           | 38                             | 84           | 13                       | 77           | 17         | 136          | 0         | 0          | 4          | 46           | 95           | 381           |
| Kodagu            | 15                                | 24           | 15                             | 62           | 7                        | 58           | 8          | 50           | 0         | 0          | 2          | 10           | 47           | 204           |
| Kolar             | 65                                | 148          | 54                             | 217          | 23                       | 139          | 15         | 61           | 0         | 0          | 5          | 52           | 162          | 617           |
| Koppal            | 13                                | 27           | 32                             | 149          | 10                       | 62           | 8          | 70           | 7         | 37         | 2          | 15           | 72           | 360           |
| Mandya            | 53                                | 86           | 48                             | 150          | 8                        | 31           | 12         | 98           | 0         | 0          | 11         | 57           | 132          | 422           |
| Mysore            | 3                                 | 8            | 43                             | 157          | 16                       | 91           | 16         | 99           | 1         | 7          | 3          | 16           | 82           | 378           |
| Raichur           | 56                                | 162          | 30                             | 190          | 8                        | 63           | 5          | 40           | 1         | 14         | 2          | 39           | 102          | 508           |
| Ramanagara        | 39                                | 80           | 30                             | 77           | 19                       | 73           | 6          | 38           | 2         | 2          | 2          | 21           | 98           | 291           |
| Shimoga           | 24                                | 37           | 32                             | 81           | 6                        | 27           | 13         | 88           | 0         | 0          | 9          | 36           | 84           | 269           |
| Tumkur            | 43                                | 63           | 59                             | 185          | 41                       | 188          | 19         | 100          | 8         | 68         | 3          | 22           | 173          | 626           |
| Udupi             | 6                                 | 9            | 11                             | 42           | 5                        | 21           | 10         | 43           | 7         | 52         | 6          | 20           | 45           | 187           |
| Uttara Kannada    | 96                                | 239          | 43                             | 167          | 11                       | 72           | 13         | 84           | 1         | 7          | 6          | 33           | 170          | 602           |
| Yadgir            | 35                                | 121          | 16                             | 111          | 2                        | 17           | 2          | 16           | 0         | 0          | 0          | 0            | 55           | 265           |
| <b>Total</b>      | <b>1,273</b>                      | <b>2,811</b> | <b>1,139</b>                   | <b>3,710</b> | <b>456</b>               | <b>2,339</b> | <b>333</b> | <b>2,207</b> | <b>34</b> | <b>211</b> | <b>158</b> | <b>1,184</b> | <b>3,393</b> | <b>12,462</b> |

Source: Progress Reports of Inspection Reports

## Appendix 2.1

## Names of selected ZPs, TPs and GPs

(Reference: Paragraph 2.1.3/Page 21)

| Revenue Division | ZPs          | TPs            | GPs  |
|------------------|--------------|----------------|--|
| Mysore           | Chikamagalur | Chikamagalur   | Avuthi, Dasarahalli, Hiregouja, Karthikere, Kuduvalli, Machenahalli, Mugthihalli, Mugulavalli, Togarihankal and Vastare      |
|                  |              | Sringeri       | Addagadde, Nemmaru and Vidyaranyapura  |
|                  | Mandya       | Pandavapura    | Banangadi, Dodabyadarahalli, Haravu, Kanaganamaradi, Katteri, Kurubarabettahalli, Manikyanahalli and Tirumalasagara          |
|                  |              | Shrirangapatna | Ballekere, Darasaguppe, Hulikere, Kodiyala, Melapura, Palahalli and Tadagavadi   |
| Bangalore        | Chitradurga  | Chitradurga    | Belagatta, Chologatta, Hireguntanoor, Janakonda, Kalagere, Kunabevu, Madanayakanahalli, Medehalli, Turuvanoor and Yalagodu   |
|                  |              | Molakalmuru    | Chikkerahalli, Konasagara, Nerlahalli, Siddapura and Tumakulahalli   |
|                  | Ramanagara   | Channapatna    | Banagahalli, Harokoppa, Kodambally, Malurpatna, Mattikere, Neelasandra, Sogala, Sulleri, Virupakshipura and Yelettheadahally |
|                  |              | Ramanagara     | Bannikuppe (K), Doddagangavadi, Hulikere Gunnur, Kailancha, Kenchanakuppe, Manchanayakanahally and Vibhuthikere              |
| Belgaum          | Dharwar      | Hubli          | Anchatageri, Chabbi, Hebsur, Koliwad, Rayanal and Varur  |
|                  |              | Kundgol        | Bu. Tarlaggatti, Hiregunjal, Hirenarthi, Malali, Ramanakoppa, Shirur and Yeliwala  |
|                  | Gadag        | Gadag          | Adavisompur*, Asundi, Binkadakatti, Elishirur, Hulkoti, Kurtakoti, Lakkundi and Soratur                                      |
|                  |              | Nargund        | Bhiranahatti, Hirekoppa, Shirol and Vasan  |
| Gulbarga         | Gulbarga     | Afzalpur       | Anoor, Bhairamadagi, Choudapur, Hasargundagi, Karjagi, Mannur and Udachan  |
|                  |              | Sedam          | Dugnoor, Kanagadda, Kukkunda, Malkhed, Motakpalli, Neelhalli and Uoodagi   |
|                  | Koppal       | Gangavathi     | Bennur, Chikkamadinal, Herur, Karadona, Karatagi, Marlanhalli, Sangapura, Siddapur, Venkatagiri and Yeradona                 |
|                  |              | Koppal         | Bandiharlapur, Chikkabommanal, Halageri, Hosalli, Indargi, Katarki Gudlanur, Kolar, Kunikeri, Ojanahalli and Shivapur        |

\* Originally Kanaginahal was selected. As the records were seized by Lokayuktha, alternative GP Adavisompur was selected following the same sampling method.

## Appendix 2.2

## Financial position of the test-checked districts for the period 2008-13

(Reference: Paragraph 2.1.6.1/Page 24)

(₹ in crore)

| District     | Financial Year | Opening Balance | Grants Received |       |          |                     | Expenditure | Closing Balance | Percentage of expenditure |
|--------------|----------------|-----------------|-----------------|-------|----------|---------------------|-------------|-----------------|---------------------------|
|              |                |                 | Central         | State | Interest | Total               |             |                 |                           |
| 1            | 2              | 3               | 4               | 5     | 6        | (3)+(4)+(5)+(6)=(7) | 8           | 9               | 10                        |
| Chikamagalur | 2008-09        | 4.97            | 6.45            | 2.02  | 0.17     | 13.61               | 3.02        | 10.59           | 22                        |
|              | 2009-10        | 10.59           | 6.37            | 3.12  | 0.36     | 20.44               | 10.46       | 9.98            | 51                        |
|              | 2010-11        | 9.98            | 7.28            | 3.51  | 0.38     | 21.15               | 5.34        | 15.81           | 25                        |
|              | 2011-12        | 15.81           | 3.56            | 1.71  | 0.71     | 21.79               | 5.64        | 16.15           | 26                        |
|              | 2012-13        | 16.15           | 10.25           | 6.13  | 0.94     | 33.47               | 16.17       | 17.30           | 48                        |
| Chitradurga  | 2008-09        | 9.24            | 15.77           | 5.21  | 0.28     | 30.50               | 11.88       | 18.62           | 39                        |
|              | 2009-10        | 18.62           | 15.56           | 7.63  | 0.52     | 42.33               | 29.35       | 12.98           | 69                        |
|              | 2010-11        | 12.98           | 17.79           | 8.57  | 0.48     | 39.82               | 17.54       | 22.28           | 44                        |
|              | 2011-12        | 22.28           | 8.69            | 4.18  | 1.23     | 36.38               | 21.14       | 15.24           | 58                        |
|              | 2012-13        | 15.24           | 16.58           | 15.37 | 0.68     | 47.87               | 42.45       | 5.42            | 89                        |
| Dharwar      | 2008-09        | 4.57            | 7.15            | 2.25  | 0.17     | 14.14               | 4.71        | 9.43            | 33                        |
|              | 2009-10        | 9.43            | 6.49            | 3.18  | 0.28     | 19.38               | 13.63       | 5.75            | 70                        |
|              | 2010-11        | 5.75            | 7.42            | 3.57  | 0.27     | 17.01               | 7.28        | 9.73            | 43                        |
|              | 2011-12        | 9.73            | 7.25            | 1.74  | 0.56     | 19.28               | 9.83        | 9.45            | 51                        |
|              | 2012-13        | 9.45            | 4.34            | 6.76  | 2.10     | 22.65               | 19.47       | 3.18            | 86                        |
| Gadag        | 2008-09        | 2.01            | 5.88            | 1.96  | 0.09     | 9.94                | 3.21        | 6.73            | 32                        |
|              | 2009-10        | 6.73            | 5.38            | 2.97  | 0.23     | 15.31               | 8.26        | 7.05            | 54                        |
|              | 2010-11        | 7.05            | 6.15            | 2.96  | 0.35     | 16.51               | 6.33        | 10.18           | 38                        |
|              | 2011-12        | 10.18           | 3.01            | 1.45  | 0.40     | 15.04               | 9.30        | 5.74            | 62                        |
|              | 2012-13        | 5.74            | 5.13            | 5.12  | 1.18     | 17.17               | 15.36       | 1.81            | 89                        |
| Gulbarga     | 2008-09        | 6.92            | 18.15           | 5.70  | 0.23     | 31.00               | 12.32       | 18.68           | 40                        |
|              | 2009-10        | 18.68           | 17.36           | 8.15  | 0.00     | 44.19               | 29.46       | 14.73           | 67                        |
|              | 2010-11        | 14.73           | 19.45           | 9.36  | 0.59     | 44.13               | 23.53       | 20.60           | 53                        |
|              | 2011-12        | 20.60           | 15.20           | 4.57  | 0.93     | 41.30               | 24.27       | 17.03           | 59                        |
|              | 2012-13        | 17.03           | 7.16            | 12.05 | 4.17     | 40.41               | 33.62       | 6.79            | 83                        |
| Koppal       | 2008-09        | 5.97            | 15.15           | 5.05  | 0.24     | 26.41               | 10.04       | 16.37           | 38                        |
|              | 2009-10        | 16.37           | 14.16           | 6.64  | 0.42     | 37.59               | 27.28       | 10.31           | 73                        |
|              | 2010-11        | 10.31           | 16.18           | 7.79  | 0.41     | 34.69               | 16.88       | 17.81           | 49                        |
|              | 2011-12        | 17.81           | 7.20            | 3.81  | 0.74     | 29.56               | 15.26       | 14.30           | 52                        |
|              | 2012-13        | 14.30           | 16.29           | 14.38 | 5.07     | 50.04               | 42.32       | 7.72            | 85                        |
| Mandya       | 2008-09        | 4.53            | 6.75            | 2.12  | 0.17     | 13.57               | 3.96        | 9.61            | 29                        |
|              | 2009-10        | 9.61            | 6.11            | 3.00  | 0.34     | 19.06               | 10.61       | 8.45            | 56                        |
|              | 2010-11        | 8.45            | 6.99            | 3.36  | 1.30     | 20.10               | 5.52        | 14.58           | 27                        |
|              | 2011-12        | 14.58           | 6.83            | 3.29  | 0.60     | 25.30               | 5.89        | 19.41           | 23                        |
|              | 2012-13        | 19.41           | 7.86            | 4.72  | 0.78     | 32.77               | 16.52       | 16.25           | 50                        |
| Ramanagara   | 2008-09        | 0.98            | 3.72            | 1.24  | 0.05     | 5.99                | 2.58        | 3.41            | 43                        |
|              | 2009-10        | 3.41            | 4.64            | 2.22  | 0.14     | 10.41               | 6.99        | 3.42            | 67                        |
|              | 2010-11        | 3.42            | 5.30            | 2.55  | 0.07     | 11.34               | 3.26        | 8.08            | 29                        |
|              | 2011-12        | 8.08            | 2.59            | 1.25  | 0.25     | 12.17               | 6.25        | 5.92            | 51                        |
|              | 2012-13        | 5.92            | 5.61            | 4.83  | 0.35     | 16.71               | 11.91       | 4.80            | 71                        |

Source: RGRHCL

## Appendix 2.3

## Details of amount deducted by GOI during 2011-12

(Reference: Paragraph 2.1.6.2/Page 25)

(₹ in crore)

| Sl. No.      | District          | Total allocation | Amount deducted | Percentage of deduction |
|--------------|-------------------|------------------|-----------------|-------------------------|
| 1            | Bangalore (Urban) | 4.79             | 2.39            | 50                      |
| 2            | Belgaum           | 38.48            | 0.30            | 1                       |
| 3            | Bellary           | 26.58            | 5.32            | 20                      |
| 4            | Bijapur           | 11.28            | 2.76            | 24                      |
| 5            | Chikkaballapur    | 5.16             | 0.26            | 5                       |
| 6            | Chikamagalur      | 7.11             | 1.19            | 17                      |
| 7            | Chitradurga       | 17.38            | 1.74            | 10                      |
| 8            | Dakshina Kannada  | 3.34             | 1.67            | 50                      |
| 9            | Davanagere        | 11.96            | 0.47            | 4                       |
| 10           | Gadag             | 6.01             | 1.20            | 20                      |
| 11           | Gulbarga          | 19.00            | 3.80            | 20                      |
| 12           | Haveri            | 8.39             | 1.68            | 20                      |
| 13           | Koppal            | 15.81            | 0.38            | 2                       |
| 14           | Raichur           | 35.03            | 7.01            | 20                      |
| 15           | Udupi             | 3.63             | 0.73            | 20                      |
| <b>Total</b> |                   | <b>213.95</b>    | <b>30.90</b>    | <b>14</b>               |

Source: RGRHCL



## Appendix 2.4

## Delay in release of State share

(Reference: Paragraph 2.1.6.5/Page 26)

| Year  | District  | Date of Central release | Date of State release                                    | Delay exceeding one month (No. of days) |
|---|---|-------------------------|--|---|
| 2008-09   | All districts                                       | 4 April 2008            | 4 June 2008<br>13 June 2008 (In case of Bangalore Urban) | 30 to 40                                |
|   | Bagalkote   | 28 August 2008          | 27 November 2008   | 61                                      |
|   | Gadag   | 22 May 2008             | 8 August 2008  | 48                                      |
|   | Belgaum   | 18 June 2008            | 8 August 2008  | 21                                      |
|   | Dharwar   | 22 May 2008             | 13 February 2009   | 237                                     |
| 2009-10   | All districts (except Raichur)                      | 2 April 2009            | 20 May 2009  | 18                                      |
|   | Chikamagalur<br>Chitradurga<br>Davanagere           | 10 August 2009          | 10 December 2009   | 92                                      |
|   | Kodagu  | 10 August 2009          | 30 November 2009   | 82                                      |
| 2010-11   | All districts                                       | 12 April 2010           | 17 June 2010   | 36                                      |
|   | All districts                                       | 21 May to 10 June 2010  | 6 to 8 October 2010                                      | 90 to 110                               |
| 2011-12   | 18 districts*                                       | 15 April 2011           | 1 to 2 July 2011   | 47 to 48                                |
| *Bangalore Rural, Bangalore Urban, Chamarajanagar, Chikkaballapur, Chikamagalur, Chitradurga, Davanagere, Hassan, Haveri, Kolar, Mandya, Mysore, Raichur, Ramanagara, Shimoga, Tumkur, Udupi and Uttara Kannada |   |                         |  |   |
| 2012-13   | All districts (except Koppal and Bangalore (Urban)) | 10 May to 12 June 2012  | 15 August to 29 August 2012                              | 34 to 81                                |

Source: RGRHCL

## Appendix 2.5

## Difference between cash book and certified accounts

(Reference: Paragraph 2.1.6.7/Page 26)

(Amount in ₹)

| GP                   | Year                 | Topics               | As per cash book     | CA certified accounts | Differences |           |
|----------------------|----------------------|----------------------|----------------------|-----------------------|-------------|-----------|
|                      |                      |                      |                      |                       |             |           |
| Chikamagalur         | Addagadde            | 2008-09              | Expenditure incurred | 2,92,500              | 2,95,000    | 2,500     |
|                      |                      | 2009-10              | Opening balance      | 3,89,092              | 3,81,590    | -7,502    |
|                      |                      |                      | Expenditure incurred | 7,70,000              | 7,45,000    | -25,000   |
|                      |                      | 2011-12              | Expenditure incurred | 2,25,000              | 2,37,500    | 12,500    |
|                      | Closing balance      |                      | 9,38,590             | 9,13,590              | -25,000     |           |
|                      | Dasarahalli          | 2008-09              | Expenditure incurred | 2,55,000              | 2,60,100    | 5,100     |
|                      |                      |                      | Closing balance      | 3,37,966              | 3,32,960    | -5,006    |
|                      |                      | 2009-10              | Funds received       | 8,26,000              | 6,75,000    | -1,51,000 |
|                      |                      |                      | Expenditure incurred | 7,25,750              | 6,55,750    | -70,000   |
|                      |                      |                      | Closing balance      | 4,13,485              | 3,63,485    | -50,000   |
|                      |                      | 2010-11              | Opening balance      | 4,13,485              | 3,63,485    | -50,000   |
|                      | Interest earned      |                      | 9,262                | 9,252                 | -10         |           |
|                      | Expenditure incurred |                      | 2,97,010             | 2,47,000              | -50,010     |           |
|                      | Kuduvalli            | 2010-11              | Funds received       | 3,17,500              | 3,25,000    | 7,500     |
|                      |                      |                      | Interest earned      | 18,017                | 17,779      | -238      |
|                      | Machenahalli         | 2008-09              | Opening balance      | Nil                   | 1,636       | 1,636     |
| 2009-10              |                      | Expenditure incurred | 3,40,000             | 3,30,020              | -9,980      |           |
|                      |                      | Closing balance      | 5,05,568             | 5,14,904              | 9,336       |           |
| 2010-11              |                      | Opening balance      | 5,05,568             | 5,14,904              | 9,336       |           |
|                      | Interest earned      | 13,169               | 12,833               | -336                  |             |           |
| Mugthihalli          | 2008-09              | Opening balance      | 3,00,000             | 252                   | -2,99,748   |           |
|                      | 2009-10              | Opening balance      | 1,81,700             | 1,81,952              | 252         |           |
|                      |                      | Interest earned      | 7,781                | 7,751                 | -30         |           |
|                      |                      | Expenditure incurred | 8,27,500             | 7,78,207              | -49,293     |           |
|                      | 2010-11              | Expenditure incurred | 2,00,000             | 2,50,000              | 50,000      |           |
|                      | 2011-12              | Funds received       | 5,50,600             | 5,63,100              | 12,500      |           |
| Expenditure incurred |                      | 2,62,500             | 2,75,000             | 12,500                |             |           |
| Mugulavalli          | 2008-09              | Opening balance      | 50,862               | 51,188                | 326         |           |
|                      |                      | Interest earned      | 1,167                | 841                   | -326        |           |
|                      | 2009-10              | Funds received       | 5,20,000             | 4,92,000              | -28,000     |           |
|                      |                      | Expenditure incurred | 2,73,150             | 2,45,150              | -28,000     |           |
| Togarihankal         | 2008-09              | Expenditure incurred | 3,92,625             | 4,60,125              | 67,500      |           |
|                      | 2009-10              | Opening balance      | 78,570               | 1,35,470              | 56,900      |           |
|                      |                      | Expenditure incurred | 5,90,000             | 5,87,550              | -2,450      |           |
|                      | 2010-11              | Opening balance      | 7,29,179             | 8,28,587              | 99,408      |           |
| Expenditure incurred |                      | 3,07,000             | 2,97,471             | -9,529                |             |           |

| GP      | Year                 | Topics               | As per cash book     | CA certified accounts | Differences |           |
|---------|----------------------|----------------------|----------------------|-----------------------|-------------|-----------|
|         |                      |                      |                      |                       |             |           |
| Vastare | 2009-10              | Opening balance      | 1,50,000             | Nil                   | -1,50,000   |           |
|         |                      | Funds received       | 7,65,000             | 9,15,000              | 1,50,000    |           |
|         |                      | Interest earned      | 4,543                | Nil                   | -4,543      |           |
|         |                      | Expenditure incurred | 6,74,730             | Nil                   | -6,74,730   |           |
|         |                      | Closing balance      | 2,44,413             | 9,15,000              | 6,70,587    |           |
|         | 2010-11              | Opening balance      | 2,44,413             | 9,15,000              | 6,70,587    |           |
|         |                      | Interest earned      | 2,851                | 7,069                 | 4,218       |           |
|         |                      | Expenditure incurred | 2,40,195             | 9,30,000              | 6,89,805    |           |
|         |                      | Closing balance      | 6,685                | 3,22,069              | 3,15,384    |           |
|         | 2011-12              | Expenditure incurred | 2,07,500             | 2,87,500              | 80,000      |           |
|         | Vidyaranyaपुरा       | 2008-09              | Interest earned      | 2,139                 | 1,865       | -274      |
|         |                      | 2010-11              | Opening balance      | 60,749                | 63,249      | 2,500     |
|         |                      |                      | Expenditure incurred | 1,42,000              | 1,44,500    | 2,500     |
| 2011-12 |                      | Opening balance      | 2,20,470             | 3,21,670              | 1,01,200    |           |
|         |                      | Funds received       | 4,32,500             | 4,94,300              | 61,800      |           |
|         |                      | Interest earned      | 2,195                | 15,184                | 12,989      |           |
|         |                      | Expenditure incurred | 6,61,490             | 3,47,500              | -3,13,990   |           |
| Gadag   | 2008-09              | Interest earned      | 13,294               | 11,985                | -1,309      |           |
|         |                      | Expenditure incurred | 2,37,500             | 2,32,500              | -5,000      |           |
|         |                      | Closing balance      | 5,01,138             | 4,99,829              | -1,309      |           |
|         | 2010-11              | Expenditure incurred | 2,97,000             | 2,72,353              | -24,647     |           |
|         | 2008-09              | Interest earned      | 5,993                | Nil                   | -5,993      |           |
|         |                      | Expenditure incurred | 1,15,000             | Nil                   | -1,15,000   |           |
|         |                      | 2010-11              | Opening balance      | 6,93,640              | 8,18,640    | 1,25,000  |
|         |                      |                      | Expenditure incurred | 5,05,000              | 6,30,000    | 1,25,000  |
|         | 2010-11              | Opening balance      | 7,88,757             | 7,93,757              | 5,000       |           |
|         |                      | 2011-12              | Funds received       | 14,93,341             | 7,31,100    | -7,62,241 |
|         |                      |                      | Interest earned      | 7,177                 | 31,918      | 24,741    |
|         |                      |                      | Expenditure incurred | 12,72,775             | 5,35,338    | -7,37,437 |
|         |                      | Closing balance      | 7,28,271             | 7,58,271              | 30,000      |           |
| 2008-09 | Expenditure incurred | 3,85,000             | 3,22,000             | -63,000               |             |           |
|         | 2010-11              | Funds received       | 6,75,000             | 2,45,000              | -4,30,000   |           |
|         |                      | Expenditure incurred | 6,74,000             | 10,06,137             | 3,32,137    |           |

Source: Records of GPs

## Appendix 2.6

## Difference between cash book and pass book balances

(Reference: Paragraph 2.1.6.8/Page 26)

(Amount in ₹)

| ZP/ Taluk                  | Year       | GP                  | Cash Book balance | Pass Book balance | Difference |
|----------------------------|------------|---------------------|-------------------|-------------------|------------|
| Dharwar/<br>Kundgol        | 31/03/2013 | Ramanakoppa         | 1,22,398          | 1,34,898          | 12,500     |
|                            | 31/03/2013 | Shirur              | 2,13,278          | 4,00,773          | 1,87,495   |
| Gulbarga/<br>Afzalpur      | 31/03/2011 | Bhairamadagi        | 3,46,275          | 6,21,275          | 2,75,000   |
|                            | 31/03/2013 | Hasargundagi        | 5,80,660          | 6,93,160          | 1,12,500   |
|                            | 31/03/2013 | Mannur              | 2,29,605          | 2,86,411          | 56,806     |
|                            | 31/03/2013 | Udachan             | 79,110            | 34,430            | -44,680    |
| Gulbarga/<br>Sedam         | 31/03/2013 | Dugnoor             | 6,33,752          | 6,01,752          | -32,000    |
|                            | 31/03/2013 | Kanagadda           | 12,42,437         | 9,69,829          | -2,72,608  |
|                            | 31/03/2013 | Kukkunda            | 2,500             | 37,500            | 35,000     |
|                            | 31/03/2013 | Malkhed             | 3,41,002          | 3,01,502          | -39,500    |
|                            | 31/03/2013 | Motakpalli          | 6,90,481          | 6,10,288          | -80,193    |
|                            | 31/03/2013 | Neelhalli           | 7,64,162          | 7,81,642          | 17,480     |
|                            | 31/03/2013 | Uoodagi             | 38,083            | 20,650            | -17,433    |
| Ramanagara/<br>Ramanagara  | 31/03/2013 | Bannikuppe (K)      | 30,556            | 5,13,692          | 4,83,136   |
|                            | 31/03/2013 | Doddagangavadi      | 33,622            | 1,15,685          | 82,063     |
|                            | 31/03/2013 | Hulikere Gunnur     | 4,48,288          | 4,75,788          | 27,500     |
|                            | 31/03/2012 | Kailancha           | 2,92,572          | 2,82,572          | -10,000    |
|                            | 31/03/2012 | Kenchanakuppe       | 3,98,375          | 3,85,875          | -12,500    |
|                            | 31/03/2013 | Manchanayakanahally | 3,60,659          | 2,71,107          | -89,552    |
| Ramanagara/<br>Channapatna | 31/03/2011 | Banagahalli         | 1,57,821          | 1,62,731          | 4,910      |
|                            | 31/03/2013 | Harokoppa           | 6,89,900          | 6,29,500          | -60,400    |
|                            | 31/03/2013 | Kodambally          | 1,92,303          | 4,81,436          | 2,89,133   |
|                            | 31/03/2009 | Malurpatna          | 4,15,836          | 4,20,836          | 5,000      |
|                            | 31/03/2013 | Mattikere           | 3,33,487          | 3,26,062          | -7,425     |
|                            | 31/03/2013 | Neelasandra         | 11,742            | 1,14,242          | 1,02,500   |
|                            | 31/03/2013 | Sogala              | 7,15,003          | 10,53,919         | 3,38,916   |
|                            | 31/03/2013 | Virupakshipura      | 1,43,942          | 2,36,073          | 92,131     |
|                            | 31/03/2011 | Yelettheadahally    | 2,37,839          | 2,40,912          | 3,073      |

Source: Records of GPs

## Appendix 2.7

## Details of physical progress of selected districts as on 31 March 2013

(Reference: Paragraph 2.1.7.1/Page 28)

| District     | Year    | Target fixed by GOI | Target fixed by the State Govt | No. of beneficiaries selected | No. of houses completed | Percentage of Physical Achievement |
|--------------|---------|---------------------|--------------------------------|-------------------------------|-------------------------|------------------------------------|
| Chikamagalur | 2008-09 | 1,612               | 3,224                          | 2,226                         | 1,908                   | 86                                 |
|              | 2009-10 | 3,122               | 4,069                          | 2,604                         | 2,118                   | 81                                 |
|              | 2011-12 | 2,108               | 5,876                          | 3,470                         | 1,871                   | 54                                 |
|              | 2012-13 | 2,336               | 3,164                          | 1,793                         | 526                     | 29                                 |
| Chitradurga  | 2008-09 | 3,939               | 7,878                          | 7,419                         | 5,237                   | 71                                 |
|              | 2009-10 | 7,626               | 9,805                          | 8,868                         | 5,579                   | 63                                 |
|              | 2011-12 | 5,149               | 10,175                         | 9,058                         | 5,642                   | 62                                 |
|              | 2012-13 | 5,705               | 7,770                          | 6,472                         | 1,616                   | 25                                 |
| Dharwar      | 2008-09 | 1,642               | 3,284                          | 3,417                         | 3,055                   | 89                                 |
|              | 2009-10 | 3,180               | 4,064                          | 3,900                         | 3,194                   | 82                                 |
|              | 2011-12 | 2,147               | 3,429                          | 3,187                         | 2,223                   | 70                                 |
|              | 2012-13 | 2,379               | 3,175                          | 2,963                         | 338                     | 11                                 |
| Gadag        | 2008-09 | 1,362               | 2,724                          | 2,427                         | 2,067                   | 85                                 |
|              | 2009-10 | 2,688               | 3,392                          | 2,684                         | 1,970                   | 73                                 |
|              | 2011-12 | 1,781               | 4,664                          | 4,104                         | 2,356                   | 57                                 |
|              | 2012-13 | 1,974               | 2,650                          | 2,228                         | 331                     | 15                                 |
| Gulbarga     | 2008-09 | 4,305               | 5,790                          | 4,211                         | 3,453                   | 82                                 |
|              | 2009-10 | 8,336               | 7,040                          | 4,809                         | 3,754                   | 78                                 |
|              | 2011-12 | 5,629               | 7,480                          | 7,124                         | 4,352                   | 61                                 |
|              | 2012-13 | 4,240               | 5,500                          | 910                           | 177                     | 19                                 |
| Koppal       | 2008-09 | 3,583               | 7,166                          | 6,728                         | 5,265                   | 78                                 |
|              | 2009-10 | 6,937               | 8,978                          | 8,926                         | 6,054                   | 68                                 |
|              | 2011-12 | 4,684               | 8,710                          | 8,139                         | 4,316                   | 53                                 |
|              | 2012-13 | 5,190               | 6,968                          | 4,968                         | 703                     | 14                                 |
| Mandya       | 2008-09 | 1,548               | 3,096                          | 2,578                         | 1,886                   | 73                                 |
|              | 2009-10 | 2,995               | 3,944                          | 3,058                         | 1,911                   | 62                                 |
|              | 2011-12 | 2,022               | 4,872                          | 3,222                         | 1,693                   | 53                                 |
|              | 2012-13 | 5,190               | 3,016                          | 2,054                         | 540                     | 26                                 |
| Ramanagara   | 2008-09 | -                   | 1,926                          | 1,592                         | 1,369                   | 86                                 |
|              | 2009-10 | 1,768               | 2,340                          | 2,018                         | 1,433                   | 71                                 |
|              | 2011-12 | 1,535               | 3,770                          | 2,943                         | 1,677                   | 57                                 |
|              | 2012-13 | 1,701               | 2,340                          | 2,019                         | 532                     | 26                                 |
| <b>Total</b> |         | <b>1,08,413</b>     | <b>1,62,279</b>                | <b>1,32,119</b>               | <b>79,146</b>           | <b>60</b>                          |

Source: RGRHCL

**Appendix 2.8**  
**Details of category-wise selection of beneficiaries**  
**(Reference: Paragraph 2.1.8.5/Page 32)**

| District Name | Year    | No. of houses targeted during the year | No. of beneficiaries selected | Category wise selection |               |               |               | Percentage of selection |           |           |
|---------------|---------|--|-------------------------------|-------------------------|---------------|---------------|---------------|-------------------------|-----------|-----------|
|               |         |  |                               | SC                      | ST            | GEN           | Minority      | SC/ST                   | GEN       | Minority  |
| Chikamagalur  | 2008-09 | 3,224                                  | 2,226                         | 944                     | 231           | 894           | 157           | 53                      | 40        | 7         |
|               | 2009-10 | 4,069                                  | 2,604                         | 1,144                   | 199           | 996           | 265           | 52                      | 38        | 10        |
|               | 2011-12 | 5,876                                  | 3,470                         | 1,637                   | 310           | 1,112         | 411           | 56                      | 32        | 12        |
|               | 2012-13 | 3,164                                  | 1,793                         | 783                     | 139           | 662           | 209           | 51                      | 37        | 12        |
| Chitradurga   | 2008-09 | 7,878                                  | 7,419                         | 2,186                   | 1,963         | 2,763         | 507           | 56                      | 37        | 7         |
|               | 2009-10 | 9,805                                  | 8,868                         | 2,826                   | 2,067         | 2,940         | 1,035         | 55                      | 33        | 12        |
|               | 2011-12 | 10,175                                 | 9,058                         | 3,181                   | 2,264         | 2,592         | 1,021         | 60                      | 29        | 11        |
|               | 2012-13 | 7,770                                  | 6,472                         | 2,375                   | 1,608         | 1,777         | 712           | 62                      | 27        | 11        |
| Dharwar       | 2008-09 | 3,284                                  | 3,417                         | 949                     | 470           | 1,503         | 495           | 42                      | 44        | 14        |
|               | 2009-10 | 4,064                                  | 3,900                         | 917                     | 622           | 1,586         | 775           | 39                      | 41        | 20        |
|               | 2011-12 | 3,429                                  | 3,187                         | 1,127                   | 706           | 873           | 481           | 58                      | 27        | 15        |
|               | 2012-13 | 3,175                                  | 2,963                         | 982                     | 668           | 822           | 491           | 56                      | 28        | 17        |
| Gadag         | 2008-09 | 2,724                                  | 2,427                         | 909                     | 414           | 715           | 389           | 55                      | 29        | 16        |
|               | 2009-10 | 3,392                                  | 2,684                         | 834                     | 484           | 836           | 530           | 49                      | 31        | 20        |
|               | 2011-12 | 4,664                                  | 4,104                         | 1,630                   | 760           | 1,068         | 646           | 58                      | 26        | 16        |
|               | 2012-13 | 2,650                                  | 2,228                         | 848                     | 473           | 571           | 336           | 59                      | 26        | 15        |
| Gulbarga      | 2008-09 | 5,790                                  | 4,211                         | 2,384                   | 135           | 1,192         | 500           | 60                      | 28        | 12        |
|               | 2009-10 | 7,040                                  | 4,809                         | 2,639                   | 120           | 1,479         | 571           | 57                      | 31        | 12        |
|               | 2011-12 | 7,480                                  | 7,124                         | 3,837                   | 231           | 2,048         | 1,008         | 57                      | 29        | 14        |
|               | 2012-13 | 5,500                                  | 910                           | 508                     | 29            | 232           | 141           | 59                      | 26        | 15        |
| Koppal        | 2008-09 | 7,166                                  | 6,728                         | 1,971                   | 1,656         | 2,389         | 712           | 54                      | 35        | 11        |
|               | 2009-10 | 8,978                                  | 8,926                         | 2,245                   | 1,817         | 3,473         | 1,391         | 45                      | 39        | 16        |
|               | 2011-12 | 8,710                                  | 8,139                         | 2,291                   | 1,797         | 2,810         | 1,241         | 50                      | 35        | 15        |
|               | 2012-13 | 6,968                                  | 4,968                         | 1,321                   | 1,077         | 1,918         | 652           | 48                      | 39        | 13        |
| Mandya        | 2008-09 | 3,096                                  | 2,578                         | 1,203                   | 114           | 1,111         | 150           | 51                      | 43        | 6         |
|               | 2009-10 | 3,944                                  | 3,058                         | 1,140                   | 83            | 1,501         | 334           | 40                      | 49        | 11        |
|               | 2011-12 | 4,872                                  | 3,222                         | 1,647                   | 105           | 1,271         | 199           | 54                      | 39        | 6         |
|               | 2012-13 | 3,016                                  | 2,054                         | 935                     | 58            | 918           | 143           | 48                      | 45        | 7         |
| Ramanagara    | 2008-09 | 1,926                                  | 1,592                         | 742                     | 79            | 685           | 86            | 52                      | 43        | 5         |
|               | 2009-10 | 2,340                                  | 2,018                         | 978                     | 65            | 754           | 221           | 52                      | 37        | 11        |
|               | 2011-12 | 3,770                                  | 2,943                         | 1,547                   | 111           | 1,005         | 280           | 56                      | 34        | 10        |
|               | 2012-13 | 2,340                                  | 2,019                         | 789                     | 97            | 985           | 148           | 44                      | 49        | 7         |
| <b>Total</b>  |         | <b>1,62,279</b>                        | <b>1,32,119</b>               | <b>49,449</b>           | <b>20,952</b> | <b>45,481</b> | <b>16,237</b> | <b>53</b>               | <b>35</b> | <b>12</b> |

Source: RGRHCL

## Appendix 2.9

**Details of other fields containing blank or invalid data  
(Reference: Paragraph 2.1.14.8/Page 39)**

| Sl. No. | Name of the field  | Significance of the field   | Nature of data entered |
|---------|--------------------|---|------------------------|
| 1       | APPRDATE_DATE      | This field captures the date on which approval is given by the TP.<br>Audit contention has been partly accepted by RGRHCL. The reply is not clear about the blank fields.   | Blank,<br>1/1/1900     |
| 2       | PHOTOPATH          | The GP is to keep a photo of the applicant in the beneficiary file to enable identification of the beneficiary. This field gives the path of the uploaded photo.<br>In reply the RGRHCL stated that due to non availability of scanners at GP level the same could not be updated and that the column had been retained for future use.   | Blank                  |
| 3       | VOTERID            | This field is to capture the voter identification number of the Beneficiary.<br>In reply the RGRHCL stated that most of the beneficiaries did not have the voter ID, hence the field was not made mandatory. The reply is not in agreement with the instructions issued by RGRHCL which required the GPs to obtain BPL Card, Voter ID and Income certificate from the selected beneficiary as proof of BPL household.                     | Blank,<br>Zero         |
| 4       | INCOME             | This field is for capturing the income of the beneficiary. If filled, it could be used to corroborate BPL status of the beneficiary.<br>In reply the RGRHCL stated that most of the beneficiaries did not have the voter ID, hence the field is not made mandatory. The reply is not acceptable as RGRHCL had instructed GPs to obtain BPL Card, Voter ID and Income certificate from the selected beneficiary as proof of BPL household. | Blank,<br>Zero         |
| 5       | LOANREQ            | This field is for capturing whether the beneficiary requires financial assistance under the DRI scheme.<br>In reply the RGRHCL stated that the field was not made mandatory.  | Blank,<br>Zero         |
| 6       | REAFORLOAN         |   |                        |
| 7       | TOILETFACILITY     | These fields are for capturing whether the beneficiary had these facilities before availing assistance under the Scheme.<br>In reply the department stated that the field was not made mandatory. The reply was not acceptable as entries in these fields would have enabled in assessing the convergence with other schemes.   | Blank                  |
| 8       | WATERFACILITY      |   |                        |
| 9       | FUELUSEDFORCOOKING |   |                        |
| 10      | LIGHTFACILITY      |   |                        |
| 11      | OCCUPATION         | This field is for capturing the occupation of the beneficiary. If filled, it could be used to corroborate BPL status of the beneficiary.<br>In reply the department stated that the field was not made mandatory. The reply is not acceptable as the filling up of occupation details is mandatory as per the instructions issued by RGRHCL.  | Blank                  |
| 12      | TOTALFAMILYNO      | This field is for capturing the number of family members of the beneficiary.<br>In reply the department stated that the field was not made mandatory. The reply is not acceptable as the filling up of total number of family members is mandatory as per the instructions issued by RGRHCL.  | Blank                  |

## Appendix 2.10

## Implementing agencies selected for performance audit of BRGF programme

(Reference: Paragraph 2.2.5/Page 47)

| District    | Taluk Panchayat | Gram Panchayats  | ULBs   | Other IOs  |
|-------------|-----------------|--|--|--|
| Chitradurga | Chitradurga     | Bharamasagara<br>Bommenahalli<br>Chikkagondanahalli<br>Cholagatta<br>Laxmisagara<br>Madanayakanahalli<br>Siddapura<br>Sirigere                   | -  | DCF, Social Forestry;<br>DC, Chitradurga;<br>PRED, Chitradurga   |
|             | Holkere         | Adanur<br>Chikkajajur<br>Dummi<br>Nilenur<br>Shivaganga<br>T.Nilesugur<br>Uppinegonahalli  |  |  |
| Davanagere  | Davanagere      | Anaji<br>Avaragolla<br>Hadadi<br>Huchhavvanahalli<br>Igoor<br>Kanagondanahalli<br>Kukkuwada<br>Mudhahadadi<br>Shiramagondanahalli<br>Tholahunase | Town Panchayat, Honnali<br>Town Panchayat, Jagalur<br>CMC, Harihara<br>TMC, Harapanahalli<br>Town Panchayat,<br>Channagiri | District Adult<br>Education Officer,<br>Davanagere;<br>PRED, Davanagere;<br>PRED, Harapanahalli                                    |
|             | Harihara        | Bellodi<br>Bhanuvalli<br>Gutur<br>Halivana<br>Jigali<br>Nandigavi<br>Salakatte   |  |  |
| Raichur     | Manvi           | Bhogavati<br>Byagavat<br>Chagbavi<br>Harvi<br>Heera<br>Hirekotnekal<br>Pamanakallur<br>Sadapur<br>Sangapur                                       | CMC, Raichur   | Chief Librarian;<br>District Health &<br>Family Welfare<br>Officer;<br>District Watershed<br>Development Officer;<br>PRED, Raichur |
|             | Raichur         | Bhagavati<br>Bichali<br>Chandrabanda<br>Gillesugur<br>Jambaladinni<br>Merchatal<br>Shakavadi   |  |  |



## Appendix 2.11

Receipts and utilisation of funds in the test-checked districts during  
2007-13

(Reference: Paragraph 2.2.6.1/Page 48)

(₹ in crore)

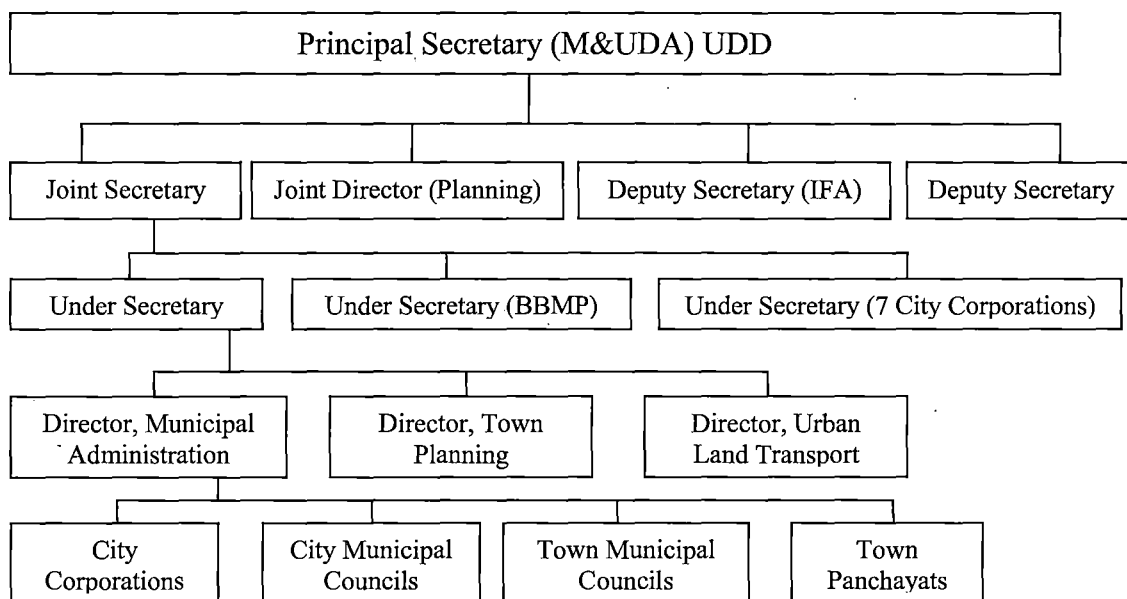
| Name of the District | Year    | Allocation (Development Fund) | Releases for the year (Development Fund) | Expenditure (Development Fund) | Percentage of expenditure (Development Fund) |
|----------------------|---------|-------------------------------|--|--------------------------------|--|
| Chitradurga          | 2007-08 | 20.21                         | 18.19                                    | 0                              | 0  |
|                      | 2008-09 | 20.21                         | 0  | 11.09                          | 55   |
|                      | 2009-10 | 20.21                         | 20.21                                    | 11.35                          | 56   |
|                      | 2010-11 | 20.21                         | 22.23                                    | 21.34                          | 106  |
|                      | 2011-12 | 22.27                         | 17.45                                    | 13.91                          | 62   |
|                      | 2012-13 | 22.27                         | 14.31                                    | 18.98                          | 85   |
| <b>Total</b>         |         | <b>125.38</b>                 | <b>92.39</b>                             | <b>76.67</b>                   |  |
| Davanagere           | 2007-08 | 18.14                         | 16.43                                    | 0                              | 0  |
|                      | 2008-09 | 18.14                         | 0  | 2.69                           | 15   |
|                      | 2009-10 | 18.14                         | 16.33                                    | 11.98                          | 66   |
|                      | 2010-11 | 18.14                         | 12.76                                    | 26.01                          | 143  |
|                      | 2011-12 | 19.79                         | 26.15                                    | 21.07                          | 106  |
|                      | 2012-13 | 19.79                         | 15.40                                    | 17.30                          | 87   |
| <b>Total</b>         |         | <b>112.14</b>                 | <b>87.07</b>                             | <b>79.05</b>                   |  |
| Raichur              | 2007-08 | 19.56                         | 7.60                                     | 0                              | 0  |
|                      | 2008-09 | 19.56                         | 0  | 4.59                           | 23   |
|                      | 2009-10 | 19.56                         | 17.60                                    | 8.44                           | 43   |
|                      | 2010-11 | 19.56                         | 21.52                                    | 13.03                          | 67   |
|                      | 2011-12 | 21.49                         | 21.49                                    | 21.34                          | 99   |
|                      | 2012-13 | 21.49                         | 6.49                                     | 12.25                          | 57   |
| <b>Total</b>         |         | <b>121.22</b>                 | <b>74.70</b>                             | <b>59.65</b>                   |  |

**Appendix 3.1**

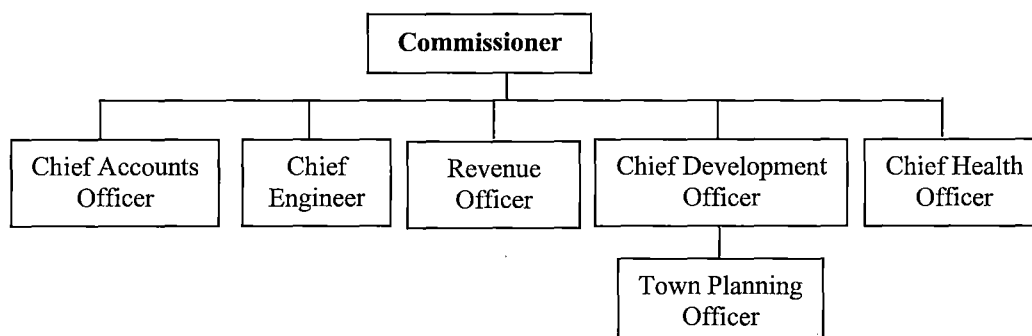
**Organisation and Executive set-up of Urban Development Department and Urban Local Bodies**

(Reference: Paragraph 3.2.1/Page 101)

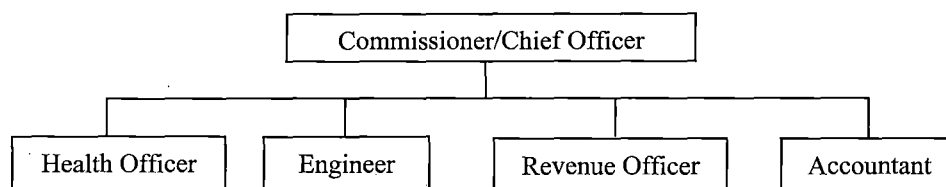
**A. Organisational set-up of UDD**



**B. Executive set-up of City Corporations**



**C. Executive set-up of other ULBs**



## Appendix 3.2

## Financial position of BBMP for the period 2008-12

(Reference: Paragraph 3.3.5.1/Page 105)

## A) Sources

| (₹ in crore)                             |                 |                  |                  |                  |
|--|-----------------|------------------|------------------|------------------|
| Particulars                              | 2008-09         | 2009-10          | 2010-11          | 2011-12          |
| General Fund<br>(Government fund)        | 669.85          | 965.86           | 1,441.56         | 2,071.72         |
| Enterprise Fund<br>(Market Fund)         | 2,500.19        | 2,506.26         | 2,509.16         | 2,546.08         |
| Fiduciary Fund<br>(Nirmala<br>Bengaluru) | 2.80            | 2.80             | 2.80             | 2.80             |
| <b>Total Fund</b>                        | <b>3,172.84</b> | <b>3,474.92</b>  | <b>3,953.52</b>  | <b>4,620.60</b>  |
| <b>Long Term Debt/<br/>Loans</b>         | <b>1,314.12</b> | <b>2,699.58</b>  | <b>3,138.11</b>  | <b>3,476.12</b>  |
| <b>Fixed Assets<br/>Group</b>            | <b>4,089.12</b> | <b>6,114.86</b>  | <b>7,790.53</b>  | <b>9,426.01</b>  |
| a) General Fund                          | 689.08          | 2,795.96         | 4,906.45         | 3,134.40         |
| b) Enterprise Fund                       | 0.22            | 1.37             | 0.52             | 0.52             |
| <b>Total</b>                             | <b>689.30</b>   | <b>2,797.33</b>  | <b>4,906.97</b>  | <b>3,134.92</b>  |
| <b>Inter Fund Balance</b>                |                 |                  |                  |                  |
| a)General fund                           | 9.00            | 9.00             | 9.00             | 9.47             |
| b)Enterprise Fund                        | 5.20            | 5.20             | 7.39             | 8.62             |
| <b>Total</b>                             | <b>14.20</b>    | <b>14.20</b>     | <b>16.39</b>     | <b>18.09</b>     |
| <b>Total Liabilities</b>                 | <b>9,279.58</b> | <b>15,100.89</b> | <b>19,805.52</b> | <b>20,675.74</b> |

## B) Application of Funds

| (₹ in crore)                                    |                 |                  |                  |                  |
|---|-----------------|------------------|------------------|------------------|
| Particulars                                     | 2008-09         | 2009-10          | 2010-11          | 2011-12          |
| <b>Assets</b>                                   |                 |                  |                  |                  |
| General Fund                                    | --              | 0.17             | --               | --               |
| Enterprise fund                                 | 2,446.31        | 2,446.99         | 2,449.61         | 2,449.54         |
| Fiduciary Fund                                  | 2.68            | 2.68             | 2.68             | 2.68             |
| Accounting Group Fixed<br>Assets                | 4,089.13        | 6,114.86         | 7,790.53         | 9,426.00         |
| <b>Total Fixed Assets</b>                       | <b>6,538.12</b> | <b>8,564.70</b>  | <b>10,242.82</b> | <b>11,878.22</b> |
| <b>Current Assets</b>                           | <b>1,052.60</b> | <b>1,625.92</b>  | <b>2,084.01</b>  | <b>2,966.45</b>  |
| <b>Inter Fund Balances</b>                      | <b>14.20</b>    | <b>14.20</b>     | <b>16.39</b>     | <b>18.08</b>     |
| <b>Application of long<br/>term liabilities</b> | <b>1,314.12</b> | <b>2,699.58</b>  | <b>3,138.11</b>  | <b>3,476.13</b>  |
| <b>Work in progress</b>                         | <b>360.54</b>   | <b>2,196.49</b>  | <b>4,324.19</b>  | <b>2,336.86</b>  |
| <b>Total Assets</b>                             | <b>9,279.58</b> | <b>15,100.89</b> | <b>19,805.52</b> | <b>20,675.74</b> |

Source: Balance sheet (Assets, Application of Funds)

## Appendix 3.3

## Details of tax and non-tax revenue of selected ULBs for the period 2008-12

(Reference: Paragraph 3.3.5.2/Page 106)

(₹ in crore)

| Sl. No.      | Name of ULBs        | 2008-09      |              |              | 2009-10      |              |              | 2010-11      |              |              | 2011-12      |              |              |
|--------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|              |                     | Tax          | Non-Tax      | Total        | Tax          | Non-Tax      | Total        | Tax          | Non-Tax      | Total        | Tax          | Non-Tax      | Total        |
| 1            | TP, Channagiri      | 0.11         | 0.74         | 0.85         | 0.14         | 1.62         | 1.76         | 0.13         | 1.47         | 1.60         | 0.20         | 1.44         | 1.64         |
| 2            | CC, Davanagere      | 6.28         | 4.15         | 10.43        | 7.13         | 5.62         | 12.75        | 8.00         | 5.59         | 13.59        | 6.82         | 6.75         | 13.57        |
| 3            | TMC, Devanahalli    | 0.66         | 0.31         | 0.97         | 0.49         | 0.13         | 0.62         | 0.55         | 0.15         | 0.70         | 0.66         | 0.09         | 0.75         |
| 4            | CMC, Doddaballapura | 0.73         | 1.29         | 2.02         | 0.93         | 1.47         | 2.40         | 1.14         | 1.28         | 2.42         | 0.99         | 1.69         | 2.68         |
| 5            | CMC, Harihara       | 0.66         | 1.34         | 2.00         | 0.65         | 2.38         | 3.03         | 0.70         | 3.25         | 3.95         | 1.03         | 3.90         | 4.93         |
| 6            | TP, Honnali         | 0.09         | 0.44         | 0.53         | 0.05         | 0.49         | 0.54         | 0.05         | 0.62         | 0.67         | 0.06         | 0.60         | 0.66         |
| 7            | CC, Hubli-Dharwar   | 18.92        | 15.73        | 34.65        | 25.71        | 14.88        | 40.59        | 24.35        | 12.13        | 36.48        | 30.83        | 21.70        | 52.53        |
| 8            | TMC, Maddur         | 0.19         | 0.10         | 0.29         | 0.18         | 0.11         | 0.29         | 0.20         | 0.14         | 0.34         | 0.28         | 0.04         | 0.32         |
| 9            | CMC, Mandya         | 1.41         | 0.94         | 2.35         | 1.95         | 1.14         | 3.09         | 2.98         | 1.67         | 4.65         | 3.01         | 1.50         | 4.51         |
| 10           | TP, Nagamangala     | 0.07         | 0.21         | 0.28         | 0.16         | 0.38         | 0.54         | 0.27         | 0.46         | 0.73         | 0.35         | 0.52         | 0.87         |
| 11           | TMC, Nelamangala    | 0.65         | 0.05         | 0.70         | 0.73         | 0.15         | 0.88         | 0.71         | 0.27         | 0.98         | 0.83         | 0.42         | 1.25         |
| 12           | TP, Pandavapura     | 0.17         | 0.04         | 0.21         | 0.21         | 0.03         | 0.24         | 0.49         | 0.05         | 0.54         | 0.44         | 0.04         | 0.48         |
| 13           | TMC, Srirangapatna  | 0.38         | 0.45         | 0.83         | 0.42         | 0.46         | 0.88         | 0.72         | 0.55         | 1.27         | 0.64         | 0.31         | 0.95         |
| <b>Total</b> |                     | <b>30.32</b> | <b>25.79</b> | <b>56.11</b> | <b>38.75</b> | <b>28.86</b> | <b>67.61</b> | <b>40.29</b> | <b>27.63</b> | <b>67.92</b> | <b>46.14</b> | <b>39.00</b> | <b>85.14</b> |

Note: TMC, Harapanahalli not furnished the details

## Appendix 3.4

Statement showing details of collection of property tax in selected ULBs  
for the period 2008-13

(Reference: Paragraph 3.3.5.3/Page 106)

(₹ in crore)

| Sl. No.      | Name of ULB         | Opening balance | Demand        | Total         | Collection    | Closing balance | Percentage of Collection |
|--------------|---------------------|-----------------|---------------|---------------|---------------|-----------------|--------------------------|
| 1.           | TP, Channagiri      | 0.14            | 0.53          | 0.67          | 0.66          | 0.01            | 99                       |
| 2.           | CC, Davanagere      | 3.61            | 38.56         | 42.17         | 40.72         | 1.45            | 97                       |
| 3.           | TMC, Devanahalli    | 0.08            | 3.57          | 3.65          | 3.40          | 0.25            | 93                       |
| 4.           | CMC, Doddaballapura | 0.82            | 5.15          | 5.97          | 4.24          | 1.73            | 71                       |
| 5.           | TMC, Harapanahalli  | 0.43            | 1.26          | 1.69          | 1.65          | 0.04            | 98                       |
| 6.           | CMC, Harihara       | 0.96            | 4.14          | 5.10          | 5.02          | 0.08            | 98                       |
| 7.           | *TP, Honnali        | 0.16            | 0.61          | 0.77          | 0.74          | 0.03            | 96                       |
| 8.           | CC, Hubli-Dharwar   | 21.61           | 133.20        | 154.81        | 137.23        | 17.58           | 89                       |
| 9.           | TMC, Maddur         | 1.23            | 1.84          | 3.07          | 3.06          | 0.01            | 99                       |
| 10.          | CMC, Mandya         | 4.87            | 12.39         | 17.26         | 14.64         | 2.62            | 85                       |
| 11.          | TP, Nagamangala     | 0.40            | 0.94          | 1.34          | 1.19          | 0.15            | 89                       |
| 12.          | TMC, Nelamangala    | 0.39            | 4.27          | 4.66          | 4.59          | 0.07            | 99                       |
| 13.          | TP, Pandavapura     | 0.26            | 0.90          | 1.16          | 1.14          | 0.02            | 98                       |
| 14.          | TMC, Srirangapatna  | 0.19            | 1.61          | 1.80          | 1.17          | 0.63            | 65                       |
| <b>Total</b> |                     | <b>35.15</b>    | <b>208.97</b> | <b>244.12</b> | <b>219.45</b> | <b>24.67</b>    | <b>90</b>                |

\* TP, Honnali had not furnished figures for the year 2008-09

## Appendix 3.5

Statement showing details of collection of water charges in selected ULBs  
for the period 2008-13

(Reference: Paragraph 3.3.5.4/Page 107)

(₹ in crore)

| Sl. No.      | Name of ULB         | Opening balance | Demand        | Total         | Collection    | Closing balance | Percentage of Collection |
|--------------|---------------------|-----------------|---------------|---------------|---------------|-----------------|--------------------------|
| 1.           | TP, Channagiri      | 0.16            | 0.53          | 0.69          | 0.68          | 0.01            | 99                       |
| 2.           | CC, Davanagere      | 1.51            | 16.64         | 18.15         | 11.09         | 7.06            | 61                       |
| 3.           | TMC, Devanahalli    | 0.07            | 0.48          | 0.55          | 0.43          | 0.12            | 78                       |
| 4.           | CMC, Doddaballapura | 0.39            | 2.51          | 2.90          | 1.79          | 1.11            | 62                       |
| 5.           | CMC, Harihara       | 0.05            | 3.09          | 3.14          | 2.80          | 0.34            | 89                       |
| 6.           | TP, Honnali         | 0.09            | 0.47          | 0.56          | 0.42          | 0.14            | 75                       |
| 7.           | CC, Hubli-Dharwar   | 25.34           | 108.65        | 133.99        | 89.00         | 44.99           | 66                       |
| 8.           | TMC, Maddur         | 0.19            | 1.10          | 1.29          | 1.14          | 0.15            | 88                       |
| 9.           | CMC, Mandya         | 4.21            | 10.41         | 14.62         | 8.57          | 6.05            | 59                       |
| 10.          | TP, Nagamangala     | 0.09            | 0.61          | 0.70          | 0.61          | 0.09            | 87                       |
| 11.          | TMC, Nelamangala    | 0.35            | 4.27          | 4.62          | 4.56          | 0.06            | 99                       |
| 12.          | TP, Pandavapura     | 0.17            | 0.66          | 0.83          | 0.45          | 0.38            | 54                       |
| 13.          | TMC, Srirangapatna  | 0.63            | 1.10          | 1.73          | 1.24          | 0.49            | 72                       |
| <b>Total</b> |                     | <b>33.25</b>    | <b>150.52</b> | <b>183.77</b> | <b>122.78</b> | <b>60.99</b>    | <b>67</b>                |

Note: TP, Harapanahalli had not furnished figures

## Appendix 3.6

Statement showing details of collection of rent in selected ULBs  
for the period 2008-13

(Reference: Paragraph 3.3.5.5/Page 107)

(₹ in crore)

| Sl. No.      | Name of ULB         | Opening balance | Demand       | Total        | Collection   | Closing balance | Percentage of Collection |
|--------------|---------------------|-----------------|--------------|--------------|--------------|-----------------|--------------------------|
| 1.           | TP, Channagiri      | 0.23            | 1.38         | 1.61         | 1.60         | 0.01            | 99                       |
| 2.           | CC, Davanagere      | 0.04            | 3.14         | 3.18         | 2.75         | 0.43            | 86                       |
| 3.           | TMC, Devanahalli    | 0.02            | 0.44         | 0.46         | 0.41         | 0.05            | 89                       |
| 4.           | CMC, Doddaballapura | 0.12            | 1.86         | 1.98         | 1.86         | 0.12            | 94                       |
| 5.           | TMC, Harapanahalli  | 0.38            | 1.39         | 1.77         | 1.53         | 0.24            | 86                       |
| 6.           | CMC, Harihara       | 0.02            | 1.55         | 1.57         | 1.54         | 0.03            | 98                       |
| 7.           | CC, Hubli-Dharwar   | 3.11            | 12.67        | 15.78        | 13.47        | 2.31            | 85                       |
| 8.           | TMC, Maddur         | 0.03            | 0.20         | 0.23         | 0.22         | 0.01            | 96                       |
| 9.           | CMC, Mandya         | 0.31            | 0.86         | 1.17         | 0.96         | 0.21            | 82                       |
| 10.          | TP, Nagamangala     | 0.01            | 0.14         | 0.15         | 0.09         | 0.06            | 60                       |
| 11.          | TMC, Nelamangala*   | 0.00            | 0.47         | 0.47         | 0.28         | 0.19            | 60                       |
| 12.          | TP, Pandavapura     | 0.06            | 0.22         | 0.28         | 0.19         | 0.09            | 68                       |
| 13.          | TMC, Srirangapatna  | 0.02            | 0.31         | 0.33         | 0.30         | 0.03            | 91                       |
| <b>Total</b> |                     | <b>4.35</b>     | <b>24.63</b> | <b>28.98</b> | <b>25.20</b> | <b>3.78</b>     | <b>87</b>                |

\* TMC, Nelamangala had not furnished details for the years 2008-09

Note: TP, Honnali had not furnished figures

## Appendix 3.7

Statement showing details of cess collected and remitted to Government account in selected ULBs for the period 2008-13

(Reference: Paragraph 3.3.5.6/Page 107)

(₹ in crore)

| Sl. No.      | Name of ULBs        | Collection   |              |             |              | Remittance  |             |             |              | Balance      |             |             |              |
|--------------|---------------------|--------------|--------------|-------------|--------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|--------------|
|              |                     | Health       | Library      | Beggary     | Total        | Health      | Library     | Beggary     | Total        | Health       | Library     | Beggary     | Total        |
| 1.           | TP, Channagiri      | 0.10         | 0.04         | 0.01        | 0.15         | 0.08        | 0.04        | 0.01        | 0.13         | 0.02         | 0           | 0           | 0.02         |
| 2.           | CC, Davanagere      | 17.12        | 2.24         | 1.75        | 21.11        | 0.91        | 1.31        | 0.82        | 3.04         | 16.21        | 0.93        | 0.93        | 18.07        |
| 3.           | TMC, Devanahalli    | 0.36         | 0.15         | 0.08        | 0.59         | 0           | 0.11        | 0.09        | 0.20         | 0.36         | 0.04        | (-)0.01     | 0.39         |
| 4.           | CMC, Doddaballapura | 0.74         | 0.30         | 0.17        | 1.21         | 0           | 0.09        | 0.08        | 0.17         | 0.74         | 0.21        | 0.09        | 1.04         |
| 5.           | CMC, Harihara       | 0.62         | 0.25         | 0.12        | 0.99         | 0           | 0.08        | 0.04        | 0.12         | 0.62         | 0.17        | 0.08        | 0.87         |
| 6.           | TP, Honnali         | 0.09         | 0.04         | 0.02        | 0.15         | 0           | 0.01        | 0.01        | 0.02         | 0.09         | 0.03        | 0.01        | 0.13         |
| 7.           | CC, Hubli-Dharwar   | 27.49        | 6.85         | 4.92        | 39.26        | 0           | 3.34        | 3.45        | 6.79         | 27.49        | 3.51        | 1.47        | 32.47        |
| 8.           | TMC, Maddur         | 0.25         | 0.10         | 0.05        | 0.40         | 0           | 0.02        | 0.01        | 0.03         | 0.25         | 0.08        | 0.04        | 0.37         |
| 9.           | CMC, Mandya         | 1.85         | 0.62         | 0.35        | 2.82         | 0           | 0.13        | 0.00        | 0.13         | 1.85         | 0.49        | 0.35        | 2.69         |
| 10.          | TP, Nagamangala     | 0.21         | 0.08         | 0.04        | 0.33         | 0           | 0.02        | 0.04        | 0.06         | 0.21         | 0.06        | 0           | 0.27         |
| 11.          | TMC, Nelamangala    | 0.66         | 0.24         | 0.13        | 1.03         | 0           | 0.23        | 0.12        | 0.35         | 0.66         | 0.01        | 0.01        | 0.68         |
| 12.          | TP, Pandavapura     | 0.19         | 0.06         | 0.02        | 0.27         | 0           | 0.03        | 0.01        | 0.04         | 0.19         | 0.03        | 0.01        | 0.23         |
| 13.          | TMC, Srirangapatna  | 0.15         | 0.05         | 0.03        | 0.23         | 0           | 0.03        | 0           | 0.03         | 0.15         | 0.02        | 0.03        | 0.20         |
| <b>Total</b> |                     | <b>49.83</b> | <b>11.02</b> | <b>7.69</b> | <b>68.54</b> | <b>0.99</b> | <b>5.44</b> | <b>4.68</b> | <b>11.11</b> | <b>48.84</b> | <b>5.58</b> | <b>3.01</b> | <b>57.43</b> |

Note: TMC, Harapanahalli had not furnished details



**Appendix 3.8**

**Duties and powers of officers of ULBs**

**(Reference: Paragraph 3.6.1/Page 110)**

| Officers of ULB                           | Powers  |
|---|---|
| Commissioner/Chief Officer                | The Commissioner/Chief Officer shall perform all the duties and exercise all the powers specifically imposed or conferred upon him by or delegated to him under the KMC/KM Acts. He shall issue and withhold/withdraw all licenses and permissions. He shall receive and recover and credit to the municipal fund all fees payable for license and permissions granted or given by him under the Acts. He shall take steps to remove any irregularity pointed out by the Auditor and shall report to the Council/Standing Committees, all cases of fraud, embezzlement, theft or loss of municipal money or property. He shall supply any return, statement, estimate, statistics, accounts, report or a copy of any document in his charge called for by the Municipal Council or the Standing Committee and shall comply with any orders passed thereon. He shall exercise supervision and control over the acts and proceedings of all officers and servants of the Municipal Council in matters of executive administration and in matters concerning the accounts and records. |
| Engineer                                  | The Engineer of Municipal body is in charge of public works, gardens and roadside trees. He is responsible for preparation of all plans, estimates and execution of municipal works and their maintenance.  |
| Revenue Officer                           | The Revenue Officer is responsible for the collection of all municipal revenue including the property taxes, cesses, licence fees, rents from buildings, etc.   |
| Accounts Officer/ Accountant              | The Accounts Officer/Accountant is responsible for keeping the accounts and records relating to collection of revenue and expenditure there from. He is responsible to maintain general cash book, classified register of receipts and payments, pass book with a recognised bank or Government Treasury. He shall prepare accounts of receipt and expenditure and lay before the Municipal Council and also maintain all special fund accounts.  |
| Health Officer                            | The Health Officer shall supervise and control the work of the Health Department including conservancy.   |
| Internal Auditor/ Accounts Superintendent | The Internal Auditor is responsible for concurrent supervision over municipal income and expenditure. He shall deal with audit note and statements of objection of the State Government Auditor, examine and certify all accounts, returns, statements and complete the examination of the monthly account within the first fortnight of the ensuing month and submit it to the Chief Officer. He shall adopt all measures and precautions to secure the Municipality against loss or harm arising from dishonesty, error or irregularity.  |

Source: KMC Act and KM Act

## Appendix 3.9

## Non-maintenance of Registers

(Reference: Paragraph 3.11.6.3/Page 120)

| Name of the Register                 | KMF Form No. | Number of ULBs not maintained | Name of the ULBs  |
|--------------------------------------|--------------|-------------------------------|---|
| Statement of Income accrued Register | KMF 13       | 9                             | Channagiri, Davanagere, Devanahalli, Harapanahalli, Honnali, Maddur, Nagamangala, Nelamangala and Srirangapatna                                   |
| Miscellaneous DCB Register           | KMF 26       | 5                             | Davanagere, Devanahalli, Harihara, Nagamangala and Nelamangala  |
| Auction sales Register               | KMF 34       | 9                             | Channagiri, Devanahalli, Doddaballapura, Harihara, Harapanahalli, Maddur, Nagamangala, Nelamangala and Srirangapatna                              |
| Register of Public works             | KMF 41       | 8                             | Channagiri, Devanahalli, Doddaballapura, Harihara, Harapanahalli, Honnali, Nagamangala and Nelamangala  |
| Royalty Register                     | KMF 43       | 6                             | Harapanahalli, Devanahalli, Maddur, Nagamangala, Nelamangala and Srirangapatna  |
| Register of Land                     | KMF 44       | 12                            | Channagiri, Davanagere, Devanahalli, Doddaballapura, Harihara, Harapanahalli, Honnali, Maddur, Mandya, Nagamangala, Nelamangala and Srirangapatna |
| Register of Immovable Property       | KMF 45       | 9                             | Davanagere, Devanahalli, Doddaballapura, Harapanahalli, Honnali, Maddur, Nagamangala, Nelamangala and Srirangapatna                               |
| Details of Bill of Expenditure       | KMF 59       | 7                             | Channagiri, Devanahalli, Doddaballapura, Harapanahalli, Maddur, Nagamangala and Srirangapatna   |

## Appendix 3.10

## Omissions and deficiencies noticed in the Annual Accounts of selected ULBs

(Reference: Paragraph 3.14.1/Page 121)

| Sl. No. | Name of the ULBs          | Description of the Account head | Omissions/deficiency   | Remarks  |
|---------|---------------------------|---------------------------------|--|--|
| 1.      | TMC, Devanahalli          | Reserves                        | Debit balance of ₹0.81 crore and ₹0.62 crore during 2010-11 and 2011-12 respectively   | Debit balance indicates utilisation of fund in excess of provision. Details were not furnished to Audit.   |
| 2.      | TMC, Devanahalli          | Earmarked Fund                  | Debit balance of ₹19.00 lakh, ₹4.86 lakh and ₹17.45 lakh during 2008-09, 2009-10 and 2010-11 respectively  | Debit balance indicates TMC had spent excess over the grant. Details of source of fund were not furnished to Audit.                                |
| 3.      | TMC, Harapanahalli        | Provisions                      | Debit balance of ₹1.22 crore was shown against "Employees Liabilities"   | Reason for such liability was neither disclosed in Accounts nor recorded.  |
| 4.      | All test-checked ULBs     | Revolving fund                  | Revolving fund not created out of lease proceeds of IDSMT buildings as directed by the DMA.  | By not creating revolving fund, ULBs lost the opportunity of earning interest on investment besides not complying with the instructions of DMA.    |
| 5.      | All test-checked ULBs     | Liabilities                     | It includes unclaimed deposits over three years, which should be treated as income   | The Liabilities were overstated. ULBs do not have the details of deposits remaining unclaimed for more than three years.                           |
| 6.      | Eight <sup>158</sup> ULBs | Service Tax                     | No provision made for payment of Service tax on collection of rental income.   | This resulted in understatement of liabilities.  |
| 7.      | CC, Hubli-Dharwar         | Receivables                     | No provision was made in the Accounts  | This resulted in overstatement of receipts.  |
| 8.      | CMC, Doddaballapura       | Secured Loans                   | ₹4.64 crore drawn by KUWS&DB was shown in the accounts of 2011-12. The nature of security created was not disclosed in the Annual accounts.  | Audit could not ensure the correctness of the amount exhibited in the accounts, in the absence of details of terms and conditions of loan availed. |
| 9.      | TMC, Maddur               | Unsecured Loans                 | ₹5.85 crore has been carried forward since 2008-09. But as per KUIDFC loan drawn from ADB was ₹7.14 crore. Repayment of loan of ₹0.52 crore was shown as Loans in the accounts of 2012-13. | Treating loan discharge as Loans is incorrect. Further, in the absence of details Audit could not ensure the correctness of the transactions.      |
| 10.     | Five <sup>159</sup> ULBs  | Interest on Secured Loans       | No provision was made for payment of interest on loan amount of ₹31 crore during 2008-12.  | Reasons for not providing liability not disclosed in the accounts. This is wrong financial reporting.  |
| 11.     | Four <sup>160</sup> ULBs  | Interest on Unsecured Loans     | No provision was made for payment of interest on loan amount of ₹7.73 crore during 2008-12.  | Reasons for not providing liability not disclosed in the accounts. This is wrong financial reporting.  |
| 12.     | CMC, Doddaballapura       | Capital work in – progress      | Exhibited ₹23.62 crore under Capital work in-progress without details.   | The details of source fund utilised for creation of this asset not furnished to Audit.   |

<sup>158</sup> TMC, Channagiri; CC, Davanagere; TMC, Devanahalli; CMC, Doddaballapura; CMC, Harihara; TMC, Harapanahalli; TP, Honnali and TMC, Nelamangala

<sup>159</sup> TMC, Channagiri; CC, Davanagere; TMC, Devanahalli; CMC, Doddaballapura and TMC, Maddur,

<sup>160</sup> CMC, Harihara; CMC, Mandya; TMC, Srirangapatna and TP, Pandavapura

| Sl. No. | Name of the ULBs   | Description of the Account head  | Omissions/deficiency   | Remarks   |
|---------|--|--|--|---|
| 13.     | CC, Davanagere<br><br>CMC, Doddaballapura<br><br>CC, Hubli-Dharwar<br><br>TMC, Nelamangala | Loans, Advances and Deposits<br><br>--do--<br><br>--do--<br><br>--do-- | CC accounted for ₹25.18 crore under Ashraya scheme on behalf of RGRHCL without details. This was constant since four years. But liability on this account not provided.<br><br>CMC exhibited ₹0.59 crore under Ashraya and Vajpayee Housing schemes on behalf of RGRHCL. But liability not provided.<br><br>CC exhibited Ashraya Loan amount of ₹32.92 crore recoverable under secured loans instead of current liability- "Trust Agency Funds".<br><br>The transactions relating to Ashraya housing scheme were not incorporated in the Accounts. | This resulted in incorrect reporting of receivables and payables in the accounts.   |
| 14.     | 13 <sup>161</sup> ULBs   | Tax Revenue  | None of the 13 ULBs maintained DCB registers. In the absence of this, amount recorded under Tax revenue was not correct.   | This resulted in incorrect reporting.   |
| 15.     | CMC, Doddaballapura  | Interest and Finance Charges   | Treated interest on borrowed loans of ₹0.42 crore as revenue expenditure, instead of capitalising during 2008-09 and liability of interest for the years 2009-10 to 2011-12 not brought to books.  | This resulted in incorrect reporting.   |
| 16.     | All test-checked ULBs  | Security Deposit   | Fixed Deposit collected <i>in lieu</i> of Security Deposit not accounted.  | None of the ULBs maintained register of fixed deposit collected from contractors.   |
| 17.     | TMC, Harapanahalli   | Cash at Bank   | TMC had not obtained the confirmation of balances from Banks and Post office as at the end of March 2010, 2011 and 2012.   | In the absence of details, the correctness of balances accounted for under bank could not be ensured.                               |
| 18.     | TP, Pandavapura  | Fixed Deposit  | Shown ₹1.37 crore in Trial Balance as Fixed Deposit. In addition, a sum of ₹2.12 crore shown as grants received from Government of Karnataka for making specific investments. But only ₹0.06 crore was reflected under Fixed/Term Deposit in the Annual Final statement for the year ended 31 March 2012. TP not produced the details of Fixed Deposit and grant.  | In the absence of details, Audit could not ensure the correctness of the figures adopted in Trial balance and Financial statements. |

<sup>161</sup> Channagiri, Davanagere, Devanahalli, Doddaballapura, Harihara, Harapanahalli, Honnali, Maddur, Mandya, Nagamangala, Nelamangala, Pandavapura and Srirangapatna

## Appendix 4.1

## Organisational structure for SWM

(Reference: Paragraph 4.1.2/Page 126)

| Authorities  | Responsibilities   |
|--|--|
| The Principal Secretary to Government of Karnataka, Urban Development Department   | Responsible for overall administration of BBMP and its obligatory functions, compliance to Rules.  |
| The Commissioner, BBMP assisted by the Additional Commissioner (SWM)   | Responsible for preparation of Budget and Programme of works, approval of estimates and tenders beyond ₹50 lakh. Responsible for execution and monitoring the overall SWM activities.  |
| The Chief Engineers (SWM-I, II, III and IV)  | Responsible for execution, maintenance of processing and disposal facilities which includes management of waste from collection points, secondary collection centres, dry waste collection centres, processing units, landfills.             |
| The Chief Accounts Officer (CAO) assisted by the Assistant Controller of Finance (ACF) at zones  | Responsible for preparation of budget, ensuring availability of funds, scrutiny and assignment of work codes, release of Letter of Credit (LOC). ACFs of zones assess fund requirement to obtain LOC, scrutinise and pass bills for payment. |
| The Additional/Joint Commissioners of zones assisted by Chief Engineers (CE), Superintending Engineers (SE), Executive Engineers (EE) and Assistant Executive Engineers (AEE)/ Environmental officers (EO) | Responsible for execution and monitoring of solid waste management activities viz., collection, segregation, storage, transfer and transportation of MSW to designated locations at the zonal level.   |
| The Chief Health Officer (CHO) assisted by Health Officers (HO) of clinical and public health wings of BBMP  | Responsible for monitoring of BMW generated by clinical sector (BBMP) and private health sector units.   |

Source: As furnished by BBMP

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