

GOVERNMENT OF KARNATAKA

देनाक में विधानसभा को प्रस्तुत
Presented to Legislature on

**REPORT OF THE
COMPTROLLER
AND
AUDITOR GENERAL OF INDIA
(ZILLA PANCHAYATS)**

FOR THE YEAR ENDED 31 MARCH 2003

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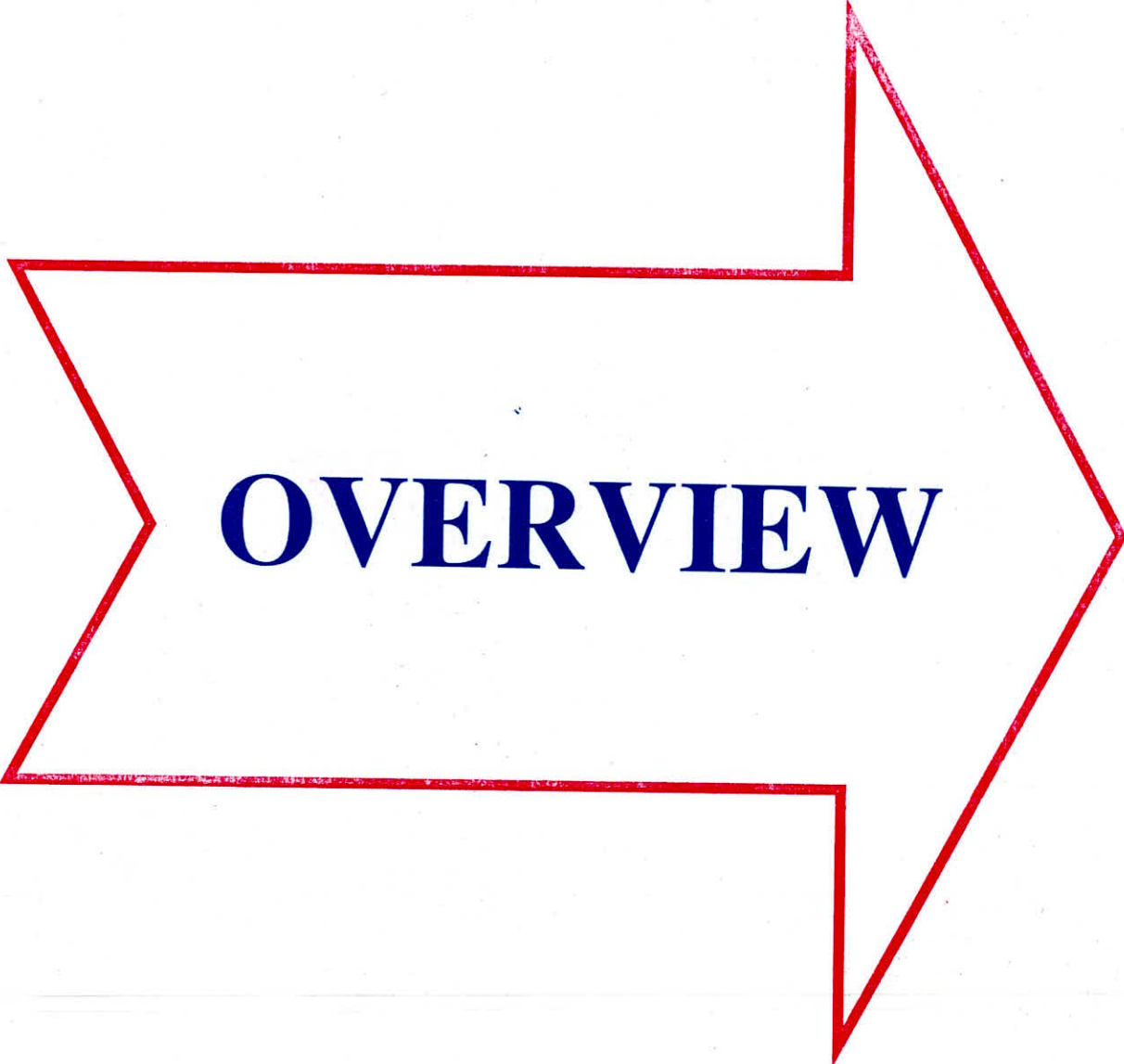
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PREFACE

1. This Report has been prepared for submission to the Governor under Article 151(2) of the Constitution.
2. Chapter I of this Report contains audit observations on matters arising from examination of accounts and finances of Zilla Panchayats.
3. The other chapter deals with the findings of Audit on financial transactions of Zilla Panchayats.
4. The Reports containing the observations arising out of audit of (i) Statutory Corporations, Boards and Government Companies; (ii) Revenue Receipts; and (iii) Civil Departments are presented separately.
5. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2002-03 as well as those which had come to notice in earlier years, but could not be dealt with in previous Reports; matters relating to the periods subsequent to 2002-03 have also been included, wherever necessary.



OVERVIEW

OVERVIEW

This Report has two chapters. The first chapter presents observations of Audit on the accounts and finances of the Zilla Panchayats. The other has one review and 14 paragraphs arising out of the audit of financial transactions of the Zilla Panchayats. A synopsis of the findings is presented in this overview.

1. An overview of the accounts and finances of Zilla Panchayats

Despite having been pointed out by Audit, delays persisted in preparation of monthly accounts and in forwardal of annual accounts to the Principal Accountant General, for audit.

(Paragraph 1.6)

Financial management continued to be weak as there were unauthorised diversions (Rs.7.53 crore), improper reappropriations (Rs.4.49 crore), mounting unutilised balances (Rs.1661.50 crore), non-release of grants to Grama Panchayats (Rs.3.68 crore), non-remittance of dues to Government accounts (Rs.1.12 crore), irregular drawal of funds (Rs.2.30 crore), non-submission of detailed accounts for sums drawn on Abstract Contingent bills (Rs.6.72 crore), etc.

(Paragraphs 1.7 to 1.10 and 1.13)

While 'Plan' receipts to total receipts showed a declining trend during 1998-2001, the trend of 'Plan' expenditure fluctuated.

(Paragraph 1.11)

Prescribed internal controls were rendered ineffective as reconciliation of balances between Controlling Officers and Zilla Panchayats was in arrears. Internal audit, to be conducted by Chief Accounts Officers, was also in arrears. Immovable properties were not adequately documented. Cases of misappropriations involving Rs.20.50 crore were pending settlement.

(Paragraphs 1.12 and 1.15)

2. Programme implementation and stores and stock accounts in selected Zilla Panchayats

Programme implementation was unsound as there were instances of loss of Government assistance of Rs.30.19 crore, lack of community participation, delays in release of funds for implementation, non-utilisation of available funds, non-recovery of loans and inadequate monitoring.

(Paragraph 2.1.2)

Internal control mechanisms on stores and stock were flouted leading to surplus stock valued at Rs.1.08 crore and extra expenditure of Rs.35.52 lakh on procurement.

(Paragraph 2.1.3)

3. Audit Paragraphs

Execution of sub-mission projects under Rajiv Gandhi National Drinking Water Mission suffered due to delays in implementation. Appointment of private consultants and fixing of consultancy charges were not transparent and there were excess (Rs.96.15 lakh) and unproductive (Rs.3.08 crore) payments of consultancy charges. Test-check disclosed undue favours to contractor, extra expenditure (Rs.17.84 lakh), selection of projects costing Rs.7.01 crore without firming up source of water, etc.

(Paragraph 2.2)

Implementation of Desert Development Programme was deficient as there was non-receipt of Government assistance of Rs.78.91 crore and available funds were not fully utilised. Only 50 per cent of the projects under first Batch commenced in 1995-96 was completed and completion of projects in other Batches was delayed. There were instances of improper selection of watersheds (costing Rs.4.58 crore) and irregular/doubtful expenditure/non/sub-standard execution of works (Rs.6.03 crore). Internal controls, monitoring and follow up on evaluation were inadequate.

(Paragraph 2.3)

Uncontrolled water supply to villages outside the scope of Hulkoti Water Supply Scheme rendered investment of Rs.1.27 crore remaining without serving the intended purpose and denial of safe drinking water to the target population; there was time overrun of more than 12 years in completion of Holalu Water Supply Scheme and consequential cost overrun.

(Paragraph 2.4)

Construction of 11 minor irrigation tank works was unduly delayed rendering investment of Rs.96.19 lakh on their partial construction remaining without giving expected returns even long after originally targeted dates of completion.

(Paragraph 2.5)

Improper financial planning led to long delay in construction of a shopping complex by Taluk Panchayat, Holenarasipura. Land belonging to the Taluk Panchayat was transferred to the Karnataka Housing Board for availing loan for construction, without agreement.

(Paragraph 2.7)

Review of working of pre/post-matric hostels under Social Welfare Department disclosed irregular release of grants-in-aid and avoidable expenditure (Rs.53.87 lakh), delays in completion of hostel buildings, extra/irregular expenditure in procurement (Rs.85.31 lakh), excess admissions, inadequate inspection, avoidable expenditure (Rs.1.14 crore), etc.

(Paragraph 2.12)

Insufficient funding resulted in long delays in construction of sports stadia in Chitradurga district rendering expenditure of Rs.55.53 lakh incurred remaining unproductive.

(Paragraph 2.13)

Response of Government in Rural Development and Panchayat Raj, Education, Finance, and Forest, Environment and Ecology Departments to the previous Report of the Comptroller and Auditor General of India (Zilla Panchayats) was poor.

(Paragraph 2.15)

CHAPTER-I
**AN OVERVIEW OF THE
ACCOUNTS AND FINANCES
OF ZILLA PANCHAYATS**

Chapter summary

- ❖ **Delay in preparation of annual accounts persisted**
- ❖ **Financial management continued to be weak**
- ❖ **Unutilised balances on the increase**
- ❖ **Internal controls subverted**

CHAPTER I

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF ZILLA PANCHAYATS

1.1 Introduction

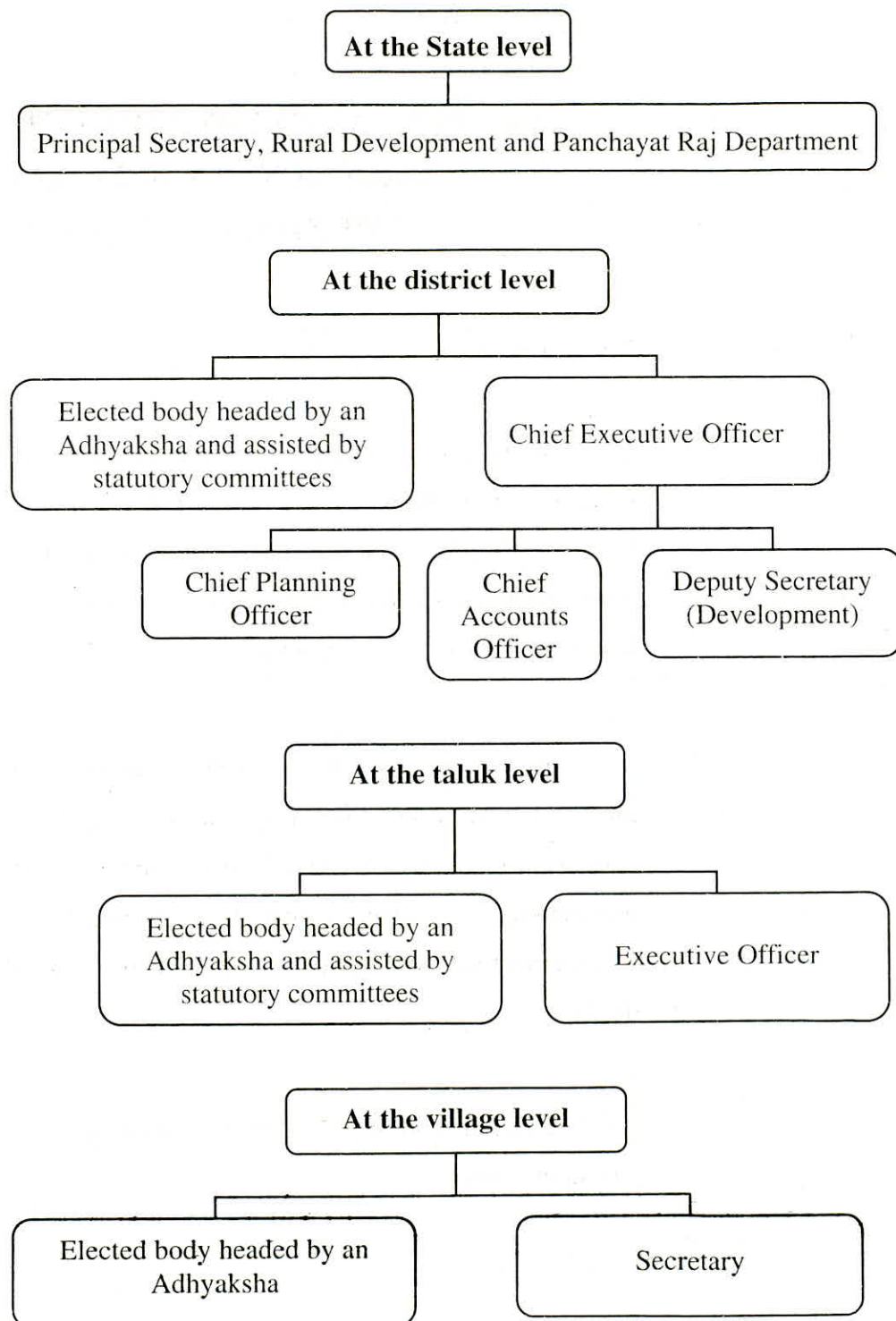
1.1.1 In keeping with the 73rd Constitutional amendment, the Karnataka Panchayat Raj (KPR) Act was enacted in 1993 to establish a three-tier Panchayat Raj Institution (PRI) system of elected bodies – Grama Panchayats (GPs) at the village level, Taluk Panchayats (TPs) at the taluk level and Zilla Panchayats (ZPs) at the district level.

1.1.2 Besides paving way for decentralisation of functions, functionaries and funds till then vested with Government, the PRI system aimed at increased participation of people and effective implementation of rural development programmes. The overall supervision, co-ordination and implementation of development schemes and preparing the plan for the development vested with the ZPs.

1.1.3 As at the end of 31 March 2003, there were 27 ZPs, 176 TPs and 5659 GPs in the State.

1.2 Organisational structure and accountability

1.2.1 The organisational structure is as shown below:



1.2.2 The broad details of accountability within the ZPs were as under:

Functionary/Authority	Accountable for
District level officers and departments of Zilla Panchayat	Preparation of annual Action Plan and budget
Zilla Panchayat	Approval of budget and Action Plan
Chief Executive Officer	Allocation of funds to implementing agencies
Chief Accounts Officer	Preparation of monthly and annual accounts and their submission to Government
Chief Executive Officer, Finance, Audit and Planning Committee and Zilla Panchayat	Review of accounts and monitoring of programme implementation

1.3 Funding of Panchayat Raj Institutions

1.3.1 The State and Central Governments funded the PRIs in the form of grants-in-aid for general administration and for developmental activities. The State Government released block grant every quarter and every month in the last quarter. The Central Government also released funds direct to ZPs for developmental activities. The funding by the State Government was on the lines of accepted recommendations of the State Finance Commission including factors like population, literacy, irrigation, medical facilities, etc. Allocation to PRIs formed 19 to 20 per cent of the total budget as shown below:

Year	Total budget provision of the State	Allocation to PRIs	Percentage
	(Rupees in crore)		
1998-99	19088.18	3804.04	20
1999-2000	22227.01	4235.71	19
2000-01	23319.58	4589.43	20

1.3.2 The ZPs deposited grants-in-aid and receipts from other sources, in ZP Funds maintained in treasuries. Such ZP Funds were outside the Consolidated Fund of the State Government, but formed part of its Public Account. The ZPs also deposited sums received from Government of India and money received for externally aided projects in bank accounts, as stipulated in scheme guidelines.

1.3.3 The TPs conducted their financial transactions through TP Funds held in the treasury. The GPs carried out their financial operations through GP Funds in the treasury/any approved co-operative/scheduled bank.

1.4 Audit

In terms of the KPR Act, the Comptroller and Auditor General of India was to audit and certify the accounts of the ZPs and TPs. The Controller of State Accounts was to audit the accounts of the GPs.

1.5 Financial position of Zilla Panchayats

The financial position of all the 27 ZPs, as aggregated from their annual accounts and the information furnished by them for the years 1998-99 to 2000-01^a was as below and as reflected in Chart I.

(Rupees in crore)				
1998-99	Receipts [^]	4932.72	Expenditure	4628.32
	Revenue	3957.01	Revenue	3603.02
	Capital [*]	43.31	Capital	119.80
	DDR ^{^^} heads	932.40	DDR heads	905.50
	Opening balance	589.33	Closing balance	893.73
	Total	5522.05	Total	5522.05
1999-2000	Receipts [^]	6110.93	Expenditure	5716.72
	Revenue	4157.36	Revenue	3703.33
	Capital [*]	160.56	Capital	192.66
	DDR heads	1793.01	DDR heads	1820.73
	Opening balance	893.73	Closing balance	1287.94
	Total	7004.66	Total	7004.66
2000-01	Receipts [^]	7492.82	Expenditure	7119.26
	Revenue	4622.42	Revenue	4227.91
	Capital [*]	71.61	Capital	149.64
	DDR heads	2798.79	DDR heads	2741.71
	Opening balance	1287.94	Closing balance	1661.50
	Total	8780.76	Total	8780.76

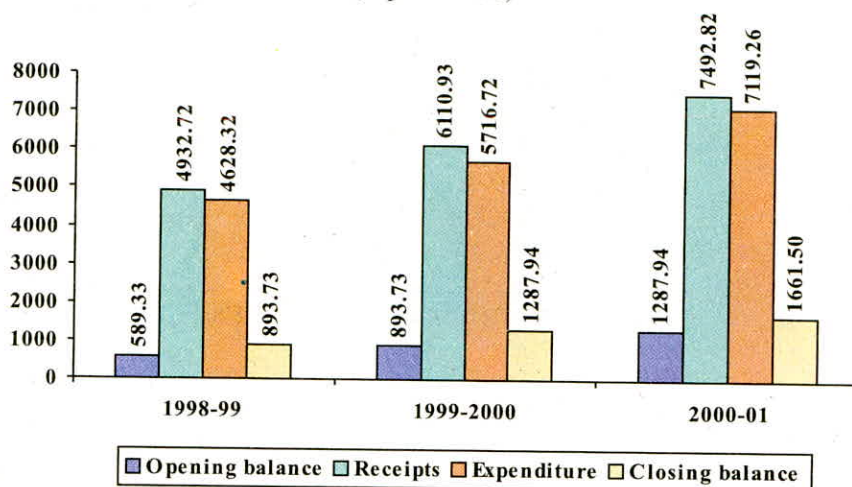
[^] Based on the information furnished by ZPs

^{^^} Debt, Deposit and Remittance

^a Comments restricted to the year up to which Audit had scrutinised accounts of ZPs

* Government released Rs.43.31 crore under capital head of account during 1998-99. Though Government generally released grants to ZPs under revenue heads of account, some ZPs exhibited their capital expenditure under capital heads, duly exhibiting the same figure as capital receipts

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



1.6 Preparation of accounts of Zilla Panchayats

Delays in preparation of monthly accounts and forwardal of annual accounts for audit persisted

1.6.1 The Karnataka Zilla Panchayat (Finance and Accounts) Rules, 1996 (ZP Rules) required that the Chief Accounts Officers (CAOs) of ZPs should compile monthly accounts from the treasury schedules and accounts rendered by Cheque Drawing Officers. The monthly accounts so prepared should be submitted to Finance, Audit and Planning Committees (FAPCs) through the Chief Executive Officers (CEOs). The annual accounts to be consolidated from the monthly accounts should be got approved by the ZP through FAPC, within three months from the close of the financial year and transmitted to Government and the Principal Accountant General (Audit)-I.

1.6.2 Despite Audit and Government (March 1999 and December 2000) reiterating the stipulations, the CEOs/FAPCs did not ensure submission of monthly and annual accounts as envisaged. There were delays ranging from 17 days to 286 days in three^{*} out of five ZPs test-checked, in compiling monthly accounts. Two[¶] ZPs test-checked did not furnish information on preparation of monthly accounts.

^{*} Bidar, Dakshina Kannada and Shimoga

[¶] Bagalkot and Bangalore (Rural)

1.6.3 The ZPs forwarded the annual accounts for 2001-02 to the Principal Accountant General (Audit)-I after delays ranging from 2 months to more than 12 months as shown below:

Year	2001-02		
Range of delay	2 to 6 months	7 to 12 months	More than 12 months
Number of Zilla Panchayats	16 ^ω	10 ^γ	1 ^φ

1.7 Unauthorised diversions

Rs.7.53 crore were unauthorisedly diverted

Eleven ZPs diverted a total sum of Rs.7.53 crore unauthorisedly from one scheme to another, etc., in violation of scheme guidelines, affecting implementation of schemes for which funds were provided (Appendix 1.1).

1.8 Improper reappropriations

Rs.4.49 crore were reappropriated without proper authorisation

Two* of the five ZPs test-checked reappropriated during 2000-01, a total sum of Rs.1.80 crore, without the required Government approval. Besides, four* drawing officers in four ZPs reappropriated during 1998-2003, sums aggregating Rs.2.69 crore, without obtaining approval from the ZPs.

1.9 Mounting unutilised balances

Unutilised balances in ZPs increased by 86 per cent over three years

1.9.1 The closing cash balance with the ZPs increased by 86 per cent from Rs.893.73 crore in 1998-99 to Rs.1661.50 crore in 2000-01. Audit noticed that there were cases of non-transfer of dues to GPs and non-remittance of dues to Government account and that Government released substantial grants towards the end of the year making full utilisation difficult, as detailed below.

^ω Bagalkot, Bijapur, Chitradurga, Davanagere, Dharwad, Gadag, Gulbarga, Hassan, Haveri, Koppal, Mandya, Raichur, Shimoga, Tumkur, Udupi and Uttara Kannada

^γ Bangalore (Rural), Bangalore (Urban), Bellary, Belgaum, Bidar, Chamarajanagar, Chikmagalur, Dakshina Kannada, Kolar and Mysore

^φ Kodagu

* Dakshina Kannada and Shimoga

* Executive Engineers of Zilla Panchayat Engineering Divisions (ZPEDs), Mangalore, Ramanagaram and Shimoga and Deputy Director of Public Instruction (DDPI), Bagalkot

1.9.2 The CAOs of ZPs were to draw the Government grants to GPs and credit them to ZP Funds under a suspense account. They should distribute the grants in full either by issue of transfer advice to the treasury or by allowing GPs to draw from ZP Funds. The CAOs of three ZPs did not distribute Rs.3.68 crore to GPs during 2000-01 as shown below:

Zilla Panchayat	Amount relating to Grama Panchayats retained by Zilla Panchayat (Rupees in crore)
Bangalore (Urban)	0.34
Davanagere	0.34
Haveri	3.00
Total	3.68

1.9.3 Eleven ZPs did not remit recoveries aggregating Rs.1.12 crore made by them towards income tax, sales tax and royalty, to Government accounts concerned, as at the end of March 2001, as detailed below:

Serial number	Zilla Panchayat	Recoveries not remitted (Rupees in lakh)		
		Income tax	Sales tax	Royalty
1	Bidar	-	4.86	3.14
2	Bangalore (Rural)	-	5.19	-
3	Belgaum	-	13.87	-
4	Bellary	13.65	16.02	-
5	Bijapur	0.48	-	-
6	Dakshina Kannada	-	0.25	1.06
7	Gulbarga	5.33	6.08	21.45
8	Hassan	5.06	6.37	7.50
9	Haveri	0.39	0.28	0.06
10	Kodagu	0.09	1.14	-
11	Kolar	0.02	-	-
Total		25.02	54.06	33.21
Grand total		112.29		

1.9.4 Test-check in the five ZPs disclosed that substantial grants were received during the last month of the financial years 1998-99 to 2000-01 and up to 20 per cent of the grants were received on the last working day of the

financial year, as detailed below:

(Rupees in crore)

Year	Zilla Panchayat	Total grants received	Grants received during March	Percentage of grants received in March to total grants	Grants received on the last working day of March	Percentage of grants received on the last working day to total grants
1998-99	Bagalkot	103.49	78.39	76	10.71	10
	Bidar	147.32	20.53	14	3.79	3
	Bangalore (Rural)	153.21	29.97	20	3.97	3
	Dakshina Kannada	147.10	19.60	13	16.84	11
	Shimoga	185.33	51.97	28	37.61	20
1999-2000	Bagalkot	124.29	25.32	20	23.18	19
	Bidar	144.67	32.36	22	21.63	15
	Bangalore (Rural)	168.36	28.50	17	14.75	9
	Dakshina Kannada	123.70	45.12	36	18.47	15
	Shimoga	164.38	41.49	25	28.21	17
2000-01	Bagalkot	130.46	50.94	39	15.76	12
	Bidar	159.54	25.88	16	13.32	8
	Bangalore (Rural)	191.98	40.42	21	10.29	5
	Dakshina Kannada	158.48	30.89	19	13.53	9
	Shimoga	83.51	33.22	40	16.98	20

Belated release of grants rendered execution of projects difficult. Further, though the grants released to ZPs were charged of as revenue expenditure under Government accounts, they were not actually utilised within the year for the purpose for which they were voted by the Legislature. Such a procedure also deprived the TPs and GPs to whom grants had to be released by the ZPs, of financial assistance meant for implementation of schemes.

1.10 Irregular drawal of funds

Four DDPIs withdrew Rs.2.30 crore irregularly, though not required for immediate payment

1.10.1 The DDPIs in four^β ZPs drew a total sum of Rs.2.30 crore during 1999-2002 on proforma invoice/payees receipt, etc., through Detailed Contingent bills even before receipt of supplies/rendering of services, in contravention of financial rules/instructions. They made the payments after 3 months to 16 months of drawal of funds.

1.10.2 Besides, the ZP, Bagalkot drew inadvertently on three occasions during 1998-2000, sums totalling Rs.75.04 lakh in excess of grants released by Government and remitted the excess to Government account after a delay of 3 months to 15 months.

^β Bagalkot – Rs.1.47 crore, Bangalore (Rural) – Rs.13 lakh, Bidar – Rs.49 lakh and Shimoga – Rs.21 lakh

1.11 Time series data on finances of Zilla Panchayats

1.11.1 The time series data on the finances of the ZPs for three years were as follows:

(Rupees in crore)

	1998-99			1999-2000			2000-01		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
Receipts									
Revenue receipts*	1759.84	2313.51	4073.35	1557.99	2599.37	4157.36	1877.59	2744.83	4622.42
State Government	1229.88	2300.27	3530.15	1090.10	2566.72	3656.82	1343.22	2713.96	4057.18
Central Government	526.02	-	526.02	450.44	-	450.44	523.02	-	523.02
Others	3.94	13.24	17.18	17.45	32.65	50.10	11.35	30.87	42.22
Capital receipts	43.31	-	43.31	128.24	32.32	160.56	64.45	7.16	71.61
State Government	43.31	-	43.31	128.24	32.32	160.56	64.45	7.16	71.61
Total receipts	1803.15	2313.51	4116.66	1686.23	2631.69	4317.92	1942.04	2751.99	4694.03
Expenditure									
Revenue expenditure	1399.76	2203.31	3603.07	1374.77	2328.56	3703.33	1702.69	2525.22	4227.91
General Services									
Public works	-	73.69	73.69	-	83.28	83.28	-	81.55	81.55
Social Services	900.19	1821.85	2722.04	904.49	1840.89	2745.38	956.96	1565.15	2522.11
Education, Sports, Art and Culture	194.48	1471.68	1666.16	265.84	1441.14	1706.98	247.41	1184.95	1432.36
Health and Family Welfare	75.25	192.99	268.24	91.71	236.58	328.29	94.97	230.04	325.01
Water Supply and Housing	381.42	2.22	383.64	322.81	4.53	327.34	397.85	5.75	403.60
Welfare of SC/ST/OBC	138.24	115.23	253.47	130.85	125.54	256.39	138.92	109.48	248.40
Social Welfare and nutrition	110.80	39.73	150.53	93.28	33.10	126.38	77.81	34.93	112.74
Economic Services	499.57	307.77	807.34	470.28	404.39	874.67	597.09	530.98	1128.07
Agriculture and Allied Activities	52.93	159.02	211.95	55.57	179.62	235.19	51.53	140.98	192.51
Rural Development	406.24	65.65	471.89	366.23	121.95	488.18	479.89	208.07	687.96
Special Areas Programmes	12.48	-	12.48	15.74	-	15.74	14.11	-	14.11
Irrigation and Flood Control	0.49	8.36	8.85	1.88	8.88	10.76	0.61	9.64	10.25
Energy	9.29	-	9.29	11.59	0.49	12.08	15.41	0.02	15.43
Industry and Minerals	7.89	25.67	33.56	7.99	30.66	38.65	7.96	28.89	36.85
Science, Technology and Environment	0.11	-	0.11	0.20	1.51	1.71	0.12	-	0.12
Transport	9.09	45.35	54.44	10.61	56.44	67.05	27.46	139.80	167.26
General Economic Services	1.05	3.73	4.78	0.47	4.84	5.31	-	3.58	3.58
TP expenditure[#]	-	-	-	-	-	-	148.64	347.54	496.18
Capital expenditure	119.80	-	119.80	192.66	-	192.66	149.64	-	149.64
General Services									
Public works	-	-	-	-	-	-	0.24	-	0.24
Social Services	84.00	-	84.00	158.41	-	158.41	120.74	-	120.74
Education, Sports, Art and Culture	6.30	-	6.30	4.54	-	4.54	5.94	-	5.94
Health and Family Welfare	7.50	-	7.50	6.36	-	6.36	6.02	-	6.02
Water Supply and Housing	68.75	-	68.75	147.01	-	147.01	108.20	-	108.20
Welfare of SC/ST/OBC	1.45	-	1.45	0.50	-	0.50	0.58	-	0.58

* During 1998-99, the difference in receipts as shown in abstract of receipts and payments (Paragraph 1.5) was due to non-inclusion of Government of India grants of Rs.113.73 crore by seven ZPs (Bagalkot, Bijapur, Dharwad, Gulbarga, Haveri, Tumkur and Udupi) and adjustment of Rs.2.61 crore by ZP, Raichur. The ZPs exhibited in their annual accounts, receipts distinctly under 'Plan' and 'Non-plan', as allocated by Government and as stipulated in the ZP Rules. Such depiction, however, is not required either according to normal Government accounting practice or in the accounts formats suggested by the Comptroller and Auditor General of India, for PRIs

	1998-99			1999-2000			2000-01		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
Economic Services	35.80	-	35.80	34.25	-	34.25	28.66	-	28.66
Agriculture and Allied Activities	0.54	-	0.54	0.34	-	0.34	0.26	-	0.26
Irrigation and Flood Control	9.50	-	9.50	8.40	-	8.40	7.29	-	7.29
Industry and Minerals	0.21	-	0.21	0.20	-	0.20	0.26	-	0.26
Roads and Bridges	25.47	-	25.47	25.26	-	25.26	20.80	-	20.80
Others	0.08	-	0.08	0.05	-	0.05	0.05	-	0.05
Total expenditure	1519.56	2203.31	3722.87	1567.43	2328.56	3895.99	1852.33	2525.22	4377.55

Note: Figures as rounded off

As seven^Σ ZPs did not indicate sector-wise expenditure of TPs, lump sum amount has been exhibited

'Plan' receipts to total receipts showed declining trend. 'Non-plan' expenditure was more than 'Plan' expenditure

1.11.2 It could be seen from the data that both receipt and expenditure of ZPs increased steadily during 1998-2001. The percentage of 'Plan' receipts (capital and revenue) to total receipts (capital and revenue), which was 44 during 1998-99 dropped to 41 in 2000-01, after touching 39 in 1999-2000. The percentage of 'Plan' expenditure (capital and revenue) to total expenditure (capital and revenue) increased marginally from 41 in 1998-99 to 42 in 2000-01, after declining to 40 in 1999-2000. The funds provided for 'Plan' activities were utilised to an extent of 84 per cent in 1998-99, 93 per cent in 1999-2000 and 95 per cent in 2000-01.

1.11.3 'Non-plan' expenditure was more than 'Plan' expenditure during all the three years in 1998-2001. The percentage of 'Non-plan' expenditure to total expenditure (capital and revenue) showed a fluctuating trend from 59 in 1998-99 to 60 in 1999-2000 and 58 in 2000-01.

1.11.4 The trends relating to 'Plan' activities are also captured in the following Charts II and III:

^Σ Bagalkot, Chamarajanagar, Chikmagalur, Dharwad, Gadag, Kolar and Koppal

Chart II
'Plan' receipts in total receipts during 1998-99 to 2000-01
(Rupees in crore)

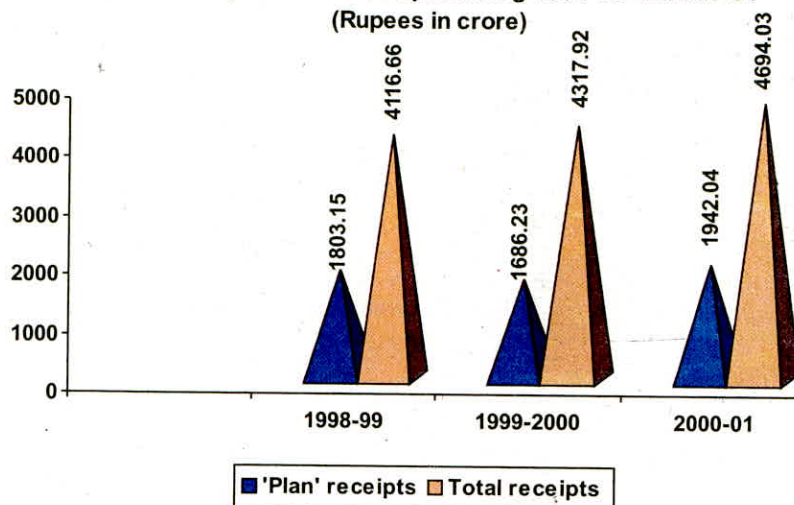
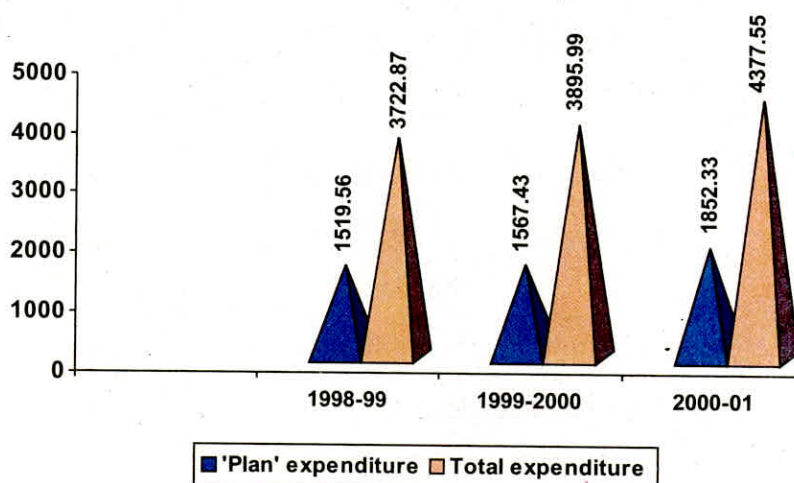


Chart III
'Plan' expenditure in total expenditure during 1998-99 to 2000-01
(Rupees in crore)



1.12 Laxity of internal controls

Internal
controls
were
inadequate

1.12.1 The Controlling Officers/heads of departments of ZPs were primarily responsible for reconciliation of their expenditure figures with those booked by CAOs. Fifty nine Controlling Officers of nine ZPs did not reconcile (March 2003) expenditure of more than Rs.174.36 crore incurred during 2001-02. Similarly, 81 Controlling Officers of 12 ZPs did not reconcile (March 2003) expenditure of more than Rs.307.21 crore incurred during 2002-03 (Appendix 1.2).

1.12.2 The Divisional Officers of ZPEDs who were Cheque Drawing Officers were to submit to the CAOs, a Schedule of Settlement with Treasuries (SST) along with the monthly accounts. The SST should reflect details of difference between the figures of cheques drawn and remittances made as booked by them and as accounted for by the treasuries. Test-check disclosed that a few ZPEDs did not comply with this requirement as detailed below:

Zilla Panchayat Engineering Division	Extent of arrears in preparing SST
Bagalkot	April 1998 onwards
Mangalore	September 1999 onwards
Shimoga	November 2002 onwards
Sagar	April 2002 onwards

1.12.3 The existing rules do not contemplate reconciliation between the figures of grants-in-aid from Government as booked by the Accountant General (Accounts and Entitlement) with the receipts recorded by the ZPs. These need to be amended.

1.12.4 The CAOs were to conduct internal audit of all the transactions of the departments of ZPs both centrally and locally. Test-check in five districts disclosed that while no internal audit was conducted centrally, the internal audit to be conducted locally was in arrears in two[¶] ZPs. Three^Σ ZPs did not furnish full information.

1.12.5 The consolidated record of immovable properties of ZPs, duly classified such as land, buildings, etc., was not maintained.

1.12.6 The laxity in internal controls is fraught with the risk of unauthorised withdrawals, non-detection of financial inaccuracies, non-detection of encroachments/misutilisation of properties, etc. The inadequate internal audit compounded the risk.

[¶] Bangalore (Rural) and Shimoga

^Σ Bagalkot, Bidar and Dakshina Kannada

1.13 Non-submission of accounts for amounts drawn on Abstract Contingent bills

In 19 ZPs, detailed accounts for Rs.6.72 crore drawn on AC bills were not submitted

1.13.1 More than 255 Drawing Officers of 19 ZPs did not render (March 2003) detailed accounts through Non-payable Detailed Contingent (NDC) bills for an aggregate sum of Rs.6.72 crore drawn on more than 1970 Abstract Contingent (AC) bills (Appendix 1.3).

1.13.2 The CAOs did not initiate action, as envisaged, to get any bill presented by the defaulting officers who did not render detailed accounts within a month, dishonoured at the treasury. The risk of irregular draws on AC bills going unnoticed, therefore, continued.

1.14 Investment without returns

In 22 ZPs, investment of Rs.12.55 crore on incomplete works remained idle

As at the end of 2002-03, 218 works on which 22 ZPs made an aggregate investment of Rs.12.55 crore remained without serving the intended purpose even though these works were generally expected to be completed in two years and the Government issued instructions to accord priority to incomplete works in allocation of funds over new works (Appendix 1.4).

1.15 Misappropriation cases

297 cases of mis-appropriation/defalcation involving Rs.20.50 crore were pending

As at the end of March 2003, 297 cases of misappropriation/defalcation involving more than Rs.20.50 crore were pending at various stages in 26 ZPs (Appendix 1.5). The pendency, as furnished by the ZPs, was as under:

(Rupees in crore)

Under investigation		Pending in Court		Others		Total	
Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
226	15.27	22	1.94	49	3.29	297	20.50

Delays in settlement of these cases resulted in postponement of recoveries/non-recovery and officials responsible for irregularities going unpunished, due to efflux of time.

CHAPTER-II
RESULTS OF AUDIT

Chapter summary

Programme implementation and stores and stock accounts in selected Zilla Panchayats

- ❖ Government assistance lost due to poor absorption capacity; public contribution envisaged not collected
- ❖ Unfruitful outlays and ineligible expenditure
- ❖ Inadequate loan recovery and monitoring
- ❖ Control mechanisms on procurement of stores and maintenance of store accounts flouted

Audit Paragraphs

- ❖ Improper implementation of sub-mission projects and
Desert Development Programme
- ❖ Undue delays in completion of water supply schemes, minor
irrigation tanks, sports stadia and shopping complex
- ❖ Deficiencies in functioning of hostels for Scheduled
Castes/Tribes
- ❖ Government response to Audit Report poor

CHAPTER II - RESULTS OF AUDIT

SECTION 'A' – REVIEW

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.1 Programme implementation and stores and stock accounts in selected Zilla Panchayats

Highlights

Review of programme implementation and stores and stock accounts in five Zilla Panchayats revealed the following:

Five Zilla Panchayats lost Central assistance of Rs.23.09 crore and State assistance of Rs.7.10 crore mainly due to poor absorption capacity. Efforts to ensure community participation in programme implementation were inadequate, as Rs.5.28 crore as contribution by community/Taluk Panchayats/Grama Panchayats was not collected.

There were delays in release of funds for implementation of programmes.

Unfruitful outlay/expenditure on ineligible works aggregated Rs.62.92 lakh in a Zilla Panchayat.

Recovery of loans extended under various programmes was not watched properly.

Documentary evidence of effective monitoring of implementation of programmes in Zilla Panchayats was absent.

(Paragraph 2.1.2)

Internal control mechanisms on procurement and maintenance of stores accounts were not adequate, resulting in

- ❖ surplus stock costing Rs.1.08 crore
- ❖ non-maintenance of accounts for materials at site of construction
- ❖ extra expenditure of Rs.35.52 lakh on procurement.

(Paragraph 2.1.3)

2.1.1 Audit coverage

Audit test-checked (January to June 2003) the implementation of programmes and stores and stock accounts in five^Σ Zilla Panchayats (ZPs) for the period 1998-2003. Focus of the test-check was on Zilla Panchayat Engineering Divisions (ZPEDs), Education Department and Health and Family Welfare Department of the ZPs. Important points noticed in the review are narrated below.

2.1.2 Programme implementation

Delay in finalisation of Annual District Development Plan

Finalisation
of Annual
District
Development
Plan was
delayed

The ZPs were to prepare Annual District Development Plan (ADDP) based on fiscal ceilings communicated by the Planning Department of Government, duly including the development plans of Taluk Panchayats (TPs) and Grama Panchayats (GPs). In three^Υ ZPs, there was a delay of one month to two months in forwarding draft ADDP for 2002-03 to the Planning Department of Government. Information on forwardal of ADDP to the Planning Department was not furnished in the other two ZPs test-checked. The ZPs did not ascertain whether their proposals found a place in the consolidated State Plan.

^Σ Bagalkot, Bangalore (Rural), Bidar, Dakshina Kannada and Shimoga

^Υ Bangalore (Rural), Dakshina Kannada and Shimoga

Loss of assistance

• Loss of assistance from Governments

Assistance of Rs.30.19 crore was lost due to non-fulfilment of conditions

The ZPs suffered on account of reduction in the Central assistance for Central Sector/Centrally Sponsored Schemes, in terms of scheme guidelines, for shortfall in spending, shortfall in release of share of State Government, etc. Such reductions also resulted in ultimate loss of share of State Government. The five ZPs test-checked lost a total assistance of Rs.30.19 crore as detailed below:

Schemes*	Period	Amount of loss (Rupees in crore)		
		Central	State	Total
Bagalkot				
SGSY	1999-2003	1.04	0.34	1.38
IAY	1999-2003	1.76	0.59	2.35
JRY/JGSY	2000-02	1.02	0.50	1.52
Total		3.82	1.43	5.25
Bangalore (Rural)				
SGSY	1999-2000	1.58	0.53	2.11
IAY	1999-2003	1.71	0.57	2.28
JRY/JGSY	1998-2000	1.31	0.34	1.65
Total		4.60	1.44	6.04
Bidar				
SGSY	1999-2000 and 2002-03	1.01	0.34	1.35
IAY	2000-01 and 2002-03	1.62	0.54	2.16
JRY/JGSY	2000-01	0.72	0.24	0.96
Total		3.35	1.12	4.47
Dakshina Kannada				
SGSY	1999-2001	1.65	0.55	2.20
IAY	1998-2003	1.66	0.54	2.20
JRY/JGSY	1998-2001	0.58	0.18	0.76
WGDP	1998-2003	0.67	-	0.67
Total		4.56	1.27	5.83
Shimoga				
SGSY	1999-2001	2.37	0.79	3.16
IAY	1998-2002	2.35	0.73	3.08
JRY/JGSY	1998-2001	0.92	0.27	1.19
WGDP	1998-2002	0.96	-	0.96
EAS/SGRY	1999-2002	0.16	0.05	0.21
Total		6.76	1.84	8.60
Grand total		23.09	7.10	30.19

Effective remedial action was not taken to avoid such losses.

* EAS – Employment Assurance Scheme, IAY – Indira Awaas Yojana, JRY – Jawahar Rozgar Yojana, JGSY – Jawahar Gram Samridhi Yojana, SGSY – Swarnjayanti Gram Swarozgar Yojana, SGRY - Sampoorna Grameena Rozgar Yojana, WGDP – Western Ghats Development Programme

• ***Lack of community participation***

Efforts to ensure community participation were inadequate

In none of the five ZPs test-checked, community participation (Rs.1.22 crore) at 20 per cent (Rs.10000) per school for procurement of teaching and learning equipment under Operation Black Board Scheme was ensured and the entire expenditure of Rs.4.87 crore was from Central Government funds.

Release of funds for specific development works based on the recommendations of the Tenth Finance Commission required contribution from TPs and GPs. In four^Ω ZPs, there was a shortfall of Rs.4.06 crore in contribution by TPs and GPs.

Delay in release of grants

Funds were released belatedly affecting implementation of schemes

Four^Ω ZPs delayed up to 10 months the release of funds aggregating Rs.42.49 crore for Centrally Sponsored Schemes from the central accounts to the respective project accounts. The State share of funds aggregating Rs.39.28 crore was credited to the respective accounts of schemes in the five test-checked ZPs after delays ranging from one week to more than a year. Two^Ξ ZPs delayed release of Rs.48.01 crore by periods ranging from one week to more than a year. Such delays adversely affected implementation of schemes.

Unfruitful outlay

Outlay of Rs.20 lakh was lying unfruitful in a ZP

In Dakshina Kannada district, two labour/operation theatres constructed in September 2001/January 2002 at a total cost of Rs.20 lakh under Reproductive Child Health Programme were found to be defective due to seepage/leakage of water in rainy season. These buildings were yet to be rectified (January 2003) and handed over for use by the Health and Family Welfare Department, rendering the investment remaining unfruitful. Further developments had not been communicated (November 2004).

^Ω Bangalore (Rural) – Rs.14.65 lakh (TPs) and Rs.1.32 crore (GPs), Bidar – Rs.1.06 crore (GPs), Dakshina Kannada – Rs.1.15 crore (GPs) and Shimoga – Rs.38.19 lakh (GPs)

^Ω Bangalore (Rural), Bidar, Dakshina Kannada and Shimoga

^Ξ Bagalkot and Bidar

Ineligible works

Expenditure of Rs.42.92 lakh was on ineligible works

Though not specifically provided for in the scheme guidelines, re-asphalting of roads was carried out at an expenditure of Rs.42.92 lakh during 2000-03 under the Rural Network Communication Scheme, in the ZP, Dakshina Kannada. The Chief Engineer (CE), Rural Development Engineering Department (RDED) stated (September 2004) that the roads were asphalted long back and required major repairs which were carried out after getting the Action Plan approved by the Government. The approval by the Government to works proposed by the ZPs in Action Plan was given in a routine manner, in violation of guidelines and without recording reasons.

Non-implementation of schemes

Rs.5.68 lakh for implementation of programme were not utilised

For want of details of Scheduled Caste (SC)/Scheduled Tribe (ST) students studying in X standard, the scheme for conducting special coaching classes for SC/ST students could not be implemented in the ZP, Bangalore (Rural). The funds amounting to Rs.5.68 lakh released (December 2001) were refunded by the ZP in April 2003. Thus, benefit of the scheme did not flow to the students belonging to the weaker sections of the society.

Tardy recovery of loans

Proper recovery of loans was not watched

Recovery of loans disbursed to beneficiaries under various sectors/schemes was not being watched properly. As against loan of Rs.3.19 crore outstanding as of April 1998 in the test-checked ZPs, during 1998-2003, there was evidence of recovery of Rs.24 lakh alone and further loan of Rs.2.18 crore was disbursed. Under Ashraya Housing Scheme, as against loan of Rs.23.11 crore due for recovery, only Rs.1.45 crore was recovered (October 2004).

Monitoring

Monitoring of programme implementation was ineffective

Guidelines envisaged physical monitoring through field inspections for which a schedule had to be drawn up. Three^Y ZPs did not draw up the schedule. Two^μ ZPs, which reported monitoring, did not produce documentary evidence therefor.

2.1.3 Stores and stock

Reserve stock limit

Reserve stock limit was not fixed

The Reserve Stock Limit (RSL) to be fixed by the CE every year for capping the value of stock to be purchased by the Divisional Officers had not been fixed in a few ZPEDs as detailed below:

Bidar	1998-99 to 2002-03*
Mangalore	1998-99 and 1999-2000
Shimoga	2002-03

*Proposals submitted, but not approved

In the absence of RSL, the ZPEDs made purchases without any ceiling limit. The prescribed internal control on procurements was, thus, subverted.

Surplus stock

Surplus stock of Rs.1.08 crore was held

In four^α ZPEDs test-checked, stock articles like water supply materials, building materials, spares of road rollers, etc., valued at Rs.1.08 crore purchased during 1980-81 to 2002-03 were lying unutilised (September 2004).

^Y Bagalkot, Bidar and Shimoga

^μ Bangalore (Rural) and Dakshina Kannada

^α Bagalkot, Bidar, Sagar and Shimoga

Stock verification

Stock verification was not conducted periodically

In four ZPEDs, the annual stock verification had not been conducted as detailed below:

Zilla Panchayat Engineering Division	Stock verification not conducted for
Bidar	1998-99 to 2002-03
Mangalore	2001-02 and 2002-03
Sagar	1997-98, 1999-2000 and 2000-01
Shimoga	1999-2000

Material-at-site account

Accounts for materials issued for departmental works were not properly maintained

Material-at-site accounts for works taken up departmentally had not been submitted monthly by the Section Officers entrusted with execution of works in the ZPEDs test-checked. The status of arrears, as of January to April 2003, related to the period from April 1994 (Sub-division, Mudhol/ZPED, Bagalkot) to March 2003. In three^{*} ZPEDs, the value of materials for which material-at-site accounts were not furnished amounted to Rs.17.31 crore.

Extra expenditure

Extra expenditure of Rs.35.52 lakh was incurred on procurements

The Government and the CE, RDED instructed (February 2000) that whenever Poly Vinyl Chloride (PVC) pipes were procured from M/s. Finolex Industries, Pune only, the procurement rate was to be 15 per cent less than the rate approved for the small scale industrial (SSI) units. Further, as per their instructions (June 2000), for procurement from M/s. Finolex Industries or any other large scale industries, open tenders were to be invited. In disregard of these instructions, three[†] ZPEDs purchased PVC pipes from M/s. Finolex Industries, Pune without either calling for open tenders or fixing up rates at 15 per cent below SSI rates. This resulted in extra expenditure of Rs.30.09 lakh on the procurement of PVC pipes valued at Rs.2.01 crore made by them during 1998-2002.

^{*} Bagalkot, Sagar and Shimoga

[†] Bidar, Sagar and Shimoga

Two^② ZPEDs purchased (1999-2002) submersible pump sets and accessories through open tenders at rates higher than those contained in the rate contract of the Stores Purchase Department (SPD). This involved extra expenditure of Rs.5.43 lakh.

The CE, RDED stated (September 2004) that the purchases were made based on the decision of the ZP, Shimoga which took into account aspects of quality. The decision of the ZP was in violation of orders of the Government and a system was in vogue for ensuring quality of supplies made by SPD approved firms.

2.1.4 The points brought out in the review were referred to Government in May 2004; reply had not been received (November 2004).

^② Sagar and Shimoga

SECTION 'B' – PARAGRAPHS

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.2 Sub-mission projects under Rajiv Gandhi National Drinking Water Mission

2.2.1 Introduction

The Zilla Panchayats (ZPs) were implementing sub-mission projects under Rajiv Gandhi National Drinking Water Mission for providing safe drinking water to rural habitations facing water quality problems like fluorosis, arsenic, brackishness, excess iron, etc. The Central Government which sanctioned these projects till 1997-98, delegated the powers of sanction to State Governments from 1998-99. The Central and State Governments provided funds for these projects in the ratio of 75:25 (50:50 for the projects sanctioned in 1998-99). At the State level, the Rural Development and Panchayat Raj Department monitored the implementation of sub-mission projects. The Chief Engineer/Engineer-in-Chief (CE/EIC), Rural Development Engineering Department (RDED) assisted by eight Superintending Engineers looked after the technical aspects. The Zilla Panchayat Engineering Divisions (ZPEDs) executed the projects. Audit reviewed (May/June 2002 and March to July 2003) the implementation by undertaking a test-check of records covering the period 1998-2003 in thirteen³ ZPEDs and in the office of the CE, RDED. Important points noticed are detailed in the succeeding paragraphs.

2.2.2 Delay in implementation

**Rs.19.01 crore
remained
unproductive**

Of the 90 sub-mission projects, estimated to cost Rs.358.87 crore, approved by the State Level Committee (SLC)/Empowered Committee (EC) during 1998-2003, only 38 were administratively/technically sanctioned and 37 were taken up for execution. Against the normal period of completion of two years, only seven projects were completed as of April 2003. Expenditure of Rs.19.01

³ Bagalkot, Bellary, Chikballapur, Chitradurga, Davanagere, Dharwad, Hadagali, Harapanahalli, Haveri, Kolar, Koppal, Karwar and Mandya

crore incurred on 27 incomplete projects taken up till March 2001 not only remained unproductive, but safe drinking water was denied to target population. The CE, RDED stated (June 2004) that action was being taken to complete all the ongoing projects during 2004-05.

2.2.3 Appointment of private consultants and fixing fees without proper justification

Appointment of private consultants lacked justification and fixation of rates of consultancy was arbitrary

The guidelines for sanctioning sub-mission projects did not contemplate appointment of private consultants for preparation of project reports. Private consultants were, however, engaged and the basis of selection was not transparent. The records showing the fixation of consultation fee were also not made available. The CE, RDED stated (June 2004) that rate of consultation fee adopted was lower than the one obtained (2.77 per cent) in another similar World Bank aided project. Records relating to that World Bank aided project were also not made available to Audit. From the panel of 23 consultants prepared by the CE up to March 2002, 10 consultants were appointed on trial basis as their technical expertise was not readily acceptable.

2.2.4 Excess expenditure towards consultancy charges

Expenditure on consultancy charges far exceeded the ceiling

As Rs.71.15 crore was available for sub-mission projects during 1998-2003, consultancy charges should have been limited to Rs.1.42 crore, at 2 per cent of fund availability. But ZPEDs paid Rs.4.36 crore in addition to a liability of Rs.13 crore. The CE, RDED stated (June 2004) that consultancy charges were paid according to the agreements, without stating that agreements were themselves without proper sanction.

2.2.5 Excess payment of consultancy charges

Rs.96.15 lakh were paid in excess of entitlements

Four ZPEDs paid during 1999-2003, Rs.96.15 lakh in excess of entitlements of consultancy charges (Appendix 2.1). The CE, RDED stated (June 2004) that excess payments wherever noticed would be recovered.

2.2.6 *Unproductive payment of consultation charges and non-levy of liquidated damages*

Payment of consultancy charges of Rs.3.08 crore was made for projects not cleared

Ten* ZPEDs paid Rs.3.08 crore during September 1999 to March 2002 towards consultancy charges for projects which were yet to be cleared (March 2003), which was irregular. The CE, RDED stated (June 2004) that the project reports so prepared would be useful as and when the projects were implemented.

The SLC prescribed the following time schedule for the preparation of various stages of project report.

Conceptual Design Report	within 3 weeks of entrustment of work
Draft Engineering Survey Report	within 10 weeks
Final Report with tender documents	within 15 weeks

Though test-check disclosed that the private consultants did not adhere to the schedule, the ZPEDs did not levy liquidated damages in the form of penalty. The CE, RDED stated (June 2004) that instructions had been issued to ZPEDs to assess and recover liquidated damages in cases of delay.

2.2.7 *Implementation of sub-mission projects*

Undue favour

Project costing Rs.3.58 crore was entrusted to a Trust in violation of Rules

In disregard of provision of Karnataka Public Works Departmental Code and the Karnataka Transparency Act, 1999, Government entrusted (November 2000) execution of Murudeshwar Water Supply Scheme in Bhatkal taluk of Uttara Kannada district to a private Trust. The Trust agreed to make local contribution of 25 per cent of the cost (Rs.3.58 crore) of the project. Though according to instructions (March 1999) the local/public contribution was to be collected in advance, Rs.84 lakh was collected by deduction from work bills. Out of the water pumped every day from the scheme, eight lakh litres were being consumed by the Trust, without payment. The CE, RDED stated (June 2004) that recovery of charges was under consideration.

* Bagalkot, Bellary, Bidar, Chikmagalur, Davanagere, Kolar, Koppal, Madikeri, Mandya and Tumkur

Extra cost

Non-acquisition of land before entrustment of work led to extra cost of Rs.17.84 lakh

Execution of a water supply scheme to Bylachinta and 8 villages in Bellary taluk was entrusted (April 2000) to a contractor for completion within 18 months. After entrustment, legal disputes arose and the site of work was changed. The ZP, however, did not ensure that all the items of work included earlier were still required to be executed in the new site of construction. The Superintending Engineer inspected (January 2002) the work and directed that Cuddappah stone flooring need not be provided to the impounding reservoir, as originally sanctioned, as the soil strata of the changed site of reservoir head works did not allow percolation. Had the ZPED acquired land without disputes or at least modified the original estimate on change of site, there would have been no necessity of retaining Cuddappah stone flooring within the scope of work. With the exclusion of this item, the rates of contractor who had quoted the second lowest had become the lowest and the resultant extra cost was Rs.17.84 lakh. The CE stated (June 2004) that site litigation was not foreseen. This could have been avoided had suitable land been acquired before hand, as required.

2.2.8 Water supply schemes without definite source of water

Details of four water supply schemes in two ZPEDs for which the river 'Bhima' was source of water are indicated below:

Water supply scheme	Zilla Panchayat Engineering Division	Estimated cost (Rupees in crore)	Status of execution
Devalaghanagapur and four villages in Afzalpur taluk	Gulbarga	1.98	Work entrusted on tender basis in September 2002 was in progress (April 2003).
Tornur and two villages in Chittapur taluk	Gulbarga	0.50	Work entrusted on tender basis in December 2002 was in progress (April 2003).
Malla(K) and nine villages in Jewargi taluk	Yadgir	2.55	Works awarded (August 2002) on tender basis were in progress (April 2003).
Kowloor and seven villages in Yadgir taluk	Yadgir	1.98	
Total		7.01	

Water supply schemes with doubtful sources of water were taken up

River 'Bhima' dries up for about six months in a year and in the absence of definite water sources, supply of safe drinking water from these schemes throughout the year may not be possible.

The ZPED, Bidar paid (August 2001 to March 2003) fees of Rs.45.04 lakh to a private consultant for preparation of project reports of water supply schemes in 10 clusters. The source for these schemes was 'a reservoir'. Permission from Government for use of the water in the reservoir had not, however, been obtained (May 2004).

2.2.9 Recommendations

- ❖ Projects already taken up need to be prioritised for completion, instead of taking up additional projects.
- ❖ Appointment of private consultants and fixation of consultancy charges may have to be reviewed and procedures standardised.

2.2.10 Response of Government

The matter was referred to Government in March 2004; reply had not been received (November 2004).

2.3 Ineffective implementation of Desert Development Programme

2.3.1 Introduction

The Desert Development Programme (DDP) was implemented in the State from April 1995 in 22 blocks having hot and arid zones with low rainfall and depleting ground water table. The main objectives of DDP were development of lands in these blocks and improving social and economic condition of resource poor. Audit test-checked (January-May 2003) the implementation of DDP in 10* taluks, covering the period 1995-2003. Important points noticed are detailed below.

* Bagalkot, Bijapur, Devadurg, Hadagali, Harapanahalli, Jamkhandi, Koppal, Kudligi, Kushtagi and Raichur

2.3.2 Planning process

Absence of long term plan

Long term perspective plans were not prepared

The State Government did not prepare a long term perspective plan covering a period of 15 years, for the treatment of drought prone/hot and arid areas. The Zilla Panchayats (ZPs) also did not prepare a perspective plan for treatment of areas over a period of 15 years. The Government/ZPs did not conduct basic survey of areas by deploying specialised departments and utilising scientific methods such as bench mark survey, satellite imagery, contour surveys, etc.

Action Plan

Action Plans were deficient in many ways

The Action Plans prepared by the ZPs were deficient as they were based merely on topo sheets/contour maps. Exact location of structures like check dams, boulder checks, contour bunds, etc., was not reflected. They were approved belatedly involving a delay of 1 month (Batch IV/Bagalkot district) to 68 months (Batch I/Bijapur district) and proper exit protocol was not in place. Involvement of Self Help Groups (SHGs)/ User Groups (UGs) in their preparation was not apparent.

2.3.3 Financial management

Non-receipt of assistance

Due to tardy implementation and non-fulfilment of conditions, assistance of Rs.78.91 crore was not received

Due to non-adherence of conditions like utilisation of more than 50 per cent of funds of previous instalments at the time of claiming next instalment, satisfactory physical progress and production of audited statement of accounts, assistance of Rs.78.91 crore (Central assistance - Rs.59.18 crore and State share - Rs.19.73 crore) was not received as of March 2003. Even the reduced releases were not fully utilised. The details were as follows:

Batch	Assistance to be received			Assistance actually released			Assistance not received			Expenditure
	Central	State	Total	Central	State	Total	Central	State	Total	
	(Rupees in crore)									
I	21.94	7.31	29.25	17.94	5.98	23.92	4.00	1.33	5.33	21.93
IV	16.88	5.63	22.51	5.62	1.87	7.49	11.26	3.76	15.02	7.07
V	8.60	2.87	11.47	2.66	0.89	3.55	5.94	1.98	7.92	1.89
VI	38.14	12.71	50.85	9.30	3.10	12.40	28.84	9.61	38.45	8.32
VII	16.20	5.40	21.60	7.06	2.35	9.41	9.14	3.05	12.19	4.34
Total	101.76	33.92	135.68	42.58	14.19	56.77	59.18	19.73	78.91	43.55

Adequacy of public participation

No assurance on public participation in the form of voluntary donation, labour, raw materials, etc., at 5 per cent of the cost of investment on works to benefit communities and at 10 per cent on cost of works for group beneficiaries was obtained in any of the ZPs. Further, full information on public participation actually obtained was not forthcoming.

2.3.4 Programme implementation

Project entrustment

Involvement of NGOs was not to the level expected

As against 832 watershed projects sanctioned by the Government of India, the ZPs took up 838^e projects during 1995-2003 in six batches (I and IV to VIII). They were in various stages of implementation. Non-Governmental Organisations (NGOs) were Project Implementing Agencies (PIAs) for 160 of these projects and District Watershed Development Officers (DWDOs) and other Government agencies were PIAs for the balance of 678 projects. The ZPs entrusted works to NGOs without assessing their competence. From 2001-02, no project was entrusted through NGOs.

^e Six watershed projects were executed at a cost of Rs.1.24 crore in Batch I by the ZP, Bijapur in excess of those sanctioned, by reducing the unit cost admissible, without approval from the Government

Project execution

Batch-wise details of watershed projects sanctioned and completed, areas to be treated, etc., as of May 2003, as furnished by the State Government, were as under:

District	Number of blocks	Number of projects sanctioned							Number of projects completed	Ongoing projects	
		I ^a 1995-96	IV 1998-99	V 1999-2000	VI 2000-01	VII 2001-02	VIII 2002-03	Total		Number	Area in hectares
Bagalkot	6	24	18	6	49	35	38	170	0	170	85000
Bellary	4	29	40	29	20	24	26	168	29	139	69500
Bijapur	5	41	15	10	76	47	47	236	0	236	118000
Davanagere	1	0	9	0	7	8	8	32	0	32	16000
Koppal	3	0	9	3	18	21	21	72	0	72	36000
Raichur	3	36	9	3	56	25	25	154	36	118	59000
Total	22	130	100	51	226	160	165	832	65	767	383500

Tardy implementation led to retention of Rs.13.22 crore in ZPs and other agencies

Of the 130 watershed projects of Batch I, only 50 per cent had been completed with a delay of five years. None of the watershed projects of Batches IV and V (slated for completion in 2001-02 and 2002-03 respectively) was completed. The tardy implementation of projects not only delayed the flow of benefits to the target poor but also resulted in substantial funds of Rs.13.22[¶] crore being retained in ZPs and other agencies without being utilised for the intended purposes. Completion reports for the projects were not placed on record. There was also no documentary evidence of the completed projects being handed over to the Watershed Associations (WAs)/Watershed Committees (WCs) of the Grama Panchayats.

Capacity building

Adequate capacity building was not ensured

Two[€] ZPs did not provide any training to Watershed Development Teams, as part of capacity building. In the ZP, Bijapur information on training imparted was not forthcoming. The ZP, Davanagere stated (May 2003) that in the absence of expertise in the ZP, the PIA was instructed to impart training. The details of training imparted by the PIA were not, however, available. The ZP, Bagalkot spent the entire allocation (Rs.44.10 lakh) earmarked for training during 2001-02, for soil conservation/scarcity works. Thus, funds provided

[#] Each financial year beginning from 1995-96 was treated as one Batch. Government did not sanction Batches II and III during 1996-97 and 1997-98

[¶] Releases Rs.56.77 crore less expenditure Rs.43.55 crore referred in paragraph 2.3.3

[€] Davanagere and Raichur

for capacity building were not utilised fully and meaningfully as envisaged in programme guidelines.

Improper selection of watersheds

Irregular selection of watersheds was made in areas of submergence and command area

In the ZP, Bagalkot, five watersheds (estimated cost - Rs.1.50 crore) under Batches VII and VIII were taken up in villages which were fully/partially to be submerged in the waters of Upper Krishna Project. Similarly, areas to be benefited from nine watersheds (estimated cost - Rs.2.40 crore) under Batches IV to VI were also to be fully/partially submerged. The ZP, Bagalkot stated (April 2003) that even if the villages were submerged partially, watershed activities would not be affected. The reply is not acceptable as the benefits would not flow to the extent anticipated in the absence of villages and due to reduction of beneficiary population of the villages that came under submergence.

The DWDO, Raichur incurred (1999-2003) expenditure of Rs.67.50 lakh on watersheds in three* villages even though these villages fell under the command area of Tungabhadra Project. The DWDO stated (March 2003) that though the villages were part of command area of Tungabhadra Project, the farmers did not get water, without furnishing reasons for non-supply of water from the major irrigation project.

Irregular/doubtful expenditure

Irregular expenditure of Rs.83.81 lakh was incurred; Rs.26.25 lakh of which was doubtful

There was irregular/doubtful expenditure of Rs.83.81 lakh incurred by four ZPs and an implementing agency, as detailed below:

Agency	Year	Amount (Rupees in lakh)	Remarks
DWDO, Bellary	2002-03	0.60	Funds were utilised for electrification of office building.
ZP, Bagalkot	2001-03	12.68	Purchase of two cars and a jeep was without approval.
ZP, Bijapur	1998-2002	10.25	Money was spent on releasing fish seeds in rivers when rivers normally went dry. This made the expenditure doubtful.
ZP, Koppal	1998-2002	10.00	
ZP, Raichur	1998-2002	6.00	

* Gunadal, Gillesugar and Yerrigeri

Agency	Year	Amount (Rupees in lakh)	Remarks
ZP, Raichur	1995-96	34.50	Prior to getting approval from Government of India, 94 projects were entrusted (July 1995) to an NGO. Sanction was accorded only for 30 projects. Government of India did not accede to the subsequent request of the ZP to sanction all 94 projects. Meanwhile, the NGO incurred Rs.34.50 lakh towards administrative expenses, on 64 projects not sanctioned.
	1997-98	5.96	Salary was paid to staff though no separate staff was identified for DDP.
	1999-2000	3.77	Purchase of jeep was made though not provided for.
	2001-02	0.05	Advance paid to Ex-President of ZP was not adjusted.
Total		83.81	

Improper implementation

Verification disclosed non-execution of works (Rs.1.93 crore) and sub-standard works (Rs.3.26 crore)

A detailed verification (2000-01) of works executed under the programme in Bijapur district under Batch I (1995-99) by the Chief Executive Officer (CEO), ZP, Bijapur at the Government direction disclosed that works costing Rs.97.36 lakh reportedly executed by NGOs, were not actually executed. Besides, plantation works taken up at a cost of Rs.95.66 lakh were doubtful as no plants existed. Based on a similar verification in Bagalkot district, the CEO reported to Government that the entire amount of Rs.3.26 crore spent in the district under Batch I was on works of sub-standard quality. Action taken to fix responsibility for the irregularities had not been communicated (November 2004).

2.3.5 Inadequate internal controls

Existing internal controls were not adequate

Internal controls in place were inadequate as the ZPs did not issue instructions on the accounting and reporting procedures to be followed by the PIAs and others involved in the implementation of the programme and the internal audit of the accounts of the PIAs/WCs was not conducted in four^a ZPs. The cash balances exhibited in the cash books and bank pass books were not reconciled in any of the ZPs. The assets created under the programme were not documented, affecting maintenance.

^a Bagalkot, Bellary, Davanagere and Raichur

2.3.6 Monitoring

Monitoring was deficient

A State level Watershed Development Committee to co-ordinate work of various departments, and to monitor and review implementation was not constituted. The District Watershed Development Committee which was to meet at least once in a quarter was not at all constituted in Koppal district and in other districts, it did not meet at the intervals prescribed.

2.3.7 Evaluation

Effective follow up of evaluation studies was lacking

Evaluation studies conducted (2001-03) by University of Agricultural Sciences and others, on execution of works in Batch I disclosed among other things that (1) the NGOs entrusted with execution of works lacked technical expertise and their plans and estimates were not got scrutinised and execution of works not supervised by line departments (Koppal and Raichur); (2) groups like Watershed Development Teams/SHGs/UGs/WAs/WCs envisaged in guidelines were either not constituted or not functioning as required; and (3) there was no perceptible change in the areas after DDP works were executed (Bellary). Details of action taken on the evaluation studies were not apparent.

2.3.8 The matter was referred to Government in July 2003; reply had not been received (November 2004).

2.4 Unproductive expenditure and long delay in completion of water supply schemes

By not ensuring adequate water to the water supply scheme sanctioned for Hulkoti and other two villages, expenditure of Rs.1.27 crore incurred on it remained unproductive, besides denial of assured safe drinking water facility to the needy villages. The completion of Holalu water supply scheme was delayed for 12 years leading to cost escalation and postponement of benefits despite an investment of Rs.76.05 lakh

(1) The Engineer-in-Chief, Public Health Engineering, Bangalore accorded (August 1991) technical sanction for the water supply scheme to Hulkoti village in Gadag taluk. The estimated cost of the scheme was Rs.41.77 lakh. The scheme aimed at providing assured supply of water from Gadag-Betageri water supply scheme to Hulkoti village, in addition to

covering two other villages of Binkadakatti and Asundi, as the existing water supply scheme in the villages did not have dependable sources of water.

The Zilla Panchayat Engineering Division (ZPED), Gadag took up execution of works departmentally during 1991-92. After completion of the civil works and procurement of pumping machinery at a cost of Rs.64.48 lakh, the work was stopped during 1996-97. Deposit of Rs.62.78 lakh was subsequently made (March 1996 to March 2000) to the Karnataka Urban Water Supply and Drainage Board which was responsible for the maintenance of Gadag-Betageri water supply scheme, towards apportioned cost of supplying 0.29 million gallons of water per day for the Hulkoti scheme.

The scheme was not completed (November 2003) and the pumping machinery procured was not installed. The Executive Engineer, ZPED, Gadag stated (November 2003) that supply of water to Hulkoti scheme, at this stage, was not feasible and that the scheme would be part of the second stage of the Gadag-Betageri scheme. Government sanction for the second stage was not accorded even as of November 2004.

The investment of Rs.1.27 crore (Rs.64.48 lakh and Rs.62.78 lakh) remained unproductive (December 2003) for three to six years, besides resulting in denial of adequate safe drinking water to the needy villages of Hulkoti, Binkadakatti and Asundi.

The matter was referred to Government in October 2003; reply had not been received (November 2004).

(2) The Government accorded (April 1992) administrative approval for providing safe drinking water supply to Holalu village in Hadagali taluk of Bellary district, at an estimated cost of Rs.42 lakh to be provided by Hyderabad Karnataka Area Development Board (HKADB). The Chief Engineer, Public Health Engineering, Bangalore accorded (July 1992) technical sanction for the work. Both administrative approval and technical sanction did not specify the target date of completion of the work.

The ZPED, Harapanahalli took up the work departmentally from 1995-96 reportedly after release of funds, for completion by March 1998. On formation (June 1998) of the ZPED, Hadagali, the work was transferred to its jurisdictional control. Till 2000-01, the two ZPEDs incurred expenditure of Rs.76.05 lakh on jack well (Rs.8.56 lakh), pumping machinery (Rs.2 lakh), raising main (Rs.10 lakh), water treatment plant (Rs.31.09 lakh), quarters (Rs.6.04 lakh), overhead tank (Rs.6.48 lakh) and others (Rs.11.88 lakh).

The Chief Executive Officer, Zilla Panchayat (ZP), Bellary instructed (March 1999) that without getting approval for the revised estimate of Rs.1.23 crore based on Schedule of Rates for 1996-97, forwarded for approval to the Government (December 1998), no expenditure on the work should be incurred. Work on the scheme was, therefore, suspended from 1999-2000 except for making (1999-2001) payments for works valued at Rs.11.55 lakh already executed. The Government was yet (November 2004) to accord approval to the revised estimate of Rs.1.23 crore, which included provision of water supply to another village at a cost of Rs.12 lakh.

The Executive Engineer (EE), ZPED, Hadagali, however, stated (March 2003) that tenders would be invited to complete the balance of works on turn-key basis by obtaining additional funds from the ZP, Bellary and HKADB. Apart from delay of three years in release of funds after administrative approval, the EE, ZPED, Hadagali did not furnish other reasons for delay in completion of works. He pointed out that arrangements were made to supply untreated water from Tungabhadra river, from May 1996.

Thus, inordinate delay of more than 12 years in completion of the water supply scheme not only rendered the outlay of Rs.76.05 lakh remaining largely idle but also resulted in denial of the benefit of safe drinking water to the village of Holalu, besides cost escalation. In the process, investment of Rs.31.09 lakh incurred on water treatment plant did not serve the purpose for more than five years, as only raw water was being supplied. The delay of more than 12 years could have been avoided with adequate planning, funding, execution and monitoring.

The matter was referred to Government in March 2003; the Government endorsed (July 2004) the replies of the Chief Engineer, Rural Development Engineering Department, which contained only the factual position and added that the scheme was commissioned. No reasons were attributed by the Government for the long delay in completion of the project. The EE, ZPED, Hadagali stated in December 2004 that construction of elevated level service reservoir, installation of generator set, pipeline to Budanoor village and rearranging existing distribution system in Holalu village, estimated in all to cost Rs.26.75 lakh were yet to be executed.

2.5 Unproductive outlay on incomplete minor irrigation tanks

Long delays in completion of 11 minor irrigation tanks resulted in unproductive outlay of Rs.96.19 lakh and denial of irrigation facilities to 501 acres of land

Construction of minor irrigation tanks is taken up with the objectives of providing irrigation facilities to improve the economy of villages, increase the recharge of underground water, etc. Construction and maintenance of minor irrigation tanks with irrigable areas up to 40 hectares fall within the jurisdiction of the Zilla Panchayats (ZPs).

It was noticed (October 2003) during the audit of the accounts of the Zilla Panchayat Engineering Division (ZPED), Madhugiri that 11 minor irrigation tanks taken up for construction departmentally/on piece work basis remained incomplete for long periods even after investment of Rs.96.19 lakh (Appendix 2.2). The Executive Engineer, ZPED, Madhugiri generally attributed the delay in completion to lack of funds.

Non-completion of these works for periods ranging from 13 years to 23 years rendered the investment of Rs.96.19 lakh made on them unproductive, besides postponing the objectives sought to be achieved and also resulted in avoidable cost escalation. The delay also indicated that

- ❖ efforts made by the ZPED, Madhugiri for obtaining sufficient funds were not adequate

- ❖ the available funds were spread thin across many works instead of prioritising on works remaining incomplete
- ❖ the Chief Executive Officer, ZP, Tumkur did not take necessary measures for speedy execution of these works as envisaged in the Karnataka Panchayat Raj Act, 1993
- ❖ the Finance, Audit and Planning Committee of the ZP did not plan priorities properly, as required.

The matter was referred to Government in July 2003; reply had not been received (November 2004).

2.6 Irregular diversion of funds for construction

The Zilla Panchayat, Hassan constructed office building and shops by resorting to unauthorised diversions aggregating Rs.1.20 crore

The State Government accorded (August 1996) administrative approval for the construction of office building for the Zilla Panchayat (ZP), Hassan with provision for 40 rooms for being rented out on commercial basis. Estimated requirement of Rs.1.55 crore for the construction was to be met from collection of advance of Rs.2 lakh each from the 40 prospective tenants (Rs.80 lakh), savings in grants earmarked for administration of the ZP (Rs.14 lakh) and interest earned on the funds of Integrated Rural Development Programme, district sub-plan, authorised re-appropriations and loan from commercial banks (Rs.61 lakh).

The ZP, Hassan entrusted (March 1997) the construction to Rail India Technical and Economic Services (RITES), a Government of India enterprise. The project was to be completed in May 1999. As of May 2004, a total sum of Rs.1.97 crore was paid to RITES, out of the total expenditure of Rs.2.48 crore.

For the construction of the building, the ZP, Hassan utilised Rs.41.34 lakh from the grants of Employment Assurance Scheme (EAS) on the contention that it formed part of administrative expenses admissible under the scheme guidelines and Rs.44.65 lakh from proceeds of the sale of building and

surrounding land of the District Industrial Training Centre (DITC), Hassan to Government Tool Room and Training Centre, Bangalore. A sum of Rs.34 lakh was reappropriated from other heads of accounts.

Such funding of the construction was irregular as

- ❖ the guidelines of EAS issued in November 1995 by Government of India provided for administrative expenses for strengthening the staff structure only
- ❖ the DITC building and land were disposed without approval of the Government, contrary to the provisions in the Karnataka Panchayat Raj Act, 1993. The ZP sought (May 2003) ratification orders from Government for the disposal, which were not received (June 2004)
- ❖ details of Government sanction for reappropriations from other heads of accounts were not available in the ZP.

From April 1999 to March 2000, the ZP, Hassan auctioned 28 out of the 40 rooms constructed, as shops and realised Rs.63.22 lakh, but refunded Rs.38.65 lakh to a few bidders due to cancellation of bids. The ZP, Hassan did not hand over possession of these shops to the successful bidders based on a decision (April 2002) of a Special Committee of the ZP to refund the amount realised with interest to the bidders, on the ground that functioning of the shops would hinder the working of ZP and that these could be utilised for meeting the shortage of space for ZP administration.

The ZP, Hassan intimated (June 2004) that while taking up the construction, the area of concentration was mainly on mobilisation of funds and that problems which would be encountered were not anticipated. The fact, however, remained that the 40 shops constructed with the intention of getting financial returns did not serve the purpose and as of June 2004, were yet to be put to use. Evidently, the planning was defective. Besides, utilisation of funds aggregating Rs.1.20 crore for the construction of office and shops by diversions (Rs.41.34 lakh) from the outlay of EAS mainly meant for providing employment in rural areas, by unauthorised appropriations of sale proceeds of

property (Rs.44.65 lakh) and by reappropriation (Rs.34 lakh) without Government sanction, was irregular.

The matter was referred to Government in February 2003. The Government endorsed (May 2003) the reply of the ZP, Hassan that justified the action by claiming that the ZP was entitled to administrative expenses at two per cent of the allocation made for EAS and that sanction from Government was sought for the utilisation of sale proceeds of building and land of DITC. This justification is not acceptable as the administrative expenses admissible were for strengthening the staff structure and the Government did not accord prior/post-facto permission for the disposal of DITC building and land and sanction for reappropriations.

2.7 Delay in construction of shopping complex

The Taluk Panchayat, Holenarasipura took up construction of a shopping complex, without even considering the availability of funds, with the result the construction remained incomplete even after eight years; transfer of land for construction to Karnataka Housing Board for availing loan was made without agreement and examination of financial interests of the Taluk Panchayat

The Taluk Panchayat (TP), Holenarasipura, Hassan district decided (1995-96) to construct a shopping complex at Holenarasipura, at an estimated cost of Rs.50 lakh to be met from the funds provided for Jawahar Rozgar Yojana, meant primarily for generation of additional gainful employment for unemployed/under-employed persons in rural areas. The State Government did not approve of this proposal. In anticipation of approval, the Zilla Panchayat Engineering Division (ZPED), Channarayapatna took up the construction departmentally from August 1995. The estimate of the construction was revised to Rs.1.98 crore. The State Government accorded (May 1996) administrative approval for the revised proposal which included obtaining advance of Rs.1.86 crore from prospective occupiers of shops and loan from commercial banks/financial institutions for being used for the construction. The Chief Engineer, Communication and Buildings (South), Bangalore accorded (1997-98) technical sanction.

The TP first resolved (November 1996) and entrusted the work to Karnataka Land Army Corporation (KLAC). It subsequently entrusted (August 1998) the work to Karnataka State Construction Corporation (KSCC) for completion by February 2001. These agencies incurred a total expenditure of Rs.24.46 lakh (ZPED - Rs.15.15 lakh; KLAC – Rs.0.52 lakh and KSCC – Rs.8.79 lakh) as of April 1999.

The estimated cost of construction was revised to Rs.2.76 crore in 1998-99 and to Rs.2.98 crore in 1999-2000. As the TP could not raise the required funds for construction, Government accorded (August 1998) approval for raising a loan from the Housing and Urban Development Corporation (HUDCO), through the Karnataka Housing Board (KHB) which was to be treated as nodal agency. The HUDCO sanctioned (December 1998) a loan of Rs.2.24 crore to the KHB. As a part of the arrangement for availing the loan, the title of the land was temporarily transferred (May 2001) to the KHB. Besides, the TP also agreed to allow the KHB to collect the rent till the repayment of loan to HUDCO was completed. The land and building were to be transferred back to the TP, Holenarasipura after the loan was fully repaid from the rental revenue. No agreement to this effect was, however, entered into with the KHB despite the TP obtaining legal opinion suggesting such an agreement. The construction of the shopping complex was still in progress (June 2004) and an expenditure of Rs.1.90 crore was incurred.

Thus, by venturing into construction of a shopping complex without properly identifying the sources of finance, the TP, Holenarasipura could not get the work completed even after eight years.

In the process, the expenditure of Rs.24.46 lakh incurred from funds for Jawahar Rozgar Yojana (Rs.16.14 lakh) meant for providing employment opportunities to rural poor and from the share of Additional Stamp Duty (Rs.8.32 lakh) to be used for development activities, remained not only unfruitful, but contravened the guidelines. Further, the KHB was allowed to utilise rental revenue to repay the loan, which meant no benefit would accrue to TP and its community. Besides, the financial interests of the TP were not

protected as no agreement was entered into about the transfer back of property to TP by KHB after the loan is fully repaid to HUDCO.

The matter was referred to Government in June 2002; reply had not been received (November 2004).

2.8 Improper utilisation of funds earmarked for specific purposes

Three Taluk Panchayats in three Zilla Panchayats incurred expenditure of Rs.42.85 lakh during 1998-2003 from the share of Additional Stamp Duty, on inadmissible items

Under the powers vested on it through the Karnataka Panchayat Raj Act, 1993, Government levied a duty on the transfer of immovable property, in the form of Additional Stamp Duty (ASD) on instruments of sale, gift, mortgage, exchange or lease in perpetuity of all immovable properties situated within the area of the Taluk Panchayats (TPs) at a rate not exceeding three per cent of the value of the property/other value specified as set forth in the instrument. The entire amount collected as ASD was to be passed on to the TPs in proportion to the population of the taluk. According to the instructions issued (March 1998) by the Government, the share of ASD released should be utilised on programmes transferred to TPs by the Government and Zilla Panchayats (ZPs). Works like road works entrusted to ZPs could be taken up on the lines of deposit contribution work to ZP Fund. The share of ASD should not be utilised for making payment of salaries, travel expenses of members and officials of TPs on study tours, purchase of vehicles and for making contributions in excess of Rs.5000, without the approval of the Government.

In disregard of the instructions of the Government, three TPs (Alur, Pandavapura and Turuvekere) in three ZPs (Hassan, Mandya and Tumkur) incurred expenditure aggregating Rs.42.85 lakh on payment of honorarium to President and members of TPs, construction of TP/Grama Panchayat (GP) buildings, construction/repairs to religious places, purchase of furniture and

office equipment, construction of buildings, etc., as detailed below:

Serial number	Taluk Panchayat/ Zilla Panchayat	Amount spent (Rupees in lakh)	Period	Purpose
1	Alur/Hassan	3.90	1998-2002	Honorarium, furniture, construction and repairs to buildings, etc.
2	Pandavapura/ Mandya	30.55	1998-2003	Honorarium, construction of TP/GP buildings, construction and repairs to temples, sports activities, purchase of furniture, veterinary medicines, etc.
3	Turuvekeré/ Tumkur	8.40	1998-2001	Construction and repairs to temples and mosques, community halls, purchase of duplicating machine, etc.
Total		42.85		

On this being pointed out, the Government endorsed (September 2003) the replies of the TPs that these works were taken up based on the Action Plans approved by the TPs and ZPs. The replies were not tenable as the expenditure was not within the ambit of instructions issued by the Government in March 1998. Besides, no justification was furnished for not obtaining funds from the regular budget heads/programmes already in force for meeting expenditure on these works.

2.9 Non-utilisation of infrastructure and undue favour to a private Trust

Training infrastructure created at a cost of Rs.19.82 lakh remained initially without being utilised for want of teaching staff; its subsequent transfer to a private education Trust without prior approval from Government and non-collection of user charges resulted in undue favour to the Trust

The Government accorded (March 1990) sanction for the establishment of a District Industrial Training Centre (DITC) at Raichur for imparting training in approved courses in radio repairs, electrical, automobile and general engineering works and bore well repairs. A workshop and a hostel building were constructed at a cost of Rs.11.10 lakh. Electrical and mechanical equipment, etc., were also installed at a cost of Rs.8.72 lakh. With this infrastructure, the DITC was ready to impart training by the end of 1994.

The Director of Industries and Commerce, however, did not arrange for posting of Instructors and Assistant Instructors, with the result no training was imparted in the DITC. Based on a request made (August 1996) by a private

education Trust* (Trust), the Chief Executive Officer (CEO), Zilla Panchayat (ZP), Raichur agreed to spare the machinery subject to the Trust agreeing to pay service charges and to impart training under programme of Training of Rural Youth for Self Employment (TRYSEM). The Trust was to abide by the terms and conditions to be put forth from time to time. On these conditions, the workshop building and the machinery were handed over (April 1997) to the Trust. The ZP did not specify in the agreement, the service charges to be paid, the period of validity of the agreement and responsibilities.

The Joint Director, District Industries Centre, Raichur reported (September 2000) to the Additional Director (Viswa), Department of Industries and Commerce, Bangalore that the Trust had trained 158 persons during 1997-2000 on fitting, welding, tailoring and electro-mechanics, on collection of Rs.1000 to Rs.3000 as donation and Rs.2000 as annual fees from each of the trainees. Besides, the Trust also trained during 1997-98 two batches of 16 persons on bore well repairing and motor rewinding, under TRYSEM. Electrical power to the DITC was disconnected (July 2000) due to non-payment of power charges by the Trust for the previous three years and was not restored (November 2004).

The ZP demanded (December 2000) the Trust to return the building and the machinery, for implementation of departmental programmes. The Trust did not, on the ground that the conditions prescribed in April 1997 did not envisage such sudden handing over and requested (December 2000) to allow it to continue its activities in the interest of the trainees. The ZP issued (January and February 2001) eviction notices to the Trust, which in response obtained stay from the District Court. As of August 2003, the issue was still in Court.

The ZP neither obtained previous sanction of the Government, as required in the Karnataka Panchayat Raj Act, 1993, for the lease of property to the Trust nor collected charges for the use of infrastructure. Thus, transfer of building and machinery without prior approval of Government and non-collection of charges resulted in extending undue favour to the Trust.

* Pratigna Education Trust, Raichur headed by a former minister of the State

The matter was referred to Government in March 2003. The Government endorsed (May 2003) the replies of the ZP, Raichur, which contained only the factual position. Specific replies to the lapses brought out were not furnished.

2.10 Irregular release of subsidy

The Executive Officer, Taluk Panchayat, Hospet released subsidy of Rs.19 lakh under Ganga Kalyan Yojana in disregard of guidelines for implementation of the Scheme

With the objective of providing assistance to minor irrigation works taken up by small and marginal farmers living below poverty line (BPL), by exploitation of ground water through bore wells and tube wells, the Central Government launched Ganga Kalyan Yojana (GKY) from February 1997. Fifty per cent of the project cost was to be released as subsidy, in individual cases. The overall ceiling on subsidy for individual beneficiaries was Rs.5000 per acre of land subject to a ceiling of Rs.12500 per beneficiary.

The Executive Officer (EO), Taluk Panchayat (TP), Hospet received a sum of Rs.19 lakh* for implementation of GKY, during 1996-98 and released the sum to 152 beneficiaries at Rs.12500 per beneficiary. Scrutiny (October 2001) of the records relating to GKY maintained by the EO disclosed that

- ❖ in none of the 152 cases, the beneficiary was approved by the Grama Sabha in an open general body meeting, as required
- ❖ the BPL survey number was not borne on the records of the TP
- ❖ in 26 cases where information was furnished, subsidy had been allowed to those who had completed the minor irrigation works before the launch of GKY in February 1997.

The EO, TP, Hospet agreed (October 2001) to analyse the individual cases with reference to records of bank and furnish a detailed report. The report had not yet been received (November 2004).

The matter was referred to Government in February 2002. The Government endorsed (March 2003) the replies of the EO, TP, Hospet that as conducting

* 1996-97 – Rs.2.50 lakh and 1997-98 – Rs.16.50 lakh

Grama Sabha meetings was a lengthy process and the BPL list was not finalised during that year, subsidy was released to small and marginal farmers identified by the Tahsildar, to enable speedy implementation of the scheme. The fact, however, remained that the release of subsidy was not according to guidelines for implementing the scheme. Besides, when the subsidy was released, there was no documentary evidence to prove that the beneficiaries were fully eligible to receive the subsidy.

2.11 Irregularities in supply of defluoride filters

The Zilla Panchayat, Bellary arranged through a private manufacturer, supply of defluoride filters to individual beneficiaries, at a cost of Rs.13.21 lakh under Centrally Sponsored Sector Reforms Projects for Community Based Water Supply Scheme; subsequent verification disclosed irregularities in supply and non-fulfilment of conditions of supply

Under Community Based Water Supply Scheme forming part of the Centrally Sponsored Sector Reforms (Rural Water Supply) Pilot Projects, the Zilla Panchayat (ZP), Bellary, resolved in May 2001 to distribute individual defluoridation filters to cover 2000 families in six villages of two taluks of Bellary district. As against this, tenders were invited in May 2001 for the supply of 2202 filters and candles. The lone tender received in response was accepted on the ground that it was from the agency^a which was the sole manufacturer of the water filter and the candles specified. The agency supplied the filters and candles during June and August 2001 to the Grama Panchayats concerned. Payment of Rs.13.21 lakh was made during July and October 2001.

Before expanding the programme, the ZP, Bellary decided to evaluate the usage of filters already distributed and entrusted (January 2002) the evaluation study to Kannada University, Hampi. The study report submitted (March 2002) by the University disclosed the following major findings:

- ❖ Of the 2202 households to whom filters were reportedly distributed, only 1729 houses could be identified. Of the 1729 houses, the study

^a M/s. Sai Prasanthi Fluoride Exchange Systems, Prasanthi Nilayam, Andhra Pradesh

team could contact 1605 households. Of these, 632 households (39 per cent) did not receive the filters

- ❖ Thirty seven per cent of the households contacted did not use the filter at all and six per cent used them occasionally due to availability of alternative source of water
- ❖ No awareness camp was conducted by the firm either before or after distribution of filters, as required, even though conduct of such camps was included in the agreement for supply of filters
- ❖ Eighty eight per cent of households contacted did not change filter candles for lack of supply of candles by the firm, though required
- ❖ Many filter holders did not know about existence of service centre which the firm agreed to establish
- ❖ Thirty six per cent of the beneficiaries contacted did not pay the required contribution at 10 per cent of the cost.

It could, thus, be seen that the distribution of individual water filters under a community based rural water supply scheme was not only beyond the scope of the scheme, but also ill conceived, in view of the reported availability of alternative source of water in the villages concerned. Non-supply of filters, non-conduct of awareness campaign and inadequate use of filters indicated lack of effective supervision and monitoring by the ZP, Bellary. Thus, the expenditure of Rs.13.21 lakh incurred remained largely infructuous.

The matter was referred to the Government in May 2003. The Government endorsed (July 2003) the reply of the ZP, Bellary that since fetching daily potable water from canal/river was difficult, filters were distributed on trial basis and that the State Government had addressed (November 2002) the Central Government to permit individual beneficiary based scheme under the community based rural water supply scheme. The reply was not tenable as it was noticed in evaluation study that 43 per cent of the beneficiaries contacted used alternative source of water available and the individual beneficiary oriented approach was outside the Centrally Sponsored Scheme.

SOCIAL WELFARE DEPARTMENT

2.12 Irregularities in pre/post-matric hostels

Audit conducted a review of the working of pre/post-matric hostels run/aided by Social Welfare Department in four* Zilla Panchayats (ZPs) during 2002-2003. Records relating to admission to these hostels, procurement of food articles, supply of uniforms, etc., covering the years 1998-2003 were test-checked. Important points noticed are narrated in the succeeding paragraphs.

2.12.1 Location of hostels

Location of hostels in close proximity resulted in avoidable expenditure of Rs.53.87 lakh

According to the Rules for Recognition and Payment of Grants-in-aid to Scheduled Caste (SC)/Scheduled Tribe (ST) Pre-matric Hostels (April 1994), no two hostels should be located within a radius of five kilometres. In ZP, Kolar two pre-matric hostels for SC/ST students were located in rented accommodations within a radius of 1.5 kilometres, at Robertsonpet and Andersonpet for accommodating 25 and 35 inmates respectively. Maintenance of hostels at two different places resulted in avoidable expenditure of Rs.8.16 lakh (Rs.7.46 lakh on salaries and Rs.0.70 lakh on rent) incurred on the hostel at Robertsonpet. The Taluk Social Welfare Officer (TSWO), Bangarpet stated (April 2002) that the matter would be brought to the notice of the higher authorities for taking necessary action. Further developments had not been communicated (November 2004).

Similarly, in two other ZPs (Bijapur and Gulbarga), grants-in-aid aggregating Rs.45.71 lakh for private hostels located in the same place were released during 1998-2003 (Appendix 2.3). Two^Ω TSWOs stated that the Government sanctioned additional hostels based on the SC/ST population in the villages surrounding these places. The fact remained that this was in violation of Government's instruction, which did not provide for such contingency. Three[♦] TSWOs stated that the matter would be brought to the notice of the higher authorities.

* Bijapur, Gulbarga, Kolar and Tumkur

^Ω Basavana Bagewadi and Gulbarga

[♦] Chittapur, Jewargi and Sindagi

2.12.2 Construction of hostel buildings

Time overruns in completion of hostels resulted in investment of Rs.1.44 crore remaining unproductive

The hostel buildings taken up for construction were to be completed within two years. However, construction of nine hostel buildings in Bijapur district, remained incomplete rendering the investment unproductive, as detailed below:

Hostel at	Taluk	Agency	Entrusted during	Estimated cost	Amount released
				(Rupees in lakh)	
Sindagi	Sindagi	Nirmithi Kendra, Bijapur	April 2000	37.76	37.76
Hosali	Indi		August 2000	18.83	18.83
Kakandaki	Bijapur	Karnataka Land Army Corporation	2000-01	21.15	10.55
Babanagar				21.10	10.55
Davalagi	Muddebihal			27.60	8.50
Konnur				28.30	14.15
Rakkasagi				29.67	14.83
Aski	Sindagi			28.85	14.55
BB Ingalagi				29.34	14.67
Total				242.60	144.39

Sixteen other hostel buildings taken up for construction in three ZPs (Bijapur-3, Gulbarga-5 and Tumkur-8) were not completed by the due dates and the delay ranged from 3 months to 30 months. Rent aggregating Rs.4.83 lakh was paid from the due dates of completion to February/March 2003.

2.12.3 Procurement of food articles

Extra expenditure of Rs.37.55 lakh was incurred on procurement of food articles

The food articles for the inmates of the hostels were to be procured through Public Distribution System at controlled prices/Janata Bazaars/Co-operative Societies/Open tenders. It was generally noticed that competitive rates were not obtained/paid for resulting in extra expenditure of Rs.37.55 lakh (Appendix 2.4).

2.12.4 Procurement of uniforms and beddings

Extra/
irregular
expenditure of
Rs.47.76 lakh
was incurred

There was extra/irregular expenditure of Rs.47.76 lakh in procurement of uniforms and beddings by DSWOs as detailed below:

Zilla Panchayat	Period	Extra/irregular expenditure (Rupees in lakh)	Remarks
Tumkur	1998-99 to 2000-01	11.52	As against admissible expenditure of Rs.23.66 lakh on uniforms, the DSWO, Tumkur had incurred expenditure of Rs.35.18 lakh.
Gulbarga	2000-01	3.02	As against admissible expenditure of Rs.12.56 lakh, the DSWO, Gulbarga had incurred Rs.15.58 lakh (excluding stitching charges).
	2001-02	5.40	2615 sets of bedding supplied were found, on inspection, to be not of the quality assured.
Bijapur	1998-2001	5.17	Uniforms were supplied after the closure of academic year, defeating the purpose of supply.
Gulbarga	1999-2002	4.24	
Kolar	1998-2002	18.41	
Total		47.76	

2.12.5 Inadequate inspection/controls

Internal controls
through
inspections were
inadequate

The TSWOs were to draw up monthly tour programmes for inspecting various hostels under their control and to submit notes of inspection to their higher authorities. This procedure was not being followed by many of the TSWOs in the districts test-checked. A joint inspection by Audit and TSWOs, of 41 hostels disclosed that at the time of inspection, the number of students actually present was less than the number reportedly enrolled. The Superintendents of hostels were expected to obtain from schools, attendance certificates of inmates of hostels to ensure that they attended schools regularly. Such certificates were not being obtained and verified in the districts test-checked.

2.12.6 Other points of interest

Inadmissible expenditure on security guards

Other
inadmissible and
avoidable
expenditure
aggregated
Rs.1.18 crore

Security guards were to be posted to girls hostels only. Private security services were, however, deployed in post-matric boys hostels in Gulbarga district and expenditure of Rs.4.32 lakh was incurred on them during the period 1999-2003.

Avoidable expenditure

In three ZPs, admission of students far in excess of sanctioned strength and non-provision of accommodation in hostels resulted in extra expenditure of Rs.1.14 crore as detailed below:

Zilla Panchayat	Avoidable expenditure (Rupees in lakh)	Remarks
Kolar	45.41	In two post-matric hostels (Chikballapur and Chintamani), 2618 students were admitted during 1999-2002, as against sanctioned strength of 1200. Had the excess strength been treated as day scholars and paid scholarships admissible to them, extra expenditure could have been avoided.
Tumkur	16.99	The post-matric hostels at Korategere did not provide living accommodation to any student. The available rented accommodation was utilised for cooking and feeding students. The students were paid rent at Rs.30 per month. Had the students been paid scholarships alone treating them as day scholars, extra expenditure could have been avoided.
Gulbarga	51.15	No living accommodation was provided to students in two post-matric hostels (Surpur and Shahapur). Rented accommodation was utilised for cooking and feeding. Had the students been treated as day scholars and paid scholarship admissible, extra expenditure could have been avoided.
Total	113.55	

2.12.7 Recommendations

- ❖ Location of hostels may have to be reviewed to stop continued avoidable expenditure.
- ❖ Construction of new hostel buildings needs to be speeded up by close monitoring.
- ❖ Systems in place for procurement of food articles and other requirements of hostels would require revision to check irregularities of the type brought out.

- ❖ Inspection of hostels at various levels needs to be standardised in keeping with the present requirements and such standards strictly followed.

2.12.8 The matter was referred to Government in June 2003; reply had not been received (November 2004).

INFORMATION, TOURISM AND YOUTH SERVICES DEPARTMENT

2.13 Incomplete sports stadia

Inadequate flow of funds for construction of stadia resulted in idle investment of Rs.55.53 lakh and cost overruns

The Government accorded administrative approvals for the construction of four sports stadia at Holalkere, Hosadurga, Challakere and Hiriyur taluks of Chitradurga district, between April 1994 and July 1997, at a total estimated cost of Rs.1.21 crore, as detailed below:

Stadium at	Administrative approval accorded in	Estimated cost (Rupees in lakh)
Holalkere	April 1994	21.00
Hosadurga	January 1996	26.90
Challakere	August 1996	35.10
Hiriyur	July 1997	37.85
Total		120.85

While according administrative approvals, the Government made it clear that it would not provide funds for the construction and that the funds required would have to be found from Zilla Panchayat (ZP) funds, by raising public contribution, and by seeking grants from Central Government. Taluk Level Stadium Committees (TLSCs) were constituted to monitor progress in construction.

Based on the advice of the TLSCs, construction of the stadia was entrusted to the Karnataka Land Army Corporation (KLAC), a State Government undertaking, between October 1994 and July 1997, without stipulating target date of completion. As of April 2003, although a total expenditure of

Rs.55.53 lakh was incurred, the stadia remained incomplete as indicated below:

Stadium at	Work commenced in	Expenditure (Rupees in lakh)	Percentage of work completed	State of work	
				Completed	Balance
Holalkere	October 1994	15.60	50	One part of pavilion and ground levelling	Another part of pavilion, fencing, etc.
Hosadurga	January 1997	13.52	25	Ground levelling and pavilion foundation	Pavilion building
Challakere	July 1997	9.08	25	Ground levelling and chain link fencing	Pavilion building
Hiriyur	1997	17.33	30	One part of the pavilion	Another part of pavilion and ground levelling
Total		55.53			

Meanwhile, the KLAC revised the estimates to Rs.1.59 crore, as against the original estimates aggregating Rs.1.21 crore for construction of these stadia.

The District Youth Services and Sports Officer, Chitradurga attributed (May 2003) the cost and time overruns to non-release of funds to KLAC in time. He also stated that the ZP had not mobilised its own contribution from savings and that no public contribution was received despite making efforts. Compliance to the observations of the Central Government on the proposals for seeking grants from them was being attended to (September 2003). Evidently, effective and timely action was not taken to obtain and release funds required for completion of the stadia.

The Government while according (January 1996) administrative approval for the construction of stadium at Hosadurga stipulated that the work had to be completed during 1996-97 and no other fresh construction of taluk level stadium should be undertaken. The Government themselves, however, accorded in August 1996 and July 1997 administrative sanction for the construction of two more stadia at Challakere and Hiriyur respectively, without ensuring completion of stadium at Hosadurga.

Thus, thin spread of available funds on a number of works and failure to ensure adequate flow of funds for the works taken up resulted in time and cost

overruns. The cost overrun of Rs.38.20 lakh was likely to increase. The expenditure of Rs.55.53 lakh already incurred remained locked up, without serving the intended purpose. Besides, the objective of creating infrastructure for sports at taluk level was frustrated.

The matter was referred to Government in February 2003. Government stated (August 2003) that a detailed report had been called for from the Commissioner of Youth Services and Sports and that replies would be furnished early. Reply, however, had not been received (November 2004).

2.14 Non-functioning of a sports hostel

Sports hostel constructed and equipped at a cost of Rs.30.24 lakh remained non-functional for more than four years due to not providing funds for running it

The Zilla Panchayat (ZP), Mandya entrusted (1994-95) construction of a sports hostel at an estimated cost of Rs.34.39 lakh to the Karnataka Land Army Corporation. The hostel was intended to accommodate selected persons for providing training in sports with free board and lodging facility. The District Youth Services and Sports Officer (DYSSO), Mandya released funds aggregating Rs.29.54 lakh for the construction during 1994-99. The hostel was partially completed in phases between October 1995 and March 1998. A television set, sports equipment and other dead stock articles costing in all Rs.0.70 lakh were also procured during 1994-99. During this period, a total of 106 persons were trained.

Following withdrawal of the scheme of running sports hostels from the purview of ZPs from 1999-2000, no grant was released both for completion of the building and for running the hostel. No inmates were allotted to the hostel and the building and equipment costing Rs.30.24 lakh remained idle. The DYSSO, Mandya stated (April 2002) that proposal to restart the hostel was submitted to the Government through the ZP and that a sum of Rs.20 lakh was earmarked in the budget for 2002-03. Even as of February 2004, the hostel was not, however, restarted.

Thus, due to non-release of funds, the hostel remained non-functional for more than four years and the investment of Rs.30.24 lakh made on it remained idle, frustrating the purpose for which the investment was made.

The matter was referred to Government in April 2003; Government forwarded (February 2004) the reply of the Commissioner of Youth Services and Sports, Bangalore that the reopening of the hostel was taken up (January 2004) with the Sports Authority of India.

**RURAL DEVELOPMENT AND PANCHAYAT RAJ,
EDUCATION, FINANCE, AND FOREST, ENVIRONMENT
AND ECOLOGY DEPARTMENTS**

2.15 Follow up on Audit Reports

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

ATNs for the Report of the Comptroller and Auditor General of India (Zilla Panchayats) for the year ended 31 March 2001, which was presented to the Legislature on 29 March 2003, had not, however, been received by Audit as of November 2004. Number of observations for which ATNs were due, department-wise, is indicated below:

Serial number	Department	Number of	
		Paragraphs	Reviews
1	Rural Development and Panchayat Raj	6	1
2	Education	2	-
3	Finance	1	-
4	Forest, Environment and Ecology	1	-

The Report featured among others, fraudulent drawal of grants-in-aid (Paragraph 2.3), misappropriation of Government funds in Zilla Panchayats (Paragraph 2.6) and misappropriation of funds drawn by Range Forest Officer (Social Forestry), Tumkur (Paragraph 2.4). The Government had not communicated (November 2004) details of action taken to plug loop holes in the system that led to the serious financial irregularities. Concerned Departments need to be instructed to prepare and forward to Karnataka Legislative Assembly Secretariat, ATNs on the paragraphs/reviews featured in the Audit Reports, timely.

BANGALORE
The

22 MAR 2005

K. P. Lakshmana. Rao

(K.P.LAKSHMANA.RAO)
Principal Accountant General
(Civil and Commercial Audit)

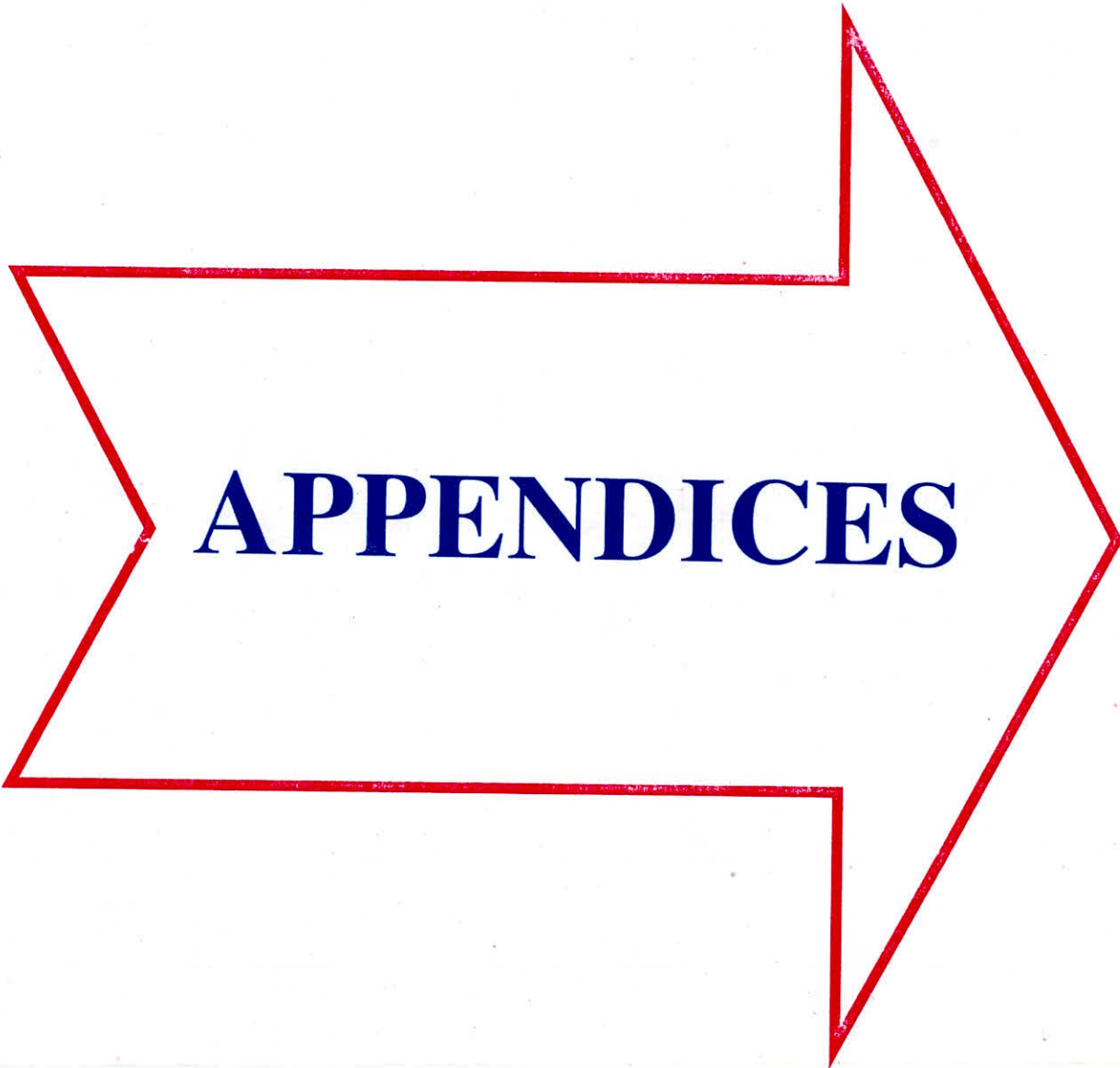
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NEW DELHI
The

31 MAR 2005

(VIJAYENDRA N.KAUL)
Comptroller and Auditor General of India



APPENDICES

Appendix 1.1

Diversion of funds

(Reference: Paragraph 1.7/Page 10)

Serial number	Zilla Panchayat	Level at which diverted	Year	Scheme from which diverted	Scheme/purpose for which diverted	Amount (Rupees in lakh)
1	Bagalkot	ZP	2000-01	Swarnjayanti Gram Swarozgar Yojana	Purchase of mini truck	5.07
			2000-03		Construction of computer training centres	37.50
			1998-2000	Tenth Finance Commission grants	Improvements of roads, construction of samudaya bhavan, anganawadi buildings, repairs to buildings, etc.	110.17
2	Bangalore (Rural)	ZP	1998-2003	Tenth Finance Commission grants	Construction of samudaya bhavan, anganawadi buildings, repairs to buildings, purchase of furniture and electrical equipment, etc.	16.08
			2000-01	Swarnjayanti Gram Swarozgar Yojana	Construction of veterinary hospital, silk rearing centre and industrial shed	11.54
		ZPED, Ramanagaram	2001-02	Sampoorna Grameena Rozgar Yojana	Rural sanitation work	3.44
3	Bellary	ZP	2002-03	Swarnjayanti Gram Swarozgar Yojana	Creation of assets by implementing agencies	15.12
4	Bidar	ZP	1999-2001	Employment Assurance Scheme	Construction of samudaya bhavan, bus shelters, office buildings, repairs to buildings, etc.	75.21
			1998-2003	Tenth Finance Commission grants	Construction of samudaya bhavan, anganawadi buildings and repairs to buildings	26.54
5	Chikmagalur	ZP	2000-01	Employment Assurance Scheme	Watershed works	51.17
6	Dakshina Kannada	ZP	1998-2001	Employment Assurance Scheme	Construction of samudaya bhavan, auditorium, shops, office buildings and repairs to buildings, etc.	113.05
		ZPED, Mangalore	2002-03	3054- Roads and Bridges – Maintenance grants (Non-plan)	Rural communication network	115.18

Contd...

Serial number	Zilla Panchayat	Level at which diverted	Year	Scheme from which diverted	Scheme/purpose for which diverted	Amount (Rupees in lakh)
7	Gulbarga	TP, Shorapur	1999-2002	Stamp duty funds	Construction activities, purchase of stationery and spare parts, etc.	18.32
8	Kolar	ZP	1999-2003	Swarnjayanti Gram Swarozgar Yojana	Fixed Deposit	20.16
			2001-02	Drought Prone Area Programme	Free distribution of saplings by Social Forestry Division	20.00
9	Koppal	ZP	1998-99	Desert Development Programme	Employment Assurance Scheme	36.50
			2000-02	Eleventh Finance Commission grants	Construction of houses, purchase of machinery, etc.	14.95
10	Raichur	ZP	2000-01	Desert Development Programme	Drought Prone Area Programme	12.71
			2002-03		Land compensation for works not related to Desert Development Programme	15.73
11	Shimoga	ZP	1998-2003	Tenth Finance Commission grants	Construction of samudaya bhavan, anganawadi buildings, repairs to buildings, etc.	11.25
			2000-01	Swarnjayanti Gram Swarozgar Yojana	Purchase of computers and poly vinyl chloride boards	13.09
			2000-02	Employment Assurance Scheme	Construction of veterinary hospitals, samudaya bhavan and auditorium	10.44
Total						753.22

Appendix 1.2

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

(Reference: Paragraph 1.12.1/Page 15)

Serial number	Zilla Panchayat	Number of departmental officers	2001-02		2002-03	
			Number of departmental officers whose expenditure was not reconciled	Amount not reconciled (Rupees in crore)	Number of departmental officers whose expenditure was not reconciled	Amount not reconciled (Rupees in crore)
1	Bangalore (Rural)	20	-	-	5	9.97
2	Bangalore (Urban)	16	2	48.46	5	59.48
3	Bidar	19	4	NF	4	NF
4	Bijapur	21	6	18.75	6	17.18
5	Dakshina Kanarada	23	8	NF	11	NF
6	Gadag	16	3	0.23	3	1.78
7	Gulbarga	15	-	-	5	23.31
8	Hassan	27	2	30.09	2	114.70
9	Kolar	23	-	-	4	NF
10	Shimoga	18	12	NF	14	NF
11	Tumkur	29	1	76.83	1	80.79
12	Davanagere	21	21	NF	21	NF
Total		248	59	174.36	81	307.21

NF- Not furnished

Appendix 1.3

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

(Reference: Paragraph 1.13.1/Page 17)

Serial number	Zilla Panchayat	Number of departmental officers	Number of NDC bills pending	Amount (Rupees in lakh)	Earliest year from which pending
1	Bagalkot	1	2	0.24	2000-01
2	Bangalore (Rural)	2	534	10.63	1987-88
3	Belgaum	32	90	7.54	1995-96
4	Bidar	NF	317	8.55	2002-03
5	Bijapur	20	121	7.93	1986-87
6	Chamarajanagar	30	36	10.59	2002-03
7	Chikmagalur	37	423	11.77	2002-03
8	Dakshina Kannada	38	349	7.61	2002-03
9	Davanagere	8	3	0.84	1999-2000
10	Gulbarga	2	10	2.13	2002-03
11	Hassan	2	58	46.25	2001-02
12	Kolar	5	15	2.98	2000-01
13	Koppal	1	2	1.94	1998-99
14	Mandya	6	NF	64.30	2002-03
15	Mysore	NF	NF	395.35	1987-88
16	Raichur	6	6	30.35	1993-94
17	Shimoga	58	NF	53.91	1991-92
18	Tumkur	3	4	0.33	2002-03
19	Uttara Kannada	4	NF	9.23	NF
Total		255	1970	672.47	1986-87

NF- Not furnished.

Appendix 1.4
List of incomplete works
(Reference: Paragraph 1.14/Page 17)

(Rupees in lakh)

Serial number	Zilla Panchayat	Buildings		Minor irrigation works		Roads and bridges		Water supply works		Total	
		Number of works	Expenditure	Number of works	Expenditure	Number of works	Expenditure	Number of works	Expenditure	Number of works	Expenditure
1	Bangalore (Rural)	5	35.52	-	-	-	-	5	16.82	10	52.34
2	Belgaum	3	31.98	1	1.41	-	-	8	53.61	12	87.00
3	Bidar	4	41.64	-	-	1	4.96	4	15.61	9	62.21
4	Bijapur	2	4.52	-	-	-	-	-	-	2	4.52
5	Chamarajanagar	-	-	1	5.98	-	-	1	0.94	2	6.92
6	Chikmagalur	-	-	-	-	2	4.90	8	34.87	10	39.77
7	Chitradurga	1	7.06	-	-	-	-	-	-	1	7.06
8	Dakshina Kannada	1	6.73	-	-	-	-	-	-	1	6.73
9	Davanagere	1	3.19	-	-	-	-	1	0.51	2	3.70
10	Dharwad	-	-	-	-	-	-	1	32.56	1	32.56
11	Gulbarga	16	8.35	-	-	14	39.66	9	9.60	39	57.61
12	Hassan	14	92.09	-	-	7	19.27	19	58.62	40	169.98
13	Kodagu	-	-	-	-	-	-	3	10.37	3	10.37
14	Kolar	-	-	-	-	-	-	3	16.45	3	16.45
15	Koppal	2	80.80	1	1.00	-	-	2	26.31	5	108.11
16	Mandya	16	106.94	7	59.08	2	1.06	10	97.79	35	264.87
17	Mysore	-	-	-	-	-	-	3	16.20	3	16.20
18	Raichur	4	58.65	-	-	-	-	8	21.53	12	80.18
19	Shimoga	1	9.52	-	-	-	-	8	22.63	9	32.15
20	Tumkur	3	38.81	-	-	3	10.66	1	4.71	7	54.18
21	Udupi	-	-	-	-	-	-	9	88.37	9	88.37
22	Uttara Kannada	2	39.26	-	-	1	14.32	-	-	3	53.58
Total		75	565.06	10	67.47	30	94.83	103	527.50	218	1254.86

Appendix 1.5
Cases of misappropriation/defalcation
(Reference: Paragraph 1.15/Page 17)

Serial number	Zilla Panchayat	Under investigation		Pending in Court		Others		Total	
		Cases	Amount (Rupees in lakh)	Cases	Amount (Rupees in lakh)	Cases	Amount (Rupees in lakh)	Cases	Amount (Rupees in lakh)
1	Bagalkot	1	0.23	-	-	-	-	1	0.23
2	Bangalore (Rural)	16	20.99	-	-	-	-	16	20.99
3	Bangalore (Urban)	2	3.37	2	7.85	-	-	4	11.22
4	Belgaum	5	8.58	1	1.22	1	0.82	7	10.62
5	Bellary	20	249.28	1	2.43	-	-	21	251.71
6	Bidar	4	18.54	-	-	-	-	4	18.54
7	Chamarajanagar	19	260.14	-	-	-	-	19	260.14
8	Chikmagalur	17	14.91	-	-	-	-	17	14.91
9	Chitradurga	-	-	-	-	8	5.16	8	5.16
10	Dakshina Kannada	3	17.66	1	1.02	-	-	4	18.68
11	Davanagere	2	92.91	-	-	1	11.14	3	104.05
12	Dharwad	2	8.83	1	1.80	5	7.62	8	18.25
13	Gadag	13	42.52	-	-	-	-	13	42.52
14	Gulbarga	2	48.00	-	-	2	213.50	4	261.50
15	Hassan	21	54.65	2	22.01	1	0.44	24	77.10
16	Haveri	13	44.97	-	-	23	86.22	36	131.19
17	Kodagu	-	-	9	98.88	-	-	9	98.88
18	Kolar	17	19.57	-	-	-	-	17	19.57
19	Koppal	3	9.51	1	0.66	4	2.64	8	12.81
20	Mandya	17	120.80	-	-	-	-	17	120.80
21	Mysore	15	83.12	-	-	1	1.15	16	84.27
22	Raichur	9	133.32	2	12.09	-	-	11	145.41
23	Shimoga	21	182.37	-	-	-	-	21	182.37
24	Tumkur	2	6.62	1	0.16	-	-	3	6.78
25	Udupi	-	-	-	-	3	NF	3	NF
26	Uttara Kannada	2	86.68	1	45.50	-	-	3	132.18
Total		226	1527.57	22	193.62	49	328.69	297	2049.88

NF : Not furnished

Appendix 2.1

Excess payment of consultancy charges

(Reference: Paragraph 2.2.5/Page 32)

Zilla Panchayat Engineering Division	Consultancy charges due	Consultancy charges paid	Excess	Remarks
	(Rupees in lakh)			
Koppal	24.35	73.86	49.51	Rs.24.35 lakh was 25 per cent of admissible consultation fees due. As against this, the ZPED paid (May 2000 to January 2003) Rs.73.86 lakh.
Kolar	5.70	11.15	5.45	The Conceptual Design Report (CDR) prepared by consultant as part of project report for a scheme to Kolar taluk was not yet accepted by the Chief Engineer. As such, only 20 per cent of consultation fee was due. The ZPED, however, paid (2000-02) more than this.
Chikballapur	10.33	17.39	7.06	Rs.10.33 lakh being 30 per cent of consultancy charges was payable. The ZPED paid (February-March 2001) Rs.17.39 lakh.
	2.35	6.83	4.48	Rs.2.35 lakh was payable. The ZPED paid (September 2000) Rs.6.83 lakh.
	1.80	4.96	3.16	Rs.1.80 lakh was payable. But the ZPED paid (1999-2000) Rs.4.96 lakh.
Davanagere	15.95	42.44	26.49	As part of preparation of project report for four projects, two consultants prepared CDRs which were approved. For this work, Rs.15.95 lakh was payable, but the ZPED paid Rs.42.44 lakh.
Total	60.48	156.63	96.15	

Appendix 2.2

Unproductive outlay on incomplete minor irrigation tanks

(Reference: Paragraph 2.5/Page 44)

Serial Number	Minor irrigation tank at	Irrigable area (in acres)	Original estimated cost	Expenditure		Remarks
				(Rupees in lakh)		
1	Mudimadu-thimajjikatte	36	4.74	Up to 1987-88	4.83	Work commenced in 1987 and stopped in 1992-93. For completing balance of work on raising bund, waste weir, sluice channel, etc., Rs.20 lakh was required.
				1988-89	0.45	
				1991-92	0.05	
				1992-93	0.16	
				Total	5.49	
2	Sajjehosahalli	41	4.40	Up to 1992-93	2.47	Work commenced in 1988-89 and stopped in 1998-99. For completing balance works of raising of bund, waste weir, sluice channel, etc., Rs.20 lakh was required.
				1993-94	0.31	
				1995-96	0.04	
				1997-98	0.38	
				1998-99	0.20	
Total	3.40					
3	Galihalli	43	4.90	Up to 1989-90	5.13	Work commenced prior to May 1987 and stopped from December 1995. Work costing Rs.2 lakh on flank base was to be taken up.
				1991-92	0.03	
				1992-93	0.10	
				1993-94	1.15	
				1994-95	0.12	
Total	6.53					
4	Kambadahalli	60	9.70	Up to 1992-93	5.14	Work commenced in 1987-88 and stopped in 1999-2000. For completing balance works on raising bund, sluice, waste weir, channel, etc., Rs.29 lakh was required.
				1993-94	8.64	
				1994-95	2.05	
				1995-96	1.77	
				1996-97	0.06	
Total	17.66					
5	Malegondanahalli	84	3.60	Up to 2001-02	3.60	Work taken up on piece work basis in 1979 stopped after completing sluice portion. During 2002-03, bund portion was completed at a cost of Rs.20 lakh.
				2002-03	20.00	
Total				Total	23.60	
6	Bandepalya	38	2.00	1996-97	0.58	Work commenced in 1996-97 and stopped in 2000-01. For completing balance work on aqueduct channel, Rs.3 lakh was required.
				1997-98	0.70	
				1999-2000	0.40	
				2000-01	0.02	
Total				Total	1.70	

Contd.

Serial Number	Minor irrigation tank at	Irrigable area (in acres)	Original estimated cost	Expenditure		Remarks
				(Rupees in lakh)		
7	Puradahalli	22	4.90	Up to 1995-96 1996-97 1998-99 1999-2000 2000-01 Total	6.89 0.11 0.05 1.39 0.08 8.52	Work commenced in 1987-88 and stopped in 2000-01. For completing balance works on raising of bund, channel, waste weir, etc., Rs.4 lakh was required.
8	Kerakallahalli	18	3.80	Up to 1990-91 1991-92 1992-93 1993-94 1996-97 Total	2.35 1.30 4.54 0.23 0.02 8.44	Work commenced in 1987-88 and stopped in 1996-97. To complete balance works on bund, sluice, channel, etc., Rs.2.50 lakh was required.
9	Bodabandehalli	22	7.40	1988-89 1989-90 1990-91 1991-92 Total	0.42 0.73 1.37 0.42 2.94	Work commenced in 1988-89 and stopped in 1993-94. For completing balance works of bund, channel, waste weir, etc., Rs.30 lakh was required.
10	Budiguddada-kaval	72	8.80	1988-89 1989-90 1990-91 1991-92 1992-93 Total	0.84 1.54 0.34 0.30 0.14 3.16	Work commenced in 1988-89 and stopped in 1992-93. For completing balance works on bund, waste weir, sluice, revetment, etc., Rs.50 lakh was required.
11	Bellera Gollaratti	65	4.99	Up to 1993-94 1994-95 1996-97 1997-98 2002-03 Total	4.87 0.20 0.07 9.49 0.12 14.75	Work commenced in 1987-88. For execution of balance works on bund, sluice, waste weir, channel, etc., Rs.10 lakh was required.
Grand total		501			96.19	

Appendix 2.3

Payment of grants-in-aid to private hostels located within a radius of five kilometres from Government hostels

(Reference: Paragraph 2.12.1/Page 55)

Zilla Panchayat	Place/ Taluk	Details	Grants-in-aid released (Rupees in lakh)
Bijapur	Kalkeri/ Sindagi	Private hostel sanctioned in 1980 continued to get grants-in-aid even after establishment of a Government hostel in 1986 in the same village.	4.38
	Jayawadgi/Basavana Bagewadi	A private hostel started in February 1987 continued to get grants-in-aid despite establishment of a Government hostel in December 1995.	4.03
Gulbarga	Yadrami/ Jewargi	Private hostel functioning from 1992-93 received grants-in-aid even though a Government hostel was functioning within a radius of five kilometres, from 1979-80.	12.25
	Shahabad/ Chittapur	Despite existence of a Government hostel from 1969-70, a private hostel was sanctioned during 1992-93 and grants-in-aid were paid.	11.38
	Kurekutta/ Gulbarga	Private hostel was sanctioned in 1995-96 when Government hostel was located within a radius of five kilometres, at Mahagaon.	7.54
	Chittapur/ Chittapur	Even though a Government hostel to accommodate 100 inmates was available from a date prior to 1970 and functioning with 60 inmates, a private hostel for 35 inmates was sanctioned and grants-in-aid released.	6.13
Total			45.71

Appendix 2.4

Extra expenditure on procurement of food articles

(Reference: Paragraph 2.12.3/Page 56)

Zilla Panchayat	Period	Extra expenditure (Rupees in lakh)	Remarks
Gulbarga	1999-2002	10.57	Based on request of the TSWO, Afzalpur to allot food grains at rates applicable for families living below the poverty line. Deputy Commissioner, Gulbarga allotted food grains. The Society that made supplies charged rates higher than the ones applicable for wheat and payments were made accordingly.
	2001-02	22.05	Payments, in seven taluks test-checked, for supply of food grains were made at rates higher than those approved.
	2002-03	2.54	Recommendations (May 2002) of Executive Officer, Taluk Panchayat, Aland for accepting the lowest rate (Rs.8.84 lakh) received were not accepted by ZP, Gulbarga for no recorded reasons. Fresh tenders were called for and rate of Rs.11.38 lakh was accepted.
Bijapur	2002-03	2.39	The lowest rates obtained through tenders (March 2002) were not availed of as ZP chose to identify lowest rates for individual items offered by all the four tenderers and placed orders at those rates. As the tenderers refused to accept piece-meal orders, fresh tenders were invited (September 2002). The lowest rates were more by 16.94 per cent than the lowest offer received in response to previous tender, resulting in extra expenditure.
Total		37.55	

