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

FOR THE YEAR ENDED 31 MARCH 2002

GOVERNMENT OF KARNATAKA

170 FEB 2004

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TABLE OF CONTENTS

	Paragraph number	Page number
Preface		v
Overview		ix
CHAPTER I		
AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF ZILLA PANCHAYATS		
Introduction	1.1	5
Organisational structure	1.2	5
Finances of Panchayat Raj Institutions	1.3	6
Audit of accounts of Panchayat Raj Institutions	1.4	7
Financial position of Zilla Panchayats	1.5	7
Delay in finalising monthly and annual accounts of Zilla Panchayats	1.6	9
Budget control mechanisms	1.7	11
Unutilised balances	1.8	12
Drawal of funds to avoid lapse of grants	1.9	13
Quality of expenditure	1.10	14
Inadequate internal controls	1.11	16
Non-submission of Non-payable Detailed Contingent bills for amounts drawn on Abstract Contingent bills	1.12	18
Outstanding utilisation certificates	1.13	19
Incomplete works	1.14	19
Non-maintenance of consolidated record of immovable properties	1.15	19
Unsettled cases of misappropriations/defalcations	1.16	20

	Paragraph number	Page number
CHAPTER II		
RESULTS OF AUDIT		
SECTION 'A' - REVIEWS		
HOUSING, RURAL DEVELOPMENT AND PANCHAYAT RAJ AND SOCIAL WELFARE DEPARTMENTS		
Rural housing in Karnataka	2.1	25
RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT		
Swarnjayanti Gram Swarozgar Yojana	2.2	42
Programme implementation, material and human resource management in selected Zilla Panchayats	2.3	59
SECTION 'B' - PARAGRAPHS		
RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT		
Idle investment on incomplete lift irrigation schemes	2.4	69
Laxity and wasteful expenditure in completing an irrigation tank	2.5	70
Non-functional defluoridation plants	2.6	72
Stores and stock in selected Zilla Panchayat Engineering Divisions	2.7	73
Misappropriation of stores	2.8	82
Unjustified purchase of stores	2.9	85
Material for information, education and communication activities not utilised	2.10	86
SOCIAL WELFARE DEPARTMENT		
Unfruitful expenditure on construction of a hostel building	2.11	87
EDUCATION DEPARTMENT		
Misappropriation of funds by a Block Education Officer	2.12	89

LIST OF APPENDICES

Appendix number	Details	Page number
1.1	Budgetary control	95
1.2	Diversion of funds	96
1.3	Non-transfer of grants to Grama Panchayats	98
1.4	Unreconciled differences between Treasury and Zilla Panchayat balances	99
1.5	Non-reconciliation of the departmental expenditure figures with the accounts of the Zilla Panchayats	100
1.6	Non-submission of Non-payable Detailed Contingent bills for amounts drawn on Abstract Contingent bills	101
1.7	Outstanding utilisation certificates	102
1.8	Incomplete works	103
1.9	Unsettled cases of misappropriations/defalcations	104
2.1	Zilla Panchayat-wise loss of Central assistance	105
2.2	Financial performance in the test-checked districts	106



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 (i) Statutory Corporations, Boards and Government Companies; (ii) Revenue Receipts; and (iii) Civil Departments are presented separately.
5. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2001-02 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 2001-02 have also been included, wherever necessary.





OVERVIEW

OVERVIEW

This Report contains two chapters, the first chapter contains observations of Audit on the accounts and finances of Zilla Panchayats and the other Chapter contains three reviews and nine paragraphs based on the audit of financial transactions of the Zilla Panchayats. A synopsis of the findings contained in the reviews and paragraphs is presented in this overview.

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

Monthly accounts of Zilla Panchayats were either not prepared at all or prepared belatedly. The annual accounts of Zilla Panchayats were not transmitted to the Principal Accountant General (Audit) on time and the delays ranged from 2 months to more than 12 months. The number of Zilla Panchayats which did not prepare the annual accounts in the prescribed formats increased from 7 in 1999-2000 to 12 in 2000-01, despite periodical instructions from Government.

(Paragraph 1.6)

Budget control mechanisms were weak. Monthly review of expenditure was not carried out. Expenditure of Rs.77.90 crore was incurred without budget provision; Rs.531.12 crore was incurred in excess of budget provisions for some heads of accounts; and expenditure of Rs.663.95 crore was lower than projections under certain other heads of accounts.

(Paragraph 1.7)

Due to release of excess grants by Government without considering the absorption capacity and on account of Zilla Panchayats not remitting taxes and other receipts to Government account and not transferring fully dues to Grama Panchayats, the unutilised balances of the Zilla Panchayats swelled to Rs.1288 crore by the end of March 2000.

(Paragraph 1.8)

While the releases for 'plan' programmes showed a declining trend, the expenditure for 'plan' programmes increased during 1998-2000, even though funds received for 'plan' programmes were not utilised in full.

(Paragraph 1.10)

Internal control in the form of reconciliation of figures of receipt and expenditure at various levels was inadequate; prescribed internal audit by Chief Accounts Officers was also in arrears.

(Paragraph 1.11)

Details for Rs.12.54 crore drawn on Abstract Contingent bills were not furnished in twenty Zilla Panchayats; some of these sums were drawn as far back as in 1987-88.

(Paragraph 1.12)

None of the Zilla Panchayats maintained consolidated property record, rendering maintenance of property difficult, with the risk of encroachments/misutilisation going unnoticed.

(Paragraph 1.15)

2. Rural housing in Karnataka

Central assistance of Rs.53.80 crore was lost due to poor absorption capacity of Zilla Panchayats to utilise funds already made available.

(Paragraph 2.1.4.2)

Repayment of loan by beneficiaries of Ashraya Housing Scheme was tardy leading to additional financial burden of Rs.44.35 crore on State exchequer.

(Paragraph 2.1.4.6)

The State Government did not have reliable data on housing shortage in the State, handicapping proper planning to address the issue.

(Paragraph 2.1.5.1)

In contravention to Indira Awaas Yojana guidelines, Taluk Panchayats constructed/upgraded houses involving expenditure of Rs.15.26 crore.

(Paragraph 2.1.6.1)

Investments of Rs.1.73 crore made under Ashraya Housing Scheme on acquisition of lands for conversion into sites and on development of sites did not serve the purpose as sites were not developed/developed sites were not distributed.

(Paragraph 2.1.6.2 (iv))

Defects were noticed in the identification/selection of beneficiaries.

(Paragraph 2.1.6.4)

A large section of beneficiaries were deprived of clean environment and hygienic habitation as up to 30 per cent of houses constructed/upgraded did not have sanitation facilities/smokeless chulhas.

(Paragraph 2.1.6.7)

3. Swarnjayanti Gram Swarozgar Yojana

Only 48 per cent of the test-checked expenditure was on the programme implementation while 52 per cent of expenditure was diverted/irregularly spent/injudiciously invested.

(Paragraph 2.2.4.2)

Funding of the programme was inadequate as only Rs.140.58 crore was released as against Rs.546.36 crore required for target beneficiaries.

(Paragraph 2.2.4.3)

Central assistance of Rs.49.32 crore was lost as the Zilla Panchayats were unable to utilise available funds to the extent envisaged.

(Paragraph 2.2.4.4)

Test-check disclosed inadmissible expenditure of Rs.6.17 crore in Zilla Panchayats/Taluk Panchayats.

(Paragraph 2.2.4.7)

Coverage of Scheduled Castes/Scheduled Tribes and disabled fell short of floor limits prescribed.

(Paragraph 2.2.5.2)

4. Programme implementation, material and human resource management in selected Zilla Panchayats

District plans did not reflect the felt needs of Taluk Panchayats and Grama Panchayats; Rs.10.83 crore was released before approval of Action Plans.

(Paragraph 2.3.2.1(ii))

Programme implementation was deficient in many ways. There were instances of loss of Central assistance (Rs.18.92 crore), delay in transfer of programme funds (Rs.1.30 crore) affecting implementation, diversion of funds (Rs.0.35 crore), inadmissible expenditure (Rs.1.10 crore) under Employment Assurance Scheme, etc.

(Paragraphs 2.3.2.2 to 2.3.2.6)

Material management suffered from lack of periodical stock taking, non-obtaining detailed accounts for materials at site, unreconciled shortages (Rs.0.83 crore) not being made good, surplus stores (Rs.0.57 crore), extra/irregular expenditure in procurement (Rs.1.10 crore), etc.

(Paragraph 2.3.3)

Salary of Rs.1.30 crore was paid to staff without getting commensurate services from them.

(Paragraph 2.3.4)

5. Audit paragraphs

Three minor irrigation works remained incomplete well after originally scheduled dates of completion, rendering investment of Rs.0.53 crore made on them idle besides denial of irrigation facilities.

(Paragraphs 2.4 and 2.5)

Three defluoridation plants installed by a Zilla Panchayat Engineering Division at an investment of Rs.0.59 crore remained non-functional for a long period of about 5 years without remedial action.

(Paragraph 2.6)

Scrutiny of store accounts in selected Zilla Panchayat Engineering Divisions disclosed ineffective control over procurements leading to surplus stores (Rs.5.07 crore), shortages valued at Rs.2.36 crore remaining unadjusted for periods up to fifteen years, fictitious adjustment of store articles costing Rs.8.07 crore, arrears in half yearly stock taking, non-adjustment of advance of Rs.6.79 crore to final heads of account, etc.

(Paragraph 2.7)

In three Zilla Panchayat Engineering Divisions, prescribed controls were subverted resulting in misappropriation of stores costing Rs.1.18 crore that remained without being detected/adjusted over a long period.

(Paragraph 2.8)





CHAPTER-I

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

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Chapter summary

- ❖ **Deadline for preparation of annual accounts of Zilla Panchayats not met with.**
- ❖ **Budget control mechanism was weak.**
- ❖ **Funds to Zilla Panchayats were released without considering absorption capacity resulting in mounting closing balances.**
- ❖ **Internal controls were inadequate.**
- ❖ **Consolidated property records of Zilla Panchayats were not maintained.**

CHAPTER I

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF ZILLA PANCHAYATS

1.1 Introduction

1.1.1 The process of decentralisation of political, administrative and fiscal responsibilities commenced from April 1987 in Karnataka with the implementation of the Karnataka Zilla Parishads, Taluk Panchayat Samitis, Mandal Panchayats and Nyaya Panchayats Act, 1983. In May 1993, the State Government enacted the Karnataka Panchayat Raj Act, 1993 to embody the essential features of the 73rd Constitutional amendment. The Act provided for a three tier Panchayat Raj Institution (PRI) system comprising Zilla Panchayats (ZPs), Taluk Panchayats (TPs) and Grama Panchayats (GPs).

1.1.2 The three tier PRI system envisaged greater participation of the people and more effective implementation of rural development programmes than what was obtaining hitherto. The three tier institutions were to have elected bodies to function as Local Self Governments. The ZPs were the apex bodies overseeing the functioning of TPs and GPs. There were 27 ZPs, 175 TPs and 5659 GPs in the State as of 31 March 2002.

1.2 Organisational structure

1.2.1 The Rural Development and Panchayat Raj (RDPR) Department was the nodal agency at the State level. The elected body of each of the ZPs was headed by an Adhyaksha. Committees like General Standing Committee (GSC), Education and Health Committee, Agriculture and Industries Committee, Social Justice Committee (SJC) and Finance, Audit and Planning Committee (FAPC) also assisted each of the ZPs in various functions. A Chief Executive Officer (CEO) supervised and controlled execution of works in each ZP. A Chief Accounts Officer (CAO) and a Chief Planning Officer assisted him in the areas of finance and planning respectively. A Deputy

Secretary (Development) assisted the CEO in monitoring implementation of developmental activities.

1.2.2 In the case of TPs, apart from Adhyaksha and Upadhyaksha, there were three committees - GSC, FAPC and SJC. An Executive Officer supervised and controlled execution of works in the TPs.

1.2.3 In GPs, apart from Adhyaksha and Upadhyaksha, a Secretary looked after the executive functions.

1.2.4 The internal accountability structure of the ZPs was as shown below.

Functions	Officer/Authority responsible
Preparation of Annual Action Plan and budget	District level officers of the departments
Approval of budget and Action Plan	Zilla Panchayat
Allocation of funds to the implementing officers	Chief Executive Officer
Preparation of monthly and annual accounts	Chief Accounts Officer
Review of such accounts	Chief Executive Officer, Finance, Audit and Planning Committee and Zilla Panchayat
Monitoring and review of programme implementation	Chief Executive Officer, Finance, Audit and Planning Committee and Zilla Panchayat
Submission of monthly and annual accounts to Government	Chief Accounts Officer

1.3 Finances of Panchayat Raj Institutions

1.3.1 The State Government provided block grants for the administration of PRIs. The State and Central Governments also released development grants. The allocation of funds was based on certain key indicators like population, backwardness in irrigation, level of literacy, availability of medical and health facilities, etc., and also on the recommendations of State Finance Commissions, constituted under the Act to review the financial position of PRIs. During 1997-2000, the total allocation to PRIs constituted 19 to 21 per cent of the total budget provision of the State, as detailed below.

(Rupees in crore)

Year	Total budget provision of State	Allocation to PRIs	Percentage
1997-98	16497.80	3440.73	21
1998-99	19088.18	3804.04	20
1999-2000	22227.01	4235.77	19

1.3.2 The block grants were released quarterly for the first three quarters of a financial year and monthly for the last quarter. Funds for certain Central

Sector Schemes and Centrally Sponsored Schemes were released directly by Government of India (GOI) to the ZPs. The ZPs transferred them to the TPs and GPs, based on Action Plans and budgets approved by the ZPs.

1.3.3 ZP funds were held in deposit accounts* in treasuries which were outside the Consolidated Fund of the State Government, but formed part of its Public Account. ZPs held bank accounts/deposits for schemes sponsored by GOI. For externally aided schemes/programmes, separate accounts were maintained, as specified. The financial transactions of TPs were conducted through TP funds in the treasury and those of GPs through GP funds in the treasury or in any scheduled/co-operative bank approved by the Executive Officer.

1.4 Audit of accounts of Panchayat Raj Institutions

The Act provides that the audit of accounts of the ZPs and the TPs be carried out by the Comptroller and Auditor General of India (CAG) under Section 19(3) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and those of the GPs by the Controller of State Accounts Department. The CAG was also to certify the accounts of the ZPs and the TPs.

1.5 Financial position of Zilla Panchayats

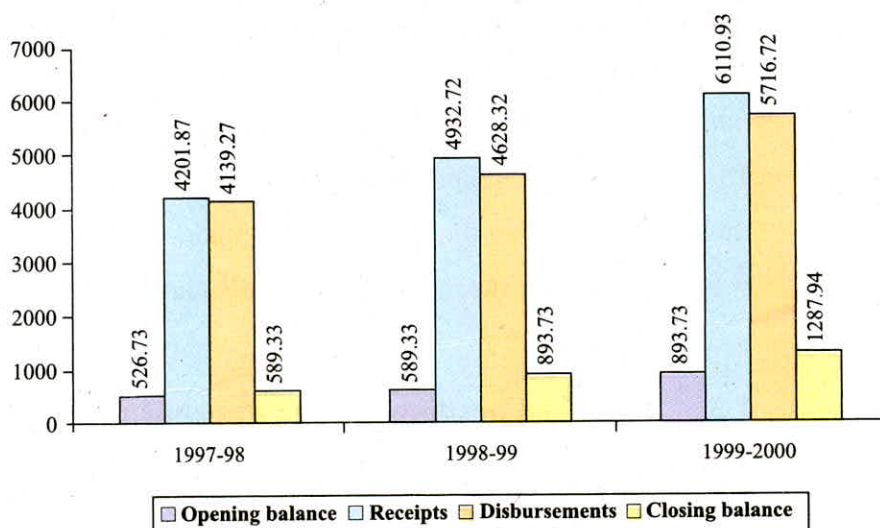
1.5.1 The aggregate financial position [including transactions relating to Central Government grants and Debt, Deposit and Remittances (DDR) heads] of all the 27 ZPs, as compiled from the annual accounts of ZPs for the years

* Operated under '8448 – Deposit of Local Funds – 109 Panchayat Bodies Funds - ZP funds'

1997-98 to 1999-2000* was as indicated below and as in Chart I.

		(Rupees in crore)		
1997-98	Receipts	4201.87	Expenditure	4139.27
	Revenue	3433.14	Revenue	3321.30
	Capital	-	Capital	61.86
	DDR heads	768.73	DDR heads	756.11
	Opening balance	526.73	Closing balance	589.33
	Total	4728.60	Total	4728.60
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

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



Government released funds to Zilla Panchayats belatedly

1.5.2 The procedure of revising link document based on supplementary grants/re-appropriation in Government heads of accounts was not followed. Test-check of grants received by three ZPs during 1997-2000 revealed that 9 to 36 per cent of the grants were received during March and up to 22 per cent

* Figures scrutinised by Audit only up to 1999-2000. Comments on accounts are, therefore, restricted only up to that year

* During 1998-99, State Government released Rs.43.31 crore for Rural Water Supply Schemes under capital head of account

of the grants were received on the last working day of the financial year as shown 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
1997-98	Bellary	134.39	24.58	18	8.10	6
	Kolar	197.48	18.74	9	1.43	1
1998-99	Bellary	130.19	22.30	17	9.17	7
	Kolar	225.82	36.72	16	3.00	1
	Koppal	81.09	12.80	16	3.70	5
1999-2000	Bellary	162.32	39.10	24	35.37	22
	Kolar	243.38	81.85	34	24.15	10
	Koppal	53.46	19.23	36	9.47	18
Total		1228.13	255.32	21	94.39	8

Consequently, substantial money shown as spent in Government account was lying unutilised in the ZP account. The closing balances increased from Rs.526.73 crore in 1996-97 to Rs.1287.94 crore in 1999-2000. Release of grants to ZPs in the last month of the financial year, more so on the last working day, resulted in accumulation of closing balances of ZP funds without being spent for the purposes for which they were voted by the Legislature. The TPs and GPs were, thus, deprived of funds earmarked and the three tier PRI system was not really functional at the grass roots level.

1.6 Delay in finalising monthly and annual accounts of Zilla Panchayats

1.6.1 Delay in preparation of monthly and annual accounts

Delay in preparation of monthly and annual accounts; annual accounts of ZPs forwarded to the Principal Accountant General belatedly

According to Karnataka Zilla Panchayats (Finance and Accounts) Rules, 1996 (ZP Rules), the CAOs of the ZPs should compile monthly accounts from the treasury schedules and the accounts rendered by Divisional Officers of Public Works and Forest Departments. The CAOs were to submit the monthly accounts to the FAPC through the CEO. The annual accounts of the ZPs should be considered and approved, within three months from the close of financial year. Annual accounts so prepared are to be forwarded to State Government and the Principal Accountant General (Audit). The Government issued instructions periodically (March 1999 and December 2000) reiterating these requirements. However, test-check in six ZPs disclosed that the ZPs, Kolar and Koppal did not prepare monthly accounts during 1997-98 to 2000-01.

Four other ZPs (Bellary, Chikmagalur, Dharwad and Mysore) prepared monthly accounts after a delay of 3 to 12 months.

The ZPs forwarded approved annual accounts to the Principal Accountant General (Audit) after delays ranging from 2 to more than 12 months, as detailed below.

Year	1999-2000			2000-01		
	2 to 6 months	7 to 12 months	More than 12 months	2 to 6 months	7 to 12 months	More than 12 months
Number of Zilla Panchayats	11 ^ψ	15 ^θ	1 ^φ	12 [*]	14 [⊗]	1 [♥]

No reasons were furnished by the ZPs for the delay.

1.6.2 Annual accounts not prepared in the prescribed formats

The ZP Rules prescribed that the annual accounts should be in the following format.

Annual accounts of ZPs not prepared in the prescribed formats

Statement –I	Summary of transactions by major heads of account and in three parts, one each for revenue account, capital account and DDR account with an abstract for all the three parts
Statement-II	Detailed account of receipt on revenue account
Statement –III	Detailed account of expenditure on revenue account
Statement –IV	Detailed account of receipt and expenditure on capital account
Statement –V	Details of balances under DDR account

However, 7 ZPs^θ for 1999-2000 and 12 ZPs^{*} for 2000-01 did not prepare the annual accounts in the prescribed formats, despite Government issuing periodical instructions (March 1999 and December 2000) reiterating these requirements.

The CEOs/FAPCs failed to ensure timely submission of monthly and annual accounts by the CAOs.

^ψ Bidar, Dakshina Kannada, Gulbarga, Kolar, Mandya, Mysore, Raichur, Shimoga, Tumkur, Udupi and Uttara Kannada

^θ Bagalkot, Bangalore (Rural), Belgaum, Bellary, Bijapur, Chikmagalur, Chitradurga, Davanagere, Dharwad, Gadag, Gulbarga, Hassan, Haveri, Kodagu and Koppal

^φ Bangalore (Urban)

^{*} Chamarajanagar, Dakshina Kannada, Davanagere, Dharwad, Hassan, Kolar, Mysore, Raichur, Shimoga, Tumkur, Udupi and Uttara Kannada

[⊗] Bagalkot, Bangalore (Rural), Belgaum, Bellary, Bidar, Bijapur, Chikmagalur, Chitradurga, Gadag, Gulbarga, Haveri, Kodagu, Koppal and Mysore

[♥] Bangalore (Urban)

^θ Bangalore (Rural), Bidar, Chamarajanagar, Dharwad, Mandya, Mysore and Udupi

^{*} Bangalore (Rural), Bidar, Chamarajanagar, Chikmagalur, Dharwad, Dakshina Kannada, Mandya, Mysore, Koppal, Shimoga, Udupi and Uttara Kannada

1.7 Budget control mechanisms

1.7.1 With a view to ensuring strict control over expenditure, controlling officers/heads of departments were required to forward a consolidated monthly statement of expenditure including the expenditure, if any, incurred by their subordinate officers under each of the several minor/sub/detailed heads, to the CAOs, before 20th of the following month. The CAOs should verify these statements to ensure that the expenditure was within funds released/grants earmarked.

Monthly expenditure statements not forwarded by departments

1.7.2 The Departmental officers generally did not forward the monthly expenditure statements to the CAOs, with the result, the CAOs could not exercise the desired expenditure control. Consequently, in fifteen ZPs, expenditure of Rs.77.90 crore was incurred without any budget provision during 1999-2000. In twenty seven ZPs, expenditure of Rs.531.12 crore was incurred in excess of budget provision in some major heads, while there was saving of Rs.663.95 crore in some other major heads*. The details are furnished in Appendix 1.1.

Rs.10.23 crore unauthorisedly diverted by 13 ZPs

1.7.3 In disregard of the guidelines issued by the Central/State Governments for implementation of Centrally Sponsored/Central Sector/State Sector Schemes, thirteen ZPs diverted Rs.10.23 crore for implementation of other schemes/other purposes. Such diversions, besides being unauthorised, affected implementation of schemes for which funds were made available. Details of such diversions are furnished in Appendix 1.2.

Rs.1.05 crore reappropriated without the approval of the Government

1.7.4 In ZP, Kolar Rs.0.63 crore was reappropriated (March 2001) out of savings under four [^] heads of accounts from 'non-plan' to 'plan' without obtaining the approval of the Government. Similarly, ZP, Dharwad reappropriated Rs.0.42 crore (17 per cent of the provision) being savings

* 2202-General Education, 2215-Water Supply and Sanitation, 2216-Housing, 2225- Welfare of Scheduled Castes (SCs), Scheduled Tribes (STs) and Other Backward Classes (OBCs), 2235-Social Security and Welfare, 2236-Nutrition, 2501-Special Programme for Rural Development, 2505-Rural Employment, 2515-Other Rural Development Programmes, etc.

[^] 2059-Public works, 2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes, 2515-Other Rural Development Programmes and 2851-Village and Small Scale Industries

under a major head of account (2210-Medical and Public Health - Non-plan-Salaries) towards purchase of furniture and equipment without approval of the Government.

DDPI, Kolar irregularly diverted savings of Rs.0.81 crore under 'Salaries' for purchase of school furniture and equipment

1.7.5 The Departments under ZP were required to surrender the anticipated savings under 'Salaries' to the Finance Department. However, the Deputy Director of Public Instruction (DDPI), Kolar anticipated savings of Rs.0.81 crore (2 per cent of the provision) under 'Salaries' in the annual budget of 1993-94, and submitted a proposal to ZP, Kolar for purchase of furniture and equipment to schools, out of this saving. ZP, Kolar approved the proposal. Furniture and equipment costing Rs.0.21 crore were procured during 1993-97 from five firms identified by District Society for Marketing and Supplies. Balance amount of Rs.0.60 crore remained unutilised and held in deposits (June 2003).

1.8 Unutilised balances

1.8.1 The closing balances with ZPs increased from Rs.526.73 crore in 1996-97 to Rs.1287.94 crore in 1999-2000. Audit noticed that there were instances of non-transfer of dues fully to GPs and non-remittance of Government receipts as detailed below which inflated the closing balances.

ZPs did not release grants due to GPs; consequently, GPs lost financial assistance of Rs.21.53 crore during 1999-2000

1.8.2 Grants of Government payable to GPs were to be passed on through ZPs. These grants were to be drawn by the CAOs, credited to ZP fund initially under a separate suspense head – 'Grama Panchayat Suspense' and distributed in full subsequently to the GPs concerned either by issue of transfer advice to the treasury or by allowing GPs to draw the grants from ZP funds. However, 12 ZPs did not distribute Rs.21.53 crore to GPs concerned during 1999-2000. ZP-wise details are furnished in Appendix 1.3.

Dues of Rs.0.80 crore not remitted to Government account, as required

1.8.3 The State Government clarified (June 1987) that while making payments to contractors, for services rendered/supplies made, two cheques would have to be prepared, one for the net amount payable in favour of the contractor and another for the income tax deducted at source in favour of the Income Tax Department. Such a procedure would apply to other recoveries also. However, eleven ZPs did not remit the recoveries aggregating

Rs.0.80 crore made by them towards income tax, sales tax and royalty, to the Government accounts concerned.

The details were as under.

Serial number	Zilla Panchayat	Recoveries not remitted (Rupees in lakh)		
		Income tax	Sales tax	Royalty
1	Bagalkot	0.18	-	-
2	Bangalore (Rural)	-	5.19	-
3	Belgaum	0.05	-	0.66
4	Bellary	12.57	14.97	-
5	Bijapur	0.19	-	-
6	Dakshina Kannada	-	0.25	1.06
7	Gulbarga	5.17	6.06	21.36
8	Hassan	1.77	0.25	4.26
9	Haveri	0.07	0.43	1.00
10	Kodagu	0.09	1.14	-
11	Kolar	1.76	1.32	-
	Total	21.85	29.61	28.34
	Grand total		79.80	

Contrary to ZP Rules, revenue receipts of Rs.5.64 crore were not credited to Government account

1.8.4 The ZP Rules provided that the revenues generated by every department of the ZP were to be credited to Government account. However, test-check in six ZPs disclosed that Rs.5.64 crore realised from sale of farm products, tender forms, seedlings, scrap material, etc., were not credited to the Government account. The details were as under.

Zilla Panchayat	(Rupees in lakh)			
	1997-98	1998-99	1999-2000	Total
Bellary	-	0.25	0.09	0.34
Chikmagalur	36.98	37.99	126.96	201.93
Dharwad	14.00	1.03	3.25	18.28
Koppal	-	0.06	9.27	9.33
Kolar	19.94	6.33	4.74	31.01
Mysore	159.57	86.18	57.76	303.51
Total	230.49	131.84	202.07	564.40

1.8.5 Non-remittance of these recoveries to Government accounts as required attracts penal provisions under the respective laws.

1.9 Drawal of funds to avoid lapse of grants

Rs.3.98 crore drawn prematurely from treasury

During 1999-2000, DDPIs and District Health and Family Welfare Officers (DHFWOs) of five ZPs drew Rs.3.98 crore on proforma invoice, through Detailed Contingent (DC) bills and made payments for supplies after a delay of 1 to 18 months.

The details were as follows.

(Rupees in crore)

Zilla Panchayat	Amount drawn		Actual payment made after (months)	
	DDPI	DHFWO	DDPI	DHFWO
Bellary	-	0.74	-	3-18
Chikmagalur	0.09	1.00	1-4	1-5
Kolar	0.96	0.47	-	6-8
Koppal	0.17	-	-	-
Mysore	-	0.55	-	4-10
Total	1.22	2.76	-	-

1.10 Quality of expenditure

1.10.1 Time series data of finances (excluding transactions under DDR heads) of the ZPs for the years 1997-98 to 1999-2000 were as in Exhibit below.

Exhibit

Time series data of finances of Zilla Panchayats

(Rupees in crore)

	1997-98			1998-99			1999-2000		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
PART.A – Receipts									
I. Revenue receipts*	1494.27	2052.91	3547.18	1759.84	2313.51	4073.35	1557.99	2599.37	4157.36
i) State Government	968.83	2025.86	2994.69	1229.88	2300.27	3530.15	1090.10	2566.72	3656.82
ii) Central Government	518.51	-	518.51	526.02	-	526.02	450.44	-	450.44
iii) Others	6.93	27.05	33.98	3.94	13.24	17.18	17.45	32.65	50.10
II. Capital receipts	-	-	-	43.31	-	43.31	128.24	32.32	160.56
i) State Government	-	-	-	43.31	-	43.31	128.24	32.32	160.56
Total receipts	1494.27	2052.91	3547.18	1803.15	2313.51	4116.66	1686.23	2631.69	4317.92
PART.B – Expenditure									
III. Revenue expenditure	1288.11	2033.20	3321.31	1399.76	2203.31	3603.07	1374.77	2328.56	3703.33
a) General Services									
Public Works	-	74.47	74.47	-	73.69	73.69	-	83.28	83.28
b) Social Services	795.70	1670.37	2466.07	900.19	1821.85	2722.04	904.49	1840.89	2745.38
i) Education, Sports, Art and Culture	145.66	1327.63	1473.29	194.48	1471.68	1666.16	265.84	1441.14	1706.98
ii) Health and Family Welfare	78.23	177.04	255.27	75.25	192.99	268.24	91.71	236.58	328.29
iii) Water Supply and Housing	329.12	2.95	332.07	381.42	2.22	383.64	322.81	4.53	327.34
iv) Welfare of SC/ST/OBC	140.90	111.84	252.74	138.24	115.23	253.47	130.85	125.54	256.39
v) Social Welfare and Nutrition	101.79	50.90	152.69	110.80	39.73	150.53	93.28	33.10	126.38
c) Economic Services	492.41	288.36	780.77	499.57	307.77	807.34	470.28	404.39	874.67
i) Agriculture and Allied Activities	52.68	144.18	196.86	52.93	159.02	211.95	55.57	179.62	235.19
ii) Rural Development	396.36	63.65	460.01	406.24	65.65	471.89	366.23	121.95	488.18
iii) Special Areas Programmes	14.48	-	14.48	12.48	-	12.48	15.74	-	15.74
iv) Irrigation and Flood Control	0.61	8.13	8.74	0.49	8.36	8.85	1.88	8.88	10.76
v) Energy	8.41	0.05	8.46	9.29	-	9.29	11.59	0.49	12.08
vi) Industry and Minerals	7.47	23.91	31.38	7.89	25.67	33.56	7.99	30.66	38.65

* The difference in receipts as shown in abstract of receipts and payments (Paragraph 1.5.1) and Exhibit was due to non-inclusion of GOI grants of Rs.103.93 crore in 1996-97 and Rs.105.87 crore in 1997-98 by 4 ZPs (Bijapur, Dharwad, Gulbarga and Tumkur) and adjustment of Rs.8.17 crore relating to earlier years in 1997-98 by ZP, Bidar. During 1998-99, the difference was due to non-inclusion of GOI grants of Rs.113.73 crore by 7 ZPs (Bagalkot, Bijapur, Dharwad, Gulbarga, Haveri, Tumkur and Udupi) and adjustment of Rs.2.61 crore by ZP, Raichur

	1997-98			1998-99			1999-2000		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
vii) Science, Technology and Environment	0.12	-	0.12	0.11	-	0.11	0.20	1.51	1.71
viii) Transport	11.67	46.17	57.84	9.09	45.35	54.44	10.61	56.44	67.05
ix) General Economic Services	0.61	2.27	2.88	1.05	3.73	4.78	0.47	4.84	5.31
IV. Capital expenditure	61.86	-	61.86	119.80	-	119.80	192.66	-	192.66
b) Social Services	21.57	-	21.57	84.00	-	84.00	158.41	-	158.41
i) Education, Sports, Art and Culture	10.67	-	10.67	6.30	-	6.30	4.54	-	4.54
ii) Health and Family Welfare	10.05	-	10.05	7.50	-	7.50	6.36	-	6.36
iii) Water Supply and Housing	-	-	-	68.75	-	68.75	147.01	-	147.01
iv) Welfare of SC/ST/OBC	0.72	-	0.72	1.45	-	1.45	0.50	-	0.50
v) Social Welfare and Nutrition	0.12	-	0.12	-	-	-	-	-	-
c) Economic Services	40.29	-	40.29	35.80	-	35.80	34.25	-	34.25
i) Agriculture and Allied Activities	0.46	-	0.46	0.54	-	0.54	0.34	-	0.34
ii) Irrigation and Flood Control	10.19	-	10.19	9.50	-	9.50	8.40	-	8.40
iii) Industry and Minerals	0.22	-	0.22	0.21	-	0.21	0.20	-	0.20
iv) Roads and Bridges	29.37	-	29.37	25.47	-	25.47	25.26	-	25.26
v) Others	0.05	-	0.05	0.08	-	0.08	0.05	-	0.05
Total expenditure	1349.97	2033.20	3383.17	1519.56	2203.31	3722.87	1567.43	2328.56	3895.99

Note : Figures as rounded of

Funds provided for 'plan' activities not utilised in full. While percentage of 'plan' receipts to total receipts showed a decline, percentage of 'plan' expenditure to total expenditure showed an increasing trend

1.10.2 It could be seen from the Exhibit that the receipts (capital and revenue) for plan programmes which were 42 per cent of total receipts (capital and revenue) during 1997-98 increased to 44 per cent during 1998-99, but decreased to 39 per cent during 1999-2000. Expenditure (capital and revenue) on plan programmes which was 40 per cent of total expenditure (capital and revenue) during 1997-98 increased to 41 per cent during 1998-99, but dropped to 40 per cent during 1999-2000. The details are also depicted in Charts II and III below.

Chart II
'Plan' receipts in total receipts during
1997-98 to 1999-2000
(Rupees in crore)

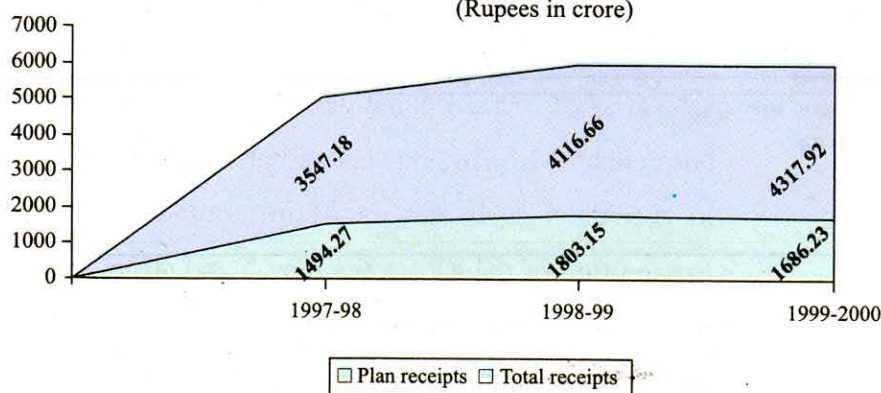
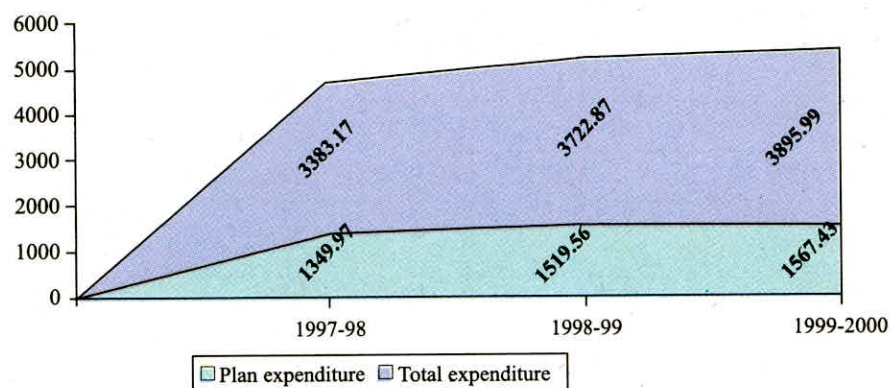


Chart-III
'Plan' expenditure in total expenditure during
1997-98 to 1999-2000
 (Rupees in crore)



1.10.3. Funds made available for 'plan' activities were not utilised in full. Utilisation of funds available under 'plan' which was 90 per cent in 1997-98 decreased to 84 per cent in 1998-99, and rose to 93 per cent during 1999-2000.

1.10.4 Non-plan expenditure on maintenance and non-developmental activities was Rs.2033.20 crore in 1997-98 and constituted 60 per cent of total expenditure (revenue and capital). It rose to Rs.2203.31 crore (59 per cent of total expenditure) in 1998-99 and to Rs.2328.56 crore in 1999-2000 (60 per cent of total expenditure). Audit noticed that major component of expenditure under 'non-plan' was towards salaries.

1.11 Inadequate internal controls

Balances of ZP funds not reconciled with those in treasuries

1.11.1 The ZP Rules stipulated that after the monthly accounts of the ZPs were compiled in full, duly incorporating receipts and payments as in the schedules of treasuries and monthly accounts rendered by Departments vested with cheque drawing powers and after posting transfer entries, the CAOs had to prepare a 'plus and minus memorandum' covering all the receipts and expenditure of the ZP for the month and arrive at the aggregate balances with the treasury. This balance was to be compared with the balance as reflected in the 'plus and minus memorandum' of the Treasury Officer (TO) to ensure that there was no difference between the two balances. Differences, if any, had to be reconciled and appropriate action taken to set them right. The ZP Rules

also contemplated reconciliation by Heads of Departments of ZPs, of departmental figures of expenditure with those booked by the CAOs, but did not envisage reconciliation of figures with those booked by Accountant General (Accounts and Entitlement).

1.11.2 The audit of accounts of ZPs for 1999-2000 disclosed that no difference was noticed in three ZPs. In five ZPs, the balances as arrived by the CAOs were lesser than the balances as furnished by the TOs by Rs.85.65 crore. In 14 ZPs, the balances as arrived by the CAOs were more than the balances as furnished by the TOs by Rs.133.61 crore. Five ZPs did not prepare 'plus and minus memorandum' at all. The details are furnished in Appendix 1.4.

Departmental officers of ZPs did not reconcile the accounts with CAOs

1.11.3 Expenditure of Rs.230.17 crore incurred during 2000-01 by 143 departmental officers of 12 ZPs and Rs.112.09 crore incurred during 2001-02 by 149 departmental officers of 13 ZPs remained unreconciled as of December 2002. The details are brought out in Appendix 1.5.

Divisional Officers did not reconcile accounts with the treasuries

1.11.4 The divisional officers of ZP Engineering Divisions (ZPEDs) who were authorised to make payments by cheques on the ZP fund were required to submit monthly accounts to CAOs, duly supported by a Schedule of Settlement with Treasuries (SST). The differences in the amounts of remittances and drawals by the ZPEDs with those of treasuries were monitored through SSTs. The ZPEDs, Chikmagalur and Dharwad did not prepare SSTs since inception and the ZPED, Koppal did not prepare SSTs from April 2001 onwards. Three ZPEDs (Bellary, Kolar and Mysore) submitted their SSTs after delays ranging from 2 to 11 months during 1997-98 to 2001-02. As a result, the CAOs could not ensure the correctness of the drawals and remittances made by ZPEDs during 1997-2002. The CAOs of the ZPs stated that the matter was under correspondence. Evidently, the action of the CAOs was not effective as the arrears in submission of SSTs persisted.

Internal audit coverage as low as 9 to 16 per cent in 5 test-checked ZPs

1.11.5 According to ZP Rules, the CAOs should conduct internal audit of all the transactions of the departments of ZP, both centrally in his office and locally in the respective offices. However, during 1997-2002, the CAOs did

not conduct internal audit at ZP level and the audit coverage of local units in five ZPs (Bellary, Chikmagalur, Dharwad, Kolar and Mysore) ranged from 9 to 16 per cent of the units to be covered.

1.11.6 The absence of internal controls to ensure reconciliation of accounts could lead to the risk of unauthorised withdrawals, if any, going unnoticed. The risk was heightened with internal audit system being inadequate. Further, correctness of receipts and expenditure reported could not be ensured and diversions could not be assessed correctly.

1.12 Non-submission of Non-payable Detailed Contingent bills for amounts drawn on Abstract Contingent bills

Details for Rs.12.54 crore drawn on AC bills not furnished for periods up to fourteen years

1.12.1 Departmental officers drawing funds on Abstract Contingent (AC) bills were to render accounts through Non-payable Detailed Contingent (NDC) bills to the CAOs within a fortnight of the close of the month in which AC bills were drawn. However, information furnished by ZPs disclosed that NDC bills for Rs.12.54 crore drawn through 2766 AC bills by 288 officers of 14 departments had not been submitted (March 2002) within the time allowed. ZP-wise details are depicted in Appendix 1.6. Year-wise details were as below.

(Rupees in crore)		
Year	Number of bills pending	Amount
1987-88 to 1996-97	213	4.78
1997-98	24	0.48
1998-99	108	0.68
1999-2000	131	0.81
2000-01	95	1.41
2001-02	1632	3.78
Bills for which year-wise break-up had not been furnished	563	0.60
Total	2766	12.54

1.12.2 The CAOs of ZPs were to watch receipt of NDC bills. In cases of delay in adjustment beyond a month, the CAOs were to advise TOs not to honour any bill presented by defaulting officers. Such an action was not taken in many of the ZPs and the defaulting officers continued to draw funds from treasuries. Such delays in adjustment of heavy amounts were fraught with the risk of irregular drawals on AC bills going unnoticed.

1.13 Outstanding utilisation certificates

Certificates for utilisation of grants of Rs.272.20 crore not furnished

At the end of year 2001-02, utilisation certificates for an aggregate grant of Rs.272.20 crore were not furnished by 25 ZPs, as detailed in Appendix 1.7. In the absence of utilisation certificates, proper utilisation of grants released to ZPs could not be ensured.

1.14 Incomplete works

327 works remained incomplete for long periods even after investment of Rs.18.56 crore on them

Works taken up by ZPs were generally minor in nature and to be completed within 2 years. The Government have issued instructions that priority should be accorded to works in progress over new works. However, as of 31 March 2002, 327 works remained incomplete in the ZPs, even after making an aggregate investment of Rs.18.56 crore on them over the years. Details are furnished in Appendix 1.8. Year-wise details were as under.

(Expenditure: Rupees in crore)

Work	Up to 1996-97		1997-98		1998-99		1999-2000		Total	
	No.	Expenditure	No.	Expenditure	No.	Expenditure	No.	Expenditure	No.	Expenditure
Buildings	5	0.02	6	1.14	24	1.56	9	0.62	44	3.34
Water supply	17	2.74	7	0.51	42	2.59	103	3.98	169	9.82
Minor irrigation	21	1.28	5	0.25	9	0.21	33	2.47	68	4.21
Roads and bridges	10	0.30	5	0.23	21	0.32	10	0.34	46	1.19
Total	53	4.34	23	2.13	96	4.68	155	7.41	327	18.56

1.15 Non-maintenance of consolidated record of immovable properties

Consolidated record of immovable properties not maintained

The ZP Rules stipulated that a consolidated record of immovable properties duly classified into categories such as agricultural land, non-agricultural land, buildings, roads, irrigation tanks, ponds, lakes, wells, water supply schemes, parks, gardens, play grounds, etc., belonging to or vested in the ZP should be maintained. However, no such consolidated record was maintained in many of the ZPs. Absence of such a record is likely to render the maintenance of the asset difficult and fraught with the risk of encroachments/misutilisation by unauthorised persons going unnoticed.

1.16 Unsettled cases of misappropriations/defalcations

340 cases of misappropriations for Rs.21.87 crore were pending settlement

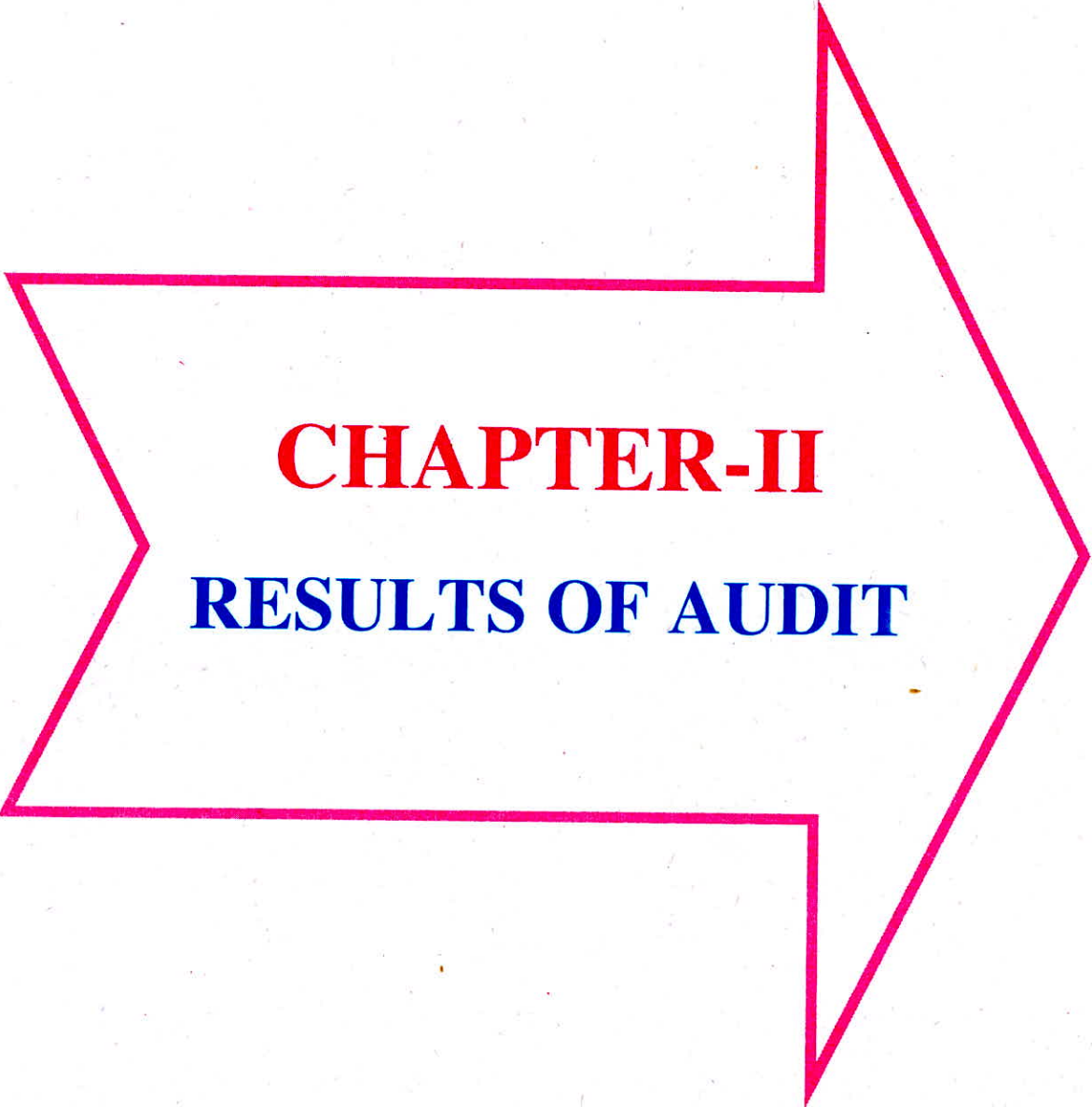
As of March 2002, 340 cases of misappropriations/defalcations involving Rs.21.87 crore were pending at various stages in the ZPs. The pendency, as furnished by ZPs, was as follows.

(Rupees in crore)

Under investigation		Pending in Courts		Others		Total	
Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
274	18.89	13	0.81	53	2.17	340	21.87

ZP-wise details are presented in Appendix 1.9.





CHAPTER-II
RESULTS OF AUDIT

Chapter summary

Rural housing in Karnataka

- ❖ No reliable data on housing shortage.
- ❖ Loan repayment tardy.
- ❖ Large section of beneficiaries deprived of hygienic habitation.

Swarnjayanti Gram Swarozgar Yojana

- ❖ Insufficient funding.
- ❖ Inadmissible expenditure/irregular spending.
- ❖ Inadequate coverage of weaker sections.
- ❖ Inadequate training.

Programme implementation, material and human resource management in selected Zilla Panchayats

- ❖ Programme implementation deficient.
- ❖ Material management not sound.
- ❖ No optimum utilisation of available manpower.

Audit paragraphs

- ❖ Long delay in completing minor irrigation works.
- ❖ Non-functioning of defluoridation plants.
- ❖ Subversion of controls leading to misappropriation of stores.

CHAPTER II – RESULTS OF AUDIT

SECTION ‘A’ – REVIEWS

HOUSING, RURAL DEVELOPMENT AND PANCHAYAT RAJ AND SOCIAL WELFARE DEPARTMENTS

2.1 Rural housing in Karnataka

Highlights

The census of 1991 pointed out that there was a shortage of housing in the State to the extent of 11,43,036 houses in the rural areas. Though the National Housing Policy pronounced by Government of India in July 1998 aimed at provision of houses for all on priority, implementation of schemes by the Zilla Panchayats did not appear to have been consistent with this objective. Deficiencies were noticed at all stages of implementation of housing programmes in rural areas.

Due to non-utilisation of funds, Central assistance of Rs.40.66 crore was foregone. Similarly, Central assistance of Rs.13.14 crore earmarked for the Gramin Awaas Yojana was also lost.

(Paragraph 2.1.4.2)

Rupees 2.36 crore (cash and materials) was diverted from one scheme to another.

(Paragraph 2.1.4.4)

The repayment of loan by the beneficiaries under the Ashraya Housing Scheme was poor due to ineffective monitoring, resulting in undue financial burden of Rs.44.35 crore on the State exchequer.

(Paragraph 2.1.4.6)

Though guidelines of Indira Awaas Yojana barred construction of houses by Government departments, Taluk Panchayats constructed/upgraded 7859 houses in Bellary district alone involving expenditure of Rs.15.26 crore.

(Paragraph 2.1.6.1)

639.12 acres of land valued at Rs.1.61 crore acquired under the Ashraya Sites Scheme was not converted into sites and distributed; 2986 sites developed at a cost of Rs.11.94 lakh were also not distributed.

(Paragraph 2.1.6.2(iv))

Rupees 0.66 crore were provided under the Indira Awaas Yojana to 330 beneficiaries in five taluks on the recommendations of elected representatives even though the beneficiaries were not in the list of families below poverty line.

(Paragraph 2.1.6.4(ii))

In violation of scheme guidelines, one Zilla Panchayat and 15 Taluk Panchayats procured materials costing Rs.11.75 crore under Indira Awaas Yojana, though beneficiaries did not demand such procurement. Similarly, four Taluk Panchayats purchased materials valued at Rs.0.99 crore under State Sector housing schemes.

(Paragraph 2.1.6.5)

In one taluk, under State Sector housing scheme, assistance aggregating Rs.0.91 crore was reportedly paid to 453 beneficiaries; but payments were not supported by documents.

(Paragraph 2.1.6.6(ii))

25 per cent of new houses constructed and 29 per cent of houses upgraded under the Indira Awaas Yojana were not provided with sanitation facilities. Similarly, smokeless chulhas were not provided in 28 per cent of the new houses constructed and in 30 per cent of houses upgraded. Large section of beneficiaries was, thus, deprived of hygienic habitation.

(Paragraph 2.1.6.7)

62 per cent of the houses completed under the Indira Awaas Yojana were not allotted in the name of the female members or in joint names of the family, thus defeating the objective of empowering rural women.

(Paragraph 2.1.6.8)

2.1.1 Introduction

2.1.1.1 Housing policy

The National Housing and Habitat Policy adopted in 1998 by the Government of India envisaged housing for all as a priority area. Progressive steps from subsidy-based housing schemes to cost sharing/cost recovery-cum-subsidy schemes and to a demand-driven approach were contemplated. The Panchayat Raj Institutions were to be empowered to mobilise credit for increasing housing stock. Women were to be involved at all stages of implementation of housing programmes.

2.1.1.2 Schemes

Basic details of major schemes implemented by the State Government to address the shelter needs were as follows.

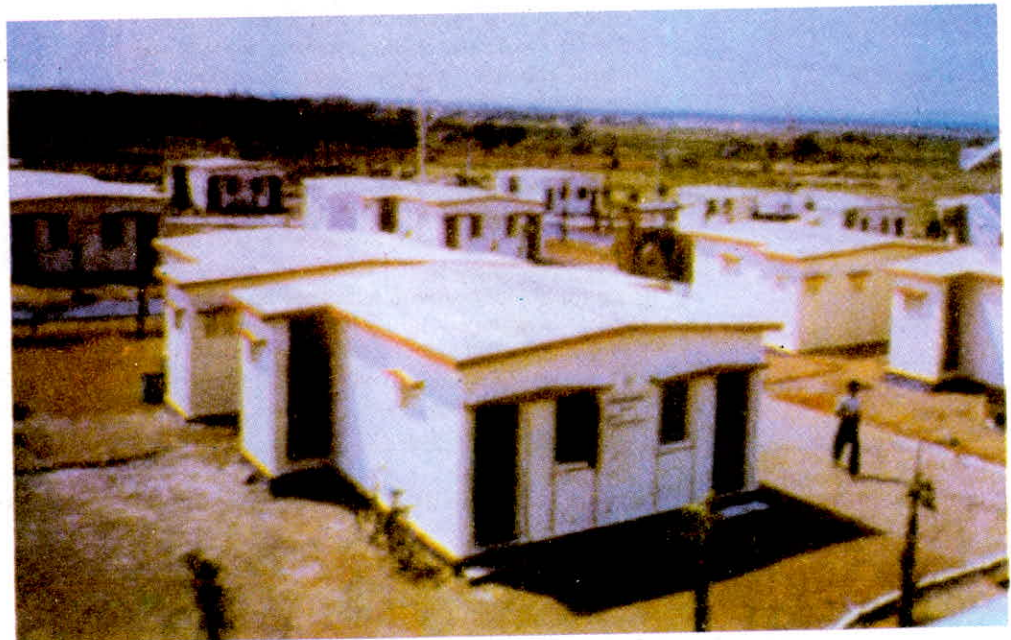
Scheme/Category	Launched in	Brief objective	Funding
Indira Awaas Yojana (IAY)/Centrally Sponsored Scheme	1985-86	To provide assistance for construction of houses for rural population living below poverty line with focus on Scheduled Castes (SC), Scheduled Tribes (ST), freed bonded labourers, etc., and to upgrade kutcha houses. Maximum assistance admissible for construction of houses was Rs.20000 including cost of smokeless chulhas, sanitary latrines and other common facilities and Rs.10000 for upgradation of houses	Expenditure was to be shared between Central and State Governments in the ratio of 80:20 up to March 1999 and 75:25 from April 1999
Ashraya Housing Scheme (AHS)/State Sector Scheme	1991-92	To develop and distribute sites to target population and to construct and distribute houses to those whose annual income was less than Rs.8400 up to March 1995 and Rs.11800 thereafter. Sites measuring 30' x 40' were distributed free of cost in rural areas. Subsidy of Rs.5000 was provided for construction of houses in rural areas up to 1994-95 and it was raised to Rs.10000 from 1995-96. Loan was limited to Rs.10000	Fully funded by State Government
Dr. Ambedkar Housing Scheme (DAHS)/State Sector Scheme	1991-92	To provide assistance in the form of subsidy of Rs.20000 for construction of houses by SC/ST population in rural areas	Fully funded by State Government

Besides, Credit-cum-Subsidy Scheme, Gramin Awaas Yojana, Innovative Stream for Rural Housing and Habitat Development, Rural Building Centres and Neralina Bhagya Scheme (NBS) were also implemented in the State.

A few photographs of the houses constructed in the State, under Ashraya Rural Housing Scheme are exhibited below.



House constructed under Ashraya Housing Scheme in Chikmagalur district



Houses constructed under Ashraya Housing Scheme in Bellary district

2.1.2 Organisational structure

2.1.2.1 At the State level, the Rural Development and Panchayat Raj (RDPR) Department, headed by a Principal Secretary, was responsible for monitoring the schemes. He was assisted by the Director, Area Development Programmes, in the Secretariat. The Housing Department, headed by a Secretary, was responsible for monitoring State Sector Schemes like AHS and NBS. The Secretary, Social Welfare Department, was monitoring implementation of DAHS. The State Government established the Rajiv Gandhi Rural Housing Corporation Limited (RGRHCL) in January 2000 to monitor implementation of various State Sector housing programmes.

2.1.2.2 At the district level, the Chief Executive Officers (CEOs) of Zilla Panchayats (ZPs) and the Deputy Commissioners (DCs) of the districts were to oversee implementation.

2.1.2.3 At the block level, the Taluk Panchayats (TPs) headed by Executive Officers (EOs) were to implement the schemes. Grama Panchayats (GPs) were to assist in selection of beneficiaries and recovery of loan.

2.1.3 Audit coverage

Audit reviewed the implementation of housing schemes, during January to July 2002, by a test-check of the records relating to the period from 1997-98 to 2001-02 in 8* out of 27 ZPs and in 48 out of 175 TPs. Important findings of the review are highlighted in the succeeding paragraphs. The Audit had earlier reviewed (December 1995 to May 1996) the implementation of AHS and incorporated findings in paragraph 3.11 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 1996.

* Belgaum, Bellary, Bijapur, Gulbarga, Hassan, Kolar, Mysore and Shimoga

2.1.4 Financial outlay and expenditure

2.1.4.1 Allocation and expenditure under various schemes

The details of allocation, releases and expenditure made by Central and State Governments were as under.

2.1.4.1.1 Centrally Sponsored/Central Sector Schemes

Indira Awaas Yojana

(i) Construction of houses

Year	Allocation	Releases			Expenditure
		Central	State	Total	
(Rupees in crore)					
1997-98	75.31	58.20	14.55	72.75	92.06
1998-99	79.01	56.57	14.14	70.71	79.41
1999-2000	62.91	32.61	10.87	43.48	75.02
2000-01	62.91	34.08	11.36	45.44	57.71
2001-02	65.08	41.88	13.96	55.84	58.88
Total	345.22	223.34	64.88	288.22	363.08

(ii) Upgradation of houses

Year	Allocation	Releases			Expenditure
		Central	State	Total	
(Rupees in crore)					
1999-2000	15.73	10.76	3.59	14.35	5.88
2000-01	15.73	7.95	2.65	10.60	15.07
2001-02	16.27	10.15	3.38	13.53	13.73
Total	47.73	28.86	9.62	38.48	34.68

The excess expenditure over the total releases was met out of unspent balances of the funds released earlier but the short releases by the Central and State Governments in respect of Centrally Sponsored/Central Sector Schemes continued due to poor absorption capacity of ZPs.

2.1.4.1.2 State Sector Schemes

(i) Dr. Ambedkar Housing Scheme

Year	Allocation	Releases		Expenditure
		(Rupees in crore)		
1997-98	47.50	47.59		46.32
1998-99	38.00	38.05		35.93
1999-2000	38.00	38.10		32.80
2000-01	39.25	39.25		33.85
2001-02	40.00	40.00		5.37
Total	202.75	202.99		154.27

(ii) Ashraya Housing Scheme (Rural)*

Year	Allocation	Releases			Expenditure
		Subsidy	Loan	Total	
(Rupees in crore)					
1997-98	45.94	51.12	23.60	74.72	75.66
1998-99	70.62	28.23	48.30	76.53	73.95
1999-2000	32.78	84.58	44.14	128.72	123.56
2000-01	142.90	161.93	91.43	253.36	241.26
2001-02	133.20	37.76	13.01	50.77	42.15
Total	425.44	363.62	220.48	584.10	556.58

(iii) Ashraya Sites Scheme (Rural)

Year	Allocation	Releases	Percentage of short release	Expenditure
				(Rupees in crore)
1997-98	11.12	10.67	4	10.67
1998-99	7.41	6.82	8	6.82
1999-2000	7.41	6.91	7	6.91
2000-01	2.00	2.60	-	2.05
2001-02	10.89	0.73	93	0.84
Total	38.83	27.73	29	27.29

Reasons for short release of allocated funds were not available. The State Government had also not furnished reasons for not utilising the funds released, in full (May 2003).

2.1.4.2 Forfeiture of assistance

Due to poor implementation of the scheme, assistance of Rs.53.45 crore had to be forfeited

(i) Under the construction of new houses, due to poor implementation of the scheme, Rs.35.78 crore was short released by the Central Government. Similarly, under the programme of upgradation of houses, Rs.4.88 crore was short released. Correspondingly, the share of the State Government also got reduced by Rs.11.12 crore for construction of new houses and by Rs.1.67 crore for upgradation of houses. In all, Rs.46.90 crore for the construction of new houses and Rs.6.55 crore for upgradation of houses was forfeited. Had the assistance not been forfeited, 23450 additional houses could have been constructed and 6550 houses could have been upgraded. Test-check at the district level disclosed that the main reasons for non-utilisation of available funds were (i) delay in finalisation of the list of beneficiaries; (ii) staggered

* Allocation was for subsidy only. Releases and expenditure included both loan and subsidy. Releases for a targeted year have been shown against that year irrespective of actual year of releases

release of funds for implementation; and (iii) slow progress in construction of houses by beneficiaries.

State Government delayed release of funds for a scheme and forfeited Central assistance of Rs.13.14 crore

(ii) The Central Government released funds for the programmes under Gramin Awaas Yojana implemented as part of Pradhan Mantri Gramodaya Yojana. Of the Central allocation of Rs.11.27 crore for 2000-01, Rs.5.63 crore were released in July 2000. However, the State Government released this amount to implementing agencies only in March 2001, with the result that the scheme could not be implemented in 2000-01. Similarly, for 2001-02, the Government of India released Rs.7.50 crore out of the allocation of Rs.15 crore in October 2001. The State Government, however, released this money to the districts only in March 2002. As a result, not only was the achievement of targets low (55 per cent), but Central assistance of Rs.13.14 crore was also lost.

2.1.4.3 Non-utilisation of available funds

(i) As of August 2000, the ZPs and TPs did not utilise Rs.70.65 crore released to them by Karnataka Housing Board for implementation of the AHS. Of this, implementing officers refunded (August 2000 to March 2002) Rs.25.42 crore to RGRHCL which was to implement various housing schemes in the State Sector.

(ii) The ZP, Gulbarga did not utilise interest of Rs.18 lakh earned on the investment of funds of IAY, but irregularly credited it to a separate bank account.

Non-utilisation of funds by implementing agencies deprived the beneficiaries of 35415 additional houses under various schemes.

2.1.4.4 Diversion of funds

Rs.2.36 crore was diverted to other schemes

Test-check disclosed that there was diversion of funds aggregating Rs.2.36 crore (in cash and in the form of materials) as detailed below in four districts³.

Funds (Rupees in crore)	Taluk/District	Diversion		During	Remarks
		From	To		
0.23	Sindagi taluk/ Bijapur district	IAY	DAHS, Nirmala Grameena Yojana (NGY), AHS, etc.	July 2000	Not adjusted (July 2002)
0.21	Sindagi taluk/ Bijapur district	AHS	DAHS, NGY, schemes under stamp duty collections, IAY, purchase of potatoes, etc.	April 1996 to March 2001	Not adjusted (August 2002)
0.17	Sindagi taluk/ Bijapur district	DAHS	AHS, IAY, NGY, schemes under stamp duty collections	April 1999 to March 2001	Not adjusted (July 2002)
0.45	Surpur taluk/ Gulburga district	IAY	Employment Assurance Scheme, DAHS, Tenth Finance Commission Scheme	April 1998 to March 2001	Not adjusted (July 2002)
0.20	Hassan taluk/ Hassan district	AHS	Purchase of potatoes	September and December 1997	Not adjusted (July 2002)
0.68	Nanjangud and Periapatna taluks/Mysore district and Sindagi taluk / Bijapur district	IAY	DAHS, NGY, AHS, etc.	1997-98 to 2000-01	Materials like cement, zinc sheet, etc.
0.42	Periapatna and Nanjangud taluks/Mysore district and Sindagi taluk/ Bijapur district	AHS and DAHS	DAHS, NGY, AHS, etc.	1997-98 to 2001-02	Cost of material diverted had not been adjusted (July 2002). EOs of two TPs in Mysore district were suspended for this and other irregularities
2.36			Total		

2.1.4.5 Defective financial reporting

Financial reporting inconsistent and defective

Scrutiny of reports on IAY furnished by the State Government revealed that there were differences between closing cash balances of the previous year and the opening cash balances of the next year, both under construction and

³ Bijapur, Gulbarga, Hassan and Mysore

upgradation of houses as indicated below.

(i) Construction of houses

(Rupees in crore)

Year	Closing balance	Year	Opening balance	Difference
1996-97	31.45	1997-98	43.26	11.81
1997-98	23.95	1998-99	46.69	22.74
1998-99	37.99	1999-2000	41.52	3.53
1999-2000	9.99	2000-01	24.85	14.86
2000-01	12.58	2001-02	16.70	4.12

(ii) Upgradation of houses

(Rupees in crore)

Year	Closing balance	Year	Opening balance	Difference
1999-2000	8.47	2000-01	8.23	0.24
2000-01	3.76	2001-02	4.25	0.49

The differences in the opening and closing balances indicated that the financial reporting was defective. This was also indicative of the possibility of inflated expenditure being reported. From the details relating to the districts, it was noticed that similar differences existed in their reporting also.

The State Government stated (August 2002) that as monthly progress reports were prepared based on provisional and unaudited figures furnished by ZPs and as audit of accounts of Centrally Sponsored Schemes was conducted subsequently during August–September, there were differences between the opening and closing balances. However, no specific reasons were attributed to the large differences ranging from Rs.0.24 crore in 1999-2000 under upgradation of houses to Rs.22.74 crore in 1997-98 under construction of houses. The fact also remained that incorrect expenditure was being reported to the Government of India.

2.1.4.6 Tardy repayment of loan

Repayment of loan by beneficiaries was poor leading to additional financial burden on the State exchequer

The loan component of assistance provided under the AHS was to be repaid by the beneficiaries in 180 instalments along with interest. But this was not being monitored and Rs.44.35 crore were repaid from Government funds during 1997-2001. CEOs of ZPs stated (January 2002) that action for recovery of loan had been geared up and instructions had been issued.

2.1.5 Planning and physical achievements

2.1.5.1 Defective planning

Basic data required for planning not available with the State Government

The census of 1991 pointed out that the housing shortage, including houses requiring upgradation, was 11,43,036 in rural areas of Karnataka. A survey conducted in 1995-96 for the AHS indicated that there were 6,87,128 houseless families in the State (excluding Gulbarga and Kodagu districts). Another survey conducted by a management organisation estimated that as of 2001, the housing shortage was 16.08 lakh, whereas the National Buildings Organisation assessed it as 3.9 lakh in the same year. Thus, the Government did not have firm and reliable estimates of housing requirements.

2.1.5.2 Fixation of targets and physical achievements

The details of allocation, funds provided, targets fixed, etc., during 1997-2002 were as under.

Scheme	Allocation	Funds provided	Houses that could have been constructed or upgraded with the funds provided	Target fixed	Achievement
	(Rupees in crore)		(In numbers)		
IAY (Construction of houses)	345.22	288.32	144115	172609	174398*
IAY (Upgradation of houses)**	47.73	38.48	38485	47722	34614
AHS (Construction of houses)	425.44	584.10	292000	406234	266122***
AHS (Distribution of sites)	-	-	-	320000	149608***
DAHS	202.75	202.90	101494	104627	77530***

* Including houses taken up prior to 1997-98 but completed during 1997-2002

** For 1999-2000 to 2001-02

*** As of March 2002. Achievements were reported against targeted year irrespective of year of actual completion

Targets fixed were unrealistic

Funds allocated were not released in full under IAY. With the result, adequate funding was not available for the targets fixed. Under AHS and DAHS, even though releases were more than the allocation, requirement of funds for the targets was more than the releases. The fixation of targets was, therefore, not realistic.

Reasons were not available for non-achievement of targets

The percentage of reported cumulative achievement was 101, under construction of houses for IAY; it was 73 under upgradation of houses under IAY, 74 under DAHS, 66 under AHS (Construction of houses) and 47 under

AHS (Distribution of sites). The reasons for the comparatively lower performance under schemes other than 'IAY – Construction of houses' had not been furnished (July 2003). The Audit noticed that under DAHS and AHS, 21473 houses taken up were in progress for more than two years from 1997-98 to 1999-2000.

Reporting of physical achievements found defective

Audit observed that in 20 out of 48 taluks test-checked, as against 29995 houses reported as completed, only 26745 houses were completed. The Progress Reports were apparently overstated.

2.1.6 Programme implementation

2.1.6.1 Indira Awaas Yojana

The houses under IAY were to be constructed by the beneficiaries themselves. But in five* out of seven taluks of Bellary district, the TPs themselves constructed/upgraded 7859 houses involving an expenditure of Rs.15.26 crore.

2.1.6.2 Ashraya Housing Scheme (Rural)

Assistance of Rs.9.40 lakh provided without proper verification

(i) Under the scheme, eligible beneficiaries of special occupational group (families of artisans, coir workers, etc.) were to be provided with assistance and the beneficiaries were to be selected by the respective departments/agencies. In Arasikere taluk, the EO, TP reported (April 2002) completion of all the 119 houses targeted for 2000-01. Of these, 47 beneficiaries were provided with assistance of Rs.9.40 lakh in 2000-01 without the EO verifying the eligibility criteria.

(ii) Joint inspection of 213 cases of 2000-01 by Audit along with officials of TP, Arasikere, disclosed that in 44 cases, assistance aggregating Rs.8.80 lakh was provided even though the beneficiaries did not construct new houses as required, but only made additions to the existing houses.

(iii) In Saundatti taluk of Belgaum district, the EO, TP constructed (1999-2001) 56 houses at a cost of Rs.11.20 lakh on 4 acres of private land, even

* Bellary, Hospet, Sandur, Hagaribommanahalli and Kudligi

before formally acquiring the land. Consequently, the title of the houses so constructed could not be given to the beneficiaries as of July 2002.

Land acquired for conversion of sites not fully utilised

(iv) Out of 952.05 acres of private land acquired under AHS (Distribution of sites) for conversion and distribution of sites, 639.12 acres valued at Rs.1.61 crore were not converted as housing sites in eight districts test-checked. Of the 28268 sites converted in 26 taluks, 2986 sites developed at a cost of Rs.11.94 lakh were not distributed (July 2002).

2.1.6.3 Gramin Awaas Yojana

According to the instructions (August 2000) of the State Government, houses under this scheme had to be built as group houses so that common infrastructure could be provided to these houses. Test-check revealed that in Belur taluk of Hassan district, the allotment of 35 new houses and upgradation of 20 houses involving an assistance of Rs.9.00 lakh during 2001-02 was spread across 10 villages in 7 GPs, contrary to the objective of group housing.

2.1.6.4 Selection of beneficiaries

Defects noticed in the identification of beneficiaries

(i) A survey was sponsored by the Government of India and conducted in the State during 1997 for identification of beneficiaries living below the poverty line. In none of the districts test-checked, beneficiaries were selected exclusively from this list reportedly due to defects in the survey.

(ii) In Bellary taluk, 43 victims of a fire accident were allotted houses during 2001-02, with a total assistance of Rs.8.60 lakh. In five* taluks, 287 beneficiaries who were not identified by Grama Sabhas as eligible beneficiaries and whose names were not in the list of those below the poverty line were provided with assistance of Rs.57.40 lakh during 1998-2001, based on the recommendations of elected representatives at various levels. This resulted in denial of benefits to eligible beneficiaries.

(iii) The guidelines for implementation of AHS and DAHS envisaged that a committee headed by the Member of the Legislative Assembly of the

* Bellary, Chikodi, Gauribidanur, Nanjangud and Shimoga

constituency had to finalise the beneficiaries from the list prepared by Grama Sabhas. As the committee ignored the beneficiaries identified by Grama Sabhas, legal disputes arose in 3008 cases in five^(a) taluks.

2.1.6.5 Irregular purchase of materials

Materials costing Rs.12.74 crore purchased in contravention of guidelines

(i) According to the guidelines of IAY, raw materials such as cement, steel or bricks had to be procured, if the beneficiaries so desired. In 15* taluks, it was noticed that steel doors, windows, angles, cement, galvanised iron pipes, tiles, asbestos cement sheets, etc., costing Rs.10.88 crore were purchased by TPs. In Belgaum district, the ZP purchased materials for Rs.0.87 crore. There was no documentary evidence of the beneficiaries demanding the procurement of the materials.

(ii) The RGRHCL which was entrusted with the monitoring of implementation of State Sector housing schemes, prohibited purchase of materials by implementing officers. Nevertheless, EOs of four* TPs purchased cement, galvanized iron sheets, angles, etc., valued at Rs.0.99 crore during 2000-01.

2.1.6.6 Cases of misappropriation/irregular payment of assistance

Irregular payment of assistance of Rs.0.47 crore; details of assistance of Rs.0.91 crore not available

(i) Assistance under various housing schemes was to be paid to the beneficiaries on staggered basis, linking payment of instalments to progress of work. Verification by Village Secretaries during 2001-02, in Srinivasapura and Gauribidanur taluks of Kolar district revealed Rs.0.47 crore being irregularly paid in 549 cases, as detailed below.

13 cases (1 case under IAY and 12 cases under State Sector schemes)	Rs.2.24 lakh was provided for old houses
55 cases (16 cases under IAY and 39 cases under State Sector schemes)	Rs.8.79 lakh paid for houses not in existence
481 cases (134 cases under IAY and 347 cases under State Sector schemes)	Rs.36.12 lakh paid not commensurate with progress

^(a) Shahapur, Sedam, Mulbagal, Malur and Kolar

* Basavanabagewadi, Bellary, H.D.Kote, Hagaribommanahalli, Hospet, Indi, Kudligi, Mulbagal, Nanjangud, Periapatna, Sandur, Shikaripura, Sindagi, Sorob and Srinivasapura

* Basavanabagewadi, Indi, Nanjangud and Sindagi

(ii) According to the guidelines of the State Sector housing schemes, the funds of the schemes were to be deposited in a joint account of EO and Accounts Superintendent of TPs, and payment to beneficiaries made through crossed cheques. Copies of documents like khata certificate, title of the land, etc., had to be brought on record along with photographs of beneficiaries. Details of individual cases had to be noted in the Works/Beneficiary Payment Register. In disregard of these guidelines, in TP, Chikodi, no joint account was maintained, and in the case of 453 beneficiaries involving assistance of Rs.0.91 crore, no documents or details as prescribed were available on record. The EO, TP, Chikodi informed (January 2001) that blank cheques, duly signed, were handed over to the Engineers of the TP for disbursement to the beneficiaries, in violation of the rules. The then EO and four other officials of TP, Chikodi were kept under suspension (September/October 2001) in this connection and the matter was under investigation (January 2002).

2.1.6.7 Non-provision of latrines and smokeless chulhas

25 to 30 per cent of houses constructed/ upgraded under IAY not provided with sanitation facility and smokeless chulhas

Under IAY, construction of latrines and provision of smokeless chulhas were mandatory. Out of 174398 houses newly constructed during the period 1997-98 to 2001-02, latrines in 44312 houses and smokeless chulhas in 48790 houses were not provided. Out of 34614 upgraded houses, latrines were not provided in 9995 houses and 10312 houses were without smokeless chulhas. Thus, 25 per cent of new houses were without sanitation facilities and 28 per cent of houses were without smokeless chulhas. Under upgraded house category, 29 per cent of the houses did not have sanitation facilities and 30 per cent of houses did not have smokeless chulhas.

2.1.6.8 Allotment of houses

62 per cent of houses constructed not allotted in the name of female member of the household or in joint names

Out of 174398 houses, 108588 (62 per cent) were not allotted in the name of the female members or jointly in the name of husband and wife. This defeated the objective of empowering women in households.

2.1.6.9 Inventory register

Inventory of houses not maintained

In none of the test-checked districts, implementing officers had maintained inventories of houses constructed. In violation of the guidelines, the houses did not have the logo of IAY. In the absence of these requirements, the existing condition of the houses was not susceptible of verification and monitoring was rendered difficult.

2.1.7 Monitoring and evaluation

Ineffective monitoring and inadequate evaluation

2.1.7.1 The State Level Co-ordination Committee (SLCC) for Rural Development Programmes was to monitor implementation of IAY also. However, State Government did not furnish evidence of undertaking field visits. The Government stated (July 2002) that no specific reports of visits were available and that inspection would be intensified henceforth.

2.1.7.2 Scrutiny revealed that there was no documentary evidence of field visits having been undertaken at other levels also for monitoring implementation of various housing schemes.

2.1.7.3 The Government did not furnish details of evaluation of various housing schemes other than IAY, which was evaluated in 1998-99 by Centre for Multi Disciplinary Development Research, Dharwad, as part of the concurrent evaluation arranged by the Ministry of Rural Development. This evaluation pointed out, inter alia, involvement of politicians and officials in selection, distribution of houses to ineligible beneficiaries and the role of contractors in construction. Details of action taken by Government on the evaluation report had not been furnished (July 2003).

2.1.8 Recommendations

- (i) Existing systems for fixation of targets, beneficiary selection and disbursement of assistance need to be strengthened to avoid recurrence of the irregularities.
- (ii) Construction of latrines and provision of smokeless chulhas have to be ensured to provide clean environment and hygienic habitation.
- (iii) System of recovery of loans needs to be strengthened.

2.1.9 The matter was referred to Government in December 2002; reply had not been received (July 2003).

**RURAL DEVELOPMENT AND PANCHAYAT RAJ
DEPARTMENT**

2.2 Swarnjayanti Gram Swarozgar Yojana

Highlights

Consolidating various self-employment programmes - Integrated Rural Development Programme, Training of Rural Youth for Self Employment, Development of Women and Children in Rural Areas, Supply of Improved Tool Kits to Rural Artisans, Ganga Kalyan Yojana, etc., - Government of India launched from April 1999 a holistic programme called Swarnjayanti Gram Swarozgar Yojana with funding pattern of 75:25 between the Centre and the States. The programme aimed at bringing assisted poor families (swarozgaris) above the poverty line in three years by providing them income generating assets through a mix of bank credit and subsidy. Subject to availability of funds, the programme aimed to cover 30 per cent of the families living below poverty line in each block during the next five years. Review of the scheme disclosed the following serious deficiencies.

Rupees 546.36 crore was required to assist 364236 families living below poverty line, but only Rs.140.58 crore was provided.

(Paragraph 2.2.4.3)

Failure to fulfill conditions resulted in the loss of Central assistance of Rs.49.32 crore.

(Paragraph 2.2.4.4)

Test-check disclosed expenditure of Rs.6.17 crore was incurred on inadmissible items.

(Paragraph 2.2.4.7)

The coverage of Scheduled Caste/Scheduled Tribe beneficiaries fell short by 17 to 28 per cent in group activities and 8 to 26 per cent in individual category. In respect of disabled, shortage in coverage ranged between 63 and 76 per cent in groups and 40 and 75 per cent in individuals.

(Paragraph 2.2.5.2)

Identification of key activities was made by external agencies in five out of seven test-checked districts instead of by the block level functionaries.

(Paragraph 2.2.6.2)

Rupees 15.75 crore invested in creation of training infrastructure became unfruitful.

(Paragraph 2.2.7.3.2)

Training was not provided to 41797 swarozgaris to whom assistance was provided.

(Paragraph 2.2.7.4)

2.2.1 Introduction

Swarnjayanti Gram Swarozgar Yojana (SGSY) was started in Karnataka as a Centrally Sponsored Scheme in April 1999 by consolidating erstwhile self-employment programmes[⊕], with funding by the Government of India and the States in the ratio of 75:25. The programme covered all aspects of self-employment such as organisation of the poor into self-help groups (SHGs), training, credit, technology, infrastructure and marketing. It envisaged providing income generating assets through a mix of bank credit and Government subsidy to individuals and SHG families living below poverty line (BPL) for generating sustainable net monthly income of Rs.2000 per family to bring every assisted family above poverty line in 3 years and also to cover 30 per cent of families in each block within the next 5 years, by March 2004.

2.2.2 Audit coverage

There are 27 Zilla Panchayats (ZPs), 175 Taluk Panchayats (TPs) and 5659 Grama Panchayats (GPs) in the State. Test-check (December 2001 to June 2002) of records of seven ZPs^{*}, seventeen TPs and thirty four GPs, covering 40 per cent (Rs.52.75 crore) of total expenditure of Rs.133.29 crore and also

[⊕] Development of Women and Children in Rural Areas (DWCRA), Ganga Kalyan Yojana (GKY), Integrated Rural Development Programme (IRDP), Million Wells Scheme (MWS), Supply of Improved Tool Kits to Rural Artisans (SITRA) and Training of Rural Youth for Self Employment (TRYSEM)

^{*} Bangalore (Rural), Belgaum, Bellary, Dakshina Kannada, Kolar, Raichur and Tumkur

covering 36 per cent (7.33 lakh BPL families) of total 20.23 lakh BPL families in the State was conducted.

2.2.3 Organisational structure

The Secretary/Director, Self-Employment Programme (SEP), Department of Rural Development and Panchayat Raj (RDPR) was the nodal officer for SGSY at the State level and was overall responsible for implementation of the programme. At the district level, the scheme was implemented by the District Rural Development Agency (DRDA) cell of each ZP through TPs and GPs.

2.2.4 Financial outlay and expenditure

2.2.4.1 Funding details

The funding details for the State as a whole, as reported by RDPR, were as under.

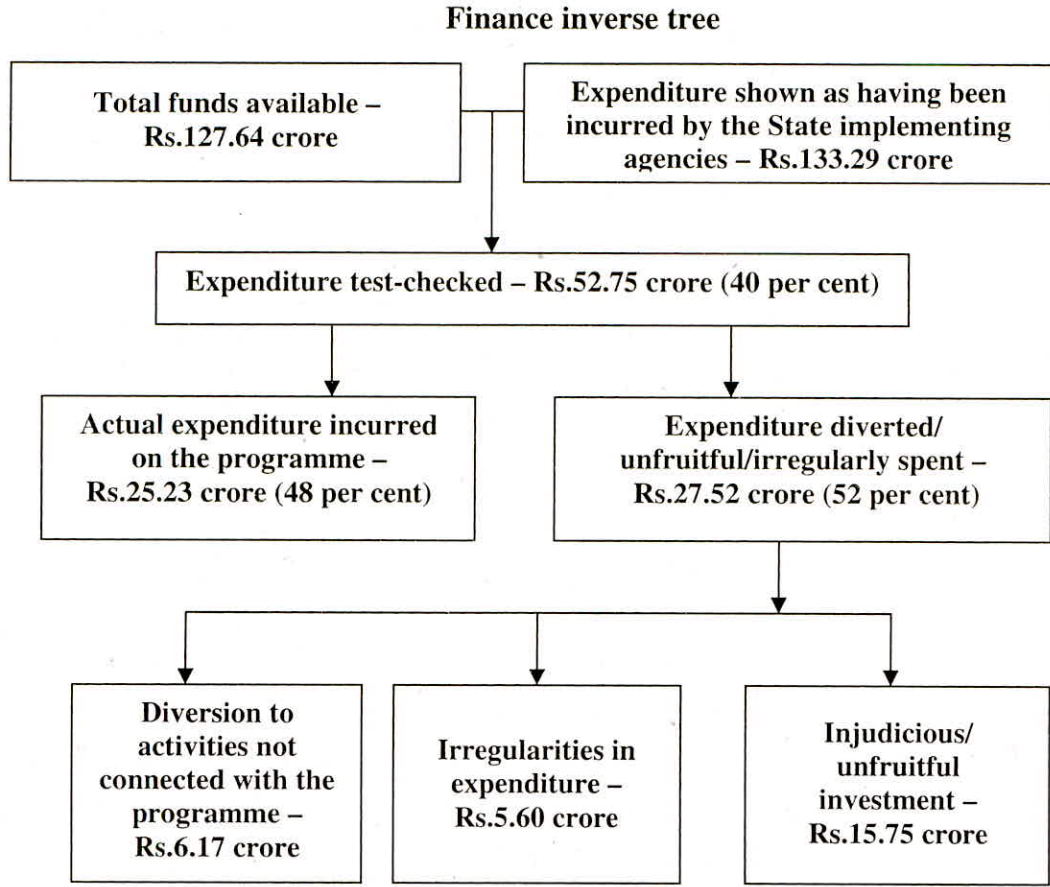
Year	Allocation		OB	Funds released by		Miscellaneous receipts	Availability of funds	Expenditure	CB
	GOI	GOK		GOI	GOK				
1999-2000	46.97	15.65	48.09	23.48	7.83	0.38	79.78	39.70	40.08
2000-01	35.30	11.77	50.52	16.00	5.34	3.65	75.51	42.12	33.39
2001-02	23.17	7.72	38.67	16.59	5.53	0.75	61.54	51.47	10.07

(Rupees in crore)
GOI - Government of India; GOK - Government of Karnataka; OB - Opening balance; CB - Closing balance

- Note:**
1. Availability of funds included unspent balance and interest earned on balances in bank accounts.
 2. The opening balance as shown in the progress report for the year 2000-01 did not agree with the closing balance for the year 1999-2000 as worked out with reference to opening balance as on 1 April 1999 to which were added releases, miscellaneous receipts less expenditure. Same was the position for 2001-02 also. This was on account of ZPs recasting the opening balance each year after the audit by the Chartered Accountant was completed.
 3. As against Rs.127.64 crore available (opening balance of Rs.48.09 crore as on 1 April 1999, funds of Rs.74.77 crore released and miscellaneous receipt of Rs.4.78 crore) Rs.133.29 crore was reported as spent resulting in reporting expenditure of Rs.5.65 crore (cumulative for three years) in excess of the availability of funds, to GOI.

2.2.4.2 The expenditure of Rs.133.29 crore included instances of diversion of funds, irregular expenditure, wasteful expenditure, etc. Of the expenditure of Rs.52.75 crore test-checked, only Rs.25.23 crore was spent on the

programme as indicated below.



2.2.4.3 Inadequacy in resource allocation

Only 17 to 34 per cent of fund requirement allocated

There were 20,23,539 BPL families in Karnataka (1997-98). As such, 121412 BPL families were required to be covered every year. The requirement of funds at Rs.15000 per BPL family, allocation and actual number of BPL families covered were as follows.

(Rupees in crore)

Year	Number of BPL families required to be assisted	Budget allocation (Central + State) required	Actual budget allocation (Central + State)	Percentage of actual budget allocation	Number of BPL families actually covered	Percentage of BPL families actually assisted
1999-2000	121412	182.12	62.62	34	19184	16
2000-01	121412	182.12	47.07	26	29016	24
2001-02	121412	182.12	30.89	17	42944	35
Total	364236	546.36	140.58	26	91144	25

Note: 1. The number of BPL families required to be assisted has been worked out at 6 per cent each year with reference to coverage of 30 per cent of BPL families in five years (total BPL families 2023539)

2. Minimum assistance of Rs.15000 per BPL family has been worked out taking into account subsidy element of Rs.9000 (60 per cent of Rs.15000) and other elements like training, infrastructure, etc., of Rs.6000 (40 per cent of Rs.15000)

The funds provided ranged between 17 and 34 per cent of the actual requirement, whereas actual number of BPL families covered ranged from 16 to 35 per cent. In the districts test-checked, the funds provided ranged from 15 to 31 per cent of the actual requirement, whereas actual number of BPL families covered ranged from 15 to 36 per cent.

2.2.4.4 Loss of Central assistance

Central assistance of Rs.49.32 crore lost due to inability to utilise funds provided

Due to failure to utilise available funds, the State lost Central assistance to the extent of Rs.49.32 crore[♥] as shown in the table. The corresponding short release of State share worked out to Rs.16.44 crore.

(Rupees in crore)

1999-2000 II Instalment not received	2000-01						2001-02			
	I Instalment			II Instalment						
	SR	ER	NR	SR	NR	NSR	SR	NR	AR	NSR
23.48,	1.09	0.75	1.95	0.34	16.63	19.26	0.91	9.29	3.62	6.58

SR – Short release; ER – Excess release; NR – Non-release; AR - Additional release; NSR - Net short release

1999-2000	Rs.23.48 crore
2000-01	Rs.19.26 crore
2001-02	Rs. 6.58 crore
Total loss of Central assistance	Rs.49.32 crore

ZP-wise details are furnished in Appendix 2.1.

43840 BPL families could have been assisted at the rate of Rs.15000 per family with the lost assistance of Rs.65.76 crore (Central assistance of Rs.49.32 crore and State assistance of Rs.16.44 crore). In the districts test-checked, loss of Central assistance amounted to Rs.15.42 crore. The inadequate funding and further loss of Central assistance impaired effective implementation of the programme.

2.2.4.5 Delay in drawal of State share by Zilla Panchayats

Test-check revealed delays ranging from 11 days to 7 months in drawing the State share of funds (Rs.6.03 crore on 34 occasions) by Chief Accounts Officers (CAOs) of ZPs.

[♥] The net loss of Central assistance of Rs.49.32 crore represents the difference between total non-release/short release of instalments (Rs.53.69 crore) and total excess/additional release of instalments (Rs.4.37 crore)

2.2.4.6 Delay in release of funds from Zilla Panchayats

The funds received by the ZPs were required to be released to the TPs within 15 days. On 52 occasions, there were delays ranging from 1 to 20 months in the release of funds ranging from Rs.3.50 lakh to Rs.2.64 crore.

2.2.4.7 Inadmissible/unauthorised expenditure

**Rs.6.17 crore
spent on
inadmissible
items**

(i) Inadmissible/unauthorised expenditure amounting to Rs.1.55 crore was noticed on 108 occasions. These were in the nature of payments made to Technical and Consultancy Service Organisation of Karnataka (TECSOK) for preparation of project reports, printing charges, purchase of car, purchase of computers, installation of website, computerisation of ZP accounts, construction of ZP and GP buildings, payment of audit fees, purchase of display boards, etc., as detailed below.

(Rupees in lakh)

Zilla Panchayat/ Taluk Panchayat	1999-2000		2000-01		2001-02		Total	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Bangalore (Rural)	-	-	2	1.73	5	4.53	7	6.26
Belgaum	3	3.88	22	20.69	12	5.29	37	29.86
Bailhongal (TP)	-	-	1	0.24	-	-	1	0.24
Chikodi (TP)	-	-	2	0.61	-	-	2	0.61
Dakshina Kannada	4	73.01	-	-	-	-	4	73.01
Belthangadi (TP)	1	2.00	-	-	-	-	1	2.00
Kolar	8	19.02	2	5.02	2	0.40	12	24.44
Raichur	1	0.80	7	0.56	-	-	8	1.36
Manvi (TP)	-	-	1	0.11	-	-	1	0.11
Tumkur	7	8.44	12	1.33	4	0.49	23	10.26
Tumkur (TP)	-	-	-	-	4	2.18	4	2.18
Tiptur (TP)	-	-	-	-	4	1.96	4	1.96
Kunigal (TP)	-	-	1	0.25	3	2.00	4	2.25
Total	24	107.15	50	30.54	34	16.85	108	154.54

Such expenditure should have been met out of DRDA administration/ZP maintenance grants.

(ii) In ZP, Belgaum, a sum of Rs.2.11 crore was released to 10 TPs for construction of 110 shopping complexes under SGSY infrastructure. There was no provision in the guidelines for construction of shops. It was also noticed that in three test-checked TPs (Bailhongal, Belgaum and Chikodi), these shops were rented out to public other than swarozgaris, on auction basis.

(iii) Rupees 1.43 crore was released for construction of 39 primary veterinary centres in the TPs of Belthangadi and Puttur and in the ZP, Tumkur.

The construction of veterinary centres being the primary responsibility of the State Government, the expenditure was inadmissible.

(iv) Rupees 0.48 crore and Rs.0.60 crore were released to Department of Women and Child Development towards training and revolving fund respectively for the Stree Shakti Yojana. As the Stree Shakti Yojana was a State Sector scheme, assistance given was inadmissible.

2.2.4.8 Temporary diversions

Rs.1.25 crore temporarily diverted

Temporary diversions of SGSY funds amounting to Rs.1.25 crore were noticed on 117 occasions to meet payments of telephone charges, electricity charges, fuel charges, exhibition expenditure, for Jawahar Gram Samridhi Yojana (JGSY), etc., in four^Φ ZPs. These amounts were recouped after a lapse of 20 days to 19 months. Details of substantial temporary diversions were as follows.

Zilla Panchayat	Date/month of diversion	Amount (Rupees in lakh)	Purpose for which diverted	Recouped on
Bangalore (Rural)	November 4, 1999	25.00	Conducting exhibition of Khadi and Village Industries Board at Delhi	November 26, 1999
Bellary	April 1, 1999 to December 31, 1999	7.44	Payment of telephone charges	March 31, 2000
	May 2000 June 2000 January 2000	24.72	Electricity charges, salary and traveling allowances	March 31, 2001
Belgaum	August 2, 2001	43.31	JGSY	September 24, 2001

2.2.4.9 Assistance given to non-BPL families

Rs.18.03 lakh provided to 236 unapproved beneficiaries

Subsidy amounting to Rs.18.03 lakh was released in eleven^{*} test-checked TPs during the years 1999-2000 to 2001-02 to 236 beneficiaries, whose names were not in the BPL list approved by the Grama Sabhas. It was replied that names of these beneficiaries were included in the revised BPL list. However, copies of revised BPL list were not made available to Audit.

^Φ Bangalore (Rural), Belgaum, Bellary and Kolar

^{*} Belgaum, Bellary, Belthangadi, Chikballapur, Hoskote, Kunigal, Kolar, Malur, Puttur, Ramanagaram and Tumkur

2.2.4.10 Excess payment of subsidy

Subsidy of Rs.9.02 lakh provided in excess of prescribed scale

The scale of subsidy for individual beneficiary was 30 per cent of the project cost subject to a maximum of Rs.7500. However, in respect of Scheduled Castes (SC)/Scheduled Tribes (ST), the scale was 50 per cent and Rs.10000 respectively. For SHGs, the subsidy was 50 per cent of the cost of the scheme subject to a ceiling of Rs.1.25 lakh. There was no monetary limit for irrigation projects. Excess subsidy amounting to Rs.9.02 lakh was released in ten^{**} TPs to 185 individual swarozgaris and 18 SHGs.

2.2.4.11 Excess payment of insurance premium

Insurance premium of Rs.8.04 lakh paid in excess

In five^{*} test-checked TPs, insurance premium at the full rate of 2.25 per cent (in TP, Bailhongal-6.62 per cent) which was otherwise not admissible, was released to 825 swarozgaris resulting in excess payment of Rs.8.04 lakh.

2.2.5 Physical and financial performance

2.2.5.1 Physical performance

Number of SHGs and number of swarozgaris to be assisted were as follows.

Year	Self-help groups			Individual swarozgaris				
	Target*	Achievement		Target*	Achievement			
		SHGs	Percentage		SHG individuals	Individual	Total	Percentage
1999-2000	2256	895	40	33275	10638	8546	19184	58
2000-01	1695	1441	85	25025	18554	10462	29016	116
2001-02	1112	2289	206	16420	29852	13092	42944	262

* Fixed based on the allocation without considering the availability of funds

The achievement in formation of groups ranged from 40 to 206 per cent, whereas achievement in number of swarozgaris assisted ranged from 58 to 262 per cent. In test-checked districts, achievement in formation of groups ranged from Nil (1999-2000-ZP, Kolar) to 338 per cent (2001-02-ZP, Kolar), whereas achievement in number of swarozgaris assisted ranged from 9 per cent (1999-2000-ZP, Kolar) to 395 per cent (2001-02-ZP, Kolar).

* Bellary, Belthangadi, Chikballapur, Hoskote, Kolar, Malur, Puttur, Raichur, Tiptur and Tumkur

* Bailhongal, Belgaum, Chikodi, Tiptur and Tumkur

2.2.5.2 Shortfall in coverage of Scheduled Castes/Scheduled Tribes, women and disabled

Coverage of SC/ST beneficiaries fell short by 8 to 28 per cent; coverage of disabled fell substantially short by 40 to 76 per cent

The percentage of beneficiary coverage in respect of SC/ST, women and disabled under individual and SHGs was required to be at 50, 40 and 03 respectively. In respect of groups, the coverage of women groups should be 50 per cent. The shortfall, for the State as a whole, in coverage of SC/ST, women and disabled was as follows.

Year	Total number of swarozgaris Group/ Individual	SC/ST			Women			Disabled		
		Required coverage	Actual coverage	Shortfall number/ (percentage)	Required coverage	Actual coverage	Shortfall number/ (percentage)	Required coverage	Actual coverage	Shortfall number/ (percentage)
1999-2000	10638/ 8546	5319/ 4273	4012/ 3932	1307/(25) 341/(8)	5319/ 3418	7328/ 3618	Nil	319/ 256	82/ 153	237/(74) 103/(40)
2000-01	18554/ 10462	9277/ 5231	7673/ 3897	1604/(17) 1334/(26)	9277/ 4185	13637/ 3537	Nil 648/(15)	557/ 314	205/ 85	352/(63) 229/(73)
2001-02	29852/ 13092	14926/ 6546	10797/ 5364	4129/(28) 1182/(18)	14926/ 5237	21327/ 5063	Nil 174/(3)	895/ 393	217/ 99	678/(76) 294/(75)

- (i) The shortfall in coverage of SC/ST ranged from 17 to 28 per cent in groups and 8 to 26 per cent in individuals.
- (ii) The shortfall in coverage of women ranged from 3 to 15 per cent in individuals.
- (iii) The shortfall in coverage of disabled ranged between 63 and 76 per cent in groups and between 40 and 75 per cent for individuals.

In the test-checked districts, the shortfall in coverage of SC/ST, women and disabled was as follows.

Year	Total number of swarozgaris Group/ Individual	SC/ST			Women			Disabled		
		Required coverage	Actual coverage	Shortfall number/ (percentage)	Required coverage	Actual coverage	Shortfall number/ (percentage)	Required coverage	Actual coverage	Shortfall number/ (percentage)
1999-2000	3021/ 3784	1510/ 1892	1390/ 1500	120/(8) 392/(21)	1511/ 1514	1651/ 1386	Nil 128/(8)	91/114	12/14	79/(87) 100/(88)
2000-01	5109/ 4070	2554/ 2035	2135/ 1606	419/(16) 429/(21)	2554/ 1628	3711/ 1259	Nil 369/(23)	153/122	47/6	106/(69) 116/(95)
2001-02	10539/ 5452	5269/ 2726	3785/ 2240	1484/(28) 486/(18)	5270/ 2181	6999/ 1855	Nil 326/(15)	316/164	120/48	196/(62) 116/(71)

- (i) The shortfall in coverage of SC/ST ranged from 8 to 28 per cent in groups and ranged from 18 to 21 per cent in individuals.
- (ii) The shortfall in coverage of women ranged from 8 to 23 per cent in individuals.
- (iii) The shortfall in coverage of disabled ranged from 62 to 87 per cent in groups and ranged from 71 to 95 per cent in individuals.

2.2.5.3 Financial performance

Financial targets and achievements were as follows.

(Rupees in crore)

Year	Targets/ budgeted expenditure	Funds available	Achievements		
			Actual expenditure	Percentage of actual expenditure to budgeted expenditure	Percentage of actual expenditure to funds available
1999-2000	62.62	79.78	39.70	63	50
2000-01	47.07	75.51	42.12	89	56
2001-02	30.89	61.54	51.47	167	84

Available funds not utilised in full

In the test-checked districts, achievement against target ranged from 47 (1999-2000-ZP, Bellary) to 282 per cent (2001-02-ZP, Tumkur) and with reference to available funds, it ranged from 25 per cent (1999-2000-ZP, Bellary) to 112 per cent (2001-02-ZP, Bellary) as indicated in Appendix 2.2.

Financial achievement did not reflect the true picture as the amounts paid in one lumpsum (Rs.5.06 crore) to various institutions* for creation of training infrastructure was booked as final expenditure, before utilisation.

2.2.5.4 Rush of expenditure

Substantial spending in last quarter

Expenditure during last quarter and in the month of March during 1999-2000 to 2001-02 ranged from 45 to 79 per cent and 26 to 61 per cent. In the test-checked districts, the expenditure during the last quarter and March ranged from 14 to 99 per cent and 4 to 85 per cent of the annual expenditure respectively. Evidently, assistance could not be provided uniformly throughout the year as large amounts of funds were released at the fag end of the year.

2.2.6 Planning

Planning deficient due to defects in identification of BPL families, key activities, swarozgaris and SHGs

The scheme necessitated detailed planning at ZP level for selection of key activities, identification of swarozgaris, matching the activities with beneficiaries before providing assistance and making provision for skill upgradation, technology transfer and marketing support, besides providing

* University of Agricultural Sciences (UAS)-Dharwad, UAS-Bangalore, Rural Development and Self-Employment Training Institute (RUDSETI), Khadi and Village Industries Commission (KVIC)-Bangalore, Karnataka State Electronics Development Corporation Limited (KEONICS)- Bangalore and Apparel Training and Design Centre (ATDC)-Bangalore

adequate funds and effecting co-ordination with banks and line departments. The implementation of the scheme suffered due to improper and tardy planning as brought out in the succeeding paragraphs.

2.2.6.1 Identification of eligible families

Based on the guidelines issued by Government of India during April 1997, BPL survey was conducted by RDPR Department during 1997-98 and 2023539 families were identified as BPL families in Karnataka. The number of BPL families adopted in the State Level BPL list was lesser by 27422 than the number reported by three⁹ test-checked ZPs, indicating absence of reliable data.

2.2.6.2 Identification of key activities

The District SGSY Committees were to identify four/five key activities per block duly obtaining the approval of its Governing Body or ZP, after selection was made by Block SGSY Committee and recommended by TPs. In four^{*} test-checked districts, identification of key activities was made by TECSOK, a Government of Karnataka organisation. In Bellary district, identification was made by Thungabhadra Grameena Bank and in Belgaum and Kolar districts by respective District SGSY Committees. In these districts, involvement of Block SGSY Committee in selection and TPs in recommendation of key activities was absent. Excepting in ZP, Bangalore (Rural), approval of Governing Body of respective ZPs was not obtained in remaining six test-checked districts. Thus, selection of the key projects lacked popular participation. Cluster approach was also absent in all the test-checked districts.

In TPs, Belthangadi and Puttur, deviation in providing assistance to activities such as repairs to wells, purchase of pump sets, laying of pipes, etc., which were not identified as key activities by TECSOK was noticed in respect of 193 individuals and 15 SHGs involving subsidy amount of Rs.18.15 lakh.

⁹ Bangalore (Rural), Dakshina Kannada and Kolar

^{*} Bangalore (Rural), Dakshina Kannada, Raichur and Tumkur

2.2.6.3 Preparation of project reports

The project report for each key activity was prepared by TECSOK for four[♥] districts and by Thungabhadra Grameena Bank for Bellary district. In Kolar district, the activity-wise project report was prepared by TPs in consultation with the line departments and bankers. In Belgaum district, no project report was prepared for selected key activities.

2.2.6.4 Identification of swarozgaris/formation of self-help groups

The identification of individual swarozgaris was required to be made, based on the recommendation of three member team consisting of EO or his representative, Bank Manager, Adhyaksha of the GP and got approved by the Grama Sabha. Selection of SHGs was required to be made from the BPL list approved by the Grama Sabha. In all the test-checked TPs, identification of individual beneficiaries was not made through the three member teams. Non-Government Organisations (NGOs) were not involved in group formation and mobilisation in any of the test-checked TPs.

2.2.7 Programme implementation

2.2.7.1 Assistance to individuals/self-help groups

2.2.7.1.1 Under-financing of key activities

Key activities under-financed by 62 to 74 per cent of project cost

In eleven[◎] TPs, under-financing of key activities was resorted to by sanctioning less amounts as loan, than the unit cost as detailed below.

(Rupees in lakh)

Year	Activity	Category	Number of swarozgaris	Project cost	Total project cost	Loan sanctioned	Total loan sanctioned including subsidy element	Amount of under-financing (Percentage)
1999-2000	Dairy, sheep rearing, piggery, kirana shop	Individuals	207	0.20 to 1.14	154.30	0.05 to 0.37	39.41	114.89 (74)
		SHGs	11	4.25 to 11.38	58.14	1.74 to 3.18	22.00	36.14 (62)
2000-01	Dairy, sheep rearing, lift irrigation, piggery, fisheries, kirana shop	Individuals	233	0.20 to 1.14	181.91	0.04 to 0.37	47.16	134.75 (74)
		SHGs	43	3.00 to 15.55	280.43	1.20 to 4.20	104.36	176.07 (63)
2001-02	Dairy, sheep rearing, kirana shop	Individuals	196	0.20 to 1.14	139.30	0.05 to 0.37	39.46	99.84 (72)
		SHGs	18	4.60 to 11.38	120.39	1.98 to 2.50	43.46	76.93 (64)

[♥] Bangalore (Rural), Dakshina Kannada, Raichur and Tumkur

[◎] Bellary, Belthangadi, Hoskote, Kolar, Kudligi, Kunigal, Malur, Manvi, Puttur, Raichur and Tumkur

There was no co-ordination between the banks and the TPs. Under-financing of key activities defeated the very purpose of generating minimum income of Rs.2000 by swarozgaris. On this being pointed out, TPs agreed to take up the matter with bankers.

2.2.7.2 Self-help groups

2.2.7.2.1 Evolution

Swarozgaris assisted without properly following the steps of evolution

The three stages of evolution of SHGs were group formation (Grade-I), capital formation (Grade-II) through revolving fund and skill development and taking up economic activity (Grade-III) for income generation. The various stages of evolution of SHGs in the State were as follows.

Year	Number of groups formed	Passed Grade-I	Passed Grade-II	Taken up economic activity Grade-III
1999-2000	7632	1013	869	895
2000-01	5771	1755	1518	1441
2001-02	5592	3560	2365	2289
Total	18995	6328	4752	4625

It was seen that 1743 SHGs were provided with assistance of Rs.21.79 crore, without passing through Grade-II. In the test-checked districts also, 406 SHGs were provided with assistance of Rs.5.07 crore, without passing through Grade-II.

2.2.7.2.2 Economic assistance

i) Non-release of loan amount

Loan component of assistance not released

19 SHGs in five[†] test-checked TPs were provided subsidy of Rs.23.50 lakh (March 2000 to March 2002), but loan amount was not released by the banks. The TPs agreed to take up the matter with the concerned banks.

ii) Asset creation by swarozgaris

No evidence of physical verification of assets

The swarozgaris were required to procure the asset within one month from the date of release of money by the bank. Both ZPs and banks were to ensure that quality assets were procured. In the test-checked TPs, no documentary evidence was maintained in this regard.

[†] Bailhongal, Belgaum, Kunigal, Ramanagaram and Tumkur

2.2.7.3 Infrastructure creation

2.2.7.3.1 Creation of infrastructure fund

Lack of control over expenditure under programme infrastructure

In order to meet expenditure on critical infrastructure, there was provision for creation of separate fund known as 'SGSY–Infrastructure Fund', for which 20 per cent of the allocation for each district was required to be set apart. The ZPs were required to maintain this fund in a separate account. However, in none of the test-checked districts, separate account was maintained.

The expenditure on programme infrastructure during 1999-2000 and 2000-01 put together was admissible at 40 per cent of the allocation for the year 1999-2000 and at 20 per cent of the allocation for the year 2001-02. Expenditure incurred during 1999-2000 and 2000-01 put together worked out to 52 per cent of the allocation for the year 1999-2000 and expenditure incurred during 2001-02 was 27 per cent of the allocation for the year.

In Belgaum, Bellary, Dakshina Kannada and Tumkur districts, expenditure of Rs.5.74 crore was incurred on infrastructure during 1999-2000 to 2001-02. However, the expenditure of Rs.5.74 crore was incurred towards creation of training infrastructure, construction of shopping complex and veterinary centres which were not contemplated under SGSY. Evidently, there was no control over expenditure under programme infrastructure.

2.2.7.3.2 Injudicious investment made for training infrastructure

Investment of Rs.15.75 crore made on training infrastructure did not serve the purpose

In a meeting held in February 2000 under the chairmanship of Additional Chief Secretary and Development Commissioner, Rs.15.75 crore was released by various ZPs to six institutions^Σ for creation of training infrastructure. A review meeting held in July 2001 noticed the slow progress and decided to recall the unspent balances as detailed below.

(Rupees in crore)

Institution	Number of ZPs that made payments	Amount released	Expenditure incurred	Balance with the institution
UAS, Dharwad	5	1.55	0.70	0.85
UAS, Bangalore	6	1.95	0.28	1.67
KVIC, Bangalore	1	0.30	0.04	0.26
KEONICS, Bangalore	26	9.83	2.00	7.83
ATDC, Bangalore	2	0.40	-	0.40
Total		14.03	3.02	11.01

^Σ UAS-Dharwad, UAS-Bangalore, RUDSETI, KVIC- Bangalore, KEONICS-Bangalore and ATDC-Bangalore

Besides, it was also decided (July 2001) to take back the vehicles purchased by UAS, Bangalore and KVIC, Bangalore out of the funds released to them. But only Rs.1.98 crore had been refunded by 3 institutions* during October 2001. The amount refunded by these three institutions was deposited in savings bank account in the name of the Director, SEP, RDPR Department, Bangalore, without approval from the Finance Department. The amount should have been remitted back to the respective ZPs. The major defaulter KEONICS, Bangalore had not refunded Rs.7.83 crore. None of these institutions remitted back the balances with interest.

Also, no SGSY swarozgari was trained in any of the six institutions. Thus, investment of Rs.15.75 crore (including RUDSETI - Rs.1.72 crore) made in these six institutions for training infrastructure became unfruitful.

2.2.7.3.3 Assistance given to co-operative societies for development of infrastructure

Rs.1.06 crore released without ensuring conditions for release

Identification and development of market support were not carried out in any of the test-checked districts. Assessment of need for technology introduction/upgradation in terms of identified key activities was not attempted in any of the test-checked districts. In five[▼] test-checked districts, Rs.1.06 crore was released to 106 Milk Producers Co-operative Societies and 3 other societies for infrastructure development, without ascertaining whether 50 per cent of the members were SGSY swarozgaris. The ZPs stated that assistance was released where 50 per cent of the members belonged to BPL families and instructions were issued to these societies to enroll SGSY swarozgaris as members. The reply of the ZPs is not acceptable.

2.2.7.4 Training

41797 swarozgaris not trained

A review of progress report at the State level revealed that as against 91144 swarozgaris assisted, only 49347 were trained at a cost of Rs.4.11 crore, leaving a balance of 41797 swarozgaris without training. No training programme was arranged in Raichur and Belgaum districts during 1999-2000

* UAS, Dharwad – Rs.18.26 lakh, UAS, Bangalore – Rs.167.10 lakh and KVIC, Bangalore – Rs.12.31 lakh

▼ Bangalore (Rural), Belgaum, Bellary, Dakshina Kannada and Tumkur

and 2000-01 respectively. In all the test-checked districts, training imparted was in basic orientation programme only.

2.2.8 Monitoring and evaluation

2.2.8.1 Formation of State/District/Block Level Committees

The State Level SGSY Committee met only thrice in three years as against the requirement of four meetings in a year. The District Level SGSY Committees were required to meet every month. The Committee did not meet even once during 2000-02 in Belgaum district and during 2001-02 in Raichur district. The number of meetings held ranged from 1 (Belgaum during 1999-2000) to 10 (Kolar during 2001-02).

The Block Level SGSY Committees were required to meet once in a month between 5th and 10th. The Committee was not formed in five⁴ TPs. Only six meetings were held in Malur TP.

2.2.8.2 Physical verification of assets

In order to develop a consistent system of monitoring, the progress made by the swarozgaris towards income generation and physical verification of assets, inspection of families by the various officers at district and taluk level was suggested. In all the test-checked districts and TPs, documentary evidence for having fulfilled the requirements of field visits and physical verification was not maintained, impairing the monitoring mechanism.

2.2.8.3 Evaluation

The GOI appointed (March 2002) Karnataka JSS Consultants, Mysore and Pragna Research and Consultancy Services, Hyderabad to conduct the evaluation study in 14 and 13 districts of the State respectively. Evaluation study reports had not been submitted (July 2003) depriving opportunities for performance monitoring and taking corrective action.

Evidence of field visits for monitoring not maintained

⁴ Bellary, Belthangadi, Chikodi, Kudligi and Kunigal

2.2.9 Recommendations

(i) Planning and implementation mechanisms for SGSY scheme should be strengthened to overcome drawbacks like inadequate funding, inadequate/under-financing of activities, overcrowding of key activities, deficiency in training, improper creation of infrastructure, absence of technological and marketing support.

(ii) Proper co-ordination between the participating banks and ZPs/TPs should be ensured to cover 30 per cent of BPL families in the State, within five years, besides bringing the assisted families above the poverty line within three years.

2.2.10 The points brought out in the review were referred to Government in July 2002; reply had not been received (July 2003).

2.3 Programme implementation, material and human resource management in selected Zilla Panchayats

Highlights

Review of programme implementation, material and human resource management in six Zilla Panchayats disclosed the following.

While preparing district plans, Zilla Panchayats did not take into account the felt needs of Taluk Panchayats and Grama Panchayats, the other two tiers of Panchayat Raj Institutions. Three Zilla Panchayats released Rs.10.83 crore to Karnataka Land Army Corporation and other implementing agencies, without approved Action Plan.

Programme implementation suffered from deficiencies such as :

- loss of Central assistance of Rs.18.92 crore during 1997-2002
- delay in transfer of funds of Rs.1.30 crore to implementing agencies
- diversion of Rs.0.35 crore for purposes not contemplated in Operation Black Board Scheme
- denial of wages to registered labourers for works costing Rs.2.36 crore under Employment Assurance Scheme and Jawahar Rozgar Yojana
- incurring inadmissible expenditure of Rs.1.10 crore while implementing Employment Assurance Scheme
- release of Rs.16.68 crore to Taluk Panchayats and Grama Panchayats, without ensuring matching contribution
- incurring inadmissible and doubtful expenditure of Rs.0.44 crore on Drought Prone Area Programme
- non-distribution of pump sets costing Rs.0.11 crore to Scheduled Caste/Scheduled Tribe beneficiaries
- non-release of adequate funds for completion of four college buildings
- inadequate monitoring mechanisms.

(Paragraph 2.3.2)

In the area of material management :

- periodical stock taking was not conducted
- materials-at-site accounts in six sub-divisions were not obtained
- effective action to reconcile and recover the cost of shortages valued at Rs.0.83 crore was not taken
- surplus stores costing Rs.0.57 crore were not disposed of
- extra expenditure of Rs.0.45 crore was incurred on procurement
- 18 vehicles were purchased for Rs.0.65 crore without proper sanction.

(Paragraph 2.3.3)

Without fully utilising the available manpower and machinery for drilling of bore wells, salary of Rs.1.30 crore was paid to staff.

(Paragraph 2.3.4)

2.3.1 Audit coverage

Audit reviewed (January to June 2002) the programme implementation, material and human resource management in six[#] Zilla Panchayats (ZPs) covering the period 1997-98 to 2001-02, with particular reference to ZP Engineering Divisions (ZPEDs), Offices of District Health and Family Welfare Officer (DHFWO), and Deputy Director of Public Instruction (DDPI). Important points noticed are detailed below.

2.3.2 Programme implementation

2.3.2.1 Planning process

(i) Non-finalisation of plan proposals by Grama Panchayats/Taluk Panchayats

The Grama Panchayats (GPs) were required to forward their 'plan' proposals for a financial year by 15 August of the previous year to the Taluk Panchayats (TP) for consolidation and transmission to the ZP. However, none of the GPs in the test-checked districts forwarded their plan proposals for incorporation in the district plan. The TPs submitted proposals for non-plan expenditure only.

District plan did not cater to the felt needs of taluks and villages

[#] Bellary, Chikmagalur, Dharwad, Kolar, Koppal and Mysore

(ii) *Amount released without Action Plan*

Rs.10.83 crore released to implementing agencies without Action Plan

Under Special Package Programme, State Government released Rs.17.28 crore to ZP, Bellary. Of this, ZP released Rs.10 crore to Karnataka Land Army Corporation (KLAC) in March 2001 without any Action Plan. As of January 2002, the amount was lying with KLAC. ZPs, Mysore and Kolar released Rs.3.57 lakh and Rs.79.70 lakh as Eleventh Finance Commission grants to six[#] TPs, during 2001-02, even though there was no Action Plan for utilisation of funds.

2.3.2.2 *Loss of Central assistance*

Six ZPs lost Central assistance of Rs.18.92 crore as they failed to comply with the conditions

Various Centrally Sponsored Schemes* were implemented through ZPs. In terms of guidelines, Government of India (GOI) reduced the Central assistance for these schemes due to excess carry over of unspent balances, shortfall in release of matching share by State Government, excess expenditure on administration, etc. Consequently, there was a reduction of share of State Government also. The loss of grants to the ZPs on these counts amounted to Rs.23.74 crore (Rs.18.92 crore by Central Government and Rs.4.82 crore by State Government) in six ZPs as detailed below.

Scheme	Period	Quantum of loss (Rupees in crore)		
		Central	State	Total
Bellary				
JRY/JGSY	2000-01	1.34	0.45	1.79
EAS	1997-98 to 1998-99	4.60	1.15	5.75
Total		5.94	1.60	7.54
Chikmagalur				
JRY/JGSY	1997-98 to 2000-01	0.71	0.21	0.92
MWS	1997-98	0.29	0.07	0.36
Total		1.00	0.28	1.28
Kolar				
JRY/JGSY	1997-98 to 1999-2000	0.27	0.07	0.34
EAS	2000-01	0.31	0.10	0.41
Total		0.58	0.17	0.75
Koppal				
JRY/JGSY	1999-2000	0.36	0.09	0.45

[#] Gouribidanur, Kolar, K.R.Nagar, Mysore, Nanjangud and Periyapatna

* Drought Prone Area Programme (DPAP), Development of Women and Children in Rural Areas (DWCRA), Employment Assurance Scheme (EAS), Indira Awaas Yojana (IAY), Integrated Rural Development Programme (IRDP), Integrated Watershed Development Programme (IWDP), Jawahar Gram Samridhi Yojana (JGSY), Jawahar Rozgar Yojana (JRY), Million Wells Scheme (MWS), Operation Black Board (OBB), Swarnjayanti Gram Swarozgar Yojana (SGSY), Training of Rural Youth for Self Employment (TRYSEM) and Western Ghats Development Programme (WGDP)

Scheme	Period	Quantum of loss (Rupees in crore)		
		Central	State	Total
Dharwad				
DWCRA	1997-98 to 1998-99	0.07	0.01	0.08
TRYSEM	1997-98	0.04	0.01	0.05
IRDP	1997-98 to 1998-99	0.95	0.19	1.14
DPAP	1997-98 to 2001-02	2.19	0.44	2.63
WGDP	2000-01 to 2001-02	0.60	0.12	0.72
JRY/JGSY	1997-98 to 2001-02	2.79	0.70	3.49
EAS	1997-98 to 1999-2000	2.51	0.63	3.14
MWS	1997-98	0.27	0.07	0.34
Total		9.42	2.17	11.59
Mysore				
JRY/JGSY	1998-99 to 2000-01	1.21	0.37	1.58
EAS	1999-2000	0.41	0.14	0.55
Total		1.62	0.51	2.13
Grand total		18.92	4.82	23.74

2.3.2.3 Delay in release of funds

Belated release of State's share adversely affected the implementation of Centrally Sponsored Schemes

In two ZPs (Bellary and Mysore), during 1995-96 to 1999-2000, there was delay of 21 to 149 days in transferring amounts ranging from Rs.9 lakh to Rs.1.30 crore in respect of four Centrally Sponsored Schemes. The delay entailed loss of interest of Rs.18.12 lakh and affected the implementation of programmes. Similarly, delays ranging from 35 to 151 days in transfer of State's share of grants (Rs.8.52 lakh to Rs.48 lakh) for Centrally Sponsored Schemes from the treasury to the concerned savings bank accounts were noticed.

2.3.2.4 Diversion of funds of Operation Black Board scheme

DDPI, Kolar unauthorisedly diverted OBB scheme funds to fixed deposits (Rs.1.38 crore) and for land acquisition (Rs.24.38 lakh)

(i) From the funds provided for implementation of the scheme, the DDPI, Kolar invested Rs.1.38 crore in fixed deposits in 1995-96. Rs.99.53 lakh was still held in fixed deposits as of March 2002. Besides, the DDPI irregularly diverted (1998-99) Rs.24.38 lakh from scheme funds for acquisition of land for construction of school buildings at Narasapur (Rs.14.85 lakh) and Kolar (Rs.9.53 lakh). The land acquisition did not, however, materialise as the land owners chose to file objections in Court. The amount (Rs.24.38 lakh) advanced to the Assistant Commissioner, Kolar for the purpose was, thus, locked up for over 3 years (January 2003). Further developments in the matter had not been communicated (May 2003) to Audit.

(ii) Under OBB scheme, only rural schools could be covered. However, in ZPs, Chikmagalur, Kolar and Mysore, 27 schools located in urban areas were covered at a cost of Rs.10.80 lakh.

2.3.2.5 Denial of wage benefits to labourers

In two ZPs, works costing Rs.2.36 crore under EAS and JRY irregularly entrusted to contractors denying the benefit of wages to registered labourers

According to EAS/JRY guidelines, contractors or intermediary agencies were not permitted to be engaged for execution of works. However, in ZPs, Bellary and Koppal, works valued at Rs.2.36 crore were executed through KLAC/contractors. The genuineness of the payment of wages to eligible or registered labourers was not ensured. ZPs did not obtain from KLAC/contractors the details such as quantity of work turned out, rates paid, number of labourers engaged, number of days of work, etc.

2.3.2.6 Expenditure on inadmissible items

Two ZPs utilised funds of a labour oriented scheme on material oriented works

Construction of office buildings, college buildings, etc., under EAS was not permissible. However, two ZPs (Chikmagalur and Kolar) incurred Rs.1.10 crore out of EAS funds on office and college building works.

2.3.2.7 Release of funds without matching contributions

ZPs released grants amounting to Rs.16.68 crore without ensuring matching contributions from GPs/TPs

(i) In terms of recommendations of the Tenth Finance Commission (TFC), 50 per cent of the special development grants released by Government should be contributed by GPs/TPs, as matching grants. However, three^o ZPs released grants amounting to Rs.6.83 crore under TFC grants without ensuring matching grants by the beneficiary GPs/TPs.

(ii) According to guidelines of OBB scheme, each school was to be provided with teaching and learning equipment costing Rs.50000, out of which 80 per cent was borne by GOI and 20 per cent by way of local contribution to promote community participation. However, in none of the ZPs test-checked, local contribution was collected during 1996-97 to 1999-2000 and the entire expenditure of Rs.9.85 crore was met out of the Central grants. DDPI, Kolar stated that in spite of several efforts, local contribution could not be collected. Specific reasons had not been furnished by officers in other ZPs.

^o Bellary – Rs.2.62 crore, Chikmagalur – Rs.2.40 crore and Koppal – Rs.1.81 crore

2.3.2.8 Inadmissible expenditure under Drought Prone Area Programme

Two ZPs incurred expenditure of Rs.24.88 lakh irregularly under DPAP

(i) During 1998-2000, two ZPs did not utilise Rs.1.89 crore (Bellary-Rs.0.95 crore and Kolar-Rs.0.94 crore) released to them for implementing the programme. ZP, Bellary spent irregularly Rs.7.33 lakh (Rs.3.40 lakh towards purchase of car and Rs.3.93 lakh towards telephone charges) and retained the balance (December 2001). ZP, Bellary stated that the GOI permitted (October 1999) to utilise funds under DPAP for Desert Development Programme. ZP, Kolar released (March 2000) Rs.9.40 lakh to implementing agencies and retained the balance. CEO, ZP, Kolar replied that the available funds would be released to implementing agencies.

(ii) ZP, Mysore which received Rs.85.50 lakh for the implementation of this programme, spent Rs.17.55 lakh on purchase of computers.

Expenditure of Rs.18.88 lakh on desilting seemed doubtful; reported use of mechanical means for desilting in violation of scheme guidelines

(iii) ZP, Kolar released (March 2001) Rs.23.25 lakh to the ZPED, Chikballapur for desilting of five tanks in Sidlaghatta taluk. Even before forwarding proposal and preparation of estimates (January 2001) and approval by the ZP, the Executive Engineer (EE) of the ZPED irregularly engaged (June 2000 to March 2001) contractors for desilting these five tanks through mechanical means and paid Rs.23.19 lakh during March 2001. The work orders were also split up so that the payments were lesser than Rs.50000 each, to bring the payments within the financial powers delegated to him. The EE justified (March 2002) the desilting through mechanical means on the ground that desilting was a continuous process and farmers in the adjoining areas of the tanks carried the fertile silt removed from the tanks to their fields. The work, according to him, thus, served the dual purpose of increasing the fertility of the lands and increasing the storage capacity of the tanks. The reply was not relevant since using the machinery of a contractor without approval of the ZP was in violation of the guidelines of DPAP. Secondly, desilting of tanks was to be done during off-season when the tanks dried up. However, major portion of the desilting work (cost: Rs.18.88 lakh) was taken up during June to December 2000 after the onset of monsoon. Thirdly, the registration number of the excavator reportedly used for desilting was not available in the vouchers for payment. The EE contended that excavators did not require registration. However, it was observed from the evidence

furnished to Audit by the EE that the excavator had pneumatic tyres fitted to it. Such vehicle/machinery fitted with pneumatic tyres and usable on road should be invariably registered under the provisions of the Central Motor Vehicles Act/Rules.

Thus, the reported desilting of tanks through mechanical means involving expenditure of Rs.18.88 lakh seemed doubtful. Even if the desilting of tanks had been carried out, it deprived the local workers of employment opportunity.

2.3.2.9 Undistributed pump sets under Special Component Plan/ Tribal Sub-Plan

Pump sets costing Rs.11.45 lakh procured under SCP/TSP not distributed to beneficiaries even after two years

The schemes provided for 60 per cent subsidy and 40 per cent loan/beneficiary contribution for irrigation pump sets. With the funds of Rs.12 lakh received [Rs.8.00 lakh for Special Component Plan (SCP) and Rs.4.00 lakh for Tribal Sub-Plan (TSP)] during 1998-99, ZP, Koppal decided (February 1999) to purchase monoblock irrigation pump sets. Accordingly, District Social Welfare Officer, Koppal purchased 72 pump sets at a total cost of Rs.11.95 lakh and despatched them to four Taluk Social Welfare Officers (TSWOs). The TSWOs, however, distributed only 3 pump sets. 69 pump sets costing Rs.11.45 lakh were still held in stock (April 2002). Rs.8 lakh released for SCP during 1999-2000 remained unutilised. In all, the benefit of SCP/TSP did not flow to the people to the extent of Rs.19.45 lakh out of Rs.20 lakh released by Government.

2.3.2.10 Incomplete college buildings

Lack of financial support for works in progress resulted in construction of four college buildings remaining suspended for more than two years

The Government sanctioned (May 1999) four Pre-University colleges in rural areas of Koppal district at an estimated cost of Rs.1.15 crore. The work was entrusted to KLAC which stopped the work (March 2000) at various stages, as ZP did not release further funds. Though the estimated cost of these buildings was revised (December 2000) to Rs.1.28 crore, the ZP, Koppal stated (March 2002) that Government did not release adequate grants and that the ZP did not have adequate savings for the completion of the buildings. Test-check disclosed (March 2002) that the ZP did not take action to obtain funds required for completion of the buildings. Expenditure of Rs.51.96 lakh incurred so far on the works remained unfruitful and benefit of Rs.1.28 crore envisaged by Government did not flow to the people.

Monitoring of implementation of schemes ineffective

2.3.2.11 Monitoring mechanism

A schedule of inspection prescribing the minimum number of field visits for each supervisory level functionary at all levels was to be drawn up by each ZP. Technical supervision and inspection covering technical aspects including feasibility, economic viability, the technical quality of work, etc., were also to be conducted. However, none of the ZPs test-checked drew a schedule of inspection. Notes of inspection were also not available.

2.3.3 Material management

Test-check of accounts of stores in ZPEDs revealed the following shortcomings.

(i) Stock taking

In two ZPEDs (Kolar and K.R.Nagar), stock taking was not conducted for one year from September 2000 to September 2001.

(ii) Non-submission of 'Materials-at-site' accounts

In six^{*} sub-divisions, the Section Officers had not submitted the 'materials-at-site' account since 1997-98.

(iii) Shortage of stores

Shortage of stores amounting to Rs.0.83 crore was noticed in 5 ZPEDs, for periods ranging from one year to six years without any recoveries being made, as detailed below.

Shortage worth Rs.0.83 crore not adjusted for long periods

Zilla Panchayat Engineering Division	Found short during	Cost (Rupees in crore)
Bellary	1995-2000	0.03
Chikmagalur	2000-01	0.20
Dharwad	1995-96	0.06
Koppal	1997-2002	0.51
K.R.Nagar	1994-95	0.03
Total		0.83

* Chikmagalur, Chintamani, Gouribidanur, Kadur, Mudigere and Tarikere

(iv) Surplus stores

Surplus/obsolete stores valued at Rs.0.57 crore in two ZPEDs

In two ZPEDs (Chikballapur and Dharwad), surplus stores costing Rs.0.57 crore were identified during half yearly stock taking. Action had not been taken to dispose of the surplus/obsolete stores (January 2002).

(v) Purchase at higher rates

Several cases of purchase of materials at higher rates, as detailed below, were noticed in audit. No action was taken by ZPs to fix responsibility.

Material purchased	By whom	Period	Cost of purchase	Extra expenditure	Nature of irregularity
			(Rupees in lakh)		
Cement	ZPEDs, Bellary, K.R.Nagar, Kolar and Mysore	1997-98 to 2000-01	89.35	8.66	Though the rate contract was cancelled due to downward revision of rates, the divisions continued to purchase at higher rates
Panel boards and PVC pipes	ZPEDs, Bellary and K.R.Nagar	1997-98 to 2000-01	27.08	1.80	Purchased from few contractors on turn-key basis, which was higher
Submersible pump sets	ZPEDs, Chikballapur and Kolar	1999-2000	29.29	6.97	Purchased from Karnataka Agro Industries Corporation and Karnataka State Co-operative Marketing Federation at higher rate although rate contract fixed by Stores Purchase Department was available
Panel board capacitors	ZPED, Dharwad	2001-02	23.96	2.30	Purchased at higher rates from rate contract holders for submersible pump sets instead of from holders of rate contract for panel boards
Galvanised iron (GI) pipes (50mm)	ZPED, Hadagali	1998-99 to 2001-02	41.95	11.67	Purchased at higher rates from rate contract holders for submersible pump sets instead of from holders of rate contract for GI pipes
Steel almirahs, wooden benches, science kits and sports and musical equipment	DDPIs, Chikmagalur and Mysore	1999-2000 and 2000-01	25.24	6.95	Purchased at higher rates based on approval of ZP without recording reasons for rejection of the lowest rates
Drugs, chemicals and surgical equipment	DHFWOs, Chikmagalur and Mysore	1997-98, 1998-99 and 2001-02	17.28	4.47	Purchased locally after calling quotations. Rates paid were abnormally high compared to rates of Public Sector Units
Pre-school kits and steel plates	ZP, Koppal	2000-01	8.59	1.74	Extra cost due to acceptance of higher rate instead of lower rate without recorded justification
Total			262.74	44.56	

(vi) Purchase of vehicles without proper sanction

ZPs purchased vehicles costing Rs.0.65 crore, without proper sanction

Zilla Panchayats were not authorised to purchase new vehicles without the approval of the Standing Sub-Committee of the State Government. However, all the six ZPs purchased 18* vehicles at a cost of Rs.0.65 crore without approval.

2.3.4 Human resource management

Salary of Rs.1.30 crore paid without getting adequate services

Engineer-in-Chief, RDED instructed (April 2000) that drilling of the points identified by the ZPEDs should be taken up departmentally by the mechanical sub-divisions, which were attached to ZPEDs, instead of entrusting works to private drilling agencies. In one mechanical sub-division (Koppal), though salary of Rs.8.40 lakh was paid during 2000-01 and 2001-02 to regular staff and daily wage earners, not a single bore well was drilled. In three mechanical sub-divisions (Bellary, Kolar and Mysore), only 14 to 37 per cent of the total bore wells drilled was taken up departmentally and the balance of works were entrusted to private drilling agencies. Salary of Rs.1.22 crore (Bellary-Rs.40.91 lakh, Kolar-Rs.32.63 lakh and Mysore-Rs.48.66 lakh) was paid in these sub-divisions during the same period. Thus, men and machinery available in these sub-divisions were not put to optimum use.

2.3.5 The points brought out in the review were referred to the Government in March 2003; reply had not been received (July 2003).

* Bellary-6, Chickmagalur-1, Dharwad-2, Kolar-2, Koppal-5 and Mysore-2

SECTION 'B' – PARAGRAPHS

RURAL DEVELOPMENT AND PANCHAYAT RAJ
DEPARTMENT

2.4 Idle investment on incomplete lift irrigation schemes

Delay of three years in energising a completed irrigation scheme and delay of 11 years in completing another lift irrigation scheme led to denial of irrigation facility to 768 acres despite the investment of Rs.39.26 lakh

The Chief Executive Officer (CEO), Zilla Panchayat (ZP), Raichur accorded (1990-91) approval for two lift irrigation schemes (LISs) at Gonwatla and Gadhar villages. The Superintending Engineer, Minor Irrigation (MI) Circle, Gulbarga and Chief Engineer, MI, Bangalore accorded technical sanction in May and June 1991. However, due date for completion of work was not stipulated. The Zilla Panchayat Engineering Division (ZPED), Raichur commenced the work on the two LISs in May 1991 but the work was not completed even as of September 2001. The details were as shown below.

LIS at	Estimated cost (Rupees in lakh)	Technical sanction accorded in	Year-wise expenditure incurred as of September 2001 (Rupees in lakh)		Planned irrigation area (In acres)	Status of work as of September 2001
			Year/s	Expenditure		
Gonwatla village in Lingasugur taluk	18.00	June 1991	1991-94	6.73	450	Civil works and erection of pumping machinery were completed in April 1999. Scheme had not been energised.
			1994-95	1.62		
			1995-96	4.99		
			1996-97	7.99		
			1997-98	1.06		
			1998-99	0.50		
			1999-2000	0.28		
			2000-01	0.81		
	Total		23.98			
Gadhar village in Raichur taluk	9.79	May 1991	1991-94	10.54	318	Civil works except pick-up wall had been completed. Pumping machinery was yet to be procured.
			1994-95	3.01		
			1995-96	1.67		
			1996-97	0.04		
			1997-98	0.02		
			1998-99	-		
			1999-2000	-		
			2000-01	-		
	Total		15.28			
Grand total				39.26	768	

For providing power supply to the LIS at Gonwatla village, the Assistant Executive Engineer, ZPE Sub-division, Lingasugur deposited (September 2000) Rs.0.75 lakh with the Karnataka Power Transmission Corporation Limited (KPTCL), 17 months after the completion of the civil works.

For energising the LIS, a 11 KV line costing Rs.7.15 lakh from the existing power source of KPTCL to the metering point of the LIS was required. The cost was to be borne by the ZP, Raichur. KPTCL informed (March 2001) the CEO, ZP, Raichur that the work of drawing the 11 KV line was to be taken up and completed by the ZP only under self-executing system. The ZP, Raichur had not taken any decision in the matter as of November 2002.

The Executive Engineer (EE), ZPED, Raichur stated (September 2001) that the delay in completion of the two LISs was mainly due to the State Government providing meagre funds to the ZP every year which had to be distributed among the ongoing works as well as fresh works. The reply was not tenable as it was indicative of non-prioritisation of ongoing works and distribution of available meagre resources thinly on too many works, resulting in avoidable blocking up of funds.

The State Government, without furnishing specific replies stated (November 2002) that the additional details called for had been furnished by the EE, ZPED, Raichur. Thus, delay of three years in energising the completed LIS (Gonwatla) and non-completion of the other LIS (Gadhar) even after eleven years led to denial of irrigation facility to 768 acres in the two villages and made the entire investment of Rs.39.26 lakh idle.

2.5 Laxity and wasteful expenditure in completing an irrigation tank

Failure to acquire land for a tank before fixing the contractor and to regulate his claims for stoppage of work, as in the agreement, led to abandonment of work. These lapses and the inordinate delay in awarding the balance work to another agency led to wasteful expenditure of Rs.13.95 lakh

The Chief Engineer (CE), Rural Development Engineering Department (RDED) accepted (October 1990) the tender of a contractor for Rs.8.04 lakh for construction of a minor irrigation tank across Balehalla near Kohalli in Athani taluk. Although Executive Engineer (EE), Zilla Panchayat Engineering Division (ZPED), Chikodi issued the work order to the contractor in February 1991 with stipulation to complete the work by February 1993, the

land was handed over to the contractor only in June 1992 after the Assistant Commissioner, Chikodi passed the award in January 1992.

Under the agreement with the contractor, if the work remained suspended for more than six months, the balance work could be got executed under a supplementary agreement at mutually agreed rates not exceeding the current Schedule of Rates, plus or minus the tender percentage. After commencing work in December 1992, the contractor demanded payment for the work at Schedule of Rates of 1992-93 plus the tender percentage of 13.48. This would have involved an extra payment of Rs.5.59 lakh to the contractor. Although the Assistant Executive Engineer submitted (May 1994) necessary proposal in this regard, the Superintending Engineer (SE), Minor Irrigation Circle, Belgaum did not approve it. The contractor after giving a progress of Rs.4.67 lakh, finally stopped the work in June 1996, whereupon the SE ordered (November 1998) the closure of the contract, without penalty. The balance work costing Rs.3.37 lakh was finally entrusted (August 2001) to another agency at a cost of Rs.17.32 lakh and was in progress. The CE responded (April 2002) to the audit observations by recommending disciplinary action against the officers to the Chief Executive Officer (CEO), Zilla Panchayat, Belgaum. However, in July 2002, the CE stated that delay in handing over of site was due to litigation on land acquisition and that it was beyond the control of the Department. The reply was not tenable as the Department should have acquired the land before entrustment of work. The SE had also delayed rescinding the first contract and re-entrustment of work to another agency, by more than 5 years.

Thus, failure to acquire land before entrustment of work, regulate his claims under the provisions of the agreement and delay of more than five years in awarding the balance work to another agency resulted in wasteful expenditure of Rs.13.95 lakh, besides denial of irrigation facility to the area covered under the tank, for nine years.

The matter was referred to Government in February 2002; reply had not been received (July 2003).

2.6 Non-functional defluoridation plants

Zilla Panchayat, Gadag failed to provide quality water to Hirewadatti village despite expenditure of Rs.33.48 lakh; two other defluoridation plants costing Rs.25.97 lakh installed at Dambal and Meundi villages remained non-functional for about five years

With a view to redressing the problem of fluorosis faced by rural population, two defluoridation plants were installed in Dambal and Meundi villages during December 1993 and one in Hirewadatti village of Mundargi taluk (Gadag district) during November 1997, under the Centrally Sponsored 'Water Technology Mission', at a total cost of Rs.88.51 lakh^o (for both defluoridation plants and allied civil works). Water treated in these plants was supplied from March 1995 to July 1998 in Dambal and Meundi villages and for one and a half years in Hirewadatti village after commissioning. Though defluoridation plants were in working condition, they were not put to use subsequently as people in these villages refused to use water after treatment, due to bad smell.

The Executive Engineer (EE), Zilla Panchayat Engineering Division (ZPED), Gadag stated (August 2002) that treated Thungabhadra river water was being supplied through Gadag-Betageri main pipeline to the two villages of Dambal and Meundi. In respect of Hirewadatti village, he stated (March 2002) that water smelt of alum due to insufficient maintenance of the plant. Thus, water quality problem continued to persist in that village. The Grama Panchayat, Hirewadatti to whom the project was transferred (March 2000) did not have adequate trained manpower, administrative skills and funds for operating and maintaining it. The ZP, Gadag failed to monitor the working of the plant and provide necessary inputs like technical manpower, finance, etc., to remedy the plant.

Thus, while the establishment of defluoridation plant at Hirewadatti at a cost of Rs.33.48 lakh had not served the purpose, the other two defluoridation plants costing Rs.25.97 lakh established at Dambal and Meundi remained non-functional for about five years.

^o Dambal-Rs.42.40 lakh, Hirewadatti-Rs.33.48 lakh and Meundi-Rs.12.63 lakh

The matter was referred to Government in February 2002/September 2002. Government endorsed (April 2003) the reply of the EE, ZPED, Gadag to the effect that in the case of the plant at Hirewadatti, it was established when its working and maintenance problems were unknown to the management and when such new methods were attempted, some were not likely to succeed. The reply is not tenable as adequate efforts were not taken to monitor and utilise the plant. Reply from the Government in the case of other two plants at Dambal and Meundi had not been received (July 2003).

2.7 Stores and stock in selected Zilla Panchayat Engineering Divisions

2.7.1 Introduction

The Zilla Panchayat Engineering Divisions (ZPEDs) procure every year a large quantity of materials such as cement, steel, asphalt, hume pipes, etc., for construction and maintenance of buildings, roads and water supply works. The ZPEDs are required to follow the provisions as laid down in the Karnataka Public Works Accounts (KPWA) Code, the Karnataka Public Works Departmental (KPWD) Code and the Stores Purchase Manual.

2.7.2 Organisational structure

The Chief Engineer (CE), Rural Development Engineering Department (RDED), was to oversee technically the works executed and materials procured by the 38 ZPEDs in the State. He was assisted by eight Superintending Engineers. At the district level, the Chief Executive Officers (CEOs) of Zilla Panchayats (ZPs) accorded sanction for purchase of stores beyond certain monetary limits and released funds therefor. At the field level, Executive Engineers (EEs) made purchases. The EEs were responsible for (i) acquisition of stores; (ii) custody and distribution; and (iii) disposal. The EEs were assisted by Assistant Executive Engineers, Divisional Accountants/Audit Officers and Store Superintendents/Store Managers/Store Keepers in discharging these functions.

2.7.3 Audit coverage

Audit sought (April 2002) information on stores and stock relating to 1997-98 to 2001-02 from all the 38 ZPEDs in the State. Only 22 ZPEDs responded (July 2002). Besides, Audit test-checked records relating to stores and stock in three ZPEDs*. Important points emerging from the analysis of information furnished by 22 ZPEDs and test-check of accounts of three ZPEDs are indicated below.

2.7.4 Reserve stock limit

Existing controls over reserve stock and procurement not effective

(i) According to KPWD Code, the Divisional Officers were permitted to maintain certain reserve stock within the limit prescribed annually. Such a reserve stock limit (RSL) had to be fixed by CE before the commencement of the year, based on the proposals sent by the divisions after taking into account such factors as remoteness of the division, requirements for various works, etc. It was noticed in three ZPEDs^o, the cost of the stock held exceeded the prescribed RSL by 15 to 316 per cent (in absolute terms Rs.15.17 lakh to Rs.94.82 lakh) during 1997-98 to 2001-02. In ZPED, Chamarajanagar, the percentage of excess was 280 (in absolute terms Rs.84.13 lakh) during 1998-99 and 316 (in absolute terms Rs.94.82 lakh) during 1999-2000. The details are furnished below.

Zilla Panchayat Engineering Division	Year	RSL sanctioned	Maximum value of stock held	Stock held in excess of RSL	Percentage of excess
		(Rupees in lakh)			
Madhugiri	1997-98	100.00	115.17	15.17	15
Chamarajanagar	1998-99	30.00	114.13	84.13	280
	1999-2000	30.00	124.82	94.82	316
Raichur	2000-01	250.00	341.08	91.08	36

(ii) Six ZPEDs^v did not forward proposals to the CE, RDED for fixing RSL. Fourteen ZPEDs^v forwarded the proposals for fixing RSL belatedly involving delay of more than nine months. The CE, RDED sanctioned 49 out of 101 proposals received during 1997-2002 after delays up to 45 months. The CE did not sanction the other 52 proposals. In the absence of RSL, the

* Bangalore (Urban), Mandya and Udupi

^oChamarajanagar, Madhugiri and Raichur

^vBangalore (Urban), Harapanahalli, Mandya, Mysore, Ramanagaram and Tumkur

^vBellary, Bijapur, Chikodi, Davanagere, Hadagali, Harapanahalli, Haveri, Karwar, Madhugiri, Mandya, Raichur, Ramanagaram, Tumkur and Yadgir

EEs made purchases without any ceiling. In three ZPEDs^u, the cost of stock held exceeded the RSL proposed for sanction by more than 100 per cent. The CE, RDED stated (December 2002) that instructions had been issued to submit the proposals for fixing the RSL in time and to make purchases within the RSL sanctioned.

Procurements not need-based. Stores costing Rs.5.07 crore declared surplus/unutilised for long periods in ZPEDs

(iii) Due to non-fixing of RSL and on account of violating it wherever fixed, materials for water supply, sanitary and spare parts of vehicles, etc., valued at Rs.1.40 crore and procured during 1983-84 to 2001-02 were declared surplus and lying unutilised in fifteen ZPEDs^x as of May 2002. This indicated that the purchases were not need-based. Of this, ZPED, Raichur alone had surplus stores costing Rs.24.83 lakh lying unutilised for more than 15 years. ZPED, Mandya did not assess the surplus stock (July 2002).

In nineteen ZPEDs^{*}, store articles worth Rs.3.49 crore though not declared surplus, remained unutilised for more than five years. In three ZPEDs^z, materials worth Rs.17.74 lakh remained unutilised for more than three to five years.

The EEs, ZPEDs stated that generally these materials had been procured for departmental execution of works under various water supply schemes, the works of which were handed over to Taluk Panchayats (TPs) from April 2000. The Government endorsed (January 2003) the reply of the CE, RDED, who stated that as maintenance of water supply works were transferred to Grama Panchayats (GPs)/TPs, and as departmental execution of water supply works was banned, materials procured for water supply works could not be utilised. Reasons for non-transfer of such materials immediately to GPs/TPs and reasons for excess procurement of other materials were not[†] however, furnished.

^u Bellary, Hassan and Udupi

^x Bangalore (Urban), Bellary, Bijapur, Davanagere, Hadagali, Harapanahalli, Karwar, Madhugiri, Mangalore, Mysore, Raichur, Ramanagaram, Sirsi, Tumkur and Yadgir

^{*} Bangalore (Urban), Bellary, Bijapur, Davanagere, Gadag, Karwar, Hadagali, Harapanahalli, Hassan, Haveri, Madhugiri, Mandya, Mangalore, Mysore, Raichur, Ramanagaram, Sirsi, Udupi and Yadgir

^z Bangalore (Urban), Mandya and Sirsi

Thus, the existing system of having a meaningful control over stock holdings was not effective leading to blockage of funds on excess stocks.

2.7.5 Stock not accounted/incorrectly accounted

2.7.5.1 Materials-at-site account

**Accountal of
materials at
site costing
Rs.4.47 crore
not ensured**

Materials issued to works taken up departmentally had to be properly accounted for in materials-at-site (MAS) accounts. The Section Officers in charge of works were to submit MAS accounts to ZPEDs periodically. Several checks as prescribed in the KPWA and KPWD Codes for monitoring and utilisation of materials issued to works had to be exercised at sub-divisional and divisional levels. Audit, however, noticed in all the three test-checked ZPEDs that the MAS accounts were not being received regularly. The returns involving materials costing Rs.4.47 crore were in arrears for up to 72 months during the period from May 1996 to March 2002 from 87 Section Officers in eight ZPEDs¹⁸.

In ZPED, Raichur, the MAS accounts were not submitted by any of the Section Officers for the last 15 years. The cost of the materials for which MAS returns were due was not assessable. Information on MAS account was not furnished by the remaining ZPEDs.

ZPEDs/Sub-divisions did not watch the receipt of MAS accounts and clearance of the materials at site indicating laxity in controls over materials, the cost of which was debited to works.

The Sub-divisional Officers had to conduct physical verification of materials at site and furnish a report to the ZPEDs annually. Audit noticed that such a verification was not at all being conducted. The CE, RDED stated (December 2002) that the omissions would be rectified and would not be repeated in future.

¹⁸Bijapur, Davanagere, Hadagali, Hassan, Mangalore, Ramanagaram, Sirsi and Udupi

Subversion of existing internal controls may lead to possibilities of concealment of misutilisation/short and non-accountal of stock shown as material at site. Systems to ensure accountability and utilisation of materials issued direct to works would, therefore, require to be strengthened.

2.7.5.2 Shortages

Shortages of stock articles valued at Rs.2.36 crore, noticed between 1985-86 and 2001-02, were yet to be recovered (May 2002) as detailed below.

Shortages of stock valued at Rs.2.36 crore remained unadjusted for long periods

Number of ZPEDs	Number of cases	Value of shortages (Rupees in crore)	Outstanding for and reasons
2 ^Ω	2	0.04	4 to 7 years Under reconciliation
10 [*]	18	1.29	3 to 15 years Under various stages of enquiry
10 [▼]	20	0.79	1 to 11 years Pending recovery
4 [®]	5	0.24	3 to 9 years Pending in Courts/Government/ZPs
Total	45	2.36	

The CE, RDED intimated (December 2002) that all the concerned were directed to speed up the process of recovery of cost of shortages. Long delays in settlement of shortage either by reconciliation or by recovery indicated that the system in place was inadequate to achieve speedy settlements, as required. Besides, there was also a possibility of the officials responsible for shortages retiring in the normal course making recoveries impossible.

2.7.5.3 Irregular accounting of stock

Adverse stock balance continued to persist in one ZPED

Adverse balance in the stock accounts indicated existence of errors in accounts. As adverse balance may lead to concealment of frauds and misappropriations, such balances should be promptly investigated, reconciled and adjusted. However in ZPED, Mysore, there were adverse balances of Rs.41.43 lakh, Rs.58.99 lakh, Rs.123.58 lakh, Rs.78.47 lakh, Rs.99.43 lakh and Rs.28.63 lakh at close of each of the years from 1996-97 to 2001-02.

^Ω Hadagali and Mandya

^{*} Chamarajanagar, Gadag, Haveri, Karwar, Madhugiri, Mandya, Raichur, Ramanagaram, Tumkur and Yadgir

[▼] Bijapur, Chamarajanagar, Gadag, Hassan, Karwar, Mandya, Mysore, Raichur, Sirsi and Tumkur

[®] Gadag, Haveri, Mangalore and Raichur

The ZPED attributed (June 2002) the adverse balances to non-adjustment of profit and loss account and not accounting the value accounts of hand pump sets supplied free of cost by UNICEF authorities on the receipt side.

2.7.5.4 Fictitious adjustments

Audit noticed fictitious stock adjustments in two ZPEDs as detailed below.

Zilla Panchayat Engineering Division	Period	Head of account		Cost of materials (Rupees in crore)	Type of material
		From (fund available)	To (fund not available)		
Mandya	1999-2000 to 2001-02	3054-Roads and Bridges	2059-Public Works	7.03	NA
	-do-	-do-	2072-Minor Irrigation	0.91	NA
Udupi	1998-99 to 2001-02	General Stock (8448-ZP funds)	Various works for schemes	0.13	Galvanised iron pipes, cement, tor steel, bitumen, bolts and nuts, etc.
Total				8.07	

Fictitious adjustment of stock valued at Rs.8.07 crore

The Government endorsed (January 2003) the reply of the CE who indicated that in view of non-availability of funds, materials were purchased under heads of accounts where funds were available, even though this amounted to violation of Rules. Further, he also indicated that the ZPED, Udupi had since adjusted Rs.0.13 crore to the correct head of account. The EE, ZPED, Mandya stated (August 2003) that adjustment of Rs.7.94 crore had been carried out in the monthly accounts of July 2003. The fact, however, remained that the ZPEDs resorted to fictitious adjustment despite specific prohibition in the KPWD Code.

2.7.6 Irregularities in purchases

ZPED, Mandya procured stock without obtaining competitive rates. Purchases valued at Rs.19.31 lakh not utilised

(i) The ZPED, Mandya purchased 900 reinforced cement concrete (RCC) name boards and 184 traffic sign boards (including mild steel angles) at a cost of Rs.25.81 lakh during 1999-2001, in instalments. Many sub-divisions did not indent the name boards/traffic sign boards, in advance. The EE did not ascertain competitive rates by inviting tenders. 590 name boards and 184 sign boards valued at Rs.19.31 lakh remained unutilised (July 2002). The Government endorsed (January 2003) the reply of the CE that on approval of the purchases by the ZP, quotations were called for and purchases made in

instalments. The reply is not tenable as specific approval of ZP for these purchases was not forthcoming and as competitive rates could have been ascertained by inviting tenders, as required, with suitable stipulation for staggered supplies.

(ii) In the meeting held in July 1999, the Purchase Committee of ZP, Udupi directed the ZPED, Udupi to place the orders with M/s.Finolex Industries Limited, Pune for supply of poly vinyl chloride (PVC) pipes, duly indicating that the firm had agreed to allow a rebate of 8 per cent on the total purchase value. In case the ZPED placed orders for supply of PVC pipes with any firm other than M/s.Finolex Industries Limited, benefit of rebate would not be available. The ZPED, Udupi purchased (1999-2000) PVC pipes costing Rs.1.02 crore. Of this, PVC pipes costing Rs.19.19 lakh were purchased from firms other than M/s.Finolex Industries Limited. As a result, M/s.Finolex Industries Limited did not allow rebate even on the purchase of PVC pipes costing Rs.83.14 lakh made from them. The loss of rebate on the entire purchase costing Rs.1.02 crore was Rs.8.19 lakh.

The CE, RDED intimated (December 2002) that notice had been served on the Executive Engineer concerned calling for his explanation for non-recovery of the rebate. Further details had not been communicated (July 2003).

2.7.7 Stock taking and verification

Internal controls of stock taking and verification not effective

(i) EEs of ZPEDs were required to verify their stock half yearly (March and September) on or before 15 of the month following the closure of half-yearly accounts. Against 220 half-yearly stock takings that should have been conducted during 1997-98 to 2001-02 in the twenty two divisions which furnished information, stock taking was not at all attempted during 1997-2002 by seven ZPEDs[Ⓟ] and for 38 half-years by thirteen^Δ ZPEDs.

(ii) According to Codal provisions, a report of review by the Divisional Accountant, of the stock accounts on closure of the half yearly accounts was

[Ⓟ]Gadag, Hadagali, Hassan, Haveri, Mandya, Raichur and Ramanagaram

^ΔBangalore (Urban), Bellary, Bijapur, Chamarajanagar, Chikodi, Davanagere, Harapanahalli, Karwar, Madhugiri, Mangalore, Mysore, Sirsi and Yadgir

required to be forwarded to the concerned ZP in the prescribed form on or before 15 of the second month following the closing of the half-yearly accounts. It was, however, noticed in audit that during April 1998 to April 2002, all the 22 ZPEDs that furnished information forwarded results of such reviews belatedly to ZPs, after delays up to 49 months. Besides, the reviews forwarded were incomplete without adjustment of profit or loss on stores in the accounts.

(iii) Physical verification of stores, at least once a year, should be done by an independent agency other than the custodian of the stores and results thereof brought on record. The stores were not physically verified on 36 occasions in twenty ZPEDs* and on 152 occasions in 92 sub-divisions under them during 1997-98 to 2001-02. The reasons for not conducting the physical verification in these ZPEDs/Sub-divisions were not made available to Audit (May 2002). The CE, RDED replied (December 2002) that instructions had been issued to all the Divisions to conduct physical verification periodically.

In the absence of stock taking and forwarding timely review of stock accounts to ZPs, internal controls for proper maintenance and accounting of stores were subverted. With physical verification also not being conducted periodically, the material management system suffered from the weakness of non-detection of misappropriation of stores, if any, on time.

2.7.8 Other points of interest

2.7.8.1 Advance payments

**Advances of
Rs.6.79 crore
remained
unadjusted**

Rupees 6.79 crore of advance paid during 1976-2002 were outstanding without being adjusted to final heads of accounts. Rs.6.72 crore could not be adjusted for want of adjustment bills from suppliers and Rs.0.07 crore on account of non-receipt of materials. The CE, RDED intimated (December 2002) that the adjustments of advances could not be made (i) for want of

*Bangalore (Urban), Bellary, Bijapur, ChamaraJanagar, Chikodi, Davanagere, Gadag, Harapanahalli, Hassan, Haveri, Karwar, Madhugiri, Mandya, Mysore, Ramanagaram, Raichur, Sirsi, Tumkur, Udupi and Yadgir

supplies and adjustment bills and (ii) due to pending departmental enquiries and Court cases.

Non-adjustment of the advances for want of bills resulted in expenditure to that extent remaining unaccounted in the relevant final heads of accounts. Non-receipt of materials for which advance payments had been made was indicative of laxity in control on the part of ZPEDs.

2.7.8.2 Long outstanding under suspense heads

Outstandings under suspense heads not cleared timely

(i) Expenditure incurred or cost of services rendered by one ZPED on behalf of another was initially to be accounted for under the suspense head - 'Cash Settlement Suspense Account'. Settlement had to be effected within ten days. Normally, there should be no balance outstanding under this suspense head at the end of financial year, as expenditure to that extent would remain unaccounted for under the final heads of account.

In 12 ZPEDs[☞], an accumulated balance of Rs.1.40 crore was outstanding under this suspense head as of May 2002 as detailed below.

Year	Amount (Rupees in crore)
1997-98	0.38
1998-99	0.64
1999-2000	0.07
2000-01	0.04
2001-02	0.27
Total	1.40

(ii) In ten ZPEDs[☜], an amount of Rs.18.24 crore was outstanding for payment under the 'Material Purchase Settlement Suspense Account' as of May 2002 towards the cost of materials received from other divisions, for periods ranging from 2 to 72 months. The EEs of ZPEDs generally attributed the outstandings to non-allotment of funds/LOC.

[☞] Bijapur, Gadag, Hadagali, Harapanahalli, Hassan, Madhugiri, Mandya, Mysore, Raichur, Sirsi, Udupi and Yadgir

[☜] Bellary, Chamarajanagar, Davanagere, Harapanahalli, Hassan, Karwar, Mandya, Ramanagaram, Sirsi and Udupi

The Government endorsed (January 2003) the reply of the CE who attributed (i) paucity of funds; and (ii) want of records, as reasons for outstandings. Evidently, no effective action was taken to obtain adequate funds and to maintain proper records for speedy adjustment of outstandings.

Substantial and old outstandings under suspense heads were indicative of lack of adequate efforts to clear them. Besides, their continued pendency was fraught with the risk of frauds going unnoticed. Delay also was likely to render verification and eventual adjustments difficult.

2.7.8.3 Pending supply bills

Bills for Rs.3.71 crore pending even after 3 to 31 months of supplies

In fifteen ZPEDs*, 325 bills for an amount of Rs.3.71 crore were pending for payment to 107 suppliers, as of May 2002, for periods ranging from 3 to 31 months. The EEs of ZPEDs generally attributed this to paucity of funds. This indicated that procurement planning was not effectively linked to availability of funds.

The CE, RDED intimated (December 2002) that instructions had been issued to ZPEDs to clear the pending bills and to plan the procurements properly to avoid such pendency.

2.8 Misappropriation of stores

Subversion of control mechanism and non-compliance with the Codal provisions for maintenance of stores by Executive Engineers, Accounts Superintendents and Store Keepers in three Zilla Panchayat Engineering Divisions facilitated continued misappropriation of stores valued at Rs.1.18 crore which remained undetected and unadjusted over a long period

Subversion of controls envisaged in the Karnataka Public Works Accounts and Departmental Codes by the Executive Engineers (EEs)/Accounts Superintendents/Store Keepers in the Zilla Panchayat Engineering Divisions (ZPEDs), Gulbarga, Madikeri and Gadag facilitated misappropriation of huge quantities of stores, which remained undetected for a long time.

* Bangalore (Urban), Chamarajanagar, Davanagere, Hadagali, Harapanahalli, Hassan, Karwar, Madhugiri, Mandya, Mangalore, Raichur, Ramanagaram, Sirsi, Tumkur and Udupi

The details were as under.

(i) Zilla Panchayat Engineering Division, Gulbarga

Audit of stores accounts revealed (February 2001) that stores valued at Rs.37.78 lakh issued to the sub-division at Aland from the divisional store through ten invoices during October 1998, December 1998 and January 1999 had not been accounted for by the sub-division. Of these, stores valued at Rs.33.97 lakh were issued through seven invoices on a single day in December 1998. The EE did not produce the invoice book and indents relating to these periods for audit scrutiny as the Store Keeper had not handed over the same. The Sub-Divisional Officer confirmed (February 2001) in response to an audit enquiry that he had not placed any indent for issue of these materials and had also not received these materials. Thus, subversion of controls listed below facilitated continued misappropriation and its non-detection till audit scrutiny.

- (i) No indent was available in respect of stores issued
- (ii) The Accounts Superintendent/EE failed to obtain monthly and half-yearly returns from the sub-division and verify the correctness of the same with reference to divisional records (invoices, stock register, vouchers, etc.)
- (iii) The EE failed to review the stores accounts of division and the sub-division
- (iv) The Chief Accounts Officer (CAO) of the ZP failed to obtain periodical returns of stores and stock and review them
- (v) The CAO did not conduct internal audit of these divisions/sub-divisions.

The matter was referred to Government in May 2002; reply had not been received (July 2003).

(ii) Zilla Panchayat Engineering Division, Madikeri

Shortages of stores valued at Rs.12.85 lakh were noticed in the sub-division at Somwarpet under the ZPED, Madikeri at the time of handing over charge by the Store Keeper who was holding charge from June 1990 to July 2000. On further verification of the stock accounts of the sub-division for the entire

period from June 1990 to July 2000 by a Committee appointed (November 2000) by the Chief Executive Officer (CEO), ZP, Kodagu, the value of the shortages rose to Rs.61.26 lakh. The EE stated (October 2001) that the Store Keeper misappropriated stores for which complaint had been lodged with the police and departmental enquiry had also been initiated. Evidently, controls as discussed above were subverted at various levels.

The State Government kept (November 2000) one of the three Sub-Divisional Officers involved, under suspension and did not take any action against the Store Keeper as of October 2001. The Government ordered (February 2002) an enquiry by a retired District Judge and also instructed (May 2002) the CEO, ZP, Kodagu to institute legal proceedings in a Civil Court. The Government stated (December 2002) that action could not be initiated against the other two Sub-Divisional Officers as they had retired four years ago.

(iii) Zilla Panchayat Engineering Division, Gadag

Stores valued at Rs.19.38 lakh were found short during physical verification for half-year ending March 2001 in four* sub-divisions. Of this, recovery of Rs.2.10 lakh ordered from 5 officials was in progress as of September 2002. In the remaining cases, the CEO, ZP, Gadag ordered (December 2001) enquiry against one official and referred (September 2001 and October 2001) two cases to Chief Engineer (CE), Rural Development Engineering Department and CE, Krishna Bhagya Jala Nigam Limited for instituting enquiry, which was yet to be commenced (June 2002).

The matter was referred to Government in May 2002; reply had not been received (July 2003).

* Gadag (Rs.5.73 lakh), Mundargi (Rs.6.00 lakh), Ron (Rs.7.49 lakh) and Shirahatti (Rs.0.16 lakh)

2.9 Unjustified purchase of stores

Executive Engineer of Zilla Panchayat Engineering Division, Raichur unjustifiably purchased stores costing Rs.25.54 lakh without sanction and without regard to the stock available with him and thus caused blocking up of funds of Rs.24.70 lakh

Scrutiny of stores accounts of Executive Engineer (EE), Zilla Panchayat Engineering Division (ZPED), Raichur revealed that the EE had stock that remained unutilised for long and that he had also made fresh purchases of stores articles without assessing requirement and without obtaining sanction from the Chief Executive Officer (CEO) of the Zilla Panchayat. These stores were either not utilised or the utilisation was poor as at the end of September 2001 as shown below.

(Value : Rupees in lakh)

Stock		Aluminium sheet	Ball bearing	Starter	Single phase protector	Voltmeter	Ammeter	Bolts and nuts
Position	Unit	Metre	Number	Number	Number	Number	Number	Kilogram
Opening balance	Quantity	191	14147	8	60	440	278	1940
	Rate (in Rupees)	175	118	2200	2500	230	120	85
	Value*	0.33	16.69	0.18	1.50	1.01	0.33	1.65
1997-98	Purchased	935	2130	370	119	475	475	-
	Issued	40	12650	19	-	1	1	-
1998-99	Purchased	-	3150	76	-	210	220	-
	Issued	-	300	26	-	-	-	50
1999-2000	Purchased	-	-	92	-	-	-	-
	Issued	108	2500	55	2	-	-	-
2000-01	Purchased	-	-	5	-	-	-	-
	Issued	260	-	12	-	-	-	66
2001-02 (up to September 2001)	Purchased	-	-	15	-	-	-	-
	Issued	230	-	14	-	-	-	310
Total	Purchased	935	5280	558	119	685	695	-
	Value*	1.64	6.23	12.28	2.98	1.58	0.83	-
	Issued	638	15450	126	2	1	1	426
	Value*	1.12	18.23	2.77	0.05	Rs.230	Rs.120	0.36
Closing balance	Quantity	488	3977	440	177	1124	972	1514
	Value*	0.85	4.69	9.68	4.43	2.59	1.17	1.29

*Total value: Opening balance - Rs.21.69 lakh; Purchases - Rs.25.54 lakh; Issues - Rs.22.53 lakh; Closing balance - Rs.24.70 lakh

While the purchases in the cases of four items (single phase protector, voltmeter, ammeter and bolts and nuts) were unjustified inasmuch as there were no substantial issues, in the other three items (aluminium sheet, ball

bearing and starter), the EE made purchases without considering the existing stock as detailed below.

(i) Even though the Division had 191 metres of aluminium sheets as on 1 April 1997, the EE purchased 935 metres in 1997-98 (April 1997) but issued only 638 metres up to September 2001.

(ii) The Division had 14147 ball bearings in stock as of 1 April 1997. The EE purchased 2130 ball bearings in 1997-98 but issued only 12650 in that year. While having 3627 ball bearings in stock, the EE procured 3150 ball bearings in 1998-99 but issued only 2800 of them up to September 2001.

The EE while admitting (September 2001) that the purchases were not covered by sanctions, stated that they were made on the basis of indents from Assistant Executive Engineers. He could not, however, furnish the indents, as they were not traceable. The purchases were, thus, not programme-driven and led to blocking up of funds of Rs.24.70 lakh.

The matter was referred to Government in January 2002; reply had not been received (July 2003).

2.10 Material for information, education and communication activities not utilised

Zilla Panchayat, Bijapur paid Rs.18 lakh to a firm for supply of publicity material which was not distributed in the identified villages; the Zilla Panchayat also paid Rs.4.50 lakh for two documentary films which were not telecast. Thus, the expenditure was wasteful

Nirmala Grameena Yojana (Yojana) with the objective of improving rural sanitation was being implemented in the State through Zilla Panchayats (ZPs) from 1995-96. Funds were earmarked under the Yojana for creating awareness of rural sanitation through information, education and communication (IEC) activities.

Under the scheme, the Chief Executive Officer (CEO), ZP, Bijapur placed (January 2000) orders with a firm based on its lowest quotation for supply of 3000 tin plates, 5000 wall posters and 2 lakh pamphlets at a cost of Rs.26.60

lakh. The CEO released Rs.18 lakh to the firm which supplied (February 2000) 1677 tin plates, 5000 wall posters and 2 lakh pamphlets. Audit scrutiny revealed (January 2002) that these material for IEC activities were not distributed in the identified villages and the CEO had ordered (November 2001) that the material be rejected as it was found to be not in accordance with requirements. Action to fix responsibility for making payment of Rs.18 lakh was pending with the Government (October 2002). A civil suit for recovering the amount was also filed in the Court.

In disregard of directions (June 1997) of Government that documentary films of user departments (including ZPs) were to be made only through Karnataka Film Development Corporation, Health and Education Committee of ZP, Bijapur approved (October 1999) entrustment of making documentary films, as part of IEC activity, to a private film maker. The CEO released Rs.4.50 lakh for this purpose. The CEO intimated (August 2003) that the format of the film provided had to be changed and a fee of Rs.20000 and taxes had to be paid to Doordarshan for telecasting. The relevance of the film was yet to be ascertained.

Thus, expenditure of Rs.22.50 lakh (Rs.18 lakh + Rs.4.50 lakh) on IEC activities by the ZP was rendered wasteful.

The matter was referred to Government in April 2002; reply had not been received (July 2003).

SOCIAL WELFARE DEPARTMENT

2.11 Unfruitful expenditure on construction of a hostel building

Defective construction of a hostel building rendered it unfit for occupation resulting in unfruitful expenditure of Rs.13.52 lakh

The construction of hostel building for pre-matric students of the Backward Classes and Minorities (BCM) at Shivayogimandira, Badami taluk was administratively approved (January 1995) by the Chief Executive Officer (CEO), Zilla Panchayat (ZP), Bijapur and technically sanctioned (February

1995) by the Superintending Engineer (SE), Public Works Department, Belgaum Circle at an estimated cost of Rs.9.90 lakh. The work was entrusted (June 1995) to Karnataka Land Army Corporation (KLAC). The estimate was revised (February 2000) to Rs.13.52 lakh as the location of the building was changed to another site which contained black cotton sub-soil (BC soil) strata and required special construction measures for foundation and plinth, stipulating date of completion as 31 March 2000. However, necessary technical sanction of the SE to the revised estimate was not obtained which was contrary to the Codal provisions. The progress of work was to be supervised by the District Officer (DO) of BCM, Bijapur.

The ZP released Rs.13.43 lakh during September 1995 to March 2001 as against expenditure of Rs.13.52 lakh incurred by KLAC. The DO conducted first inspection of the work only in September 2000 and noticed cracks on walls. Therefore, a joint inspection was conducted (March 2001) by him along with Executive Officer of Taluk Panchayat and it was reported (April 2001) to KLAC that walls had collapsed, that there were undulations on floor and that the building was not fit for occupation. Meanwhile, KLAC effected certain repair works to the building. Thereafter, Assistant Executive Engineer, Zilla Panchayat Engineering Division, Bijapur conducted another inspection of the building in July 2002 under the orders of CEO and certified that the building was fit for occupation, whereupon possession of the building was taken over by the DO (July 2002). However, the building was not put to use as of September 2002 as DO still noticed cracks in the building.

Scrutiny of records revealed the following irregularities.

- (i) Though the work order was issued in June 1995 and funds of Rs.9.90 lakh released to KLAC by January 1996, absolutely no work was turned out till February 2000 on the original site and administrative approval was accorded for change of site only in February 2000.
- (ii) The DO failed to maintain record of actual commencement of work on the new site, time-to-time progress of work and whether work done in BC soil was according to specification.

The ZP and the DO failed to inspect periodically and ensure proper execution of work. Defective work done by KLAC rendered the building unsafe for occupation and its durability doubtful. Thereby, expenditure of Rs.13.52 lakh incurred on the work remained unfruitful. No action was taken against KLAC for defective execution of work and against DO of BCM for his faulty supervision work.

The matter was referred to Government in April 2002; reply had not been received (July 2003).

EDUCATION DEPARTMENT

2.12 Misappropriation of funds by a Block Education Officer

Block Education Officer, Byadgi preferred fictitious bills for salaries and other claims of non-existing teachers and ensured crediting of the treasury cheques for these bills to an unauthorisedly opened savings bank account from which he withdrew Rs.13.16 lakh and misappropriated the funds

During the course of audit of the accounts of the Zilla Panchayat (ZP), Haveri, the ZP reported (September 2000) to State Government the fraudulent drawal of money and its misappropriation by the Block Education Officer (BEO), Byadgi during December 1999 to August 2000. Audit scrutiny of the drawals by the BEO indicated the following.

(a) *Procedure for drawal of salaries and other claims of teachers*

(i) In respect of 226 primary and secondary schools under his jurisdiction, the BEO was to prepare the bill for pay and other claims of teachers working in these schools and endorse them in favour of the designated bank where the teachers had opened savings bank (SB) accounts. The BEO was to furnish the payees' list indicating the names of teachers, their SB account numbers and net amount to be credited to their account along with the bills and the bank was to credit the individual accounts of the teachers after realising the cheques from the Treasury.

(ii) The BEO received grants both from the ZP and Taluk Panchayat (TP), Byadgi. The ZP grants were released through the Deputy Director of Public Instruction (DDPI), Haveri, while the TP grants were released by the Executive Officer (EO) of the TP.

(b) *Modus operandi of the fraud*

(i) The BEO prepared (December 1999 to July 2000) 8 fictitious bills for Rs.13.16 lakh towards salaries and encashment of leave of non-existing teachers. The proceeds were credited to an account opened (December 1991) by him unauthorisedly, in Syndicate Bank, Byadgi. The BEO drew from this account an amount of Rs.13.20 lakh through 16 self-cheques and did not account for it in his records. Evidently, the amount was misappropriated.

(ii) The Treasury Officer while passing these bills for payment failed to enquire from the BEO why payees' list was not enclosed and facilitated the misappropriation of funds.

(iii) The bank also did not enquire as to why the treasury cheques on their realisation were to be credited to the BEO's SB account instead of to the accounts of individual teachers for whom the bills were preferred. The bank also allowed the BEO to draw money on self-cheques. The possibility of the involvement of the bank in the fraud could not, therefore, be ruled out.

Thus, lapses at various levels facilitated continued misappropriation of funds aggregating Rs.13.16 lakh by the BEO who was suspended (October 2000) by the State Government. The DDPI placed (September 2000) a Second Division Assistant in the Office of the BEO under suspension and lodged (August 2001) a complaint with the Police.

The State Government stated (April 2002) that an enquiry in the matter had been entrusted to the Karnataka Lokayukta and suitable action to recover the misappropriated amount was required to be taken on receipt of the report of the enquiry. Further developments in the matter had not been communicated (July 2003).

BANGALORE
The

2 NOV 2003

K.P. Lakshmana Rao

(K.P.LAKSHMANA.RAO)
Principal Accountant General (Audit)-I

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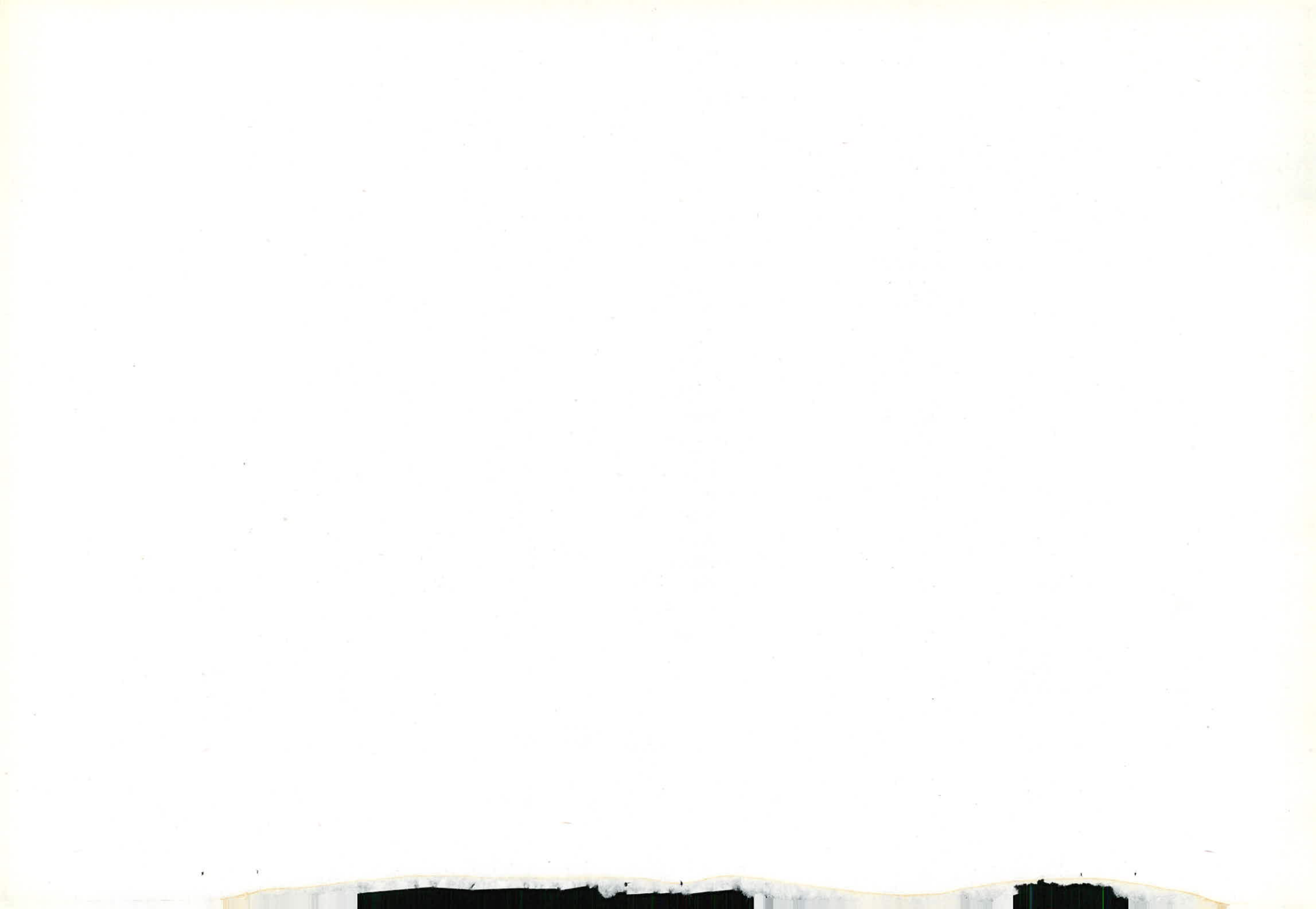
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(Signature)

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



APPENDICES



Appendix 1.1
Budgetary control
(Reference: Paragraph 1.7.2/Page 11)

(Rupees in crore)

Sl.No.	Zilla Panchayat	Number of major heads	Expenditure without budget provision	Number of major heads	Budget provision	Actual expenditure	Excess	Percentage of excess	Number of major heads	Budget provision	Actual expenditure	Savings	Percentage of savings
1.	Bagalkot	1	0.14	7	22.37	47.76	25.39	113	17	98.07	71.14	26.93	27
2.	Bangalore (Rural)	-	-	8	17.57	21.43	3.86	22	16	141.21	86.88	54.33	38
3.	Bangalore (Urban)	1	0.08	8	18.93	20.82	1.89	10	15	227.77	215.99	11.78	5
4.	Belgaum	-	-	13	90.11	103.32	13.21	15	14	73.36	63.75	9.61	13
5.	Bellary	-	-	4	7.72	10.50	2.78	36	20	133.43	83.15	50.28	38
6.	Bidar	2	0.23	14	121.32	137.59	16.27	13	10	15.64	13.78	1.86	12
7.	Bijapur	-	-	4	9.83	13.96	4.13	42	21	132.66	88.54	44.12	33
8.	Chamarajanagar	2	0.01	9	19.44	26.94	7.50	39	16	63.90	49.96	13.94	22
9.	Chikmagalur	-	-	13	102.28	115.10	12.82	13	13	39.51	30.87	8.64	22
10.	Chitradurga	-	-	8	28.37	32.80	4.43	16	17	142.34	105.97	36.37	26
11.	Dakshina Kannada	1	0.03	9	18.76	31.59	12.83	68	18	123.14	81.34	41.80	34
12.	Davanagere	-	-	12	117.38	126.34	8.96	8	12	66.21	54.20	12.01	18
13.	Dharwad	-	-	8	12.17	47.61	35.44	291	18	98.79	76.49	22.30	23
14.	Gadag	1	23.47	10	13.86	23.75	9.89	71	15	76.86	46.76	30.10	39
15.	Gulbarga	2	0.04	13	177.04	192.35	15.31	9	11	61.26	54.18	7.08	12
16.	Hassan	1	0.11	7	23.64	86.86	63.22	267	19	156.39	73.69	82.70	53
17.	Haveri	-	-	13	26.17	39.25	13.08	50	10	87.43	79.83	7.60	9
18.	Kodagu	-	-	14	50.95	60.11	9.16	18	11	16.61	13.91	2.70	16
19.	Kolar	4	13.01	14	51.13	183.24	132.11	258	7	39.75	36.05	3.70	9
20.	Koppal	1	32.93	4	8.27	8.88	0.61	7	21	84.10	49.69	34.41	41
21.	Mandya	-	-	13	139.03	151.66	12.63	9	12	32.29	28.22	4.07	13
22.	Mysore	1	0.58	7	19.79	26.33	6.54	33	19	180.61	109.58	71.03	39
23.	Raichur	3	2.01	11	38.00	65.86	27.86	73	10	26.30	16.65	9.65	37
24.	Shimoga	-	-	16	134.57	159.34	24.77	18	10	19.54	18.32	1.22	6
25.	Tumkur	2	0.04	16	204.75	238.08	33.33	16	9	42.25	22.59	19.66	47
26.	Udupi	7	4.75	10	27.60	54.99	27.39	99	10	13.85	10.38	3.47	25
27.	Uttara Kannada	2	0.47	7	14.43	20.14	5.71	40	17	141.61	89.02	52.59	37
	Total	7*	77.90	16*	1515.48	2046.60	531.12	35	21*	2334.88	1670.93	663.95	28

* Maximum number of departments/major heads

Appendix 1.2

Diversion of funds

(Reference: Paragraph 1.7.3/Page 11)

(As of 31 March 2002)

(Rupees in crore)

Sl. No.	Zilla Panchayat	Year	Diversion by	Scheme from which diverted	Scheme/purpose to which diverted	Amount
1.	Bagalkot	1999-2000	CEO, ZP	2202-Savings under salary grants of Education department	Purchase of furniture and sports equipment	0.40
				2236-Nutrition Programme	Purchase of furniture	0.54
				2235-Social Security and Welfare - Post-matric scholarship	Payment towards civil works	0.09
2.	Belgaum	1999-2000	CEO, ZP	Tenth Finance Commission	Karnataka Power Transmission Corporation Limited	1.84
				Grama Panchayat grants	Karnataka Power Transmission Corporation Limited	1.36
				SGSY	Purchase of car	0.04
3.	Bellary	1998-99	CEO, ZP	EAS	Purchase of computers and xerox machine	0.04
4.	Bidar	1999-2000	CEO, ZP	SGSY (Infrastructure grants)	Purchase of machinery and construction activities other than infrastructure expenditure	0.35
5.	Bijapur	2000-01	EO, TP, Sindagi	EAS/IAY	Ashraya/Ambedkar Housing Schemes, Nirmala Grameena Yojana, etc.	0.66
			EO, TP, Basavana Bagewadi	Additional stamp duty	Construction of TP building	0.16
6.	Chamarajanagar	1999-2000	CEO, ZP	(i) 2515-MLCC grants (Revenue account)	Construction of staff quarters (Capital expenditure)	0.19
				(ii) SGSY	JGSY 0.19 EAS 0.22 Gujarat earthquake relief 0.01	0.42
				(iii) Tenth Finance Commission	KPTCL	1.09

Sl. No.	Zilla Panchayat	Year	Diversion by	Scheme from which diverted	Scheme/purpose to which diverted	Amount
7.	Chitradurga	1999-2000	CEO, ZP	Tenth Finance Commission	Clearance of pending bills/electricity charges in ZPED, Chitradurga	0.50
8.	Dharwad	1997-98	CEO, ZP	IRDP	DWCRA and TRYSEM	0.02
		1998-99 and 1999-2000		Surface water tanks with filter media	Rajiv Gandhi National Drinking Water Mission	0.23
		1997-98		Desert Development Programme	Purchase of laproscopes	0.08
		1999-2000		JGSY	Repairs to vehicles and others	0.06
		1997-98	DHFVO	2210-Plan	Purchase of furniture and equipment	0.30
		1997-98		2210-Plan	Purchase of laproscopes	0.06
		1997-98		2210-Plan - Purchase of x-ray machines	Purchase of linen and equipment	0.03
		1998-99		2210-Plan - Purchase of x-ray machines	Purchase of drugs	0.05
9.	Hassan	1999-2000	CEO, ZP	EAS	Construction of office building	0.41
10.	Haveri	1999-2000	CEO, ZP	2215-water supply scheme (grants for desalination plants)	Sub-mission projects	0.61
11.	Koppal	1997-98	CEO, ZP	Desert Development Programme	EAS	0.05
12.	Mysore	1998-99	CEO, ZP	JRY	Nirmala Grameena Yojana	0.33
13.	Tumkur	2000-01	CEO, ZP	IAY	DWCRA and Nirmala Grameena Yojana	0.32
Total						10.23

Appendix 1.3

Non-transfer of grants to Grama Panchayats

(Reference: Paragraph 1.8.2/Page 12)

(Rupees in crore)

Serial number	Zilla Panchayat	Amount relating to Grama Panchayat retained by Zilla Panchayat
1.	Bagalkot	1.02
2.	Bangalore (Rural)	3.13
3.	Bangalore (Urban)	0.60
4.	Belgaum	2.81
5.	Chikmagalur	0.80
6.	Davanagere	0.96
7.	Hassan	1.29
8.	Kodagu	0.23
9.	Mandya	1.23
10.	Mysore	1.32
11.	Raichur	2.02
12.	Tumkur	6.12
TOTAL		21.53

Appendix 1.4

Unreconciled differences between Treasury and Zilla Panchayat balances

(Reference: Paragraph 1.11.2/Page 17)

(Rupees in crore)

Serial number	Zilla Panchayat	1999-2000		Zilla Panchayat balance	
		Treasury balance	Zilla Panchayat balance	More by	Less by
1.	Bidar	No difference		-	-
2.	Shimoga	No difference		-	-
3.	Tumkur	No difference		-	-
4.	Bagalkot	Not prepared		-	-
5.	Bangalore (Urban)	Not prepared		-	-
6.	Bellary	Not prepared		-	-
7.	Uttara Kannada	Not prepared		-	-
8.	Haveri	21.07	Not prepared	-	-
9.	Bangalore (Rural)	45.13	48.75	3.62	-
10.	Belgaum	55.22	103.79	48.57	-
11.	Bijapur	34.96	43.30	8.34	-
12.	Chamarajanagar	5.00	13.27	8.27	-
13.	Chikmagalur	29.13	34.96	5.83	-
14.	Chitradurga	33.98	48.06	14.08	-
15.	Davanagere	7.30	7.60	0.30	-
16.	Gadag	12.15	13.49	1.34	-
17.	Hassan	47.13	48.09	0.96	-
18.	Kodagu	9.44	14.66	5.22	-
19.	Kolar	57.73	76.91	19.18	-
20.	Mandya	9.95	18.00	8.05	-
21.	Mysore	53.56	63.03	9.47	-
22.	Raichur	32.45	32.83	0.38	-
23.	Dakshina Kannada	37.45	33.15	-	4.30
24.	Dharwad	94.48	33.51	-	60.97
25.	Gulbarga	48.61	42.29	-	6.32
26.	Koppal	2.22	(-)10.68	-	12.90
27.	Udupi	(-)0.13	(-)1.29	-	1.16
Total				133.61	85.65

Appendix 1.5

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

(Reference: Paragraph 1.11.3/Page 17)

(Rupees in crore)

Serial number	Zilla Panchayat	Number of departmental officers	2000-01		2001-02	
			Number of departmental officers whose expenditure was not reconciled	Unreconciled amount	Number of departmental officers whose expenditure was not reconciled	Unreconciled amount
1.	Bidar	26	5	0.48	5	0.43
2.	Bijapur	21	6	32.00	6	40.65
3.	Dakshina Kannada	31	18	NA	18	NA
4.	Davanagere	24	24	NA	24	NA
5.	Gadag	14	4	12.22	4	12.27
6.	Gulbarga	15	1	1.94	4	14.27
7.	Hassan	27	2	NA	2	NA
8.	Haveri	27	27	NA	27	NA
9.	Kodagu	22	9	6.23	10	33.28
10.	Koppal	18	18	NA	18	NA
11.	Mandya	17	-	-	1	11.19
12.	Shimoga	32	25	NA	26	NA
13.	Tumkur	32	4	177.30	4	NA
Total		306	143	230.17	149	112.09

NA – Not available

Appendix 1.6

Non-submission of Non-payable Detailed Contingent bills for amounts drawn on Abstract Contingent bills

(Reference: Paragraph 1.12.1/Page 18)

(As of 31 March 2002)

(Rupees in lakh)

Serial number	Zilla Panchayat	Number of departments	Number of DDOs	Number of NDC bills pending	Amount	Year from which pending
1.	Bagalkot	1	3	3	0.28	2000-01
2.	Bangalore (Rural)	9	9	443	18.52	1987-88
3.	Bangalore (Urban)	1	1	1	0.80	2001-02
4.	Belgaum	2	7	7	0.19	1995-96
5.	Bidar	1	1	2	25.01	2001-02
6.	Bijapur	3	3	152	5.66	2001-02
7.	Chamarajanagar	2	16	24	5.70	2001-02
8.	Chikmagalur	6	6	21	93.98	1998-99
9.	Dakshina Kannada	6	6	56	10.32	NA
10.	Gadag	1	1	5	0.65	2001-02
11.	Gulbarga	5	21	38	5.64	2001-02
12.	Hassan	2	9	134	161.89	2001-02
13.	Kodagu	1	1	7	4.34	1992-93
14.	Kolar	5	26	91	25.30	1999-2000
15.	Koppal	2	6	64	30.82	2000-01
16.	Mysore	14	89	163	325.98	1987-88
17.	Raichur	2	3	4	30.17	1993-94
18.	Shimoga	9	72	340	426.24	1991-92
19.	Udupi	2	4	6	1.72	2001-02
20.	Uttara Kannada	2	4	1205	81.27	2000-01
Total		14*	288	2766	1254.48	1987-88 to 2001-02

* - Maximum number of departments

NA - Not available

Appendix 1.7
Outstanding utilisation certificates
(Reference: Paragraph 1.13/Page 19)

(As of 31 March 2002)

(Rupees in crore)

Serial number	Zilla Panchayat	Number of schemes	Opening balance	Grants received	Other receipt and interest	Total grants	UCs furnished for	UCs due for
1.	Bagalkot	8	1.86	15.55	-	17.41	12.59	4.82
2.	Bangalore (Rural)	10	7.38	40.45	-	47.83	32.32	15.51
3.	Bangalore (Urban)	4	1.35	9.20	0.39	10.94	9.15	1.79
4.	Belgaum	14	11.23	49.11	-	60.34	42.98	17.36
5.	Bellary	9	12.34	20.55	2.81	35.70	23.47	12.23
6.	Bidar	8	2.40	13.11	-	15.51	-	15.51
7.	Bijapur	8	7.57	23.62	0.44	31.63	23.97	7.66
8.	Chamarajanagar	18	4.57	22.35	-	26.92	16.11	10.81
9.	Chikmagalur	10	5.40	23.87	-	29.27	22.57	6.70
10.	Chitradurga	8	7.95	32.33	-	40.28	22.71	17.57
11.	Dakshina Kannada	9	14.41	12.55	0.92	27.88	9.70	18.18
12.	Davanagere	8	4.74	17.75	-	22.49	12.89	9.60
13.	Dharwad	6	1.95	8.98	0.30	11.23	9.17	2.06
14.	Gulbarga	11	22.01	38.71	-	60.72	36.71	24.01
15.	Hassan	7	3.61	12.39	-	16.00	11.58	4.42
16.	Haveri	10	4.37	17.82	1.14	23.33	15.50	7.83
17.	Kolar	9	11.08	43.09	-	54.17	31.50	22.67
18.	Koppal	11	4.50	11.13	0.10	15.73	10.45	5.28
19.	Mandya	8	7.50	8.81	0.25	16.56	7.09	9.47
20.	Mysore	7	3.85	23.72	-	27.57	17.54	10.03
21.	Raichur	14	7.75	28.39	-	36.14	28.70	7.44
22.	Shimoga	7	2.98	22.15	-	25.13	10.92	14.21
23.	Tumkur	14	13.18	51.11	0.58	64.87	44.76	20.11
24.	Udupi	5	1.19	7.19	-	8.38	6.84	1.54
25.	Uttara Kannada	6	4.86	14.16	0.29	19.31	13.92	5.39
Total			170.03	568.09	7.22	745.34	473.14	272.20

Appendix 1.8
Incomplete works
(Reference: Paragraph 1.14/Page 19)

(As of 31 March 2002)

(Rupees in lakh)

Serial number	Zilla Panchayat	Buildings		Minor irrigation		Roads and bridges		Water supply		Total	
		No. of works	Expenditure	No. of works	Expenditure	No. of works	Expenditure	No. of works	Expenditure	No. of works	Expenditure
1.	Bangalore (Urban)	3	4.94	-	-	-	-	2	13.28	5	18.22
2.	Bellary	-	-	2	3.21	-	-	-	-	2	3.21
3.	Bidar	4	41.64	-	-	-	-	8	41.86	12	83.50
4.	Bijapur	1	3.25	-	-	1	0.60	-	-	2	3.85
5.	Chamarajanagar	3	0.98	-	-	14	13.46	10	18.29	27	32.73
6.	Chikmagalur	-	-	-	-	3	15.11	-	-	3	15.11
7.	Chitradurga	2	19.20	-	-	-	-	-	-	2	19.20
8.	Dakshina Kannada	-	-	1	3.69	-	-	19	48.26	20	51.95
9.	Davanagere	-	-	-	-	1	11.04	-	-	1	11.04
10.	Dharwad	-	-	-	-	-	-	2	36.21	2	36.21
11.	Gadag	-	-	-	-	-	-	2	131.01	2	131.01
12.	Gulbarga	6	3.79	18	44.37	12	34.93	5	37.38	41	120.47
13.	Hassan	3	26.82	-	-	-	-	8	37.65	11	64.47
14.	Haveri	-	-	2	175.84	-	-	-	-	2	175.84
15.	Kolar	-	-	-	-	-	-	6	21.74	6	21.74
16.	Koppal	6	94.46	-	-	-	-	1	8.80	7	103.26
17.	Mandya	8	37.40	-	-	-	-	19	136.06	27	173.46
18.	Mysore	1	1.18	-	-	3	2.78	53	259.73	57	263.69
19.	Raichur	3	70.99	22	114.08	3	4.31	13	112.88	41	302.26
20.	Shimoga	3	17.91	6	4.93	4	11.94	15	44.26	28	79.04
21.	Tumkur	1	12.66	9	53.50	1	4.11	1	4.72	12	74.99
22.	Udupi	-	-	8	20.87	1	2.11	5	29.48	14	52.46
23.	Uttara Kannada	-	-	-	-	3	18.50	-	-	3	18.50
Total		44	335.22	68	420.49	46	118.89	169	981.61	327	1856.21

Appendix 1.9

Unsettled cases of misappropriations/defalcations

(Reference: Paragraph 1.16 /Page 20)

(As of 31 March 2002)

(Rupees in lakh)

Serial number	Zilla Panchayat	Awaiting completion of investigation		Pending in Court		Others		Total	
		Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
1.	Bagalkot	1	24.43	-	-	-	-	1	24.43
2.	Bangalore (Rural)	-	-	1	0.02	29	113.88	30	113.90
3.	Bangalore (Urban)	8	436.90	-	-	-	-	8	436.90
4.	Belgaum	5	78.69	-	-	-	-	5	78.69
5.	Bellary	10	155.49	-	-	-	-	10	155.49
6.	Bidar	1	0.69	1	1.66	-	-	2	2.35
7.	Bijapur	15	NA	-	-	-	-	15	NA
8.	Chamarajanagar	18	339.25	-	-	-	-	18	339.25
9.	Chikmagalur	24	25.36	-	-	-	-	24	25.36
10.	Chitradurga	10	6.25	-	-	-	-	10	6.25
11.	Dakshina Kannada	9	22.77	1	1.01	-	-	10	23.78
12.	Davanagere	2	92.91	-	-	2	12.91	4	105.82
13.	Dharwad	13	37.98	2	1.91	5	5.62	20	45.51
14.	Gadag	6	30.33	-	-	5	4.76	11	35.09
15.	Hassan	33	9.63	1	0.45	-	-	34	10.08
16.	Haveri	26	91.50	-	-	10	39.69	36	131.19
17.	Kodagu	-	-	1	61.27	-	-	1	61.27
18.	Kolar	17	19.57	-	-	-	-	17	19.57
19.	Koppal	6	2.38	1	0.66	-	-	7	3.04
20.	Mandya	17	123.00	-	-	-	-	17	123.00
21.	Mysore	12	22.62	-	-	-	-	12	22.62
22.	Raichur	9	133.32	2	12.09	-	-	11	145.41
23.	Shimoga	27	97.57	2	1.32	-	-	29	98.89
24.	Tumkur	2	6.62	1	0.16	-	-	3	6.78
25.	Udupi	-	-	-	-	2	39.92	2	39.92
26.	Uttara Kannada	3	132.18	-	-	-	-	3	132.18
Total		274	1889.44	13	80.55	53	216.78	340	2186.77

NA – Not available

Appendix 2.1
Zilla Panchayat-wise loss of Central assistance
(Reference: Paragraph 2.2.4.4/Page 46)

(Rupees in crore)

Zilla Panchayat	1999-2000	2000-01				2001-02		
	2 nd Instalment (not received)	1 st Instalment		2 nd Instalment		2 nd Instalment		Additional release
		SR/ER*	NR	SR	NR	SR	NR	
Bagalkot	0.68	0.05	-	-	0.58	-	0.34	-
Bangalore (Urban)	0.38	-	-	-	0.33	-	0.19	-
Bangalore (Rural)	0.95	0.02	-	-	0.81	-	0.47	0.47
Bellary	0.70	0.08	-	-	0.60	-	0.35	-
Belgaum	1.82	-	-	-	1.55	-	0.90	0.90
Bidar	0.67	0.20	-	-	-	-	-	-
Bijapur	0.85	-	-	-	0.72	-	0.42	-
Chamarajanagar	0.51	0.04	-	-	0.43	-	0.25	-
Chikmagalur	1.02	-	-	-	0.87	-	0.50	-
Chitradurga	0.75	0.29	-	-	0.64	-	0.37	-
Dakshina Kannada	0.87	0.01	-	-	0.74	0.15	-	0.18
Davanagere	0.94	*0.23	-	-	0.52	-	0.46	-
Dharwad	0.52	0.38	-	0.34	-	0.03	-	-
Gadag	0.36	*0.06	-	-	0.20	-	0.18	-
Gulbarga	1.54	-	0.77	-	0.77	-	0.76	-
Hassan	0.99	-	-	-	0.85	-	0.49	-
Haveri	0.63	*0.15	-	-	0.34	0.23	-	0.19
Kodagu	0.59	-	0.22	-	0.22	-	0.29	-
Kolar	1.17	-	-	-	1.00	-	0.58	-
Koppal	0.59	*0.15	-	-	0.32	0.27	-	0.17
Mandya	0.95	-	-	-	0.81	-	0.47	-
Mysore	0.99	-	-	-	0.85	-	0.49	0.49
Raichur	0.71	-	0.37	-	0.37	0.23	-	-
Shimoga	1.11	-	0.59	-	0.59	-	0.54	0.55
Tumkur	1.37	*0.01	-	-	1.16	-	0.67	0.67
Uttara Kannada	1.15	0.02	-	-	0.98	-	0.57	-
Udupi	0.67	*0.15	-	-	0.38	-	-	-
Total	23.48	1.09 *0.75	1.95	0.34	16.63	0.91	9.29	3.62

SR – Short Release; ER – Excess Release, NR – Non- Release;
* Excess of 1999-2000 and not short release of 1st instalment

Appendix 2.2

Financial performance in the test-checked districts

(Reference: Paragraph 2.2.5.3/Page 51)

(Rupees in crore)

Year	Target	Achievement	Percentage of achievement to target	Available funds	Percentage of achievement to available funds
1999-2000					
Bangalore (Rural)	2.53	1.41	56	2.18	65
Belgaum	4.86	3.62	74	7.12	51
Bellary	1.87	0.88	47	3.47	25
Dakshina Kannada	2.31	3.91	169	4.11	95
Kolar	3.13	1.93	62	6.76	29
Raichur	1.89	1.30	69	4.47	29
Tumkur	3.64	3.54	97	3.75	94
Total	20.23	16.59	82	31.86	52
2000-01					
Bangalore (Rural)	2.15	1.66	77	2.66	62
Belgaum	4.14	4.03	97	6.12	66
Bellary	1.60	2.20	138	2.95	75
Dakshina Kannada	1.97	0.97	49	1.18	82
Kolar	2.67	2.74	103	6.21	44
Raichur	0.99	1.95	197	2.00	98
Tumkur	3.09	1.56	50	5.93	26
Total	16.61	15.11	91	27.05	56
2001-02					
Bangalore (Rural)	1.25	2.64	211	3.29	80
Belgaum	2.40	5.88	245	6.45	91
Bellary	0.92	1.18	128	1.05	112
Dakshina Kannada	1.14	1.38	121	1.69	82
Kolar	1.55	3.89	251	4.98	78
Raichur	0.93	1.01	109	0.99	102
Tumkur	1.80	5.07	282	5.10	99
Total	9.99	21.05	211	23.55	89