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**REPORT OF THE
COMPTROLLER
AND
AUDITOR GENERAL OF INDIA
(PANCHAYAT RAJ INSTITUTIONS)**

FOR THE YEAR ENDED 31 MARCH 2008

GOVERNMENT OF KARNATAKA

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PREFACE

1. This Report has been prepared for submission to the Governor under Article 151(2) of the Constitution.
2. Chapter I of this Report contains audit observations on matters arising from examination of accounts and finances of Zilla Panchayats and Taluk Panchayats.
3. The other chapter deals with the findings of audit on financial transactions of Zilla Panchayats and Taluk Panchayats.
4. The Reports containing the observations arising out of audit of (i) Statutory Corporations, Boards and Government Companies; (ii) Revenue Receipts; and (iii) Civil Departments are presented separately.
5. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2007-08 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 2007-08 have also been included, wherever necessary.



OVERVIEW

OVERVIEW

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

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

During 2004-07, the allocation to Panchayat Raj Institutions formed 14 to 16 per cent of the total budget of the State.

(Paragraph 1.3.1)

Despite being pointed out in earlier Audit Reports, delays persisted in forwarding the annual accounts of the Zilla Panchayats to the Principal Accountant General for audit.

(Paragraph 1.4.1)

While total receipts and expenditure in Panchayat Raj Institutions increased steadily during 2004-07, the capital expenditure declined sharply during 2006-07 compared to 2005-06.

(Paragraphs 1.5.1 and 1.5.2)

Abnormal delays were noticed in release of Twelfth Finance Commission grants to Panchayat Raj Institutions. Interest payment was irregularly charged to 'Plan' Head of Account denying funds for envisaged rural developmental activities.

(Paragraph 1.6.1)

The devolution of funds and functions to Panchayat Raj Institutions was not as envisaged in the Constitution.

(Paragraphs 1.7.1 and 1.7.2)

Contrary to the spirit of devolution of funds to Panchayati Raj Institutions, funds for procurement and supply of medicine for health centers/institutions were allotted to Government Medical Stores.

(Paragraph 1.7.2)

Drawing and Disbursing Officers of 14 Zilla Panchayats failed to submit the detailed accounts for Rs.4.64 crore drawn on Abstract Contingent bills.

(Paragraph 1.8.3)

In 26 Zilla Panchayats, as many as 397 cases of misappropriation/defaultation involving Rs.24.47 crore were pending at various stages.

(Paragraph 1.10)

2 Suvarna Gramodaya Yojana

To develop vibrant village communities by adopting an intensive and integrated approach to rural development, the State Government launched the Suvarna Gramodaya Yojana in October 2006. The implementation of the Scheme suffered due to laxity of the State Government in preparatory procedures and inadequacies in convergence with other ongoing schemes. There was delay in approval of action plans, diversion of funds, non-prioritisation of developmental works, absence of monitoring mechanism, etc.

There was no perspective plan for development of villages and the selection of villages was made by the State Government without specific criteria.

(Paragraphs 2.1.6.1 and 2.1.6.5)

The Non-Governmental Organisations prepared the development plans without the approval of Grama Sabhas and the annual action plans were belatedly approved.

(Paragraphs 2.1.6.2 and 2.1.6.3)

As against the envisaged allocation of Rs.1,000.60 crore for development of 1,200 villages during 2006-07, State government released only Rs.458.84 crore as of March 2008. Further, the funds were released at the fag end of the year and were parked in bank accounts in order to avoid lapse of grants. Inconsistencies were also noticed in release of grants.

(Paragraphs 2.1.7.1 and 2.1.7.2)

The allocations under sector programmes by the line departments were meagre.

(Paragraph 2.1.7.4)

The approved works were not completed due to delays in entrustment of works to the executing agencies. The developmental works were also not prioritised.

(Paragraphs 2.1.8.1 and 2.1.8.2)

Mechanism for monitoring and evaluation of the scheme was absent.

(Paragraph 2.1.10)

3 Rural Road Works

Connectivity to rural habitation is a key factor in promoting access to economic and social services. This acts as a basic ingredient in effective implementation of poverty alleviation programmes in rural areas. A review of implementation of schemes for rural road works revealed that the schemes suffered due to defective annual action plans, execution of unprioritised works, sub-standard works, etc.

District Rural Road Plans were not updated periodically and priority list for development of rural roads was not prepared.

(Paragraph 2.2.7.1)

Annual Action Plans were deficient and 612 road works included in Annual Action Plans were not traced to District Rural Road Plans.

(Paragraph 2.2.7.2)

Funds amounting to Rs.7.15 crore was diverted from Mukya Mantri Grameena Rasthe Abhivridhi Yojana for payment of daily wage employees.

(Paragraph 2.2.8.2)

Execution of road works in disregard of specifications of Rural Roads Manual rendered 86 works costing Rs.98.80 lakh sub-standard.

(Paragraph 2.2.9.7)

Quality control test and monitoring of rural road works were inadequate.

(Paragraphs 2.2.12.1 and 2.2.12.2)

4 Performance appraisal on functioning of selected departments of Zilla Panchayat, Bellary

Zilla Panchayat, Bellary was implementing various developmental activities through Taluk/Grama Panchayats, line departments and engineering divisions. A performance appraisal on functioning of selected departments of Zilla Panchayat, Bellary during 2003-08 revealed, inter alia, that there were instances of improper planning and budgeting, internal control mechanism failures in financial management, non-achievement of intended objectives of the developmental schemes coupled with unfruitful, wasteful expenditure, etc.

The functioning of District Planning Committee was ineffective. In the absence of defined needs of grass root level, the Annual District Development Plans prepared during 2003-08 was not in conformity with the provisions of Karnataka Panchayat Raj Act.

(Paragraph 2.3.6.1)

While irregular drawal of Rs.34.58 crore and depositing outside Government account was observed, central assistance of Rs.6.15 crore was lost due to tardy implementation of Desert Development Programme.

(Paragraphs 2.3.7.3 and 2.3.7.4)

The objective of providing education to all the children in the age group of 6-14 years through implementation of various programmes was not achieved due to shortfall in enrolment, increasing trend in drop-out rate, large number of vacancies in the posts of teachers, lack of proper infrastructure, etc.

(Paragraphs 2.3.8.2 to 2.3.8.4)

The establishment of Primary/Community Health Centres was not in conformity with the norms. The rural population of the district was denied health care facilities due to large number of vacant posts of doctors and supportive staff, non-provision of basic infrastructure, shortfall in ante-natal check-ups/institutional deliveries, etc.

(Paragraphs 2.3.9.1 and 2.3.9.2)

During 2003-08, though an expenditure of Rs.4.29 crore was incurred on the establishment charges of Social Forestry Division, the area brought under the green cover was only 37 hectares. Plantation/seedlings raised at a cost of Rs.57.40 lakh had not been maintained.

(Paragraphs 2.3.10.1 and 2.3.10.2)

Improper planning by Youth Services and Sports Department resulted in wasteful expenditure of Rs.43 lakh on laying of cinder track. There was abnormal delay in completion of stadia on which an investment of Rs.45.04 lakh was made.

(Paragraphs 2.3.11.1 and 2.3.11.3)

Failure of the Zilla Panchayat/Panchayat Raj Engineering Division, Bellary in obtaining prior permission from the Daroji Grama Panchayat for drawing water from Daroji reservoir resulted in non-execution of a water supply scheme under the concept of private-public participation.

(Paragraph 2.3.13.3)

The implementation of water supply schemes was not planned properly. Defective estimates and improper monitoring resulted in extra expenditure of Rs.19.24 lakh.

(Paragraph 2.3.13.4)

There was delay in completion of water supply works rendering the expenditure unfruitful. Instances of execution of civil works in private lands and delay in completion of road works due to paucity of funds were noticed.

(Paragraphs 2.3.14.1 to 2.3.14.3)

6 Draft Paragraphs

Failure of Executive Engineer, Panchayat Raj Engineering Division, Chikkodi, to prioritise water supply work components during execution resulted in non-commissioning of a water supply scheme for over four years rendering an expenditure of Rs.2.37 crore unfruitful.

(Paragraph 2.5)

Failure of Executive Engineer, Panchayat Raj Engineering Division, Chikmagalur, to invoke contractual clause resulted in cost escalation of Rs.14.95 lakh. Besides, the objective of providing connectivity to villages was delayed by more than five years.

(Paragraph 2.6)

Failure of Executive Engineer, Panchayat Raj Engineering Division, Chamarajanagar to follow prescribed tendering procedure led to extra liability of Rs.43.81 lakh besides accepting fake bank deposit receipts for Rs.3.60 lakh.

(Paragraph 2.8)

Failure of Zilla Panchayat, Bellary in assessing the condition of the raw water raising main prior to entrustment of work coupled with delays by Executive Engineer/Chief Engineer in obtaining approval from State Government and entrustment of work after re-tendering led to unfruitful expenditure of Rs.92.80 lakh besides cost escalation of Rs.4.95 crore.

(Paragraph 2.9)

Failure of Executive Engineer, Panchayat Raj Engineering Division, Koppal in preparing estimate for construction of a hostel building considering the site condition led to wasteful expenditure of Rs.19.98 lakh.

(Paragraph 2.13)

Failure of Executive Engineer, Panchayat Raj Engineering Division, Chamarajanagar to complete the work components of a lift irrigation scheme rendered expenditure of Rs.23.08 lakh unfruitful besides denial of irrigation facilities to the rehabilitated tribal population.

(Paragraph 2.14)



CHAPTER-I

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

Chapter Summary

- ☞ Allocation to Panchayat Raj Institutions by the State Government during 2004-07 constituted only 14 to 16 *per cent* of the total budget of the State
- ☞ Despite being pointed out in earlier Audit Reports, delays persisted in forwarding of annual accounts of Zilla Panchayats and Taluk Panchayats for audit
- ☞ Total receipts and expenditure in Panchayat Raj Institutions increased steadily during 2004-07
- ☞ Capital expenditure declined sharply during 2006-07 compared to 2005-06
- ☞ Abnormal delays were noticed in release of Twelfth Finance Commission grants to Panchayat Raj Institutions
- ☞ The devolution of funds and functions to Panchayat Raj Institutions was not as envisaged in the Constitution
- ☞ Despite being commented in earlier Audit Reports, the internal control mechanism in Zilla Panchayats was inadequate

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

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

1.3 Funding of Panchayat Raj Institutions

1.3.1 The State and Central Governments funded the PRIs through grants-in-aid for general administration and developmental activities. The funding by the State Government was on the lines of accepted recommendations of the State Finance Commission considering factors like population, literacy, health, irrigation, medical facilities, *etc.* The State Government released block grants on a quarterly basis. The Central Government also released funds directly to PRIs for developmental activities. Allocation to PRIs by the State Government during 2004-07 ranged from 14 to 16 *per cent* of the total budget of the State as shown below:

Year	Total budget provision of the State	Allocation to PRIs	Percentage
	(Rupees in crore)		
2004-05	37,380.05	5,180.62	14
2005-06	41,528.17	6,842.75	16
2006-07	52,492.16	8,135.16	16

The Second State Finance Commission had recommended (December 2002) that from the financial year 2003-04, 32 *per cent* of NLGRR² of the State was to be allocated to PRIs. The State Government did not accept this recommendation and released 24 and 27 *per cent* of NLGRR of the State to PRIs during the years 2004-05 and 2005-06 respectively. Though the State Government decided (June 2006) to release 32 *per cent* of the NLNORR³ of

² Non-Loan Gross Own Revenue Receipts

³ Non-Loan Net Own Revenue Receipts

the State from the year 2006-07 onwards, the actual releases constituted only 28 per cent, as shown below.

Year	NLGORR of the State	Amount released to PRIs	Percentage
	(Rupees in crore)		
2004-05	20,545.00	4,906.08	24
2005-06	22,507.00	6,088.61	27
	NLNORR of the State		
2006-07	27,400.00	7,767.93	28

1.3.2 The ZPs deposited grants-in-aid and receipts from other sources⁴, into ZP Funds maintained in treasuries. Such ZP Funds were outside the Consolidated Fund of the State but formed part of its Public Account. The ZPs also deposited funds received from the Government of India/externally aided projects and State share of Central Sector/Centrally Sponsored Schemes in bank accounts, as stipulated in scheme guidelines.

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

1.4 Financial position of Zilla Panchayats/Taluk Panchayats

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

**Delays
persisted in
forwarding of
annual
accounts for
audit**

1.4.1 The KPR Act stipulated that the annual accounts were to be passed by the ZPs within three months from the close of the financial year and forwarded to the Principal Accountant General (PAG) for audit. Despite being pointed out in earlier Audit Reports, there were, however, delays ranging between two and nine months in forwarding of annual accounts for 2006-07 by 23 ZPs.

⁴ Includes miscellaneous receipts like recoveries of overpayment, sale of tender forms/ unserviceable items, etc.

1.4.2 The financial position of ZPs as aggregated from their certified annual accounts for the years 2004-05 to 2006-07⁵ was as exhibited in the table and in Chart I.

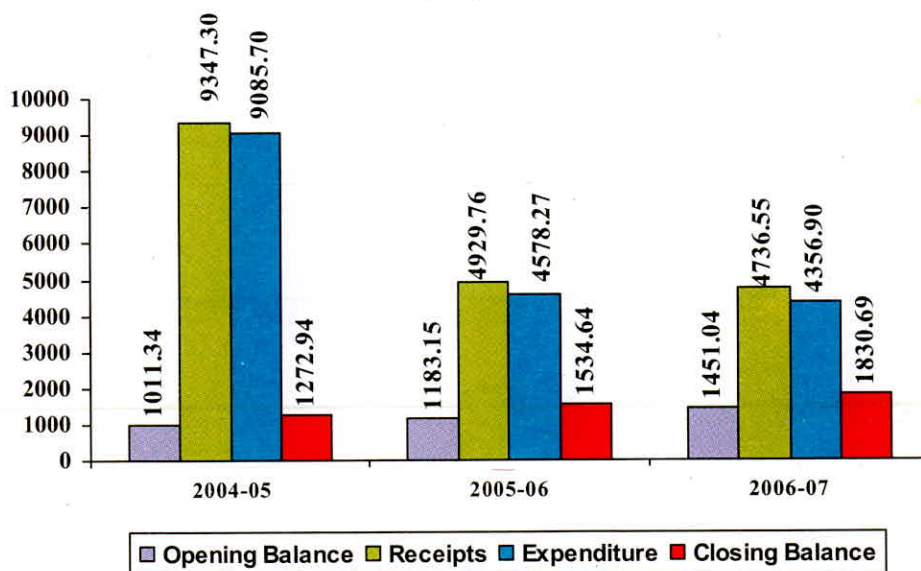
(Rupees in crore)				
2004-05	Receipts	9,347.30	Expenditure	9,085.70
	Revenue 6,035.78		Revenue 5,485.99	
	DDR ^{^^} heads 3,311.52		Capital 312.71	
	Opening balance	1,011.34	Closing balance	1,272.94
	Total	10,358.64	Total	10,358.64
2005-06	Receipts	4,929.76	Expenditure	4,578.27
	Revenue 4,273.11		Revenue 3,442.51	
	DDR heads 656.65		Capital 397.24	
	Opening balance	1,183.15	Closing balance	1,534.64
	Total	6,112.91	Total	6,112.91
2006-07	Receipts	4,736.55	Expenditure	4,356.90
	Revenue 4,204.78		Revenue 3,716.09	
	DDR heads 531.77		Capital 157.92	
	Opening balance	1,451.04	Closing balance	1,830.69
	Total	6,187.59	Total	6,187.59

^{^^} Debt, Deposit and Remittance

Note: Figures from the year 2005-06 do not include receipts and expenditure of TPs which are exhibited under paragraph 1.4.4.

The difference between the opening balance of the current year and the closing balance of the previous year was due to revision of annual accounts consequent to write-back of funds by State Government and adoption of figures audited by Chartered Accountants in respect of schemes accounts

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



⁵ Comments restricted to the year up to which Audit had certified the accounts of ZPs

1.4.3 Similar to ZPs, the TPs were also required to approve the annual accounts, within three months from the close of the financial year and forward the same to the PAG for audit. The provisions of KPR Act stipulated a consolidated certified report to be placed in the Legislature. As of December 2008, the position of receipt of annual accounts from TPs and their audit was as shown below.

Year	Total number of TPs	Annual accounts received	Audited	Remarks
2005-06	176	175	166	Annual Accounts of TP - Sindhanur yet to be received
2006-07		173	143	Annual Accounts not received from TPs - Bangarpet, Manvi and Sindhanur

1.4.4 The financial position of the TPs, as aggregated from their annual accounts received for the years 2005-06 and 2006-07 (which were yet to be certified) was as exhibited in the table below.

(Rupees in crore)				
2005-06	Receipts	3,466.91	Expenditure	2,910.99
	Revenue 3,307.36		Revenue 2,845.07	
	DDR heads 159.55		Capital 1.49	
	Opening balance		DDR heads 64.43	
	Total	3,702.09	Closing balance	791.10
2006-07	Receipts	3,819.96	Expenditure	3,452.21
	Revenue 3,757.56		Revenue 3,349.74	
	DDR Heads 62.40		Capital 1.63	
	Opening balance		DDR Heads 100.84	
	Total	4,167.17	Closing Balance	714.96
			Total	4,167.17

Note : The difference in closing balance of 2005-06 and opening balance of 2006-07 was due to write-back of funds by State Government and incorporation of audited figures.

1.5 Sectoral Finances of Panchayat Raj Institutions

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

(Rupees in crore)

	2004-05			2005-06			2006-07		
	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL
RECEIPTS*									
Total Receipts⁶	2576.14	3459.64	6035.78	3454.67	4125.80	7580.47	3621.49	4340.85	7962.34
EXPENDITURE*									
Revenue Expenditure	2063.60	3422.39	5485.99	2682.75	3604.83	6287.58	3241.19	3824.64	7065.83
General Services	-	84.16	84.16	0.19	96.62	96.81	0.22	94.85	95.07
Stamp Duty	-	-	-	0.23	-	0.23	-	-	-
Public Works	-	84.16	84.16	(-)0.04	96.62	96.58	0.22	94.85	95.07
Social Services	842.62	2383.61	3226.23	1507.48	3075.88	4583.36	1486.27	3237.85	4724.12
Education, Sports, Art and Culture	221.01	1840.40	2061.41	706.16	2445.26	3151.42	719.87	2560.65	3280.52
Health and Family Welfare	114.39	271.21	385.60	151.90	303.61	455.51	211.97	281.06	493.03
Water supply and Housing	294.41	1.64	296.05	276.43	4.03	280.46	112.46	2.83	115.29
Welfare of SC/ST/OBC	81.78	216.26	298.04	145.55	247.93	393.48	183.95	286.38	470.33
Social Welfare and Nutrition	131.03	54.10	185.13	227.44	75.05	302.49	258.02	106.93	364.95
Economic Services	785.99	462.98	1248.97	1054.94	428.46	1483.40	923.45	460.04	1383.49
Agriculture and allied activities	128.04	176.44	304.48	195.59	216.04	411.63	223.11	219.03	442.14
Rural Development	512.51	211.46	723.97	674.50	126.76	801.26	473.21	148.01	621.22
Special Areas Programmes	27.02	-	27.02	39.04	-	39.04	10.74	-	10.74
Irrigation and Flood Control	3.28	24.09	27.37	0.82	13.76	14.58	0.36	15.45	15.81
Energy	3.03	-	3.03	0.99	0.13	1.12	0.22	-	0.22
Industry and Minerals	4.58	35.00	39.58	8.23	39.88	48.11	9.44	41.44	50.88
Science, Technology and Environment	0.30	-	0.30	0.34	-	0.34	0.36	0.04	0.40
Transport	106.84	11.43	118.27	130.94	27.15	158.09	201.07	30.81	231.88
General Economic Services	0.39	4.56	4.95	4.49	4.74	9.23	4.94	5.26	10.20
TP/GP expenditure	182.44	468.04	650.48	5.19	-	5.19	-	-	-
Deposits of Local Bodies – Zilla Panchayat funds	-	-	-	-	-	-	0.58	-	0.58
Deposits of Local Bodies – Taluk Panchayat funds	-	-	-	6.55	3.87	10.42	54.72	30.61	85.33
Bank (ZP and TP)	252.55	23.60	276.15	108.40	-	108.40	775.95	1.29	777.24
Capital Expenditure	312.71	-	312.71	398.73	-	398.73	159.55	-	159.55
General Services	-	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-
Social Services	280.35	-	280.35	377.76	-	377.76	140.76	-	140.76
Education, Sports, Art and Culture	2.93	-	2.93	18.48	-	18.48	4.94	-	4.94
Health and Family Welfare	3.63	-	3.63	0.60	-	0.60	0.59	-	0.59
Water Supply and Housing	265.14	-	265.14	355.66	-	355.66	127.76	-	127.76
Welfare of SC/ST/OBC	1.99	-	1.99	1.84	-	1.84	6.88	-	6.88
Social Welfare and Nutrition	6.66	-	6.66	1.18	-	1.18	0.59	-	0.59

⁶ The ZPs exhibited in their annual accounts, receipts distinctly under 'Plan' and 'Non-Plan', as allocated by State Government and as stipulated in the ZP Rules. Such depiction, however, is not required either according to normal Government accounting practice or in the accounts formats suggested by the CAG, for PRIs.

	2004-05			2005-06			2006-07		
	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL
Economic Services	32.35	-	32.35	20.97	-	20.97	18.79	-	18.79
Agriculture and allied activities	0.17	-	0.17	0.98	-	0.98	1.35	-	1.35
Rural Development	-	-	-	-	-	-	6.15	-	6.15
Irrigation and Flood Control	5.26	-	5.26	2.05	-	2.05	0.61	-	0.61
Industry and Minerals	0.13	-	0.13	0.17	-	0.17	0.19	-	0.19
Transport	26.78	-	26.78	17.77	-	17.77	10.47	-	10.47
Others	0.01	-	0.01	-	-	-	0.02	-	0.02
TP expenditure	0.01	-	0.01	-	-	-	-	-	-
Total Expenditure	2376.31	3422.39	5798.70	3081.48	3604.83	6686.31	3400.74	3824.64	7225.38

Note: Figures as rounded off

* Includes TP figures, however, as mentioned in paragraph 1.4.4 they are not certified.

Non-Plan expenditure exceeded the Plan expenditure. There was a sharp decrease in capital expenditure during 2006-07

1.5.2 It would be observed from the data given that the total receipts of PRIs during 2006-07 increased by 32 *per cent* from the year 2004-05. Though there was steady increase under both 'Plan' and 'Non-plan' revenue expenditure during 2004-07, 'Non-plan' expenditure exceeded the 'Plan' expenditure during all the years. While the revenue expenditure during 2006-07 increased by 29 and 12 *per cent*, the capital expenditure drastically decreased by 49 and 60 *per cent* compared to 2004-05 and 2005-06 respectively. This was attributable mainly to lesser expenditure on basic services like 'water supply and housing' and 'education, sports, art and culture' during 2006-07.

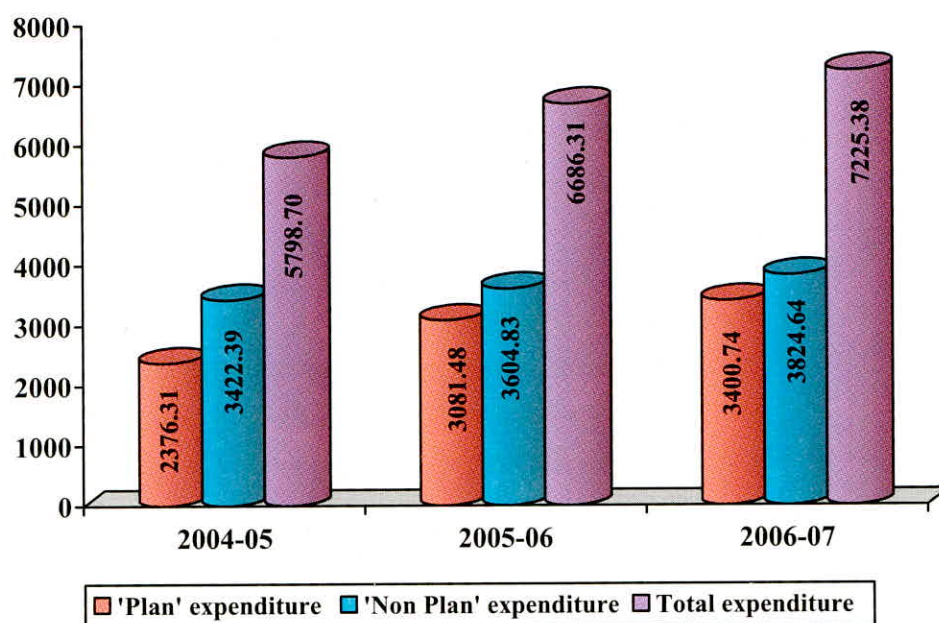
Further, though there was overall increase in revenue expenditure under Social Sector Services, the expenditure booked under 'water supply and housing' during 2006-07 declined by 59 *per cent* compared to previous year. The expenditure on Economic Services showed a fluctuating trend during 2004-07 which was attributable to variation in expenditure under 'Rural Development' heads.

The ZPs did not follow the stipulations of KPR Act scrupulously

The formats prescribed for the preparation of accounts under KPR Act stipulated that the sector-wise expenditure had to be exhibited. It was, however, noticed during 2006-07 that 13 ZPs⁷ did not indicate sector-wise expenditure for an amount of Rs.619.77 crore in respect of funds held in bank accounts. Similarly, 51 TPs did not indicate sector-wise expenditure for an amount aggregating Rs.157.47 crore.

⁷ Bangalore (Rural), Bellary, Bidar, Dakshina Kannada, Davanagere, Gadag, Hassan, Kodagu, Mysore, Raichur, Shimoga, Tumkur and Uttara Kannada

Chart II
'Plan' and 'Non-Plan' expenditure in total expenditure during
2004-05 to 2006-07
(Rupees in crore)



1.6 Twelfth Finance Commission Grants

The Twelfth Finance Commission (TFC) recommended grants of Rs.888 crore to PRIs in the State for the years 2005-06 to 2009-10. The funds were to be utilised by the PRIs to improve the service delivery in respect of water supply and sanitation. The State Government allocated (November 2005) TFC grants in the ratio 10:20:70 among ZPs, TPs and GPs and issued guidelines delineating the items of works to be executed by each level of PRI. As of March 2008, the Government of India (GOI) released an amount aggregating Rs.444 crore to the State Government (share of PRIs). Audit-check of the records in selected⁸ PRIs regarding funds released and expenditure incurred under TFC grants revealed the following.

1.6.1 Delayed/non-release of funds

- (i) TFC guidelines stipulated that the GOI was to release the funds to State Government which in turn was to be transferred to different tiers of PRIs within 15 days of receipt failing which interest at the Reserve Bank of India rate was to be paid for the delayed period. As there were delays in transfer of funds, the State Government released (May 2006 and October 2007) an amount of Rs.68.61 lakh as interest to PRIs.

⁸ 10 ZPs, 67 TPs and 422 GPs

It was, however, noticed that interest of Rs.60.28 lakh itself was due in respect of PRIs test-checked (as worked out by Audit at the rate of 5.5 *per cent*) as there were delays ranging from 17 to 547 days in actual credit of allocated funds to individual account of PRIs.

Further, it was also noticed that the interest payment was irregularly charged to a “Plan” Head of account⁹, under RDPR resulting in denial of funds (to the extent of interest paid) to envisaged rural developmental activities.

(ii) Even as of March 2008, 55 test-checked PRIs had not received amounts aggregating Rs.55.93 lakh due to them under different instalments. The failure of the nodal department (RDPR) in following up the releases and actual credit to respective accounts facilitated blocking up of above funds with different banks.

1.6.2 Execution of ineligible works

The guidelines issued by the State Government broadly classified the items of works to be taken up by different tiers of PRIs. It was noticed that the test-checked PRIs incurred an expenditure of Rs.8.64 crore during 2005-08 on execution of works (formation of roads, construction activities, *etc.*) not contemplated in the guidelines. The expenditure incurred on such ineligible works was, thus, irregular.

1.7 Devolution of funds, functions and functionaries

The 73rd amendment to the Constitution envisaged devolution of functions mentioned in the 11th Schedule to PRIs. Audit observed the following deficiencies in devolution of functions, funds and functionaries to the PRIs.

1.7.1 Transfer of Functions

1.7.1.1 Activity Map

The State Government with an intention to strengthen the independent functioning of PRIs issued (August 2003) an Activity Map (AM) indicating the redistribution of functions specified among the PRIs. Scrutiny of records of 113 PRI units¹⁰ revealed that all the functions listed in the AM are not being carried out by the PRIs as detailed in **Appendices 1.1 and 1.2**. Few deficiencies noticed in transfer of functions to PRIs are detailed as follows:

⁹ 2515-00-101-0-09-101 (Plan)

¹⁰ 7 ZPs, 13 TPs and 93 GPs

- In the AM issued by the State Government, the subject of Public Distribution System had not been transferred to any tier of the PRIs. The State Government transferred (July 2005) the subject to PRIs but subsequently (February 2006) modified its earlier decision and centralised the distribution of essential commodities and other food items under the direct control of Commissioner of Food, Civil Supplies and Consumer Affairs, a State Government Department. This resulted in grass-root democratic institutions having no role in the distribution of essential commodities to the needy people.
- As per the AM, the function of establishment and management of student hostels for SC/ST under the subject of Social Welfare was to be transferred to PRIs. It was, however, noticed that the said function was implemented both by the State Government and PRIs.
- The State Government established (June 2001) Backward Classes Department Buildings Construction Society as an agency for implementation of the function of establishment and management of hostels for backward classes. Even after the function was devolved to PRIs, the Society continued to undertake the said function against the spirit of devolution.
- Similarly, District Milk Unions and Karnataka Milk Federation and Karnataka Co-operative Poultry Federation were the State Government agencies established for implementation of Dairy Development and Poultry Development functions respectively under the subject of Animal Husbandry resulting in diluting the spirit of decentralisation.

1.7.1.2 Non-transfer of schemes to PRIs

- State Government issued orders (October 2004) for implementation of certain schemes relating to transferred subjects to PRIs with budgetary allocations effective from April 2005. Scrutiny, however, revealed that two schemes¹¹ under Public Health Sector even though transferred were continued to be implemented under the State sector.
- Scrutiny also revealed that for 178 Community Health Centres (CHCs) in the state, only 136 ambulances were provided, of which 23 ambulances were off road. Similarly, no blood banks were established in health institutions under ZP sector in the entire state. The Director, Health and Family Welfare Services, Bangalore stated (February 2009) that provision of blood storage units in 109 First Referral Units were

¹¹ Provision of ambulance and establishment of blood banks

under consideration out of National Rural Health Mission funds to meet the need for safe blood in emergency situation.

1.7.2 Transfer of Funds

Devolution of funds to PRIs was a natural corollary to implement the transferred functions. Scrutiny revealed that the State Government entrusted the procurement and supply of medicines for health centres/institutions under PRIs to Government Medical Stores (GMS), Bangalore through Karnataka State Drugs Logistic and Warehousing Society. However, the funds were allocated to the extent of 60 *per cent* through budgetary allocation to PRIs and the rest 40 *per cent* directly to GMS. Even the stipulated allocation was not adhered to and the percentage of reduction in allocation to ZP sector ranged from 9 to 41 during the years 2005-06 to 2007-08 as detailed in **Appendix 1.3**. In respect of health institutions such as sub-centres, mobile health units, dental units, *etc.*, under the jurisdiction of PRIs, 100 *per cent* allocation was provided to GMS which was against the spirit of devolution of funds to PRIs. Audit also observed that funds amounting to Rs.15.38 crore pertaining to GMS were surrendered by Director of Health and Family Welfare Services at the end of the financial years for 2005-08. Out of this, Rs. 3.30 crore pertained to allocation made to GMS for procurement of medicines to health institutions under the jurisdiction of PRIs. Thus, the purpose for which the funds were provided was defeated.

1.7.3 Transfer of Functionaries

1.7.3.1 Control over functionaries

The KPR Act stipulated that the State Government as it considered necessary may depute the required personnel of Group A, B, C & D including officers belonging to All India Services to ZPs and TPs for discharge of the functions entrusted to them. The PRIs had no powers to transfer these officials. The CEO of the ZP had the powers under Karnataka Civil Service (Classification, Control & Appeal Rules 1957) Rules to take disciplinary action and to impose minor penalties. This had resulted in dual control over these officials by State Government as well as by the ZP.

1.7.3.2 Shortage of functionaries

The AM had assigned (August 2003) 210 functions to the GPs as brought out in **Appendix 1.1**. Though the State Government decided (January/ March 2008) the staffing pattern for GPs by creation of additional posts, no additional posts were sanctioned till March 2008. This resulted in GPs not having

adequate staff to discharge the newly assigned functions. The State Government stated (March 2008) that action was being initiated for strengthening the GPs.

1.8 Laxity of internal controls

1.8.1 The KPR Act and codal provisions, *inter alia*, prescribed the following internal control mechanism for PRIs and the CAOs of ZPs:

- ✓ ensure remittance of statutory deductions to Government account
- ✓ watch submission of non-payable detailed contingent (NDC) bills for amounts drawn on abstract contingent (AC) bills
- ✓ ensure reconciliation of expenditure figures by the Controlling Officers/heads of departments of ZPs.

1.8.2 At the end of March 2007, recoveries aggregating Rs.1.04 crore made by 12 ZPs towards income tax, sales tax and royalty had not been remitted to Government account as detailed below:

Serial Number	Zilla Panchayat	Recoveries not remitted		
		Income tax	Sales tax	Royalty
		(Rupees in lakh)		
1	Bangalore (Rural)	-	8.63	0.64
2	Belgaum	1.04	1.97	2.10
3	Bellary	14.28	18.81	-
4	Bidar	1.95	7.28	6.00
5	Chikmagalur	0.05	-	-
6	Dakshina Kannada	-	0.25	1.06
7	Gulbarga	5.36	6.08	21.44
8	Hassan	1.52	1.69	0.97
9	Haveri	0.28	0.59	-
10	Kolar	0.90	0.13	-
11	Kodagu	-	1.15	-
12	Udupi	-	0.06	-
Total		25.38	46.64	32.21
Grand total		104.23		

(Source: Annual Accounts of ZPs)

In 14 ZPs, detailed accounts for Rs.4.64 crore drawn on AC bills were not submitted

1.8.3 While codal provisions permit Drawing and Disbursing Officers (DDOs) to draw funds on AC bills towards contingent charges required for immediate disbursement, DDOs are required to submit the NDC bills to the CAOs before the 15th of the following month. However, it was noticed in 14 ZPs that NDC bills were not submitted (December 2008) by 49 drawing officers for amounts aggregating Rs.4.64 crore drawn on more than 303 AC bills, some of which were drawn as early as 1986-87 (**Appendix 1.4**).

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

1.8.4 The Controlling Officers/heads of departments of ZPs were responsible for reconciliation of their expenditure figures with those booked by CAOs. However, seven Controlling Officers of three ZPs¹² had not reconciled (December 2008) expenditure of Rs.62.28 crore incurred during 2007-08 as detailed below:

Serial Number	Zilla Panchayat	Number of departmental officers	2007-08	
			Number of departmental officers whose expenditure was not reconciled	Amount not reconciled (Rupees in crore)
1	Bidar	21	1	0.28
2	Chamarajanagar	19	1	2.69
3	Kolar	19	5	59.31
TOTAL			7	62.28

1.9 Investment without returns

In 10 ZPs, investment of Rs.6.78 crore on 28 incomplete works remained idle

As of March 2008, 28 works taken up for execution prior to 2005-06, on which 10 ZPs made an aggregate investment of Rs.6.78 crore, remained incomplete (information as furnished by the ZPs) even though these works were to be completed in two years and the State Government had issued instructions to accord priority to incomplete works in allocation of funds over the new works (**Appendix 1.5**).

Many such instances have been highlighted under Chapter II of this Report and in earlier Reports.

1.10 Cases of misappropriation/defalcation

397 cases of misappropriation/defalcation involving Rs.24.47 crore were pending

As of March 2008, 397 cases of misappropriation/defalcation involving Rs.24.47 crore were pending at various stages in 26 ZPs (**Appendix 1.6**). The pendency, as furnished by the ZPs, was as under.

(Rupees in crore)							
Under investigation		Pending in Court		Others		Total	
Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
269	15.34	47	5.67	81	3.46	397	24.47

¹² Bidar, Chamarajanagar and Kolar

Delays in settlement of these cases may result in postponement of recoveries/non-recovery and officials responsible for irregularities going unpunished.

1.11 Conclusion

Despite being commented in earlier Audit Reports, the delay in forwarding of Annual Accounts persisted. The total receipts and expenditure of PRIs steadily increased during the period 2004-07. 'Non-plan' expenditure exceeded the 'Plan' expenditure during all the years. There was a sharp decline in expenditure on capital assets during 2006-07 compared to previous years. There were delays in transfer of funds to PRIs under TFC Grants. Substantial expenditure had been incurred on ineligible works out of TFC grants. The devolution of funds and functions to PRIs was not as envisaged in the Constitution. The internal controls in the ZPs were inadequate as there were instances of non-reconciliation of expenditure figures and non-submission of NDC bill for funds drawn on AC bills. Large number of cases of misappropriation/ defalcation was pending in ZPs.

1.12 Recommendations

- ✓ Annual accounts should be forwarded within the stipulated time frame.
- ✓ There is need to ensure timely release of funds under TFC grants to avoid interest liability.
- ✓ Thrust should be given on devolution of funds, functions and functionaries to PRIs to have meaningful decentralisation.
- ✓ Immediate steps be initiated for submission of NDC bills and settlement of misappropriation cases.



CHAPTER-II

RESULTS OF AUDIT

CHAPTER II - RESULTS OF AUDIT

SECTION 'A' – PERFORMANCE REVIEWS

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.1 Suvarna Gramodaya Yojana

Highlights

To develop vibrant village communities by adopting an intensive and integrated approach to rural development, the State Government launched the Suvarna Gramodaya Yojana in October 2006. The implementation of the Scheme suffered due to laxity of the State Government in preparatory procedures and inadequacies in convergence with other ongoing schemes. There was delay in approval of action plans, diversion of funds, non-prioritisation of developmental works, absence of monitoring mechanism, etc.

There was no perspective plan for development of villages and the selection of villages was made by the State Government without specific criteria.

(Paragraphs 2.1.6.1 and 2.1.6.5)

The Non-Governmental Organisations prepared the development plans without the approval of Grama Sabhas and the annual action plans were belatedly approved.

(Paragraphs 2.1.6.2 and 2.1.6.3)

As against the envisaged allocation of Rs.1,000.60 crore for development of 1,200 villages during 2006-07, State Government released only Rs.458.84 crore as of March 2008. Further, the funds were released at the fag end of the year and were parked in bank accounts in order to avoid lapse of grants. Inconsistencies were also noticed in release of grants.

(Paragraphs 2.1.7.1 and 2.1.7.2)

Allocations under sector programmes by the line departments were meagre.

(Paragraph 2.1.7.4)

The approved works were not completed due to delays in entrustment of works to the executing agencies. Developmental works were not prioritised.

(Paragraphs 2.1.8.1 and 2.1.8.2)

Training in computers and avenues for non-agricultural employment were not provided in any of the test-checked districts.

(Paragraphs 2.1.8.3 and 2.1.7.5)

Mechanism for monitoring and evaluation of the scheme was absent.

(Paragraph 2.1.10)

2.1.1 Introduction

In order to improve the quality of life in the villages and increase the productive capacity of the economic activities of rural communities, Suvarna Gramodaya Yojana (Scheme) was initiated at the commencement of the Golden Jubilee Celebrations of the formation of the State of Karnataka. The Scheme was launched (October 2006) in the State and envisaged to cover 1,000 villages of medium size each consisting about 700 to 750 families, every year. An average estimated outlay of Rs.3.29 crore was envisaged for developmental works in a village of which Rupees One crore was to be released directly under the Scheme and the rest from the ongoing sector programmes. The Scheme envisaged developmental activities such as roads and drainages, construction of Anganwadis, Samudaya Bhavanas, drinking water supply, household and community toilets, non-agricultural employment, disposal of garbage by construction of waste disposal pit outside the village area, watershed development programme, *etc.*

The specific objectives of the Scheme were to

- upgrade the physical environment of the selected villages for improving the quality of life
- fully develop the income generating potential of land based activities
- provide full and adequate infrastructure for human resources development including education, health services and child care facilities
- generate significant levels of non-agricultural employment, especially for educated unemployed youth
- support community awareness and development through self-help groups, cultural associations, *etc.*

2.1.2 Organisational structure

The Organisational structure for implementation of the Scheme as of March 2008 was as under:

Organisation/Agency	Responsibility
Rural Development and Panchayat Raj Department	<ul style="list-style-type: none"> ❖ Selection of villages ❖ Approval of Annual Action Plans ❖ Release of funds ❖ Supervision of overall implementation of the Scheme
Chief Executive Officer, Zilla Panchayat	<ul style="list-style-type: none"> ❖ Coordinating the implementation including various sector programmes of other line departments ❖ Approval of Action Plans of sector programmes of other line departments ❖ Release of Scheme grants and funds from district sector budget outlays ❖ Delegating powers for execution ❖ Monitoring and reporting the progress of implementation
Executive Engineer, Panchayat Raj Engineering Division, Karnataka Land Army Corporation and Nirmithi Kendra	<ul style="list-style-type: none"> ❖ Implementation of the Scheme
Grama Panchayats	<ul style="list-style-type: none"> ❖ Assist in the preparation of draft plans
State High Level Committee	<ul style="list-style-type: none"> ❖ Providing policy directions ❖ Approval of overall outlays ❖ Review the progress of implementation

2.1.3 Scope of audit and methodology

Performance appraisal of the implementation of the Scheme up to March 2008 was conducted (July–November 2008) by test-check of records of Secretary, Rural Development and Panchayat Raj (RDPR) Department, eight Zilla Panchayats¹³ (ZPs) including 106 villages (**Appendix 2.1**), Panchayat Raj Engineering Divisions (PREDS), Karnataka Land Army Corporation (KLAC) and Nirmithi Kendra covering an expenditure of Rs.45.32 crore out of Rs.200.37 crore (23 per cent).

The audit objectives and methodology for the audit were discussed with the Secretary, RDPR during an Entry Conference held in July 2008. The draft review was forwarded (November 2008) to the Principal Secretary to Government of Karnataka, RDPR Department. The Exit Conference was held on 5 January 2009 wherein the Department generally accepted the observations pointed out. Paragraph-wise comments of the State Government are awaited (March 2009).

¹³ Bagalkot, Bangalore (Rural), Bidar, Chamarajanagar, Kodagu, Mandya, Shimoga and Tumkur

2.1.4 Audit objectives

Performance appraisal of the Scheme was conducted to assess whether the

- selection of villages was as per guidelines
- release of funds was adequate and timely
- implementation of the Scheme was as planned
- convergence of other programmes was as envisaged
- monitoring and evaluation was in place.

2.1.5 Audit criteria

The audit criteria in evaluating the performance of the scheme were

- Scheme guidelines and conceptual outline issued by the State Government
- State Government orders, notifications, circulars and instructions issued from time to time
- Annual Action Plans and Development Plans
- Proceedings of various committees.

Audit findings

The audit findings are discussed in the succeeding paragraphs.

2.1.6 Planning

2.1.6.1 *Absence of perspective planning*

No
perspective
plan was
framed

The Scheme was to promote comprehensive development of 1,000 villages every year. Audit observed that the State Government had selected 1,200 villages for development during 2006-07. No further selection of villages was made in subsequent years. Inclusion of additional 200 villages did not have the approval of High Level Committee (HLC). This indicated absence of perspective planning which is essential for comprehensive development of 1,000 villages every year.

2.1.6.2 *Preparation of development plans without consulting GPs*

Development
plans were
prepared
without
consulting the
GPs

The Non-Governmental Organisations (NGOs) were to prepare the development plan incorporating the available infrastructure of the village and future requirements in consultation with the Grama Panchayats (GPs). However, it was noticed in 39 cases out of 58 resolutions test-checked that the NGOs prepared the development plans without involvement of GPs.

Preparation of development plans without involving the grass-root level beneficiaries dilutes the spirit of decentralised planning.

2.1.6.3 Delay in approval of Annual Action Plans

Annual Action Plans were approved after 10 months of launching the Scheme

The main objective of preparation of Annual Action Plans (AAPs) was to provide a definite direction for the successful implementation of the Scheme and also to ensure regular monitoring of the progress during the course of the year. It was observed in audit that though the Scheme was launched in October 2006, the State Government approved the AAPs prepared by ZPs based on the development plans of NGOs only during August 2007 to December 2007 after a time gap of 10 months. However, funds amounting to Rs.164.70 crore were released in February 2007 itself. These indicated laxity in preparatory procedures for implementation of the Scheme at the State level.

2.1.6.4 Approval of Action Plans without assessing necessity

Action plans were approved without assessing necessity

According to the development plans prepared by the NGOs, there was no requirement of community centres in two test-checked villages of ZPs selected for Audit. However, in the approved action plan, two community centres were included and an allocation of Rs.26.50 lakh was made for such centres by the State Government indicating that approval of action plan was done without considering the necessity of such infrastructure.

2.1.6.5 Selection of villages

A conceptual outline of the Scheme envisaged selection of villages based on criteria like large population, proximity to market centres, general accessibility through a good network of roads, potential for development into a growth centre, *etc.* However, the scheme guidelines did not specify any criteria to be adhered to in the selection of villages.

Substitution of villages led to avoidable litigation and blocking up of Rs.60 lakh

The State Government selected (December 2006) four villages in Virajpet taluk and released Rs.60 lakh to GPs for execution of developmental works. However, the selected villages were substituted by the State Government with another 10 villages (March 2007) for reasons not made available to audit. GPs of these four villages have moved the Hon'ble High Court of Karnataka for reconsideration. Thus, substitution of villages led to avoidable litigation and blocking up of Rs.60 lakh meant for developmental works.

2.1.7 Financial performance

2.1.7.1 The details of allocation, release and expenditure under the scheme as of March 2008 were as follows:

(Rupees in crore)

Year	Allocation	Amount released by State Government	Expenditure incurred on the Scheme
2006-07	200.00	164.70	Nil
2007-08	350.00	294.14*	200.37
TOTAL	550.00	458.84	200.37

Source: Progress Reports furnished by RDPR

* includes diversion of funds to other schemes

The Scheme envisaged Rs.1,000.60 crore to complete the comprehensive development of 1,200 villages. As against this, Rs.164.70 crore was released during February 2007. No expenditure was incurred on developmental works during the year 2006-07 due to delay in approval of AAPs. The State Government diverted (August 2007–March 2008) funds to the tune of Rs.104.11 crore for other schemes¹⁴ of which Rs.79.11 crore was provided to programme which was not implemented in the villages selected under the Scheme.

The details of releases made by State Government, ZP and expenditure of test-checked ZPs as of March 2008 were as follows:

(Rupees in lakh)

Zilla Panchayats	Releases by State Government		Releases by Zilla Panchayats			Expenditure (percentage)	
	2006-07	2007-08	2006-07	2007-08	Total	2007-08	Balance
Bangalore (Rural)	465.00	375.00	465.00	375.00	840.00	501.53 (60)	338.47
Chamarajanagar	360.00	575.00	360.00	575.00	935.00	799.68 (86)	135.32
Mandya	915.00	Nil	915.00	Nil	915.00	786.00 (86)	129.00
Bidar	Nil	1,740.00	Nil	1,740.00	1,740.00	424.10 (24)	1,315.90
Bagalkot	615.00	Nil	615.00	Nil	615.00	419.00 (68)	196.00
Kodagu	165.00	Nil	165.00	Nil	165.00	105.00 (64)	60.00
Tumkur	1,005.00	2,300.00	1,005.00	2,300.00	3,305.00	724.28 (22)	2,580.72
Shimoga	600.00	884.00	600.00	884.00	1,484.00	772.42 (52)	711.58
TOTAL	4,125.00	5,874.00	4,125.00	5,874.00	9,999.00	4,532.01(45)	5,466.99

Funds released were deposited in banks to avoid lapse

Test-check revealed that the funds were released only during the end of 2006-07 and were deposited in banks to avoid lapse of grants. The utilisation of funds ranged from 22 to 86 *per cent* indicating slow progress of work even after eighteen months of commencement of the programme.

¹⁴ Swacha Grama Yojana - Rs.72.96 crore, Kugrama-Sugrama - Rs.6.15 crore, Rajiv Gandhi Housing Corporation Ltd.- Rs.25 crore

2.1.7.2 Inconsistencies in release of funds by ZPs

There were inconsistencies in release of funds by the district level officers to executing agencies

Scheme envisaged release of funds to PRED through treasury on completion of work and to KLAC and Nirmithi Kendra through banks. However, audit scrutiny revealed that in the test-checked districts, there were inconsistencies in release of funds by the District level Officers as four Officers released the funds to GPs, one to Taluk Panchayat (TP) and the rest directly to the executing agencies for implementation of the Scheme in order to avoid lapse of grants. The funds released to GPs/TPs were returned and released to the executing agencies subsequently.

2.1.7.3 Approval of works and allocations was not need based

There were variations in approval of works and allocation of funds

Scrutiny of development plans prepared by the NGOs in the test-checked villages with reference to approved Actions Plans revealed that there were variations in approval of works and allocation of funds as detailed below:

(Rupees in lakh)

ZPs test-checked	Development Plans prepared by NGOs				Approved Action Plans			
	under the Scheme		sector programmes (convergence programme)		under the Scheme		sector programmes (convergence programme)	
	No. of works	Amount	No. of works	Amount	No. of works	Amount	No. of works	Amount
Bangalore (Rural)	102	896.52	216	2,037.38	95	832.50	61	352.42
Chamarajanagar	108	1,867.13	269	4,954.27	107	1,311.41	146	4,418.12
Mandya	104	1,212.49	286	3,857.06	102	1,190.65	275	5,077.75
Bidar	165	1,393.18	332	4,846.94	109	1,101.56	219	6,104.38
Bagalkot	140	2,036.45	407	9,484.08	143	1,668.99	305	11,754.94
Kodagu	35	462.00	99	1,009.86	38	574.54	59	447.50
Tumkur	116	1,652.31	344	4,018.85	118	1,522.44	169	2,155.66
Shimoga	37	476.42	100	2,248.99	35	362.45	118	2,795.79
TOTAL	807	9,996.50	2,053	32,457.43	747	8,564.54	1,352	33,106.56

It was observed that allocation of funds to a village under the Scheme was based on the percentage of rural population of the village to that of taluk and State rural population and not as per the actual requirement envisaged in the development plan. This resulted in non-inclusion of some of the works in Action Plans although they were included in the development plans. In respect of the convergence programmes, it was seen that separate convergence plans were not prepared by the line departments. However, some of the works approved under convergence programme were also included regularly in the AAPs of the line departments for sector programmes.

2.1.7.4 Convergence schemes were not as envisaged

Huge shortfall in allocation of funds under sector programmes for developmental works

The Scheme guidelines envisaged that in addition to the fund of Rupees One crore earmarked directly under the Scheme, various line departments, ZPs, TPs and GPs implementing the sector programmes had to allocate funds for an average estimated cost of Rs.2.29 crore per village. Inclusion of the activities to be undertaken in the selected villages by the line departments in their regular action plan as a convergence programme and directions for implementation of these works on priority basis resulted in infringement of functions of GPs. Consequently, two GPs¹⁵ have filed writ appeals in the Hon'ble High Court of Karnataka challenging the Scheme guidelines. Further, a comparison of the convergence programmes approved by ZPs for the Scheme and the regular action plans of the line departments revealed that there was huge shortfall ranging from 61 to 96 *per cent* in allocation of funds in the test-checked ZPs as detailed below:

(Rupees in lakh)

ZPs test-checked	Approved Action Plan under convergence programme	Funds allocated in the Action Plan of line Departments	Shortfall	Percentage of shortfall
Bangalore (Rural)	352.42	138.87	213.55	61
Chamarajanagar	4,418.12	229.76	4,188.36	95
Mandya	5,077.75	242.60	4,835.15	95
Bidar	6,104.38	663.03	5,441.35	89
Bagalkot	11,754.94	426.41	11,328.53	96
Kodagu	447.50	62.49	385.01	86
Tumkur	2,155.66	240.94	1,914.72	89
Shimoga	2,795.79	143.99	2,651.80	95
TOTAL	33,106.56	2,148.09	30,958.47	93

2.1.7.5 Avenues for non-agricultural employment

Non-agricultural employment opportunities were not provided

In order to prevent over dependence on agriculture-based occupations, the scheme provided for generation of employment in non-agricultural activities such as manufacturing of garments, furniture, electrical and electronic goods, food processing, *etc.* Though provision of infrastructure and intensive training for such activities had to be borne out of the Swarnajayanti Gram Swarozgar Yojana scheme under convergence programme, it was observed that no such allocation was made in the AAPs of the test-checked ZPs, thereby defeating the objective of building up a vibrant village community.

¹⁵ Aloor and Hebri

2.1.8 Programme implementation

2.1.8.1 The details of physical and financial progress of implementation of the works under the Scheme in the State and test-checked ZPs as of March 2008 were as follows:

State level:

(Rupees in crore)

Number of works	Estimated Amount	Fund released	Expenditure	Number of works completed	Number of works in progress	Number of works not commenced
3,488*	771.12	458.84	200.37	569	1,203	1,716

*Roads, drains, anganwadi and community centers

Source: RDPR progress report

Test-checked ZPs:

ZPs	Number of work components	Estimated Amount	Fund released	Expenditure	Number of work components completed	Number of work components in progress	Number of work components not commenced
		(Rupees in crore)					
Bangalore (Rural)	92	15.63	8.40	5.02	9	83	Nil
Chamarajanagar	182	23.20	9.35	8.00	Nil	67	115
Mandya	178	41.90	9.15	7.86	Nil	100	78
Bidar	49	27.91	17.40	4.24	Nil	46	3
Bagalkot	1,936	33.71	6.15	4.19	175	181	1,580
Kodagu	242	7.79	1.65	1.05	Nil	Nil	242
Tumkur	3,081	65.05	33.05	7.24	Nil	Nil	3,081
Shimoga	180	29.10	14.84	7.72	Nil	180	Nil
TOTAL	5,940	244.29	99.99	45.32	184	657	5,099

Audit observed that the developmental works were entrusted only during December 2007/January 2008 thereby delaying the completion of works which in turn defeated the objective of development of one thousand villages every year.

2.1.8.2 Non-prioritisation of developmental works

Developmental works were not prioritised to upgrade the physical environment

As envisaged in the guidelines, the development of infrastructure like roads and drains while being universally popular would be of limited consequence in improving the quality of life in the villages without adequate coverage of sanitation. The Scheme guidelines provided for development of roads and drains to be taken up only after completion of total sanitation and shifting of manure pits outside the village.

In test-checked 106 villages, road works costing Rs.39.25 crore were in progress without attending to total sanitation and shifting of manure pits.

Scrutiny also revealed that out of the test-checked ZPs, a sum of Rs.1.35 crore had been released (February 2007) to 45 GPs only in Bagalkot district for acquiring suitable site for shifting the manure pits. However, the funds were lying with GPs as sites were not available at the allocated amount. This indicated lack of realistic approach in allocation for the said activity.

2.1.8.3 Non-commencement of training

Training in computers was not imparted

Development of training facilities is an urgent need in the villages to enable educated/literate youth to secure employment in various growing sectors of the economy. The Scheme provided for training in the use of computers and in skills required for the manufacturing and service sectors. Even though Rs.137.82 lakh was released (September 2007) to 19 ZPs with a stipulation to commence the training during October 2007 by the entrusted agency (RUDSETI), the ZPs released funds to the agency only during December 2007 to March 2008. While the necessary infrastructure was procured (January 2008) for Rs.7.25 lakh in one of the test-checked ZPs, the same was not procured in the other ZPs by the agency till March 2008. Memorandum of Understanding did not indicate any time frame for providing infrastructure and commencement of training by the agency. It was further noticed in the test-checked ZPs that no training was imparted to the beneficiaries (March 2008) thereby denying benefits to the educated unemployed.

2.1.9 Other points of interest

2.1.9.1 Entrustment of work without administrative approval

Chief Executive Officer, ZP, Chamarajanagar released (October 2007) Rs.44 lakh to PRED, Chamarajanagar and entrusted (December 2007) six road works estimated to cost Rs.406.44 lakh without according the administrative approval for these works. Expenditure of Rs.16.30 lakh was incurred out of the releases (May 2008). Releases by the district level officer to the executing agency without approval were irregular and in violation of the codal provisions.

2.1.9.2 Operation of two bank accounts

Out of the grant of Rs.3.82 crore released to Executive Officer (EO), TP, Sira, Rs.10 lakh was deposited in a separate bank account in violation of the State Government circular on operation of a single bank account for a scheme. Similarly, EO, TP, Pavagada deposited Rs.1.25 crore in various banks during March 2008.

2.1.10 Monitoring and evaluation

At the State level, a HLC was to give policy direction, approve overall outlays and review the progress of the programme. It was observed that the committee had conducted only one meeting in January 2007, resulting in no review of the progress in programme implementation. Recommendation of the HLC for creation of post of a Senior Shirestedar at the village level to monitor implementation of the Scheme was also not considered by State Government indicating absence of monitoring.

Scheme guidelines also envisaged evaluation of the Scheme by external agencies which were not carried out in any of the test-checked districts.

2.1.11 Conclusion

Review on the implementation of the Suvarna Gramodaya Yojana revealed that the Scheme guidelines did not spell out explicitly the criteria for selection of villages. While there were delays in approval of action plans, the approved action plans were not consistent with the actual necessities of the rural population.

The financial management was poor in view of large scale diversion and blocking up of funds in bank accounts. No expenditure was incurred on developmental works under the Scheme during 2006-07 and the shortfall in utilisation of funds ranged from 22 to 86 *per cent* as of March 2008 in the ZPs test-checked.

Integrated approach in developmental works was lacking as funds under convergence programme were not properly allocated by the line departments. Monitoring and evaluation were absent.

2.1.12 Recommendations

- The perspective plan should be drawn up to identify and select the villages in the order of priority for development.
- Preparation and approval of action plans should be based on the felt needs of the rural population.
- The State Government should release adequate funds for the Scheme and separate allocation for convergence under the sector programmes should be made in the Budget.
- Monitoring mechanism needs to be established to achieve a vibrant village community.

2.2 Rural Road Works

Highlights

Connectivity to rural habitation is a key factor in promoting access to economic and social services. This acts as a basic ingredient in effective implementation of poverty alleviation programmes in rural areas. A review of implementation of schemes for rural road works revealed that the schemes suffered due to defective annual action plans, execution of unprioritised works, substandard works, etc.

District Rural Road Plans were not updated periodically and priority list for development of rural roads was not prepared.

(Paragraph 2.2.7.1)

Annual Action Plans were deficient and 612 road works included in Annual Action Plans were not traced to District Rural Road Plans.

(Paragraph 2.2.7.2)

Funds amounting to Rs.7.15 crore was diverted from Mukya Mantri Grameena Rasthe Abhivridhi Yojana for payment of daily wage employees.

(Paragraph 2.2.8.2)

Execution of road works in disregard of specifications of Rural Roads Manual rendered 86 works costing Rs.98.80 lakh substandard.

(Paragraph 2.2.9.7)

Quality control test and monitoring of rural road works were inadequate.

(Paragraphs 2.2.12.1 and 2.2.12.2)

2.2.1 Introduction

All Weather Road¹⁶ (AWR) connectivity to rural habitations is a key factor in promoting access to economic and social services. This acts as a basic ingredient in effective implementation of poverty alleviation programmes in rural areas. The Zilla Panchayats (ZPs) are responsible for improvement and maintenance of rural roads through Panchayat Raj Engineering Divisions (PREDS).

¹⁶ An all weather road is a Black-Topped (BT) or Water Bound Macadam (WBM) road with adequate cross drainage facility, which is negotiable in all seasons of the year

2.2.2 Organisational structure

The organisational set-up in the State for implementation of rural road schemes was as under:

Organisation/Agency	Responsibility
Rural Development and Panchayat Raj (RDPR) Department	According administrative sanctions for Rural Infrastructure Development Fund (RIDF) works; submission of budget proposals to Finance Department; releasing budgeted grants to ZPs; supervision of the progress of works.
Chief Executive Officer, ZPs	Monitoring the release of funds to PREs, scrutinising annual action plans of districts, according administrative approval to rural road works other than RIDF works, approval to District Rural Road Plan (DRRP) and Core Network.
Chief Engineer (CE), Panchayat Raj Engineering (PRE) Department	According technical sanctions, monitoring of physical and financial progress and quality of works.
Executive Engineers (EEs) of PREs	Preparation of annual action plans and execution of works, preparation and updating of DRRP and Core Network.
District Level Road Development Committee/Standing Committee of the ZP	Selection of projects based on proposals submitted by PREs; monitoring at the district level.
Karnataka Rural Road Development Agency (KRRDA)	Scrutiny of DRRP and Core Network and maintenance of relevant database

2.2.3 Programme objectives

Rural Roads Manual (Manual) provided for adoption of an integrated approach for implementation of a common development plan so as to avoid fragmented approach in planning of various schemes. The manual also provided for execution of rural road works based on DRRP supported by Core Network¹⁷ and a priority list for systematic development of rural roads. AWR connectivity to habitations was to be provided at a minimum cost to meet the travel needs of rural population to market place, education, health centres and public buildings.

2.2.3.1 As of March 2008, the total length of rural roads in the State for providing inter-connectivity to the habitations under the control of ZPs was as follows:

¹⁷ Core Network consists of essential through routes and link routes

[Length in Kilometers (kms)]

Sl.No.	Category of roads	Length of rural roads under Core Network zone	Length of rural roads other than Core Network zone	Total length of rural roads
1	BT roads	25,511	13,883	39,394
2	WBM roads	13,578	11,152	24,730
3	Gravel roads	25,133	2,497	27,630
4	Track roads	3,286	52,172	55,458
	TOTAL	67,508	79,704	1,47,212

Source: Data compiled by KRRDA

Out of the total length of 1.47 lakh kms of rural roads, 0.68 lakh kms belonged to Core Network which provided optimal network link to each habitation. The improvement and maintenance of rural roads other than internal village roads were met out of the ZP funds/grants under schemes such as Pradhan Manthri Gram Sadak Yojana (PMGSY), Mukya Mantri Grameena Rasthe Abhivridhi Yojana (CMGSY), Twelfth Finance Commission (TFC) grants, National Bank for Agriculture and Rural Development (NABARD) assisted RIDF and State plan scheme¹⁸.

2.2.4 Scope of audit and methodology

Audit reviewed (June to December 2008) implementation of schemes for rural road works (except PMGSY) during the period 2003-08 by test-check of records of the Secretary, RDPR Department, CE, PRE Department, 11 PREDs¹⁹ of eight selected districts²⁰ comprising 56 taluks²¹ and KRRDA based on simple random sampling method. Two taluks in each of the selected districts were chosen at random for the study of road network pattern. Out of the total expenditure of Rs.881.22 crore incurred during 2003-08 on improvements and maintenance of rural road works in the State under the schemes covered for performance review, an expenditure of Rs.299.93 crore (34 per cent) was test-checked. The audit objectives based on the programme objectives and the criteria adopted were discussed (December 2008) with the Secretary, RDPR department. The Exit Conference was held on 23 March 2009 with the Secretary and other officers of RDPR Department. The Director and Ex-officio Joint Secretary to Government of Karnataka, RDPR Department, generally accepted the audit findings and stated (March 2009) that detailed replies for the draft performance review would be furnished in due course.

¹⁸ Under Head of Account 5054 – Capital outlay on Roads and Bridges

¹⁹ Bellary, Bijapur, Channarayapatna, Chikmagalur, Gadag, Gulbarga, Hassan, Mandya, Sagar, Shimoga and Yadgir

²⁰ Bellary, Bijapur, Chikmagalur, Gadag, Gulbarga, Hassan, Mandya and Shimoga

²¹ Referred as 'blocks' in DRRP and Core Network

2.2.5 Audit objectives

The audit objectives for the performance review were as follows:

- To ascertain whether planning process was in conformity with the programme objectives
- To examine adequacy of funds and its utilisation for the purpose
- To verify whether the execution of rural road works including maintenance and renewals were economical, efficient and effective
- To ensure that quality control mechanism and monitoring system were in place.

2.2.6 Audit criteria

The audit criteria adopted for the performance review were:

- Rural Roads Manual published by the Indian Road Congress (IRC)
- Guidelines issued for PMGSY, CMGSY, TFC, NABARD assisted RIDF, Plan scheme of the State Government, *etc.*
- Draft Project Reports (DPRs) and project implementation documents for individual works
- The Karnataka Transparency in Public Procurement Act, 1999 and Rules thereunder.

Audit findings

The Audit findings are discussed in subsequent paragraphs.

2.2.7 Planning

2.2.7.1 Selection of road works

While DRRP was not updated periodically, priority list was also not prepared

Under the Manual and PMGSY guidelines for providing an AWR link to each habitation, a DRRP had to be prepared to serve as complete inventory of all existing rural roads and their status along with Core Network by conducting field survey supplemented by secondary sources such as period-wise database of works executed under different schemes. Besides, a priority list for the next 5 to 10 years was also to be prepared. The DRRP was to be revised/updated periodically atleast once in two years.

Test-check of records of 16 taluks in the districts test-checked revealed the following deficiencies:

- The DRRPs prepared during 2002-03 was updated only during 2006-07 resulting in lack of updated database on the status of rural roads for effective planning on improvement and maintenance during the intervening period (2003-06).
- Cross reference to the road code assigned to each road in the DRRP was not indicated in the relevant Core Network in any of the test-checked taluks, indicating deficiency in preparation of Core Network data.
- Priority list was not prepared in any of the test-checked taluks. Failure to do so resulted in execution of road works not listed in the DRRP as detailed in *paragraph 2.2.7.2*.
- Guidelines issued by State Government stipulated that WBM and BT roads were to be designed for a life-span of 10 years and were to be re-metalled/re-asphalted once in three/six years respectively. Audit observed that period-wise database of works executed under different schemes was not maintained. In the absence of proper data base, audit could not ascertain whether roads were re-metalled/re-asphalted within three/six years of its construction.
- In the absence of details of road data in AAPs which were to serve as secondary source of data, approved DRRPs were prone to manipulation. It was evident from the fact that in Mandya district, the road data indicated in the DRRP differed from that of DPR for work executed as detailed below:

Details of work executed	Scheme and period of execution	Road data as per DRRP of 2006	Road data mentioned in DPR	Audit findings/Reply
Improvement of road from MM road to Mallenahalli	RIDF – X 2006-07	1.50 km of WBM road	1.50 km of earthen road and proposed for conversion to BT	Expenditure of Rs.8.07 lakh incurred for conversion from earthen road to WBM road was doubtful. EE, PRED, Mandya stated that there was an error in DRRP due to oversight and will be corrected.

2.2.7.2 Annual Action Plans

Under the established procedure in Panchayat Raj system, the State Government was to make taluk-wise allocation from available scheme funds. Based on the funds allocated, the PREDs were to prepare scheme-wise AAPs conforming to scheme guidelines and prioritising the requirements. The Standing Committee of the ZPs concerned was to approve such AAPs. The irregularities noticed in the preparation of AAPs were as follows:

AAPs did not specify nature of road improvement required for execution

- Scheme guidelines prescribed norms/ratio to be maintained during preparation of AAPs towards construction/improvement and maintenance of road works. The AAPs were to be prepared by fixing clear cut targets towards conversion of each category of road into AWRs. AAPs with full details were to serve as a secondary source of data. Contrarily, test-check revealed that AAPs prepared and approved during 2003-08 merely indicated improvement works without specifying the nature of improvement required. Deficiencies in preparation of AAPs, thus, led to absence of secondary source of data.
- Road code as assigned to each road in the DRRP along with its existing status, age and Pavement Condition Index²² (PCI) value was to be clearly indicated in the AAP in respect of each improvement/maintenance and renewal work taken up under the schemes. This vital information was lacking in the AAPs of the rural road schemes.
- Audit could not trace 601 works²³ costing Rs.14.08 crore out of 2,833 cases test-checked in 16 taluks in the approved AAPs against those specified in the DRRPs for the period 2003-08.

Road works as per AAPs could not be traced to DRRPs

- Out of 51 rural road improvement works in three test-checked districts executed by Public Works Department (PWD) under RIDF VIII to X schemes during the period 2003-08, 11 works²⁴ costing Rs.6.03 crore could not be traced to relevant DRRPs.
- In Bellary district, 14 works which were not included in the AAPs under TFC were executed during 2007-08 incurring an expenditure of Rs.54.78 lakh.

2.2.8 Financial management

2.2.8.1 Fund position

The funding for all rural road schemes was routed through budgetary allocations including that of NABARD assisted RIDF scheme. The details of releases and expenditure in the State under different schemes during 2003-08 were as follows:

²² PCI value indicates surface condition of the road

²³ Bellary – 25, Bhadravathi – 27, Bijapur – 12, Channarayapatna – 25, Chikmagalur -67, Gadag – 13, Gulbarga -37, Hassan -61, Hospet – 26, Malavalli – 15, Mandya -49, Mudigere – 100, Ron -21, Sagar – 46, Sindagi – 15 and Yadgir- 62

²⁴ Chikmagalur-6, Mandya-1, Shimoga-4

(Rupees in crore)

Year	Scheme								
	CMGSY/3054		5054		TFC Grants		RIDF		
	R	E	R	E	R	E	Series	R	E
2003-04	75.55	33.44	19.15	12.65	Nil	Nil	VIII	89.34	81.66
2004-05	98.07	80.66	22.07	13.96	Nil	Nil			
2005-06	111.98	62.90	22.24	18.33	Nil	Nil	IX	52.05	43.63
2006-07	183.29	150.13	22.45	19.49	86.87	63.73			
2007-08	188.41	160.26	44.60	37.04	86.86*	84.99	X	23.47	18.35
TOTAL	657.30	487.39	130.51	101.47	173.73	148.72		164.86	143.64

Source: Details as furnished by the Accounts wing of CE, PRE Department

R - Releases, E - Expenditure

* - Second instalment of TFC grants for 2006-07 released during 2007-08

As against the total releases of Rs.1,126.40 crore, an expenditure of Rs.881.22 crore was incurred in the State on road works executed under various schemes. Audit noticed discrepancies between the expenditure figures booked in the Accounts wing and progress reports compiled by the Technical wing of the office of CE, PRE Department, which is commented separately in *paragraph 2.2.12.2*.

The scheme-wise financial position in the test-checked districts during the period 2003-08, as furnished by the Accounts wing of the CE, PRE Department is detailed in **Appendix 2.2**.

2.2.8.2 Diversion of funds

Diversion of CMGSY scheme funds amounting to Rs.7.15 crore

It was observed in audit that PREDs made payment of Rs.7.15 crore out of maintenance grants of CMGSY funds during 2004-05 to daily wage employees engaged in ZP activities, based on the instructions of the State Government. This resulted in diversion of scheme funds besides curtailment of allocated funds for maintenance of rural roads. The instruction of the State Government was, thus, irregular. Details of payment of daily wages during subsequent years were not compiled and furnished by the Department.

2.2.9 Execution of works

2.2.9.1 Improvement of rural roads to a length of 7,821 kms costing Rs.367.04 crore and maintenance of rural roads to a length of 24,152 kms costing Rs.320.17 crore was carried out in the State during 2003-08 under different schemes as detailed below. Similarly, the test-checked districts incurred expenditure of Rs.122.16 crore and Rs.87.69 crore on improvement and maintenance of roads respectively during 2003-08.

Schemes	State level		Test-checked districts	
	Physical (in kms.)	Financial (Rupees in crore)	Physical (in kms.)	Financial (Rupees in crore)
Improvement works				
RIDF	1,830	143.64	674	48.78
CMGSY/3054	3,656	106.87	905	36.70
5054-R & B	1,432	88.52	368	24.91
TFC	903	28.01	418	11.77
TOTAL	7,821	367.04	2,365	122.16
Maintenance works				
CMGSY/3054	21,418	280.65	7,251	79.84
TFC	2,734	39.52	429	7.85
TOTAL	24,152	320.17	7,680	87.69

Source: Progress report of works maintained by Technical wing of CE, PRE Department
R & B - Roads and bridges

Note : Maintenance works were not taken up under RIDF and Head of account 5054

❖ Under RIDF scheme

2.2.9.2 Physical and financial achievement

The NABARD assisted RIDF works were approved by the Cabinet Sub-Committee of the State Government based on proposals received from the PREDs and executed through tender system. The State Government provided funds to ZPs initially as per the AAPs and later claimed reimbursement of expenditure by way of loan from NABARD. The physical and financial progress of RIDF works in the State and test-checked districts during 2003-08 were as below:

Sl. No.	RIDF series VIII to X	Number of works taken up	Road length (in kms)	Contract amount (Rupees in crore)	Number of works completed	Number of works in progress	Expenditure (Rupees in crore)
	In the State	751	1,830	151.57	675	76	143.64
1	Bellary	23	69	5.99	20	3	5.74
2	Bijapur	18	61	3.97	16	2	3.89
3	Chikmagalur	46	95	7.13	44	2	6.72
4	Gadag	20	67	6.30	20	Nil	6.20
5	Gulbarga	27	97	6.82	23	4	6.43
6	Hassan	54	121	9.47	40	14	8.57
7	Mandya	25	66	5.52	19	6	4.79
8	Shimoga	42	98	6.72	40	2	6.44
	TOTAL	255	674	51.92	222	33	48.78

Source: Progress report of work maintained by Technical wing of CE, PRE Department

Out of 33 incomplete works in the test-checked districts, 12 works²⁵ related to RIDF-X series which were commenced during 2006-07 and were under various stages of completion. Irregularities observed from the review of works records in the test-checked divisions are detailed in subsequent paragraphs.

²⁵ Mandya -6, Bellary-1, Bijapur -2, Chikmagalur -1, and Gulbarga -2

2.2.9.3 *Injudicious entrustment of works to a contractor*

Action of the EE in entrusting additional works without ensuring progress of works entrusted earlier resulted in rescinding the contracts and consequent cost escalation

The EE, PRED, Hassan entrusted (July and September 2003) four RIDF works at a total estimated cost of Rs.45 lakh to a contractor. No performance guarantee was obtained from the contractor. Despite tardy progress by the contractor in respect of the works already awarded, the EE entrusted three more works to the same contractor between December 2003 and February 2005. Inability of the contractor to show sufficient progress, resulted in all the seven works being rescinded (March–September 2006) at the risk and cost of the contractor. Extra cost of Rs.54 lakh was estimated (March 2008) due to cost escalation on re-tendering of five of the above works and tenders in respect of remaining two works were yet to be finalised (March 2009). As of March 2009, an expenditure of Rs.40.07 lakh was incurred on these works. Entrustment of additional works to the same contractor without ensuring progress in respect of works already entrusted was, thus, injudicious. No action had been initiated by the division to forfeit the Earnest Money Deposit and Security Deposit of the contractor (March 2009).

2.2.9.4 *Non/short levy of penalty for delayed completion of work*

Non-enforcement of penalty clause led to non/short levy of Rs.16.05 lakh

According to clause 2(d) of conditions of contract, penalty of an amount equal to one *per cent* of the estimated cost of balance work remained incomplete for the days of delay but not exceeding 7.5 *per cent* of the estimated cost of the entire work was to be levied on the contractor. It was, however, observed in PRED, Channarayapatna that in six cases no penalty was levied though there were delays ranging between 441 to 940 days in completion of entrusted works. A nominal penalty was levied in seven cases of other three divisions²⁶ though the delay ranged from 172 to 790 days and delay was solely attributed to the contractors. This resulted in non/short levy of penalty of Rs.16.05 lakh on the above works (**Appendix 2.3**).

2.2.9.5 *Gravel utilised in excess of requirement*

Manual stipulated that the quantity of gravel to be used as binding material over grade-II and grade-III metal were to be one-fourth of the metal provided. However, it was noticed in respect of two road works²⁷ executed during January/July 2004 under two divisions that as against the requirement of 2,321 cum of gravel (as worked out by audit), 8,666 cum was utilised resulting in utilisation of excess quantity of 6,345 cum of gravel costing Rs.8.51 lakh. No specific reasons were furnished by the divisions.

²⁶ Chikmagalur-3, Sagar-2 and Shimoga-2

²⁷ Pettalur-Hallikeri road in Mundaragi taluk of Gadag district and Sabbanahalli-Chikkamulagudu road in Maddur taluk of Mandya district

2.2.9.6 Execution of stretch of a road without sub-base

Additional length of 1.15 km was executed without providing the required sub-base

Under RIDF-VIII scheme, the work of improvement of road from Karwar-Bellary (NH-63) to Asundi-Kurthakoti-Mulagund in Gadag taluk for a length of 18 kms (chainage - 1.00 to 19.00 km) was taken up (December 2003) and completed (March 2006) at a cost of Rs.2.05 crore. Further, a separate extra items rate list (EIRL) was prepared by the EE, PRED, Gadag for an additional length of 1.15 km to provide connectivity up to 20.15 km, as this was not reckoned during preparation of original estimate. Scrutiny of the records relating to the work revealed that the EIRL for the additional length included only the items relating to providing of metal and mix seal surface leaving out the essential items such as earth work, formation of sub-grade and sub-base, etc. In the absence of execution of these items, the expenditure of Rs.11.69 lakh incurred on the stretch of road (19.00 to 20.15 km) could not be vouchsafed in audit.

❖ Under other schemes

2.2.9.7 Execution of substandard works

Execution of sub-standard works costing Rs.98.80 lakh were prone to premature failures

Manual provided for construction of WBM base course with grade II and grade III metal layers of compacted thickness of 75 mm each with grade III metal laid at the top surface for WBM AWR. Test-check of sanctioned estimates and Running Account bills in six divisions²⁸ revealed that 86 works costing Rs.98.80 lakh were executed (2005-08) providing only grade-II metal layer of 75 mm compacted thickness without laying the required grade-III layer. Evidently, these works were of substandard quality and prone to premature failures and the expenditure on these works may become wasteful. The EEs of the concerned divisions stated (October 2008) that the matter would be examined.

2.2.9.8 Unfruitful expenditure on construction of a bridge

The work of construction of a bridge at Alekhan-Horatti village in Mudigere taluk of Chikmagalur district was completed (February 2007) at a cost of Rs.4.85 lakh. Scrutiny of records revealed that the estimate did not provide for approach roads to the bridge. The EE, PRED, Chikmagalur stated (March 2009) that the approach road was not constructed due to paucity of funds and would be completed utilising funds from other schemes. Failure of the EE, PRED, Chikmagalur in preparing a comprehensive estimate rendered the expenditure of Rs.4.85 lakh on construction of the bridge unfruitful besides depriving the villagers of the envisaged connectivity.

²⁸ Bellary-11, Channarayapatna-56, Gadag-4, Gulbarga-4, Shimoga-8 and Yadgir-3

2.2.10 Maintenance of roads

The guidelines provided for maintenance and periodical renewal of surfaces of WBM and BT roads once in three and six years respectively.

2.2.10.1 The physical and financial progress under maintenance and renewal works during 2003-08 in the State, as compiled by the Technical wing of the CE, PRE Department, were as follows:

(Rupees in crore)

Year	Name of Scheme	Maintenance		Periodical Renewals		Total	
		Physical (kms)	Financial	Physical (kms)	Financial	Physical (kms)	Financial
2004-05	CMGSY	4,040	16.16	2,085	57.35	6,125	73.51
2006-07	CMGSY	3,338	33.03	806	25.85	4,144	58.88
	TFC grants*	1,396	12.94	1,339	26.58	2,734	39.52
2007-08	CMGSY	5,963	42.34	5,186	105.92	11,149	148.26
TOTAL		14,737	104.47	9,416	215.70	24,152	320.17

* No amount was released during 2007-08

Of the existing 64,124 kms of BT and WBM roads in the State, maintenance/periodical renewals were taken up only for a length of 24,152 kms (38 per cent) during 2004-08 indicating inadequate attention in the matter. No expenditure was incurred on maintenance/renewals under CMGSY during 2005-06. The details of maintenance/periodical renewals taken up in the test-checked districts were as follows.

(Rupees in crore)

Name of District	Scheme	2004-05		2006-07		2007-08		Total	
		Physical (in kms)	Financial	Physical (in kms)	Financial	Physical (in kms)	Financial	Physical (in kms)	Financial
Bellary	CMGSY	243	3.33	121	2.11	120	2.89	527	8.70
	TFC grants	-	-	43	0.37	-	-		
Bijapur	CMGSY	214	2.59	140	2.63	1,358	3.20	1,732	9.20
	TFC grants	-	-	20	0.78	-	-		
Chikmagalur	CMGSY	223	2.62	107	2.38	440	5.11	770	10.11
Gadag	CMGSY	160	1.84	434	2.62	157	3.31	751	7.77
Gulbarga	CMGSY	334	4.81	127	2.14	574	4.84	1,216	12.87
	TFC grants	-	-	181	1.08	-	-		
Hassan	CMGSY	200	1.56	102	1.29	1,123	9.32	1,513	13.52
	TFC grants	-	-	88	1.35	-	-		
Mandya	CMGSY	252	1.55	36	3.58	275	9.04	617	16.86
	TFC grants	-	-	54	2.69	-	-		
Shimoga	CMGSY	258	3.25	45	1.48	208	2.35	554	8.66
	TFC grants	-	-	43	1.58	-	-		
TOTAL		1,884	21.55	1,541	26.08	4,255	40.06	7,680	87.69

Source: Progress report of work maintained by Technical wing of CE, PRE Department

Maintenance/renewal works were not carried out during 2005-06 in the test-checked districts in the absence of specific guidelines. Separate data pertaining to maintenance/renewal of roads identified under Core Network were not maintained either at the State level or in the test-checked divisions.

2.2.10.2 Damaged roads

The condition of a road was to be determined based on the PCI value. While the roads with PCI value of three and above were generally considered as good, less than three indicated necessity of improvement/renewal. Scrutiny of DRRPs of the test-checked taluks disclosed that 67 per cent of the existing roads had PCI value less than three and required immediate repairs.

The taluk-wise details are as shown in the table below.

Sl. No.	District	Taluk	Total number of roads	Roads with PCI below 3
1	Bellary	Bellary	196	170
		Hospet	100	47
2	Bijapur	Bijapur	266	214
		Sindagi	256	148
3	Chikmagalur	Chikmagalur	332	285
		Mudigere	191	191
4	Gadag	Gadag	177	160
		Ron	198	197
5	Gulbarga	Gulbarga	327	300
		Yadgir	163	126
6	Hassan	Hassan	252	Not indicated in DRRP
		Channarayapatna	286	
7	Mandya	Mandya	274	126
		Malavalli	365	167
8	Shimoga	Bhadravathi	290	144
		Sagar	340	160
TOTAL			4,013	2,675



Status of road from BH Road to Tippalapura in Bhadravathi taluk

2.2.11 Other points of interest

Joint inspections conducted by audit along with the departmental staff during the course of review revealed the following interesting points:

- The work of improvement to Chikkakondagula-Chittanahalli road in Hassan taluk under RIDF IX scheme estimated to cost Rs.1.57 crore though commenced in September 2006 remained incomplete (March 2008) even after a lapse of one year from the scheduled date of completion due to non-shifting of an electric pole located at the beginning stretch of the road obstructing vehicular movement. Audit observed that the PRED, Hassan failed to make provision for shifting of electric pole in the sanctioned estimate of the work and the matter was taken up with the electricity authority as late as in November 2008. The estimate for Rs. 0.49 lakh was assessed (February 2009) by the electricity authority and the work remained incomplete for want of funds (March 2009). Thus, the road work on which an expenditure of Rs.78.58 lakh had been incurred remained incomplete.
- Encroachment of part of the road-way width by the local farmers erecting fences along the road considerably narrowing the road width was observed at Nandipura-Meerajakere-Bidkal road in Mudigere taluk of Chikmagalur district. Improvements to the road were carried out under RIDF IX scheme at a cost of Rs.14.33 lakh (September 2005).
- Improvement to road from KR Pete-Mandagere to join HN Pura road via Kodihalli in HN Pura taluk under RIDF VIII scheme (Phase II) was completed (August 2006) at a cost of Rs.23.30 lakh. Even before the expiry of validity period of performance guarantee, a portion of the road was badly damaged.

2.2.12 Quality Control and Monitoring

2.2.12.1 Non-conduct of quality control tests

While quality control tests were not conducted, monitoring was inadequate

Guidelines issued by State Government envisaged conduct of quality test of the road development works on par with PMGSY guidelines. It was observed in audit that the envisaged quality tests were not conducted in respect of materials (such as gravel, base/wearing course materials, etc.) utilised on works entrusted on piece-work contracts (works costing less than Rs. five lakh) in any of the PREs test-checked, except PRED, Sagar.

2.2.12.2 Inadequate monitoring

The details of progress of the road works (both physical and financial) were maintained by the CE, PRE Department. Audit, however, noticed

discrepancies in the expenditure figures maintained by Accounts wing and Technical wing relating to various schemes. The details were as shown in the table below. There is an urgent need to reconcile the figures.

(Rupees in crore)

Scheme	As per Accounts Wing	As per Technical Wing	Difference
Head of Account – 5054	101.47	88.52	12.95
CMGSY (both improvement and maintenance)	487.39	387.52	99.87
TFC	148.72	67.53	81.19*
TOTAL	737.58	543.57	194.01

*Progress Report not compiled for the balance amount

No action was initiated to prepare priority list based on DRRPs, period-wise inventory of existing roads and data on essential Core Network roads with PCI value indicating lack of direction for corrective action and monitoring by the CE, PRED and State Government.

2.2.13 Conclusion

The performance audit on rural road works under the schemes selected for review revealed that planning was defective and priority list of rural roads for execution were not prepared. Deficiencies in preparation of AAPs were also noticed.

Diversion of CMGSY fund for payment to daily wage employees of the Department were noticed leading to curtailment of funds for maintenance of road works. There were cases of extra cost, unfruitful expenditure coupled with substandard execution of works.

While quality control tests were not conducted as envisaged, monitoring of schemes at the State level was ineffective due to inadequacy and mismatch in data maintenance.

2.2.14 Recommendations

- ☞ The PREDs should be instructed to maintain period-wise inventory of roads under different schemes.
- ☞ DRRPs to be updated periodically considering secondary source of data.
- ☞ Priority list needs to be prepared for systematic development and regular maintenance of rural roads.
- ☞ AAPs should be approved fixing clear cut targets indicating nature of improvement required for all rural roads.
- ☞ Diversion of scheme funds should be avoided.
- ☞ Quality control tests should be conducted for all works.

2.3 Performance appraisal on functioning of selected departments of Zilla Panchayat, Bellary

Highlights

Zilla Panchayat, Bellary was implementing various developmental activities through Taluk/Grama Panchayats, line departments and engineering divisions. A review on functioning of selected departments of Zilla Panchayat, Bellary during 2003-08 revealed inter alia that there were instances of improper planning and budgeting, internal control mechanism failures in financial management, non-achievement of intended objectives of the developmental schemes coupled with unfruitful, wasteful expenditure, etc.

The functioning of District Planning Committee was ineffective. The Chief Executive Officer did not obtain the plan proposals from Taluk/Grama Panchayats. In the absence of defined needs of grass root level, the Annual District Development Plans prepared during 2003-08 was not in conformity with the provisions of Karnataka Panchayat Raj Act.

(Paragraph 2.3.6.1)

While irregular drawal of Rs.34.58 crore at the end of financial year and depositing outside Government account was observed, central assistance of Rs.6.15 crore was lost due to tardy implementation of Desert Development Programme.

(Paragraphs 2.3.7.3 and 2.3.7.4)

The objective of providing education to all children in the age group of 6-14 years through implementation of various programmes like “Chinnara Angala”, “Bridge School”, “Sanchari Shale”, etc., was not achieved. Shortfall in enrolment, increasing trend in drop-out rate, large number of vacancies in the posts of teachers, lack of proper infrastructure, etc., were noticed by audit.

(Paragraphs 2.3.8.2 to 2.3.8.4)

The establishment of Primary/Community Health Centres was not in conformity with the norms. The rural population of the district was denied health care facilities due to large number of vacant posts of doctors and supportive staff, non-provision of basic infrastructure, shortfall in ante-natal check-ups/institutional deliveries, etc.

(Paragraphs 2.3.9.1 and 2.3.9.2)

During 2003-08, though an expenditure of Rs.4.29 crore was incurred on the establishment charges of Social Forestry Division, the area brought under the green cover was only 37 hectares. Plantations/seedlings raised at a cost of Rs.57.40 lakh were not maintained.

(Paragraphs 2.3.10.1 and 2.3.10.2)

Improper planning by Youth Services and Sports Department resulted in wasteful expenditure of Rs.43 lakh on laying of cinder track. There was abnormal delay in completion of stadia on which an investment of Rs.45.04 lakh was made.

(Paragraphs 2.3.11.1 and 2.3.11.3)

Failure of the Zilla Panchayat/Panchayat Raj Engineering Division, Bellary in obtaining prior permission from the Daroji Grama Panchayat for drawing water from Daroji reservoir resulted in non-execution of a water supply scheme under private-public participation.

(Paragraph 2.3.13.3)

The implementation of water supply schemes was not planned properly. Defective estimates and improper monitoring by Executive Engineer, Panchayat Raj Engineering Division, Huvina Hadagali had resulted in extra expenditure of Rs.19.24 lakh.

(Paragraph 2.3.13.4)

There was delay in completion of water supply works rendering the expenditure of Rs.12.07 crore unfruitful. Instances of execution of civil works in private lands (Rs.15.91 lakh) and delay in completion of road works due to paucity of funds (Rs.25.55 lakh) were also noticed.

(Paragraphs 2.3.14.1 to 2.3.14.3)

The implementation of 'Namma Bhoomi-Namma Thota' scheme suffered due to non-utilisation of funds released by the State Government, shortfall in coverage of landless labourers, non-distribution of acquired land, irregular formation of sites, non-involvement of line departments, etc.

(Paragraph 2.3.15)

2.3.1 Introduction

Zilla Panchayat (ZP), Bellary consists of seven Taluk Panchayats (TPs) and 189 Grama Panchayats (GPs) with a geographical area 8,447 sq. kms. As per 2003 census, the total population of Bellary district was 22.45 lakh of which the rural population constituted 70 *per cent*.

2.3.2 Scope of audit and methodology

The performance appraisal on functioning of selected departments in Zilla Panchayat, Bellary was conducted (June to September 2008) by test-check of records of ZP, both the Panchayat Raj Engineering Divisions (PREDS), two TPs²⁹, nine GPs³⁰ and five departments³¹. On specific request of the Rural Development and Panchayat Raj (RDPR) Department, the implementation of rural water supply schemes in the district was also covered.

2.3.3 Audit objectives

The audit objectives of the performance review were to assess whether:

- ✓ the District Planning Committee (DPC) was constituted in the ZP and was functioning as envisaged
- ✓ the budget proposals were prepared and submitted on time by the TPs and GPs
- ✓ the funds released were utilised by ZP/line departments economically and efficiently
- ✓ the control mechanism for financial management was effective
- ✓ the envisaged benefits of various developmental activities implemented through PREDS/line departments were reaching the targeted population
- ✓ the human resources were adequate and its utilisation optimum
- ✓ monitoring was in place.

2.3.4 Audit criteria

The Audit criteria adopted for the review were:

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

²⁹ Huvina Hadagali and Hospet

³⁰ Devasamudra, Gadiganuru, Holalu, Hyarada, Ittigi, Makarabbi, M.M. Wada, Muddapura and Mylara

³¹ Education, Health & Family Welfare, Khadi & Village Industries, Forest, Ecology & Environment and Youth Services & Sports Departments

2.3.5 Acknowledgement

Audit is thankful for the co-operation extended by the officers of the ZP/TPs/GPs and the departments test-checked in conducting the review. The Entry Conference of the performance appraisal was held during June 2008 and the objectives of the review were discussed with the Secretary, RDPR Department. The draft review was communicated (November 2008) to the State Government, ZP and heads of test-checked departments and the Exit Conference was held (January 2009) with the Chief Executive Officer (CEO), ZP who generally accepted the observations. Specific remarks of State Government are awaited (March 2009).

Audit findings

The audit findings are discussed in the succeeding paragraphs.

2.3.6 Planning process

2.3.6.1 *Ineffective functioning of District Planning Committee and non-preparation of envisaged Annual District Development Plan*

The KPR Act made it mandatory for the State to constitute a District Planning Committee (DPC) in each district which was expected to consolidate the plans prepared by the local bodies, both rural and urban in the district and develop a draft development plan. The primary responsibility of the DPC was, *inter alia*, to integrate the plans prepared by the Panchayat Raj Institutions (PRIs) in the district and to prepare an Annual District Development Plan (ADDP) for the district duly incorporating the development plans of the TPs and GPs.

CEO of the ZP failed to obtain the plan proposals from GPs/TPs and the ADDP was prepared in a routine manner

Focus of district planning has been largely an annual exercise, post budget, mainly to allocate funds made available under district sector to departments/projects. The State Government re-constituted (January 2002) the DPC in the district and the Committee was to meet once in a quarter. As against 20 meetings to be held during the period 2003-08, the Committee met only five times (twice during the years 2003-04 and 2007-08 and once during 2004-05). Despite being commented in earlier Audit Reports, the GPs did not forward their plan proposals to TPs for consolidation and onward transmission to ZP. The DPC/CEO of the ZP also failed to insist for the plan proposals from the lower tiers of the system. The Chief Planning Officer, ZP admitted (December 2008) that the plan proposals were not received from GPs/TPs. In the absence of defined needs of the GPs/TPs, the ADDP, prepared in a routine manner, was not in conformity with the KPR Act.

2.3.6.2 The State Government constituted (April 2001) the DPC Fund (Fund) with contributions from PRIs and urban local bodies of the district. The Fund was to be utilised for payment of sitting fees to members, commissioning of studies, etc. During 2003-08, it was noticed that as against the amount of Rs.65 lakh to be collected from PRIs towards the Fund, only Rs.14.20 lakh was collected and an amount of Rs. One lakh was utilised by the ZP. Ineffective functioning of the DPC also led to non-utilisation of available funds. The fund was also to be utilised for improvement in planning and the Committee was to explore the planning avenues with the help of experts in different fields. Evidently, non-utilisation of available funds amounted to ineffective planning/functioning.

2.3.7 Financial management

2.3.7.1 The details of the budget proposal, allocation, receipts and expenditure in the ZP during 2003-08 were as detailed below.

(Rupees in crore)

Year	Budget		Allocation		Actual receipts		Expenditure	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
2003-04	NF	NF	46.42	112.96	82.87	105.99	76.01	131.21
2004-05	65.24	129.10	51.04	113.01	110.95	117.64	108.81	120.21
2005-06	137.15	138.47	108.10	122.27	125.23	44.34	96.65	40.20
2006-07	143.05	133.72	137.26	141.95	105.30	53.33	90.02	43.10
2007-08*	163.73	179.21	131.69	189.36	133.93	61.28	130.11	56.08
TOTAL					558.28	382.58	501.60	390.80

Source: As furnished by ZP.

NF - Not furnished

* Figures for 2007-08 are provisional

Note: The receipt and expenditure (Non-Plan) of TPs not included from 2005-06 onwards as TP accounts were prepared separately.

Available
funds were
not utilised
in full

It could be seen from the table above that an amount of Rs.940.86 crore was released to ZP, Bellary during the period 2003-08, of which the ZP incurred an expenditure of Rs.892.40 crore. Under 'Plan' heads, while the overall savings were more than 10 per cent, it was quite substantial (23 per cent) during 2005-06. During 2003-05, the expenditure under 'Non-Plan' exceeded the amount actually received.

2.3.7.2 Non-preparation of budget estimates

The exercise of budget preparation gives an opportunity to review the trend of expenditure and project the budget estimates realistically. The KPR Rules³² stipulates that GPs and TPs were to prepare their budget in three parts viz., Revenue, Capital and Debt & Deposit Account and forward it to ZP for approval before 25 March every year. It was, however, noticed in the test-

³² Rule 27 (2) under KPR TP (Finance and Accounts Rules), 1996
Rule 35 under KPR GP (Accounts and Budget Rules), 1995

checked TPs/GPs that the budget estimates were not prepared and submitted for approval during the period under review. Instead, they prepared action plan in a routine manner based on allocation made to them.

2.3.7.3 Irregular drawal of funds to avoid lapse of grant and depositing in bank accounts

An amount of Rs.34.58 crore was irregularly drawn and deposited outside Government account

(i) Karnataka Financial Code stipulated that no money should be drawn from treasury unless it becomes due for payment. It was noticed that during 2005-08, funds aggregating Rs.23.35 crore (meant for implementation of water supply schemes, rural roads, buildings, *etc.*) were drawn by Executive Engineers (EEs) of PREDS and heads of departments and deposited in savings bank accounts. During March 2008, the Chief Accounts Officer (CAO), ZP instructed the PREDS/departments to draw unutilised funds from treasury on payees' receipt which were deposited in favour of the CEO, ZP in savings bank accounts. Such transactions amounting to Rs.16.11 crore were irregular. The CAO, ZP stated (June 2008) that the funds were received at the end of the year and drawn on payees' receipt as there was no action plans. Reply is not tenable as some funds were available by August 2007. Thus, the failure of the CEO in preparing action plans in time despite availability of funds led to irregular drawals.

(ii) The EEs of PREDS were permitted to issue cheques (within the limit indicated therein) to executing agencies, out of the Letter of Credit (LOC) authorized by the ZP. The cheques were to be issued to the agencies only after completion of works or as per terms of contract.

Out of LOCs issued by the ZP, the EEs of PREDS irregularly issued (2005-08) cheques in favour of banks transferring Rs.8.78 crore even though the works remained incomplete and payments not due to executing agencies. The State Government, in order to avoid any excess payment, had withdrawn the system of LOC from 1 July 2007. It was noticed that an amount of Rs.4.74 crore was unauthorisedly transferred to bank account on 28/30 June 2007 just before the termination of LOC system. The EEs accepted that the funds were drawn though the works were yet to be completed. It was evident that the ZP/PREDS resorted to irregular procedure of drawal of funds at the end of the year to avoid lapse of grants.

(iii) All payments towards execution of works were to be paid directly to the concerned contractor/agency through a treasury cheque. Test-check of records of the EE, PRED, Huvina Hadagali however, revealed that in 14 cases the cheques were obtained (March 2008) in favour of the EE for an amount aggregating Rs.2.06 crore and the same was irregularly deposited in a savings bank account (in favour of EE). Subsequently, cheques were issued to the

contractors from the bank account. The Treasury Officer, Huvina Hadagali also failed to follow the financial rules and irregularly issued cheques in favour of EE, PRED. In reply, the EE stated (November 2008) that the funds were drawn as the works were nearing completion. Drawal of funds and parking outside Government account, in respect of incomplete works, was irregular and fraught with the risk of misappropriation/defalcations.

(iv) The recoveries made out of contractors' bills towards Fixed Security Deposit (FSD) by PREDs had to be credited to the head of account 8443-Civil Deposits through ZP. It was, however, noticed that during 2007-08, the EE, PRED, Huvina Hadagali irregularly obtained cheques for Rs.38.63 lakh in his favour from treasury in respect of such recoveries and deposited in a savings bank account. Of this, the EE, PRED withdrew an amount of Rs.2.01 lakh irregularly on self cheques from the said bank account and remitted back the amount within two to five days. The EE, PRED replied (November 2008) that the recoveries were deposited in the bank as the ZP returned the cheques forwarded by the PRED. The CAO, ZP, during Exit Conference, however, denied such return of cheques and stated that directions would be issued to the PRED to remit the recoveries to ZP.

2.3.7.4 Loss of Central assistance

**Tardy
implementation
of DDP
resulted in loss
of assistance of
Rs.6.15 crore**

Under Batch-IV of Desert Development Programme (DDP), it was proposed (1998-99) to develop 20,000 hectares covering 40 watersheds in ZP, Bellary at an estimated cost of Rupees Nine crore during the period 1998-2003. The funding pattern was in the ratio of 75:25 between GOI and State Government. Scrutiny of records relating to the DDP revealed that though the GOI extended the project period up to 2003-04, the ZP could utilise only Rs.4.44 crore by the end of extended period. As of November 2008, an area of 9,853 hectares (49 *per cent*) only was treated. Similarly, under Batch-V, the ZP proposed to develop 11,500 hectares covering 23 watersheds at a cost of Rs.5.18 crore during 1999-2004. The progress of works was tardy and the GOI instructed (May 2005) the State Government to speed up the activities within the extended period of 2005-06 failing which the Batch was to be closed. In spite of extension of time, only 7,974 hectares (69 *per cent*) of the total intended area was covered utilising Rs.3.59 crore (November 2008).

The CEO, ZP attributed (December 2008) the shortfall in achievement to delay in selection of non-governmental organisations and formation of watershed committees. Thus, failure of ZP in implementation of Centrally Sponsored Scheme, despite extension of time from GOI resulted in loss of central assistance of Rs.6.15 crore.

2.3.7.5 Lapse of grant due to non-utilisation

Failure to utilise available funds in time resulted in lapse of grants

A review of the grant and outlay register of PREDs, Bellary and Huvina Hadagali revealed that funds released by the ZP for implementation of various schemes of water supply, rural roads, construction of buildings, etc., was not optimally utilised, depriving the rural population of the envisaged benefits as detailed below.

(Rupees in crore)

Year	Amount released by ZP to PREDs		Amount utilised		Amount lapsed	
	Bellary	Huvina Hadagali	Bellary	Huvina Hadagali	Bellary	Huvina Hadagali
2003-04	10.58	4.99	2.76	4.75	7.82	0.24
2004-05	8.31	3.59	7.79	3.50	0.52	0.09
2005-06	9.15	7.86	7.67	6.70	1.48	1.16
2006-07	19.90	8.25	12.50	4.15	7.40	4.10
2007-08	30.96	22.00	19.99	8.76	10.97	13.24

It could be observed that Rs.24.21 crore remained unutilised during 2007-08 after discontinuation of LOC system in both the PREDs. The Audit Officer, PRED, Huvina Hadagali attributed (October 2008) the non-utilisation of funds to delay in finalisation of tenders and action plan.

Similarly, an amount of Rs.2.88 crore was released to the ZP during 2004-06 for implementation of Pradhan Mantri Gramodaya Yojana (Nutrition and Health). Though the funds were adjusted to ZP fund (2004-06), the CAO did not release the same to implementing officers and remitted back the entire amount to Government account, thus, depriving envisaged nutrition and health facilities to women and children in rural areas.

2.3.7.6 Non-recovery of tax revenue and water supply charges

Non-recovery of dues resulted in reduction of grants

The provisions of KPR Act empower the GPs to levy and collect tax to augment their resources and water supply charges to maintain the water supply schemes. The Village Water and Sanitation Committee at the GP level were to fix, revise and collect water charges sufficient to meet the operation and maintenance cost of the schemes. It was noticed in ZP, Bellary that as of March 2008, an amount of Rs.8.37 crore was outstanding towards general tax revenue and the ZP did not furnish the details of dues towards water supply charges. Similar position in the test-checked TPs was as follows.

(Rupees in lakh)

Taluk	General Tax Revenue			Water supply charges		
	Demand	Collection	Balance	Demand	Collection	Balance
Hospet	236.83	109.49	127.34	60.00	13.20	46.80
Huvina Hadagali	117.75	40.21	77.54	27.17	10.70	16.47

It could be seen that the recovery of dues was meagre ranging from 22 to 46 *per cent* of the demand raised. Similarly, in respect of test-checked GPs also there was deficit in collection of water supply charges compared to the actual expenditure on maintenance of water supply schemes. Due to shortfall in collection, the test-checked GPs (11) did not pay electricity charges incurred on water supply schemes and as a result, the ZP deducted an amount of Rs.1.09 crore during 2003-08 in respect of those GPs from the development grants due.

2.3.7.7 Inadequate internal audit/controls

The CAO of the ZP was to conduct internal audit of all the offices under the jurisdiction of ZP and to audit all the transactions both centrally at the ZP and locally in respective offices. It was observed that the CAO had not conducted audit centrally and there was shortfall ranging from 69 to 75 *per cent* of offices to be audited locally. The laxity in internal controls was evident from the fact that CAO had instructed the PREDS/departments to withdraw funds to avoid lapse of grants as detailed in *paragraph 2.3.7.3*.

Developmental activities implemented by line departments

2.3.8 Education Department

Literacy plays a vital role in the overall development of a society. As per the census of 2001, the Bellary district had an overall literacy rate of 57 *per cent* with women literacy rate of 46 *per cent*. It was seen in audit that even as of March 2008, the literacy rate remained the same despite huge investment in these years under the education sector. The Department was headed by a Deputy Director of Public Instructions (DDPI) assisted by Block Education Officer (BEO) at the taluk level. As of 2007-08, there were 157 High Schools and 1,360 Higher/Lower Primary Schools³³ (HPS/LPS) in the district.

The main objective of primary education was to ensure that every child in the age group of 6-14 years attends school, attains the minimum level of learning, reduce the dropout rate, community participation in the betterment of schools and mainstream the children dropped out of the schools through various programmes.

³³ excluding aided and private schools in the district

2.3.8.1 Unrealistic budget proposals

The budget proposals were unrealistic as DDPI demanded additional funds despite persistent savings during previous years

The DDPI was responsible for submission of budget estimates for primary education and secondary education for the district. The budget proposed, funds released and expenditure of the Department during the period 2003-08 was as follows.

(Rupees in crore)

Year	Budget proposed	Funds released	Expenditure	Savings
2003-04	196.44	88.13	87.74	0.39
2004-05	220.15	90.18	90.05	0.13
2005-06	293.46	95.75	95.48	0.27
2006-07	308.14	104.20	100.35	3.85
2007-08	347.46	150.82	149.82	1.00

Source : Information furnished by the DDPI

It could be observed from the above that though there was persistent savings during the review period, the DDPI proposed more than twice the expenditure during 2004-05 and more than thrice the expenditure during 2005-08 of the preceding years, evidencing unrealistic budget proposals, without considering actual requirements. The DDPI stated (July 2008) that the proposals for budget requirement as received from the BEOs were consolidated and forwarded to ZP/State Government. DDPI also admitted (January 2009) that the proposals included requirement for vacant posts, which was against the codal provisions.

Further, the test-check of records revealed that the efforts of the department in achieving the objectives were not adequate as discussed below:

2.3.8.2 Programme implementation

Shortfall in enrolment and increasing trend of drop out rate defeated the objective of education to all

- The Department was to ensure that all the identified children were enrolled in the school. The envisaged goal of providing education to all children was not achieved as the shortfall in enrolment had increased from 29,634 in 2003-04 to 34,207 children in 2007-08.
- One of the goals of the Department was to reduce the school dropout rate to nil by 2010. However, the dropout rate of children under both primary and high schools was showing an increasing trend since 2005-06 and during 2007-08 the dropout rate was nine and 23 *per cent* respectively. Thus, the achievement of the targeted objective of 'nil dropout' remained remote in the district.
- Though many programmes such as "Chinnara Angala", "Bridge School", "Sanchari Shale" were in operation to mainstream all the students who dropped out of schools in the age group of 6-14 years, the goal remained

unachieved even after incurring expenditure of Rs.1.56 crore during 2003-08 as 2,974 children still remained out of school (2008).

- The number of children who dropped out of schools at the transition from VII to VIII standard was 12 *per cent* when compared to State average of eight *per cent* during 2007-08 and in respect of girls, the percentage was 15 as against the State average of nine.

The DDPI attributed (July 2008) the increase in drop-out rate to poverty, migration and unwillingness among parents to send their children to school.

2.3.8.3 Vacant posts/non-deployment of teachers

- The number of vacant posts in respect of teaching staff in the Department increased from 289 [4.20 *per cent* of sanctioned strength (SS)] during 2003-04 to 524 (6.42 *per cent* of SS) in 2007-08 in respect of HPS/LPS and in respect of high schools, it increased from 84 (8.18 *per cent* of SS) to 185 (11.44 *per cent* of SS), hampering the teaching process.
- No teachers were posted to 22 schools and 70 schools were functioning with only one teacher in the district, in contravention to the norms of minimum two teachers in a school.
- The Department was to identify the excess teachers in each school and redeploy them by the end of October each year. In the district, though 102 to 202 teachers were identified as excess during 2005-08, effective action had not been taken to redeploy them. Out of the 202 teachers identified as excess in 2007-08, 40 teachers had not been re-deployed during 2007-08 resulting in the schools continuing with excess staff. Despite departmental instructions, the redeployment was made after the closure of the academic year, thus, defeating the purpose of identification and re-deployment of teachers.

The DDPI stated (July 2008) that the State Government was to fill up the vacant posts. Further, the DDPI, attributed delay in redeployment of excess teachers to delay in receipt of clear information from BEOs. This was indicative of the laxity of DDPI in complying with the State Government instructions though large number of schools had vacancies/no teachers.

2.3.8.4 Large gaps in infrastructure facilities

Basic infrastructure facilities were lacking in schools

- As of 2007-08, as against the requirement of 8,258 class rooms, only 6,700 class rooms were available in the district resulting in shortfall of 19 *per cent*.
- Though HPS/LPS cater to the students from standard I to VII, 357 schools in the district were functioning in buildings having only one (55) or two (302) class rooms. It was also noticed in audit that though Rs.17 lakh was

drawn (2005-07) and paid to Karnataka Land Army Corporation (KLAC) for construction of 10 class rooms in respect of five schools, the KLAC did not commence (December 2008) the work as suitable land was not made available resulting in blocking up of funds with the construction agency.

- Provision of basic infrastructure to each school is one of the tasks of the Department. It was seen in audit that out of 1,360 HPS/LPS in the district, 218 and 337 schools did not have basic infrastructure like water supply and toilets respectively. Further, schools were not provided with electricity (583), furniture (706), book bank (272) and computers (1,290). In 526 schools, ramp facility was not provided for physically challenged students. Play grounds were not in existence in as many as 833 schools.
- 529 out of 6,700 class rooms required major repairs and 1,195 required minor repairs indicating poor maintenance in schools which exposed the students to risk.

The DDPI admitted (July 2008) that the data relating to school infrastructure was incomplete. It was noticed in audit that the DDPI furnished the same set of information to State Government. Furnishing incomplete information to higher authorities was indicative of laxity of DDPI in improving the basic infrastructure to the schools. Further, DDPI did not furnish to Audit the information on funds requirement to carry out repairs and provide the above required infrastructure.

2.3.8.5 Monitoring

In order to improve the educational standard of schools and to guide teachers at taluk level, the BEOs of the taluks were to visit and inspect schools atleast once in a year. It was, however, noticed that out of 1,810 schools including aided schools in the district, the number of inspections conducted by BEOs ranged between 720 and 826 during the period 2005-08.

The School Development Management Committee which was to supervise/monitor proper functioning of the school and ensure community participation was not constituted in 269 schools.

Non-provision of basic infrastructure, vacant posts of teachers in the schools and laxity in enrolment/retention had a bearing on the envisaged quality education which was also evident from the fact that the district declined from eighth position in 2000-01 to 29th position in 2007-08 with overall pass percentage of 60 at the level of X standard.

2.3.9 Health and Family Welfare Department

The primary objective of the Department is to provide comprehensive health care consisting of curative, preventive, promotive and rehabilitation health care to the people. The District Health and Family Welfare Officer (DH&FWO) was the head of the Department in the district assisted by District Malaria Officer, District Leprosy Officer and District Blindness Control Society and Taluk Health and Family Welfare Officer at the taluk level. There were eight Community Health Centres (CHCs) and 47 Primary Health Centres (PHCs) in the district. During 2003-08, an amount of Rs.72.20 crore was allocated/released to the Department and an expenditure of Rs.70.27 crore was incurred.

2.3.9.1 Non-adhering to norms in establishment of PHCs and CHCs

According to the norms of the Department, each PHC and CHC was to cater to 30,000 and 1.20 lakh population respectively. Out of every four such PHCs, one was to be upgraded as a CHC - the first referral hospital having specialised medical facilities. As of 2007-08, the position of existence of PHCs and CHCs in the taluks of the district was as shown in the table below.

Name of the taluk	Total rural population as of 2008 (in lakh)	Number of centres to be established		Actually established	
		PHC	CHC	PHC	CHC
Bellary	3.82	12	3	12	1
Sandur	2.24	7	2	4	1
Siruguppa	2.02	7	2	5	1
Hospet	2.02	7	2	7	Nil
Kudligi	2.70	9	2	6	3
Huvina Hadagali	2.11	7	2	7	1
HB Halli	1.80	6	1	6	1
TOTAL	16.71	55	14	47	8

As of March 2008, against the requirement of 55 PHCs and 14 CHCs, there were only 47 PHCs and 8 CHCs. The existence of CHCs among the taluks was not uniform as Hospet had no CHC whereas Kudligi had three against norm of two. Due to shortfall in establishment of PHCs and CHCs, the intended objective of providing primary health facilities to the rural population within a short distance from their places could not be achieved. In addition to these PHCs, 293 Primary Health Sub-centers, manned by a Health Assistant and having a visiting doctor, were functioning in the district.

2.3.9.2 There were shortfalls in implementation of various health schemes/programmes as discussed in the paragraphs below.

Due to shortage of staff, lack of awareness about health facilities, the objective of providing health for all was not achieved

- The objective of providing 'Health for all' suffered due to large number of vacant posts in all the cadres. During 2003-08, the percentage of shortfall in general doctors ranged from 23 to 30 whereas in respect of specialists it ranged from 67 to 74. The percentage vacancy in respect of staff nurses varied between 21 and 37. As of March 2008, 142 posts of Health Assistants who were to create health awareness among the rural population and instrumental in preventive/curative services, were vacant. The details of sanctioned strength, men-in-position and vacancy in different cadres is given in **Appendix 2.4**.
- Contrary to the guidelines of Medical Council of India, Ayurvedic doctors were working in allopathic CHCs/PHCs and prescribing allopathic medicine.
- In disregard of State Government instructions, only 11 out of 35 identified PHCs were functioning round the clock reportedly due to non-availability of residential doctors and staff.
- There was shortfall in conducting ante-natal check-up of registered pregnant women. The envisaged three check-ups were not conducted in respect of 0.78 lakh pregnant women out of 2.99 lakh registered. The DH&FWO attributed (October 2008) the shortfall to lack of awareness among people. The fact, however, remained that even with 502 health assistants under its control, the DH&FWO could not create awareness among the rural population.
- Though the aim of the State Government was to make 80 *per cent* of the deliveries 'institutional' by 2010 so as to reduce the mother/infant mortality rate, the percentage of institutional deliveries in the district during 2003-08 ranged from 36 to 43 evidencing failure of the authorities in creating awareness among the rural population. The DH&FWO attributed (October 2008) the lapse to non-availability of residential staff. Considering the present rate, achieving the envisaged goal by 2010 was doubtful.
- Though an expenditure of Rs.76 lakh was incurred on 'National Leprosy Eradication Programme' in the district during 2003-08, the prevalence rate varied between 1.14 and 3.35 *per cent* (0.58 *per cent* being the State average) and Bellary was the only district to have prevalence rate at more than one *per cent*. Further, it was also noticed that the Model Leprosy Control Unit (Unit) established in Hospet was functioning without a doctor since 2003 and an expenditure of Rs.41.24 lakh was incurred during 2003-08 on the pay and allowances of supporting staff (physiotherapist, paramedical workers, lab technician, driver and a group 'D') of the Unit. Non-posting of a qualified doctor to the Unit, despite having high

prevalence rate, indicated laxity of the Department in eradicating the disease.

- As against the target of 45,000 cataract operations under 'National Programme for Control of Blindness', 41,136 operations were conducted in the district during 2003-08. However, it was noticed that large number of operations were conducted in urban places like Bellary and Hospet (88 *per cent*) defeating the objective of providing low cost health care to rural poor at their places. The post of Ophthalmic Surgeon had not been filled in other five taluks for four to eight years. The two Mobile Ophthalmic Units (MOUs) available in the district were grossly under-utilised, denying the rural poor of improved eye care. It was noticed in audit that during 2003-08, the MOUs conducted only four to 22 camps (each year) of three days each. Though it was mandatory to check all the school children in the age group of 10-14 years for any refractive errors, no child was tested in the district till 2006-07 and as against the target of testing 1.08 lakh school children during 2007-08, only 0.40 lakh (38 *per cent*) were tested. The envisaged training to teachers in ophthalmic testing was also not provided.
- Minimum basic infrastructure of water supply and electricity were not provided to 34 and 43 PHCs/PH Sub-centers respectively in the district. Further, 42 and 25 centres required repairs to roof/flooring and toilets respectively.

2.3.9.3 The DH&FWO while generally accepting (September 2008) the observations, attributed the short comings to inadequate doctors/staff. It was further stated that the ZP had instructed DH&FWO to take up the minor repair works under National Rural Health Mission which, however, did not provide any fund. Besides, no budget provision was made for the much needed major repairs.

2.3.10 Forest, Ecology and Environment Department

The National Forest Policy, 1988 prescribed that one-third of the total land was to be covered by forest. In Bellary district, only 15 *per cent* of the total land (1,26,947 Hectare) was covered by forest and it was proposed to reach the standard by the year 2012. The Social Forestry Division in the district was headed by a Deputy Conservator of Forest (DCF) assisted by an Assistant Conservator of Forest (ACF) and the Range Forest Officers at the taluk level were assisted by subordinate staff. The programmes for afforestation under the district sector were undertaken by ZP through the division. The primary objectives of the division included raising seedlings, distribution among the beneficiaries and raising of plantations in the allotted places as per the action plan approved by the competent authority.

2.3.10.1 Under-utilised establishment

The area brought under green cover was negligible though expenditure incurred on establishment was high

A review of records of the division for the period 2003-08 disclosed that though an expenditure of Rs.4.29 crore had been incurred on the establishment, the area brought under the green cover was only 37 hectares during the years 2003-05. It was observed that during 2003-08, no specific scheme had been implemented in the ZP except roadside plantation under Sampoorna Grameena Rozgar Yojana (SGRY).

According to the information furnished by the DCF, Bellary with the available resources, the division could raise 10-15 lakh seedlings annually and possessed tools/equipment and vehicles valued at Rs.29.17 lakh as of March 2008. It was, however, noticed that the seedlings raised in the division during 2003-08 ranged between 1.23 lakh and 4.57 lakh evidencing that the resources/assets were grossly under-utilised. The DCF stated (August 2008) that though action plans were prepared by the division, ZP did not approve any of the schemes. Audit also noticed that during 2004-08, the DCF had submitted eight proposals/action plans requiring an amount of Rs.4.86 crore, which were not approved by the ZP. Thus, failure of the ZP in according approval to action plan submitted by DCF resulted in idling of available resources despite availability of staff. As such, achieving goal of covering 33 per cent of land under forest by the year 2012 remained a distant possibility.

2.3.10.2 Unfruitful expenditure due to non-maintenance of plantations

An expenditure of Rs.57.40 lakh may go wasteful as plantations/seedlings were not maintained

As per the forestry and environment project report for eastern plains of Karnataka State, plantations raised in institutional land had to be carried out in pit planting design with irrigational support and protected by barbed wire fencing. Further, according to the instructions regarding upkeep and maintenance under the social forestry, the plantations were to be maintained for a period of three years after planting. Test-check by audit revealed the following:

(a) The ZP, Bellary launched (January 2003) 'Hasareekarana', a programme intended to plant seedlings in the premises of schools and hospitals and released Rs.21.80 lakh during 2003-05 to the division. Accordingly, the division implemented the programme in the district. Records revealed that the ZP did not release any funds towards maintenance of plants, though these were to be maintained for three years. The survival of these plantations was, thus, doubtful.

(b) Survival of the seedlings raised and planted along the roadside for a stretch of 138 kilometers incurring an expenditure of Rs.32.84 lakh under SGRY during 2005-06 was doubtful as the plantations were not maintained

after the first year. The ZP did not release funds for maintenance though requested by the division. Similarly, 15,025 seedlings raised during 2006-07 at a cost of Rs.2.76 lakh were neither planted nor maintained during the succeeding years.

Thus, the expenditure of Rs.57.40 lakh incurred on plantations was likely to become wasteful due to non-maintenance.

The DCF accepted (August 2008) that the division had not supervised the maintenance work and had no information about the present survival. Thus, the failure of ZP in releasing adequate funds resulted in non-maintenance of plantations/seedlings, etc.

2.3.11 Youth Services and Sports Department

The Assistant Director was the head of the Department and was assisted by two coaches in the district. The Department was responsible for providing proper infrastructure for sports activities. The following points were noticed during the course of review.

2.3.11.1 Wasteful expenditure on laying of cinder track



Failure to provide drainage to cinder track resulted in wasteful expenditure of Rs.43 lakh

On the directions of the Commissioner, Youth Services and Sports, Bangalore, the work of laying of cinder track in the existing district stadium at a cost of Rs.43.63 lakh was entrusted (January 1999) by the Assistant Director to KLAC, Bellary. The estimate for the work was prepared by KLAC, which did not provide for a proper drainage system. The KLAC commenced the work during December 1999 and completed the work (March 2001), without a drainage system, incurring an expenditure of Rs.43 lakh. The KLAC, however, warned (November 2000) that non-provision of drainage system would cause damage to the track. In spite of the warning, no action was

initiated by the Assistant Director/ZP to provide additional funds for provision of drainage system. After taking over the track, the Assistant Director requested (September 2001) the Commissioner to release additional funds for providing a drainage system to the track. However, no funds were released by the authorities. The track developed cracks due to stagnation of water, rendering the expenditure of Rs.43 lakh wasteful.

Though KLAC prepared the estimate, it was the responsibility of the Assistant Director to ensure that proper estimates were prepared incorporating all the requirements, as substantial funds were being invested through the Department. Thus, negligence of the Assistant Director in entrusting the work, though the estimate was deficient, resulted in wasteful expenditure of Rs.43 lakh and also denied the youths of the district of improved sports facility.

2.3.11.2 Loss of central assistance for construction of an indoor stadium

The State Government accorded (April 2000) administrative approval for construction of an indoor stadium including a swimming pool at an estimated cost of Rs.3.40 crore, for which the GOI assured (October 2001) to provide grants of Rs.1.20 crore subject to the condition that the grants should be utilised within two years. Meanwhile, a dispute arose (June 2000) regarding the title of the land identified for the construction and the claimant obtained a stay order from the Court. As the work did not commence within the stipulated period, the GOI withdrew (August 2004) the proposal of providing assistance to the work.

Audit observed that the land was classified as 'play ground' as per the survey and resettlement register and was in possession of the Department even earlier to 1972. Despite this, the Assistant Director did not represent the case properly and get the stay vacated in time. Assistant Director stated (March 2009) that the Commissioner had decided not to proceed with the case. This resulted in GOI withdrawing the assistance of Rs.1.20 crore, thus, denying the benefits of the envisaged indoor stadium to the people of the district.

2.3.11.3 Abnormal delay in completion of stadia

Abnormal delay in completion of stadia rendered the expenditure of Rs.45.04 lakh unfruitful besides cost escalation

Based on the decision (March 1992) of the High Powered Committee for development of Hyderabad-Karnataka area, the State Government accorded (August 1992 and September 1997) sanction for construction of stadia in three taluks through assistance from GOI, ZP and Hyderabad Karnataka Development Board. All the works were entrusted (1992-99) to KLAC and the details of estimated cost, funds released, expenditure and present status

(October 2008) of the stadia were as detailed below.

Taluk	Estimated cost	Funds released	Expenditure	Revised estimated cost	Present status
(Rupees in lakh)					
Hospet	16.24	10.00	10.00 (as of June 2001)	27.00 (as of June 2001)	Pavilion partially completed
Siruguppa	22.02	10.00	10.15 (as of June 2001)	30.00 (as of June 2001)	Pavilion completed
Huvina Hadagali	25.14	24.80	24.89 (as of April 2006)	114.55 (as of April 2006)	Pavilion partially completed
TOTAL	63.40	44.80	45.04	171.55	

It could be observed from the table above that the construction of stadia remained incomplete even after 11 to 16 years of sanction. The Department/ ZP did not make adequate efforts to obtain funds for the construction from the State Government and did not collect the required public contribution. Due to delay in completion of work the GOI refused (September 2000) to provide grants. The fact that the estimates in respect of stadia at Hospet and Siruguppa were not revised since 2001 was indicative of laxity of the Department in completing the works. This rendered the expenditure of Rs.45.04 lakh incurred, unfruitful. The cost of the work is likely to escalate further due to efflux of time.

2.3.11.4 Non-utilisation of funds under the Rajiv Gandhi Yuvashakthi Programme

The State Government introduced (October 2003) 'Rajiv Gandhi Yuvashakthi Programme' wherein it was proposed to provide grants of Rs.10,000 to any organisation (Sangha) formed exclusively to undertake community development, sports, cultural, educational and personality development. The grant was to be released to only one Sangha in each GP. During the period 2003-07, the Assistant Director of the Department in Bellary received an amount of Rs.35.66 lakh³⁴ from the State Government. Of this, the Assistant Director released only Rs.17.40 lakh³⁵ to 189 Sanghas in the district during the years 2003-04 and 2004-05.

Test-check of records disclosed that though Rs.17.40 lakh was utilised as of October 2008, the Assistant Director irregularly issued utilisation certificate for an amount of Rs.19.93 lakh during May 2005 itself. Though the unspent balances were to be remitted back to Government account every year, the Assistant Director did not remit the balance of Rs.18.26 lakh³⁶ which was lying in a savings bank account. It was further noticed that though funds received during 2003-05 were not utilised in full, the Assistant Director drew

³⁴ 2003-04 - Rs.19.94 lakh; 2005-06 - Rs.10.45 lakh; 2006-07 - Rs.5.27 lakh

³⁵ Grants provided partially

³⁶ 2003-04 - Rs.2.54 lakh; 2005-06 - Rs.10.45 lakh; 2006-07 - Rs.5.27 lakh

funds during 2005-07 also and kept them in bank account. The practice of keeping unutilised money outside the Government account was irregular.

2.3.12 Khadi and Village Industries Department

The Department was headed by Deputy Director assisted by Industrial Extension Officers. The Department was responsible for distribution of improved tool kits, providing assistance in getting loans from financial institutions, *etc.*, to artisans of rural areas in various trades to improve their economic status besides providing training. The points noticed during the performance review are brought out in the succeeding paragraphs.

- During 2003-08, the expenditure on the implementation of schemes was only Rs.18.75 lakh whereas the expenditure on pay and allowances of the staff/establishment was Rs.54.13 lakh.
- Financial assistance in the form of loan was being given to small entrepreneurs in the district. It was noticed that, as of March 2008, an amount of Rs.67.70 lakh was due from 123 beneficiaries. It was further noticed that 34 beneficiaries from whom Rs.21.23 lakh was due had closed down the establishments. The failure of the Deputy Director in ensuring recovery at regular intervals resulted in non-recovery of loan. In reply to audit, the Deputy Director stated that notices were issued to defaulting entrepreneurs. The reply did not explain as to how recovery was proposed to be effected from the defaulters as banks had the first charge on the property mortgaged.
- The staff working under Apiculture wing of the Department did not carry out any activity during the period under review. As apiculture was not suitable for the environmental conditions of Bellary, the State Government transferred the activity to the control of Horticulture Department during October 2003. Though it was claimed by the Deputy Director that the staff were engaged in the process of recovery of seed money, it was noticed that not even a rupee had been recovered by the Department till now. Evidently, the staff of Apiculture Wing were not discharging any work rendering the establishment expenditure of Rs.4.75 lakh on them nugatory.
- The envisaged improved tool kits were not supplied to 210 trainees who were trained in various fields during 2003-08 incurring an expenditure of Rs.3.59 lakh. Besides, no assistance was extended to these trainees towards getting financial support from institutions. Thus, the rural trainees could not continue with the craft they were trained in, defeating the objective of providing training and improving their economic status.

- Rental revenue had not been collected in respect of three properties given (1997-2002) to three institutions³⁷ though these institutions were charging fees from the State Government for the services rendered. No rental/lease agreement was entered into with any of these agencies.

Implementation of schemes/programmes/works

2.3.13 Rural Water Supply Programmes

The rural water supply programmes were implemented in the district with the financial assistance both from GOI under Accelerated Rural Water Supply Programme (ARWSP) and State Government under Minimum Needs Programme (MNP). The funds for implementation of water supply works were released through ZPs and the EEs of PREDS were responsible for execution.

2.3.13.1 Deficiencies in implementation of water supply schemes

According to the information furnished by the ZP, a total sum of Rs.92.66 crore was released to ZP, Bellary (under both ARWSP and MNP) during 2003-08 against which an expenditure of Rs.52.88 crore was incurred. It was noticed in audit that the available funds were not utilised completely due to laxity in preparation/forwarding of annual action plans, with delay ranging from seven to nine months. As a result of delay in forwarding the action plans to the State Government, the approval was obtained only during the months of December-March each year.

2.3.13.2 Audit further observed as follows:

- During 2004-08, out of 6,077 water supply works taken up for execution, only 4,771 works were completed.
- The norms³⁸ of water supply schemes were flouted as 213 habitations were provided with MWS/PWS, which were otherwise ineligible. Also the envisaged quantity of water (40 lpcd) was not supplied to many villages.
- Out of 1,014 villages in the district, ground water in 487 was identified as chemically affected. The ZP, however, took up water supply works covering only 168 villages (34 per cent) for providing safe drinking water due to improper planning.
- Out of 226 works taken up under 'Suvarnajal' – a scheme for providing safe drinking water to school children through roof top water harvesting, 172

³⁷ KEONICS, SIRD and Bellary Garment Manufacturers' Association

³⁸ A bore well fitted with a hand pump – for population up to 500, Mini Water Supply scheme (MWS) – for population between 500-1000 and piped water Supply (PWS) scheme – for population above 1000

works were completed at a cost of Rs.45.54 lakh. It was, however, noticed that the quality of the water supplied was not got tested. Thus, the school children were supplied stored rain water without conducting the envisaged quality test ensuring potability.

- Source sustainability measures (such as check dams, direct injection, *etc.*, for recharging of ground water) were not adopted till 2005-06 in respect of bore wells though large number of water supply schemes were executed. Further, it was also noticed that though an amount of Rs.1.10 crore was released to PREDs during 2006-08 under the head 'ground water recharging', only an amount of Rs.0.57 crore had been utilised. Even where such measures were taken, the EE had stated that the opinion of the geologist was not obtained regarding the point of recharge. In the absence of expert opinion, it was doubtful whether the expenditure incurred on sustainability measures was fruitful.
- The water testing laboratory in the district was grossly under-utilised to the extent that as against 72,760 samples³⁹ required to be tested during 2003-08, only 316 samples were tested. Also, no budgetary allocation was made for functioning of the laboratory during this period.

2.3.13.3 Improper planning leading to non-implementation of a scheme under private-public participation

Failure in obtaining permission of a GP to draw water resulted in non-implementation of a water supply scheme.

ZP, Bellary agreed (September 2005) to provide safe drinking water to 14 villages around the Steel Plant of a private sector company⁴⁰ and a Memorandum of Understanding (MoU) was entered into (September 2006) for Rs.4.97 crore based on the concept of private-public participation. The cost was to be shared in the ratio of 70:30 between the company and the ZP and the work was to be executed through PRED, Bellary. It was proposed to draw water from 'Daroji Reservoir'. The MoU, *inter alia*, clearly stipulated that there should be an irrevocable resolution passed by all the members of Daroji GP for drawing water from the reservoir and approval of competent authorities for execution of the scheme.

It was noticed that though ZP/PRED, Bellary did not obtain the required permission of Daroji GP, the ZP released (June 2006) an amount of Rs.50 lakh to EE, PRED, which was deposited in a savings bank account. Meanwhile, the GP, Daroji passed (August 2006) a resolution not to permit the PRED to draw water from the reservoir as it would affect the agriculture activities under its jurisdiction. As such, the scheme could not be implemented and the amount of Rs.50 lakh remained in the savings bank account, besides, denying the proposed water supply to the rural population.

³⁹ 7,276 water sources available x 5 years x 2 times a year

⁴⁰ JSW Steel Limited

2.3.13.4 Defective estimates/designs and execution of substandard work

Preparation of defective estimate and failure to ensure quality work resulted in extra cost of Rs.19.24 lakh

The work of water supply scheme to Hirehadagali and Magala villages estimated to cost Rs. Two crore under Submission Projects was entrusted (May 2001) by the EE, PRED, Huvina Hadagali to a contractor⁴¹ at the tendered cost of Rs.2.04 crore with a stipulation to complete the work within 18 months. The work was stopped (March 2006) after incurring an expenditure of Rs.1.54 crore. The approach road to jack well was not laid by the contractor. Trial testing of the completed works revealed leakages at several joints in pipeline for raw/pure raising mains. The contractor was instructed by the EE, PRED to conduct hydraulic test and complete the work. Despite several notices, the contractor did not complete the work till July 2006 and the Chief Engineer (CE), Panchayat Raj Engineering (PRE) Department, Bangalore rescinded (August 2006) the contract at the risk and cost of the contractor.

Even the estimates/designs prepared by EE, PRED, Huvina Hadagali were defective as the alignment of 1,200 mtrs. of raw water raising main was laid in private paddy fields, which was to be removed and re-laid on the roadside based on the directions (May 2006) of the CE, PRE Department, Bangalore. The balance works including relaying and rectification of raising mains were got completed (August 2008) through another agency at a cost of Rs.33.20 lakh. Failure of the Department to ensure quality work by the first contractor resulted in additional expenditure/liability on rectificatory works costing Rs.19.24 lakh besides delay by more than six years.

2.3.13.5 Non-commissioning of completed water supply schemes

Based on the approval of ZP, Bellary for the works under 'Swajaldhara' scheme, the works of two water supply schemes to two villages under TP, Sandur was taken up by EE, PRED, Bellary and completed (May 2004 and April 2005) at a total expenditure of Rs.12.38 lakh⁴². It was proposed to draw water for both the schemes from the pipeline supplying water to Sandur town. The Sandur Town Panchayat, however, refused the proposal and even as of September 2008, the schemes remained idle without commissioning. Failure of the ZP/EE, PRED to ensure proper source of water before commencement of work resulted in non-commissioning of the schemes executed at a cost of Rs.12.38 lakh.

⁴¹ Arun Engineering Projects (Private) Limited, Bangalore

⁴² Bhujanganagar (Rs.9.25 lakh) and Taranagar (Rs.3.13 lakh)

2.3.13.6 *Improper execution of ‘Suvarna Ane’– a scheme for construction of check-dams*

With the objective of recharging the depleted ground water, the State Government launched (2005-06) the scheme ‘Suvarna Ane’, under NABARD assisted RIDF-XI series, aiming to construct water harvesting structures/ check-dams in areas which were facing prolonged drought situations. The scheme envisaged construction of three or four structures serially in downstream/valleys. The guidelines were issued by the State Government in November 2005 and the scheme was implemented in three taluks⁴³ of Bellary through PREDs. It was observed that though an amount of Rs.1.20 crore (Rs.40 lakh per taluk) was released (December 2005) by State Government, Rs.40 lakh was not released by ZP, Bellary to Huvina Hadagali taluk as the ZP failed to upload the sanction order on computer. In the other two taluks, 10-11 structures were taken up at an expenditure of Rs.76.44 lakh.

Scrutiny of records in other two taluks (Sandur and Siruguppa) revealed that the guidelines were subverted as detailed below:

- The divisions did not obtain the required maps and details from Karnataka Remote Sensing Agency and were also not in possession of details of irrigation and drinking water wells in the downstream and on either side of the valley which would get recharged as a result of the project implementation.
- The envisaged low cost technology was not adopted in any of the structures and estimates were prepared in a routine manner.

In the absence of required data/information, the viability of the structures constructed at a cost of Rs.76.44 lakh could not be ensured in audit.

2.3.14 **Delay in completion of works**

2.3.14.1 *Water supply works*

Abnormal delay in completion of six water supply schemes rendered the expenditure of Rs.12.07 crore unfruitful besides cost escalation

Scrutiny of records of the EE, PRED, Bellary revealed that six water supply works approved/taken up under Submission Projects and ‘Swajaldhara’ scheme remained incomplete (December 2008) for periods ranging from 19 to 64 months after the scheduled date of completion. An expenditure of Rs.12.07 crore was incurred on these incomplete water supply projects as detailed in **Appendix 2.5**. Abnormal delay in completion of these water supply schemes rendered the expenditure unfruitful besides cost escalation of Rs.3.73 crore in respect of three works under Submission Projects. The EE, PRED attributed non-completion of works to the objection raised by the land

⁴³ Huvina Hadagali, Sandur and Siruguppa

owners and abandonment of works by contractors. Reply of the EE, PRED is not tenable in view of the fact that it was the primary responsibility of the EE to ensure availability of land before execution of the works. It could be observed from the details of the works under 'Swajaldhara', that the stipulated period of completion which was only 3 to 4 months was unreasonably short as compared to the period allotted to other similar works. In reply, the EE stated that this was done as per the directions of the CEO, ZP, which ultimately led to abandonment of work half way by the contractors and re-tendering of works.

2.3.14.2 Buildings

Failure of the CEO, ZP to ensure adequate funds prior to taking up the work resulted in wasteful expenditure of Rs.36.99 lakh

(i) The CEO, ZP, Bellary proposed (November 2003) the work of construction of Rural Development Residential Training Centre at Bellary at an estimated cost of Rs.1.55 crore utilising the grants from XI Finance Commission, MP/MLA/MLC grants and HKDB funds. The work was entrusted (November 2003) to KLAC with a stipulation to complete the work by July 2006. Audit scrutiny revealed that though the ZP initially released (November 2003) an amount of Rs.35.50 lakh under XI Finance Commission Grants to KLAC, there was no further release from the envisaged sources. The KLAC stopped (March 2006) the work after incurring an expenditure of Rs.36.99 lakh on the building.

The building remained incomplete even after a lapse of 29 months of scheduled completion rendering the expenditure wasteful as KLAC did not continue the work due to escalation of rates. Thus, failure of the CEO, ZP to ensure funds prior to commencement/entrustment resulted in wasteful expenditure of Rs.36.99 lakh.

Failure to ensure title of the land and construction of community assets in private lands rendered the expenditure of Rs.15.91 lakh wasteful

(ii) During 2001-04, the EE, PRED, Huvina Hadagali took up construction of three samudaya bhavans, a block of residential quarters for doctors and a bus shelter at an estimated cost of Rs.27.50 lakh under HKDB and MP grants. The scrutiny of records revealed that prior to commencement, the division did not ensure the title of the land and executed the works on lands belonging to private parties. As of September 2006, the division incurred an expenditure of Rs.15.91 lakh on these works which remained abandoned, rendering the entire expenditure wasteful. The EE, PRED, Huvina Hadagali stated (October 2008) that there is likelihood of taking up the balance work after the title and ownership of land is settled.

2.3.14.3 Road works

(i) Two road works taken up (January 2005 and April 2006) by EE, PRED, Bellary under NABARD assisted RIDF scheme at an estimated cost of Rs.40 lakh remained incomplete in spite of incurring an expenditure of Rs.25.55 lakh as below.

Name of the work	Estimated cost	Expenditure incurred	Work order given on	Scheduled date of completion
	(Rupees in lakh)			
Improvements to road from Mustagatta to Kydagihal in Bellary taluk	28.00	19.73	24-1-2005	24-7-2005
Improvements to road from Adoni-Siruguppa road to Agasanur	12.00	5.82	30-4-2006	30-10-2006

EE attributed (August 2008) non-release of funds from ZP for non-completion of work and further stated that the delay would result in deterioration of items of road work already completed. The failure of the ZP to provide adequate funds in time for the approved works rendered the expenditure of Rs.25.55 lakh unfruitful.

(ii) Similarly, the work of laying road from Ujjini to Ramapura taken up by PRED, Huvina Hadagali during March 2005 at an estimated cost of Rs.20 lakh also remained incomplete due to the death of contractor, after incurring an expenditure of Rs.7.77 lakh. The EE prepared a revised estimate for Rs.12.04 lakh for the balance works and obtained (December 2006) the approval of the CE. On re-tendering (September 2007), the lowest bidder quoted Rs.18.94 lakh for the work. Instead of requesting for additional funds, the EE arbitrarily proposed (March 2008) to the CEO and the ZP for closure of the work on 'as-is-where-is' basis, quoting inability to complete the work within the allotted funds. Further developments in the matter were awaited (March 2008). Thus, the arbitrary decision of the EE, PRED, Huvina Hadagali to discontinue the work rendered the expenditure of Rs.7.77 lakh unfruitful besides depriving connectivity to the villages.

2.3.14.4 Lift irrigation scheme

Delay in completion of a lift irrigation scheme resulted in unfruitful expenditure of Rs.7.75 lakh besides cost escalation of Rs.17.56 lakh

The State Government approved (April 2002) a lift irrigation scheme under Ganga Kalyan Yojana to Udegolam and Tekkalakote villages in Siruguppa taluk at an estimated cost of Rs.27.59 lakh and released an amount of Rs.18.34 lakh. The CE, PRE Department accorded technical sanction (November 2002) and entrusted the work to a contractor for Rs.28.61 lakh. The work was to be completed by November 2003. The contractor stopped (March 2004) the work after showing a financial progress of Rs.7.75 lakh. Despite several notices, the contractor did not commence the work and

contract was rescinded (September 2005) by the CE at the risk and cost of the contractor.

The revised estimates for the balance works were, however, prepared and fresh tenders were invited by EE, PRED, Bellary only during December 2006, after a lapse of 15 months. The work was entrusted (July 2007) to another contractor at a cost of Rs.38.42 lakh stipulating six months for completion. The work which commenced in December 2007 was yet to be completed (March 2009). Thus, the failure of the EE, PRED in monitoring timely completion of the work coupled with delay in re-tendering resulted in extra cost of Rs.17.56 lakh besides denial of intended irrigational facilities to the rural population. The EE, PRED admitted (August 2008) that the recovery of the extra cost from the first contractor was doubtful.

2.3.15 Namma Bhoomi – Namma Thota Scheme

The State Government implemented (September 2005) 'Namma Bhoomi-Namma Thota' (Scheme) wherein it was proposed to distribute land⁴⁴ to landless rural labourers to improve their economic and social status in the society. The funds for the implementation of the Scheme were released by the ZP to TPs and in turn to GPs. The GPs were responsible for purchase of required land and selection of beneficiaries. Social Justice Standing Committee of ZPs were responsible for proper implementation/monitoring of the Scheme.

The implementation of the Scheme in the district suffered due to the following.

- The ZPs did not prepare the envisaged perspective plan for five years.
- As against the total release of Rs.2.31 crore to 41 GPs during 2005-07, an amount of Rs.1.19 crore had been utilised. Out of the balance of Rs.1.12 crore, an amount of Rs.0.97 crore was remitted back to Government account, which was in violation of instructions (February 2008) to remit back the entire unutilised funds. It was observed that 10 GPs did not utilise funds and refunded the entire amount of Rs.0.54 crore. The reason stated was non-availability of land at the rates prescribed by the State Government.
- The Scheme envisaged coverage of all the landless labourers over a period of five years (20 *per cent* annually). It was observed that though the district had 29,018 landless labourers as of December 2005, the target fixed during 2005-06 and 2006-07 was 2,673 and 2,482 respectively indicating inadequacy in implementation of the Scheme.

⁴⁴ Five guntas of dry land or 2.5 guntas of wet land

- It was noticed in six GPs that 1,897 guntas of land purchased for the implementation of the Scheme had not been distributed to the beneficiaries. Further, in two GPs, the land purchased was converted to layouts and sites in contravention to the Scheme guidelines resulting in inadmissible expenditure of Rs.1.74 lakh.
- The envisaged integration of schemes under various departments to assist in improving economic and social status of the targeted group was not achieved.
- Audit also noticed instances of incorrect reporting of facts. In five test-checked GPs under Huvina Hadagali taluk, even though no land was distributed to any of the beneficiaries, it was reported to State Government that 1,671 guntas of land had been distributed. Similarly, though the TP, Hospet, reported (March 2007) 670 guntas of land as having been distributed, subsequently retracted (March 2008) the statement as undistributed.
- Though the Committees at the level of GP and TP were to meet every month to monitor the progress of implementation, the number of meetings held in test-checked TPs and GPs ranged from two to four during 2005-08 indicating laxity in monitoring.
- Even though there were instances of distribution of sites instead of land to the rural poor, the ZP failed to supervise the implementation of the Scheme and merely consolidated and forwarded the progress report to State Government.
- As the Scheme failed to achieve the objective due to non-availability of land at the cost prescribed, the State Government had ordered (February 2008) to remit back the unutilised fund.

CEO, ZP stated (December 2008) that the distribution of land was under progress. It was further stated that conversion of land to sites was without the knowledge and approval of CEO, ZP and that a report in this regard had been called for.

CEO, ZP and Deputy Secretary while agreeing in Exit Conference (January 2009) to the shortcomings noticed by Audit, stated that the Scheme had come to a close.

2.3.16 Other points of interest

The work of improvement of road from Darur cross to Talur in Siruguppa taluk for a length of 4.20 km⁴⁵ was approved (September 2003) by Government of India, under PMGSY Phase-III at an estimated cost of Rs.53.40 lakh. The technical sanction was accorded (January 2004) by CE, PRE Department. The work was entrusted (June 2004) to a contractor at the tendered cost of Rs.53.31 lakh with a stipulation to complete the work within nine months.

The proposed road was an ayacut road⁴⁶ and according to the IRC specification, California Bearing Ratio (CBR) test should be conducted to assess the load bearing capacity of the road. Depending on the variation of soil type, the preliminary tests were to be conducted at different chainages⁴⁷ to arrive at the CBR value. No documentary evidence for conducting such tests was available with the EE, PRED, Bellary, but a CBR value of 3.85 was adopted while preparing the estimates.

The work was commenced during June 2004 and during execution, settlements were observed on the road surface which increased due to movement of heavy vehicles. Even after carrying out the necessary correction, the condition did not improve. On this being reported by the Assistant Executive Engineer supervising the work, the EE directed to get the CBR value rechecked evidencing uncertainty in adoption of accurate CBR value in preparation of the estimate. The CBR values were rechecked by two Agencies⁴⁸ and were found to be in the range of 0.95 to 2.42. As per the provisions of IRC, the maximum permissible variation in CBR value of sample soil tested had to be ± 1 . In the present case, however, the difference worked out to more than 1.43 and upto 2.90 which indicated incorrect adoption of CBR value at the time of preparing original estimate.

The work was dropped/abandoned from PMGSY-III package as per recommendation of State Government.

Thus, failure of the EE, PRED, Bellary to follow the prescribed procedure and adopt the correct CBR value for estimation led to sinking of road and stoppage of work rendering the expenditure of Rs.20.01 lakh wasteful besides depriving connectivity to rural habitations.

⁴⁵ km 4.80 to km 9.00 which was earthen road surface

⁴⁶ road in irrigable area

⁴⁷ one or two tests in each kilometre

⁴⁸ Vijayanagar Engineering College consultancy and State Technical Agency, Bangalore University

2.3.17 Conclusion

The performance review revealed that in ZP, Bellary, planning and budgeting were not in conformity with the provisions of KPR Act and the functioning of the DPC was ineffective. The internal control mechanism in financial management was weak as evidenced by drawal of money by PREDs/Departments on payees' receipt at the end of the financial year and keeping of funds outside Government account. ZP also failed to approve action plans and provide adequate funds to line departments though proposals were submitted. The internal audit to be conducted by the CAO was inadequate.

Despite incurring considerable amount on various schemes, the Education Department failed to achieve the objective of providing education to all the children as there was decline in enrolment/retention rate and increasing trend in drop out rate. While a number of posts of teachers remained vacant, teachers identified as excess were not re-deployed in time. There were large gaps in provision of minimum required infrastructure to school buildings/classrooms.

Non-provision of PHCs/CHCs in accordance with the norms prescribed resulted in denial of health care facilities to the needy rural poor. Even the existing hospitals suffered due to shortage of doctors/staff. The intended goals of the State Government such as ante-natal check-up, institutional deliveries, eradication of leprosy, *etc.*, were not reached. The Department did not accord priority to proper infrastructure, though large number of PHCs/CHCs required minor/major repairs.

The activities undertaken by the Social Forestry Division was negligible compared to the expenditure incurred on the establishment. Large number of seedlings/plantations raised incurring huge expenditure were not maintained, rendering the survival doubtful.

No effective measures were taken by PREDs to complete the works on schedule to facilitate the envisaged objectives in reaching the targeted population. Further, several water supply works and building works were not completed as funds were not provided leading to expenditure on these works becoming unfruitful.

2.3.18 Recommendations

- ✓ The preparation of budget and the ADDP should be in accordance with the provision of KPR Act and functioning of DPC should be effective.
- ✓ Irregular drawal of funds in advance and depositing outside Government account should be avoided.
- ✓ ZP should ensure timely approval of action plans of line departments and provide adequate funds.
- ✓ Provision of basic infrastructure to schools/PHCs/CHCs needs to be ensured for economic and social upliftment of society.
- ✓ Health care should be improved by posting adequate specialists/ doctors.
- ✓ Rural water supply schemes should be properly planned and implemented, as envisaged, curtailing delay and cost escalation.
- ✓ Internal control mechanism needs to be strengthened.

SECTION 'B' – PARAGRAPHS

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.4 Avoidable payment of rent

Failure of Executive Engineer, Panchayat Raj Engineering Division, Udupi to release adequate funds in time for construction of Zilla Panchayat office building at Udupi, led to delay in completion of work and consequent avoidable payment of rent of Rs.30.72 lakh

In order to bring various departments under the jurisdiction of Zilla Panchayat (ZP) functioning in different places under one roof, Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Udupi prepared (February 2003) a line estimate for the construction of a composite ZP office building costing Rs.5.70 crore. The State Government, however, accorded (January 2004) administrative approval for construction of basement and ground floor of the building at an estimated cost of Rs.99.75 lakh. While according the administrative approval, it was stated that the available budgetary savings of Rs.51.22 lakh under building construction would also be utilised for construction of the building. The estimate was technically sanctioned (June 2004) by the Chief Engineer (CE), Panchayat Raj Engineering (PRE) Department, Bangalore. The work was entrusted to a contractor at the negotiated cost of Rs.98.73 lakh. An agreement was entered into (October 2004) and site handed over to the contractor stipulating completion by October 2005.

The work was commenced in October 2004. The Commissioner, Revenue Department, during inspection of works (November 2004) in Udupi, orally instructed the PRED to suspend the work and to obtain modified structural designs from Karnataka Housing Board (KHB). Accordingly, the contractor was instructed to stop the work (November 2004). Subsequently, the designs/estimates made available by the KHB (January 2005) could not be considered for want of funds and inclusion of additional quantities for certain items of work. The work was finally resumed as per the original design in July 2005 and the civil works were completed in June 2008 at a cost of Rs.1.06 crore.

The scrutiny of records revealed that though the ZP exhibited to have a budgetary savings of Rs.51.22 lakh, it did not release sufficient funds in time for the construction of the building leading to delayed completion. The ZP released (March 2005 to July 2008) an amount of Rs.1.13 crore to PRED,

Udupi in a staggered manner. It was also noticed that these releases included a sum of Rs.20 lakh irregularly diverted by the ZP, out of funds allocated to Health and Family Welfare Department. Meanwhile, the ZP incurred an expenditure of Rs.30.72 lakh towards rent for office building for the period from November 2005 to June 2008.

The ZP occupied (June 2008) the new building after completion of civil works without electrification. Fresh tenders were called for (June 2008) electrical works and completed at an expenditure of Rs.8.09 lakh, through another contractor. Thus, a total expenditure of Rs.1.14 crore was incurred on the building, the completion of which was prolonged for 32 months beyond the scheduled date of completion.

The State Government endorsed (July 2008) the reply of the EE, PRED, Udupi attributing the delay in completion to paucity of funds and consequent non-payment of bills of contractor. No reasons were furnished by the ZP for its failure to release funds despite claiming in administrative approval that the budgetary savings would be utilised towards construction of the office building. Non-release of adequate funds, in time, by the ZP led to avoidable additional liability of Rs.30.72 lakh towards rent.

2.5 Delay in completion of a water supply scheme

Failure of Executive Engineer, Panchayat Raj Engineering Division, Chikkodi to prioritise water supply work components during execution resulted in non-commissioning of a water supply scheme for over four years rendering expenditure of Rs.2.37 crore unfruitful

The Empowered Committee for Rural Water Supply of the State Government approved (May 2002) a water supply scheme to Diggewadi and four villages⁴⁹ of Raibag taluk, Belgaum district under community based Submission programme with River Krishna as the source. The objective of the Submission programme was to control brackishness and provide improved and sustainable drinking water to the rural population. The State Government accorded administrative approval (June 2003) for the scheme for an estimated cost of Rs.2.91 crore with a condition to remit the community contribution of Rs.14.54 lakh already collected for the programme to Zilla Panchayat (ZP) funds. The Chief Engineer (CE), Panchayat Raj Engineering (PRE) Department, Bangalore accorded technical sanction (July 2003) to the estimate of Rs.2.78 crore based on 2002-03 Schedule of Rates. The work was entrusted to a contractor (August 2003) at a negotiated cost of Rs.2.73 crore with a stipulation to complete the work by November 2004.

⁴⁹ Biradi, Jalalpur, Kachakarwadi and Yadrav

The State Government directed (February 2002) that while executing water supply scheme with river, canal or lake as the source, head works *viz.*, intake well, jack well, *etc.*, should be undertaken before other items of works *viz.*, raising main, distribution lines, *etc.*

Scrutiny of records revealed that the contractor executed raw water and pure water raising mains, over head tanks, intermediate sumps, *etc.*, without considerable progress in head works (May 2005). The progress of work was tardy since May 2005 and even as of August 2008, the construction of pump house and erection of pumping machinery remained incomplete after incurring an expenditure of Rs.2.37 crore.

Based on the instruction of CE, PRE Department, Bangalore to rescind the contract due to abnormal delay in completion of the scheme, the Superintending Engineer directed (August 2008) the Executive Engineer (EE), PRE Division (PRED), Chikodi, Belgaum district to furnish proposals for rescinding the contract. The EE while stating that the contract was not rescinded due to involvement of additional expenditure and time, attributed (August 2008) the delay to heavy rains in the catchment area during 2005-06 and 2006-07 leading to release of excess water from Koyna Dam inundating the head works area. It was reported by EE (December 2008) that the balance works were under progress by the same contractor. Had EE scrupulously followed the circular instructions issued by State Government, the works relating to head works would have been completed before inundation of the area thereby ensuring timely completion of the scheme.

Audit further observed the following:

- The contractor had procured pumping machineries worth Rs.13.34 lakh (February 2004) with a warranty period of one year which were yet to be erected even after four years (August 2008).
- EE, PRED, Chikodi sought permission from the concerned authority to draw water from river only in September 2008 at the instance of audit.
- Electrification of the scheme for which a sum of Rs.49 lakh was released to Grama Panchayat (GP) only in March 2008.
- The community contribution of Rs.14.54 lakh collected was withdrawn (August 2003) from the bank by the then GP Secretary and President without remitting to the ZP fund. The Chief Accounts Officer, ZP, Belgaum had furnished a report (December 2008) establishing misappropriation.

Thus, the failure of EE, PRED, Chikkodi in not prioritising the work components resulted in non-commissioning of the scheme rendering expenditure of Rs.2.37 crore unfruitful, besides denial of safe drinking water to five villages.

The matter was referred to State Government in April 2007; reply had not been received (March 2009).

2.6 Cost and time over run on construction of a bridge

Failure of Executive Engineer, Panchayat Raj Engineering Division, Chikmagalur to invoke contractual clause resulted in cost escalation of Rs.14.95 lakh. Besides, the objective of providing connectivity to villages was delayed by more than five years

In order to provide connectivity to villages from Neradi and Tiruguna, the work of construction of a bridge across Beeranji halla in Baskal village, Chikmagalur taluk at an estimated cost of Rs. 20 lakh (SR 1999-2000), was administratively approved by the Chief Executive Officer (CEO), Zilla Panchayat (ZP), Chikmagalur and technically sanctioned (December 1999) by the Superintending Engineer (SE), Public Works Department, Hassan Circle, Hassan. The estimated work of Rs.15.43 lakh was entrusted to a contractor (September 2000) at the tendered cost of Rs.14.98 lakh with a stipulation to complete the work by May 2003.

After commencement of work (November 2000), it was noted (March 2001) by SE, Panchayat Raj Engineering (PRE) Circle, Mangalore that as per Strength Bearing Capacity (SBC) of the soil, there was necessity to change the foundation design to RCC raft with curtain walls on both upstream and downstream. The contractor had requested (March 2001) for the revised design and drawings for execution of the foundation work accordingly. While approving the additional work (May 2001), the Chief Engineer (CE), PRE Department, Bangalore instructed to provide working drawings to the contractor due to change in design. The extra work estimated at Rs.4.98 lakh was approved (March 2002) by the CEO, ZP, Chikmagalur a year after SE's inspection.

Instead of entrusting the additional work to the contractor by invoking relevant clauses of the contract, the work was taken up departmentally (August 2003) and completed (April 2004) after a delay of two years of its approval. Since the estimated amount was found sufficient only for execution of RCC raft, an additional estimate of Rs.4.99 lakh was provided for the balance work of curtain wall for which no tenders were received (July 2006).

CE, PRE Department, Bangalore while scrutinizing the progress of works of Chikmagalur taluk (August 2007), suggested to explore the possibility of entrusting the balance work to the original contractor at the prevailing SR rates. Accordingly, negotiations were held with the contractor and a revised estimate of Rs.31 lakh was prepared and the balance work of Rs.30.83 lakh was entrusted to the contractor (January 2008) at the tendered rate of Rs.29.93 lakh with a stipulation to complete the work by January 2009. The contractor had completed the work and a payment of Rs.24 lakh was made pending final settlement (January 2009).

Thus, failure of EE, PRED, Chikmagalur to invoke contractual clause of the agreement to entrust additional work, laxity in work execution coupled with delay in entrustment of balance work resulted in cost escalation of Rs.14.95 lakh⁵⁰ besides denial of shortest connectivity to villages for more than five years.

The State Government endorsed (January 2009) the reply of CEO, ZP, Chikmagalur which stated that the contractor had completed the work and further stated that due to loose soil, the foundation design had to be revised. However, the reply did not explain the reason for not invoking the contractual clause which led to time and cost over run.

2.7 Short collection of e-tender fees

Failure of Executive Engineers of Panchayat Raj Engineering Divisions to collect prescribed e-tender fees from the registered contractors for the works put to tender resulted in loss of revenue of Rs. 3.33 crore

In order to minimise the tender processing time and to ensure competition and transparency in the tendering system, the State Government accorded (November 2005) sanction to all Panchayat Raj Institutions (PRIs) to carry out the tendering process for civil works with an estimated cost of Rupees five lakh and above through e-tendering process. A memorandum of understanding was entered into (November 2005) between the Chief Engineer (CE), Panchayat Raj Engineering (PRE) Department, Bangalore and Karnataka Electronics Development Corporation Limited (KEONICS).

The Executive Engineers (EEs) of Panchayat Raj Engineering Divisions (PREs) were the tendering authorities for civil works approved in the action plans of various schemes implemented by the PRIs. The State Government entrusted EEs, PREs to collect 0.5 *per cent* of the estimated cost of work put to tender towards tender fee from each tenderer, of which 0.25 *per cent* subject

⁵⁰ Rs.34.91 lakh – Rs.19.96 lakh

to a maximum cap of Rs.8,000 was payable to KEONICS towards tender processing fees and the rest utilised for administrative expenses.

Scrutiny of records and further information collected from seven PREDS revealed that the EEs of these PREDS did not collect the prescribed tender fees from the tenderers in respect of works put to tender during the period January 2006 to March 2008 resulting in loss of revenue of Rs.3.33 crore to the PRIs as given below:

(Rupees in lakh)

Sl. No.	Panchayat Raj Engineering Divisions	Estimated cost of works	Tender fee to be collected	Tender fee collected	Short collection
1	Huvina Hadagali	530.58	6.10	1.95	4.15
2	Ramanagara	3,045.96	39.18	22.76	16.42
3	Uttara Kannada	1,503.24	32.08	14.03	18.05
4	Bagalkot	13,720.59	224.88	38.22	186.66
5	Raichur	1,801.84	124.18	47.25	76.93
6	Chikmagalur	1,871.81	12.47	4.17	8.30
7	Chitradurga	3,294.98	37.76	15.06	22.70
	TOTAL	25,769.00	476.65	143.44	333.21

The State Government endorsed (October 2008) the reply of the EE, PRED, Karwar who stated that the CE, PRE Department, Bangalore had instructed the EEs to reduce the amount charged for tender forms. Audit sought clarification (November 2008) with regard to changes effected, if any, on the collection of tender fee from the State Government. It was replied (December 2008) that the prescribed tender fee continued to remain at the same rate and the services of KEONICS had been extended for a further period of three years with effect from November 2008. Hence the action of EEs in not collecting the prescribed tender fees was without sanction of State Government which resulted in revenue loss of Rs.3.33 crore.

2.8 Avoidable extra liability on road works

Failure of Executive Engineer, Panchayat Raj Engineering Division, Chamarajanagar to follow prescribed tendering procedure led to extra liability of Rs.43.81 lakh besides accepting fake bank deposit receipts for Rs.3.60 lakh

The Empowered Committee for Pradhan Mantri Gram Sadak Yojana (PMGSY), Government of India approved (August 2005) the project proposal for execution of two road works⁵¹ under the jurisdiction of Zilla Panchayat (ZP), Chamarajanagar. The State Government accorded administrative

⁵¹ From Hosapura to T-12 under package number KN-08-09 and Chikmole to T-08 under package number KN-08-10A

approval for the works in September 2005. The estimates were technically sanctioned (December 2005 and February 2006) by the Chief Operating Officer, Karnataka Rural Road Development Authority (KRRDA), Bangalore for Rs.121.75 lakh and Rs.57.65 lakh respectively. Accordingly, the tender notifications were issued (December 2006) by the Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Chamarajanagar. The details of location, length, amount put to tender, negotiated cost, *etc.*, of works were as shown in the table below.

Proposed connectivity	Name of the taluk	Length (in kilometers)	Estimated cost	Amount put to tender	Negotiated cost	Work entrusted on	Scheduled date of completion
Hosapura to T-12	Gundlupet	7.98	121.75	117.11	179.15	June 2007	March 2008
Chikmole to T-08	Chamarajanagar	3.06	57.65	56.24	82.34	June 2007	March 2008

Both the works were entrusted to a single contractor at negotiated rates and agreement entered into (June 2007) with a stipulation to complete the work within nine months. An amount of Rs.14 lakh was paid (June 2007) to the contractor as mobilisation advance. The contractor, however, did not commence the work nor responded to the notices issued by the EE.

Audit scrutiny of the records relating to these two road works revealed that the EE, PRED, Chamarajanagar entrusted the works without adhering to the conditions prescribed in the tender documents as follows:

- According to tender notification, only Class-I contractors were eligible for participating in the bidding. Verification by Audit, however, disclosed that the work was awarded to a Class-II contractor.
- The earnest money deposit (EMD) for Rs.3.60 lakh furnished in the form of bank deposit receipt by the contractor was found to be fake.
- Mobilisation advance of Rs.14 lakh was paid by the EE to the contractor without obtaining the bank guarantee, in disregard of the stipulations of Standard Bidding Document for PMGSY and instructions issued (August 1981) by Finance Department.
- EE did not obtain the required performance security from the contractor at the stipulated rate of 5 *per cent* of the cost of the works.
- The prescribed certificate from the chartered accountant of the contractor showing the financial status and turnover of the contractor in the past five years was not on record.

- No documentary evidence was available on record in justification of contractor's eligibility to execute works under PMGSY (as stipulated in the Standard Bidding Document).

The agreements were rescinded (March 2008) and on re-tendering, the work was entrusted (May 2008) to two different bidders at their agreed rates of Rs.2.10 crore and Rs.95.30 lakh respectively. The extra liability on re-tendering worked out to Rs.30.85 lakh and Rs.12.96 lakh respectively. As of January 2009, the works were still in progress.

Thus, the failure of the EE, PRED, Chamarajanagar to follow prescribed tendering procedure coupled with non-compliance with clauses of Standard Bidding Document for PMGSY facilitated the contractor in procuring the works on production of fake bank deposit receipts of Rs.3.60 lakh besides defrauding the exchequer of a sum of Rs.14 lakh. It also resulted in extra liability of Rs.43.81 lakh as the works were subsequently entrusted to other contractors at higher rates. The matter calls for detailed investigation.

The matter was referred to State Government in January 2009; reply awaited (March 2009).

It was also observed during scrutiny of records of EE, PRED, Mysore that the same contractor was awarded (January 2007) a work relating to provision of drinking water supply scheme to Talakadu Grama Panchayat at a tendered cost of Rs.2.29 crore with the stipulation to complete the work by October 2007. The work was awarded to the contractor who was Class-II contrary to the stipulations of tender notification for a Class-I contractor. The contractor abandoned the work (December 2007) after showing a financial progress of Rs.11.96 lakh. The work was retendered (October 2008) and was yet to be awarded (March 2009).

As in the previous case, the EMD for Rs.5.50 lakh furnished by the contractor in the form of bank deposit receipt was also found to be fake on verification by Audit.

2.9 Unfruitful expenditure on a water supply scheme

Failure of Zilla Panchayat, Bellary in assessing the condition of the raw water raising main prior to entrustment of work coupled with delays by Executive Engineer/Chief Engineer in obtaining approval from State Government and entrustment of work after re-tendering led to unfruitful expenditure of Rs.92.80 lakh besides cost escalation of Rs.4.95 crore

With a view to provide safe drinking water to fluoride affected Mariyammana halli (MM Halli) and seven other villages, the Chief Executive Officer (CEO), Zilla Panchayat (ZP), Bellary accorded (December 2003) administrative approval for a community based water supply scheme under Sector Reform Programme for an estimated cost of Rs.2.99 crore [estimate prepared by Karnataka Land Army Corporation (KLAC)].

The main work components of the scheme *inter alia* included repairs to the existing raw water raising main, construction of water treatment plant, overhead tanks, distribution pipe lines, pump house and pumping machineries, etc. The ZP, Bellary entrusted (December 2003) the work to KLAC without entering into any agreement, but instructed to obtain technical sanction from the competent authority. The work was scheduled for completion by June 2004. The KLAC commenced (December 2003) the work without obtaining the technical sanction, as required. The Grama Panchayat (GP), MM Halli released Rs.74 lakh (December 2003) including community contribution of Rs.24 lakh to KLAC. A sum of Rs.25 lakh was further released (August 2005) by GP, MM Halli to KLAC.

During execution (July 2005) the KLAC noticed that major portion (almost 80 per cent) of the existing raw water raising main was corroded and needed replacement in full. A separate proposal for the replacement of raw water raising main at a cost of Rs.2.63 crore was approved by State Government (March 2006) and the stipulated date of completion was extended upto October 2006. As the progress of work was tardy, the work was withdrawn (December 2006) from KLAC and entrusted to the Panchayat Raj Engineering (PRE) Sub-Division, Hospet. The KLAC handed over the work (February 2007) to Sub-Division after completing civil works of pump house, water treatment plant, overhead tanks and distribution lines up to MM Halli incurring a total expenditure of Rs.92.80 lakh. Though the estimated cost of the scheme was revised (including new raw water raising main) to Rs.5.61 crore in March 2006, it was submitted by Chief Engineer (CE), PRE Department to State Government for approval in June 2007, after a delay of more than nine months.

In the meantime, Executive Engineer (EE), PRE Division, Bellary invited (February 2007) short term tender for the remaining works of Rs.4.21 crore. The work could not be awarded to the sole tenderer as EE/CE failed to decide awarding of contract within the validity period (January 2008) of the tender. Reasons for the delay were not forthcoming from the records. The estimated cost of the work was further revised (June 2008) to Rs.7.94 crore due to escalation in cost of pipes.

Thus, the failure of ZP, Bellary in assessing the condition of the existing raw water raising main prior to entrustment of work coupled with delays by EE/CE in obtaining approval from State Government and entrustment of work after re-tendering led to unfruitful expenditure of Rs.92.80 lakh, besides cost escalation of Rs.4.95 crore⁵² (more than 265 per cent of the original estimate). This had also resulted in depriving the envisaged safe drinking water to the rural population even after five years.

The matter was referred to State Government (October 2008), reply awaited (March 2009).

2.10 Unfruitful expenditure on construction of a bridge

Failure of Executive Engineer, Panchayat Raj Engineering Division, Belgaum to conduct detailed survey before original estimate and to take possession of the land before commencement of work of the bridge rendered expenditure of Rs 25.40 lakh unfruitful

The work of construction of a bridge across Malaprabha river at Kanjale village in Khanapur taluk, Belgaum district was administratively approved by State Government in September 2004. The Chief Engineer (CE), Panchayat Raj Engineering (PRE) Department, Bangalore accorded technical sanction in November 2004 for an estimated cost of Rs.32 lakh (SR 2002-03). Tenders were called for and the work was entrusted (January 2005) to a contractor at the negotiated rate of Rs.30.30 lakh. The site was handed over to the contractor (February 2005) with a stipulation to complete the work within nine months excluding monsoon period.

The Superintending Engineer, PRE Circle, Belgaum on site inspection (February 2005) suggested shifting the site 50 meters upstream of the river due to technical reasons and accordingly the design and estimate was revised to Rs.34.80 lakh (SR 2002-03) which was approved (June 2005) by CE, PRE Department, Bangalore. Shifting of site of bridge necessitated acquisition of land for approach road. During execution, one of the land owners objected and approached the court of law (April 2005). The Court (January 2006)

⁵² Rs.7.94 crore – Rs.2.99 crore

restrained the Department from carrying out work in the suit property and directed to follow due procedure for acquisition of land. The land compensation award was passed only in January 2008. As of March 2009, the work of laying a deck slab, providing side handrails and approach on one side of the bridge remained incomplete, incurring an expenditure of Rs. 25.40 lakh.

Audit scrutiny revealed that the original estimate had been prepared after site inspection (November 2004). However, the revised estimate was justified on the ground that while the original estimate was based on preliminary survey, the revision was based on detailed construction survey leading to shifting of location of bridge and revision of design necessitating acquisition of land. Also the Executive Engineer, PRE Division, Belgaum did not take possession of the land before commencement of work resulting in delay in execution. As a result of the above failures, expenditure of Rs 25.40 lakh remained unfruitful besides depriving connectivity to rural population for more than three years.

The State Government endorsed the reply (January 2009) of Chief Executive Officer, Zilla Panchayat, Belgaum stating that the delay in completion was due to abnormal rains at the site but did not explain as to why detailed survey was not conducted prior to commencement of work.

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

2.11 Injudicious implementation of a watershed project

Failure of Zilla Panchayat, Dharwad to ensure the jurisdictional status of the Unkal sub-watershed villages for implementation of Sujala Watershed project defeated the purpose of the project after incurring an expenditure of Rs. 66.80 lakh

In order to enhance sustainable agricultural growth with better management of land and water resources, Unkal sub-watershed comprising six micro watersheds under Zilla Panchayat (ZP) Dharwad was considered by State Government for implementation of Sujala Watershed Project (Project) with World Bank assistance under phase-III at an estimated cost of Rs. 2.46 crore during 2003-04. The Project aimed at raising agriculture productivity, both through *in-situ* soil and moisture conservation and rain water harvesting to augment groundwater resource, forest cover, livestock and fodder management, income generating activities, *etc.*

The Chief Executive Officer (CEO), ZP, Dharwad was responsible for approval of sub-watershed development plans, routing of funds to the executing agency, review and monitoring of Project performance through ZP Standing Committee. The work was entrusted to India Development Service (IDS), Dharwad, a non-governmental organisation (NGO) during March 2004. Out of the targeted area of 2,790 Hectares (Ha) of land available for development, only 1,082.90 Ha was focused for treatment under the Project.

The District Project Coordinator (DPC), IDS, Dharwad achieved progress in treatment of 954.27 Ha of land (November 2006). It was observed that there was considerable reduction in treatable area for watershed due to farmers inclination to convert their agricultural land for non-agricultural purposes fetching competitive rates. Therefore, the DPC, expressed opinion (October 2006) to the Project Officer (PO) and District Watershed Development Officer (DWDO), Dharwad that there was limited scope for land-based activities in Unkal sub-watershed. PO and DWDO, Dharwad suggested (December 2006) to the Commissioner and Project Director, Bangalore for closure of the Project with provision for withdrawal strategy. Accordingly, the Project was closed (February 2007) after incurring an expenditure of Rs.66.80 lakh as of November 2008.

Scrutiny revealed that the six villages wherein the Project was implemented were notified areas (October 1995) under the jurisdiction of Hubli-Dharwad Municipal Corporation (HDMC). Hence, implementation of the Project by ZP, Dharwad in peri-urban areas where agriculture was not a need-based occupation and expenditure of Rs.66.80 lakh were injudicious.

The matter was referred to State Government (August 2008) and the Commissioner and Project Director, Sujala Watershed Project, Bangalore replied (August 2008) that the Unkal sub-watershed Project was conceived during 2001-02 and there was no proposal then for conversion of treatable land for non-agriculture purposes. The reply is not tenable as State Government had included these villages in HDMC in 1995 itself.

**RURAL DEVELOPMENT AND PANCHAYAT RAJ
DEPARTMENT
AND
HEALTH AND FAMILY WELFARE DEPARTMENT**

2.12 Laxity in construction of a primary health centre

Failure of Zilla Panchayat, Dharwad to consider the request of public and its vacillation in entrusting the work resulted in delay in completion of a primary health centre building rendering the expenditure of Rs.13 lakh unfruitful besides denial of envisaged health care facilities to rural poor

In order to provide health facilities to the rural poor, State Government sanctioned (September 1998) 75 Primary Health Centres (PHCs) to villages under various Zilla Panchayats (ZPs) with a stipulation that priority should be accorded to villages which made available a minimum of two acres of land. The list included a PHC for Yeraguppi village in Kundagol taluk under ZP, Dharwad. On the request of the Grama Panchayat (GP) (March 2002), Deputy Commissioner, Dharwad allotted (September 2003) two acres of Government land near the village tank. An amount of Rs.15.62 lakh was provided in 2003-04 to the Panchayat Raj Engineering Division (PRED), Dharwad for taking up the work.

Scrutiny of records revealed that the villagers of Yeraguppi had represented (December 2003) against the construction of hospital building on the said site apprehending pollution through hospital waste to tank water which was being used for drinking purpose. In spite of the objection, the ZP decided (January 2004) to entrust the work to Karnataka Land Army Corporation (KLAC) for speedy completion and accorded (March 2004) administrative approval. KLAC technically sanctioned (March 2004) the work for Rs.29.98 lakh and took possession of the site in January 2005 with target date of completion of work as March 2006. The work was stopped in April 2005 after an expenditure of Rs.0.65 lakh, as Yeraguppi GP passed a resolution not to construct the building in the site near the tank. A stay order in this regard was also obtained by villagers (April 2005) from the Civil Judge (Junior Division) and Judicial Magistrate First Class Court, Kundgol.

The work was shifted (October 2005) to a new site received as donation by the Health Department. The work was again stopped (February 2006) as there was an objection from another section of public for construction. The State Government finally decided (May 2006) to continue construction at the new site. The site was handed over to KLAC (July 2006) and construction resumed. It was noticed in audit that even though there was no progress in the

construction, the ZP released Rs.24.35 lakh during 2004-06, which was irregularly diverted by KLAC for the works of Hubli-Dharwad Municipal Corporation. A sum of Rs.13 lakh was further released (October 2006) out of interest bearing loan from NABARD under Rural Infrastructure Development Fund – XI Scheme. As of March 2007, KLAC had incurred expenditure of Rs.13 lakh on the building with a physical progress up to plinth level. Meanwhile, the ZP decided (May 2007) to withdraw the work from KLAC and entrust the same to PRED, Dharwad. Though KLAC handed over (August 2007) the site to PRED, the unspent amount of Rs.24.35 lakh was returned only during April 2008. Due to efflux of time, the estimated cost of the work was escalated to Rs.38 lakh.

Thus, failure of ZP, Dharwad to consider the request of public and its vacillation in entrusting the work between the construction agencies resulted in the building remaining incomplete after incurring an expenditure of Rs.13 lakh besides denial of envisaged health care facilities to rural poor even after 10 years of sanctioning the PHC.

The State Government endorsed the reply of Executive Engineer, PRED, Dharwad (October 2008) stating that the tendering was in progress and the building would be completed and handed over to the user department. It was, however, noticed that the PRED entrusted the balance work to another contractor at the agreed cost of Rs. 48 lakh only during February 2009 with a stipulation to complete the work by November 2009.

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

2.13 Wasteful expenditure due to abandonment of a hostel building

Failure of Executive Engineer, Panchayat Raj Engineering Division, Koppal in preparing estimate for construction of a hostel building considering the site condition led to wasteful expenditure of Rs.19.98 lakh.

State Government accorded (March 1996) administrative approval for construction of pre-matric girls hostel building at Alwandi in Koppal taluk (then under the jurisdiction of Zilla Panchayat (ZP), Raichur) for an estimate of Rs.19.98 lakh. Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Koppal prepared the estimates for the building which was technically sanctioned (November 1995) by the Superintending Engineer,

PWD Circle, Bellary. The land for construction was identified by the Department of Backward Classes and Minorities (BCM) and handed over to PRED. The work commenced in August 1996 and civil works were completed during December 1999. However, the building was handed over to the user department and made functional only during February 2001 on completion of water supply and electrical works at a total expenditure of Rs.19.98 lakh.

During October 2003, the Department of BCM reported to the EE, PRED, Koppal that the building had developed cracks in walls and was found unsafe to house the students. The EE, PRED, Koppal who inspected (May 2004) the building, opined that the damage to the building was due to foundation problems. On the instruction of the EE (June 2004), M/s. Torsteel Research Foundation of India (TRFI), an independent agency, was requested to investigate the reason for damage to the building. The TRFI reported (September 2004) that the building was situated adjacent to a stream and the area around the building was prone to inundation and stagnation of water during rains leading to swelling and shrinkage of expansive soil over which the building was constructed. The TRFI further reported that absence of storm water drainage and plinth protection had aggravated the distress caused to the building which could not be totally eliminated or prevented through restoration measures. Evidently, the estimate prepared by EE, PRED, Koppal was without considering the soil condition, other essential protective measures, *etc.*, which was defective.

The building was abandoned in June 2007 and the inmates of the hostel were shifted to a rented building incurring additional liability of Rs.1.07 lakh towards rent as of March 2009⁵³. The District Officer, BCM, Koppal stated (July 2008) that a new building was being constructed, adjacent to the abandoned hostel building to house the inmates.

The State Government endorsed (January 2009) the reply of EE, PRED, Koppal that the building was constructed on a land having black cotton soil and heavy rainfall during September 2001 which breached a nearby tank causing stagnation of water around the building for long. Consequently, cracks developed due to swelling of load bearing foundation which was beyond control.

⁵³ @ Rs.5,100/- per month from June 2007

The reply is not acceptable for the following reasons:

- ☞ PRED was aware of the fact that the site was located in black cotton soil and adjacent to a stream; accordingly the estimate/design was required to be prepared with adequate provisions.
- ☞ In spite of release of Rs.1.10 lakh (April 2004) for repair works to EE, PRED, Koppal, action to drain out stagnated water was not taken up as seen from the records made available.
- ☞ The school and hospital buildings situated nearby were not affected due to heavy rains as reported by the Chief Executive Officer, ZP, Koppal.

Thus, failure of the EE, PRED, Koppal in preparing estimate considering the site condition rendered the expenditure of Rs.19.98 lakh wasteful.

2.14 Non-completion of an irrigation scheme

Failure of Executive Engineer, Panchayat Raj Engineering Division, Chamarajanagar to complete the work components of a lift irrigation scheme rendered expenditure of Rs.23.08 lakh unfruitful besides denial of irrigation facilities to the rehabilitated tribal population

In order to provide irrigation facilities to about 200 rehabilitated tribal families of Kaniyanapura village, Gundlupet taluk, Chamarajanagar a Lift Irrigation Scheme (LIS) was proposed (August 2000) by the Director, Tribal Welfare Department for irrigating 250 acres of land. The work included construction of pick up⁵⁴, intake well, approach channel, jack well, pump house, raising mains, delivery chamber and pumping units. Administrative approval for the work was accorded (December 2001) by the State Government and the estimate for Rs.54.60 lakh (SR 2002-03) prepared by the Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Chamarajanagar was technically sanctioned (November 2003) by the Chief Engineer (CE), Panchayat Raj Engineering (PRE) Department, Bangalore. The work was entrusted to a contractor (July 2004) at the negotiated cost of Rs.47.84 lakh with a stipulation to complete the work by July 2005.

The contractor after completing the pick up and apron at down stream abandoned the work (January 2006). A claim of Rs.23.08 lakh was admitted and paid during June 2006 by levying a nominal penalty of Rs.10/- per day for the delay in execution.

⁵⁴ a barrier constructed across a river/stream for storage of water

In July 2007, the land on one side of the pick up got eroded due to non-provision of protective works as opined by Superintending Engineer during his visit to the work spot (January 2005) and consequently no water could be stored on the up stream of the pick up, defeating the primary requirement for lift irrigation.



The balance work estimated at Rs.22.49 lakh (SR 2002-03) was revised to Rs.33.31 lakh (SR 2007-08) with a cost escalation of Rs.10.82 lakh. Approval for draft tender notification for the balance items of work was accorded by CE during June 2007. The work was entrusted (February 2008) to another contractor after a delay of two years of its abandonment by the first contractor, at a negotiated rate of Rs.32.20 lakh with a stipulation to complete the work by August 2008. As of September 2008, no bill was submitted by the contractor even after the expiry of stipulated date of completion.

Audit observed during a joint physical verification (October 2008) that the remaining works such as raising main, delivery chamber, feeder channel, pumping machinery *etc.*, were yet to be taken up. In reply to audit (October 2008), it was stated by the Assistant Executive Engineer, PRE Sub-Division, Gundlupet that 300 mm dia pipes proposed for raising main in the estimate was not available in the market and proposal to consider 450 mm dia pipes would be forwarded to CE along with additional estimate including protective works which were very essential.

The matter was referred to State Government in November 2008 and the State Government endorsed the reply (January 2009) of the Chief Executive Officer, ZP, Chamarajanagar wherein it was stated that the work was under progress and would be completed including the protective works. However, reasons for

delay of more than six months from due date for completion even by the second contractor were not explained (March 2009).

Thus, failure of Executive Engineer, PRED, Chamarajanagar to expedite completion of the work components of a lift irrigation scheme coupled with scouring of land on one side of the pick up rendered the expenditure of Rs.23.08 lakh unfruitful besides denial of irrigation facilities to the rehabilitated tribal population of Kaniyanapura for more than three years.

GENERAL

2.15 Follow-up action on Audit Reports

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

ATNs have, however, not been received by Audit for 29 paragraphs even as of March 2009. The department-wise position of pendency is furnished in the **Appendix 2.6**. The details of presentation of the Reports of the Comptroller and Auditor General of India (Panchayat Raj Institutions) to the State Legislature and ATNs due are given below:

Audit Report for the year ending	Month of presentation to the Legislature	Number of ATNs due
2006	July 2007	14
2007	July 2008	15

While the above Reports presented to the State Legislature featured audit comments noticed during the review of implementation of various schemes and serious irregularities like misappropriation of funds/stores, delay in completion of schemes/buildings leading to idle investments, unfruitful/irregular/infructuous expenditure *etc.*, the State Government had not communicated (March 2009) details of action taken to plug the loop holes in the system that led to these financial improprieties. The departments concerned need to be instructed to forward the ATNs on the

paragraphs/reviews featured in these Audit Reports to the Karnataka Legislature without undue delay.

2.16 Poor response to Inspection Reports

The Karnataka Zilla Panchayat (Finance and Accounts) Rules stipulate that Head of the Departments/Drawing and Disbursing Officers of the Zilla Panchayat (ZPs) shall attend promptly to the objections issued by the Accountant General. It is further stipulated that the ultimate responsibility for expeditious settlement of audit objections lies with Chief Executive Officer of ZPs. Despite Ad-hoc Committee meetings being held regularly, 3,933 Inspection Reports consisting of 15,131 paragraphs were outstanding in various ZPs, as of March 2008. During the year 2007-08, 3,731 paragraphs were cleared in 24 meetings held. Year-wise details of reports and paragraphs outstanding in respect of all the ZPs are detailed in **Appendix 2.7**. Out of the Inspection Reports outstanding, 2,545 (65 *per cent*) reports containing 7,440 (49 *per cent*) paragraphs were pending for more than five years, indicating that the action taken by the CEOs for settlement of objections was not adequate.

BANGALORE

The

- 3 JUL 2009



(USHA SANKAR)

Principal Accountant General
(Civil and Commercial Audit)

COUNTERSIGNED

NEW DELHI

The

6 JUL 2009



(VINOD RAI)

Comptroller and Auditor General of India

1005 JUL 2



APPENDICES

Appendix 1.1

Statement showing non-transfer of functions to PRIs (Reference : Paragraph 1.7.1.1 / Page 14)

Sl. No.	Subject	No. of Functions	Functions transferred			Functions not transferred		
			ZP	TP	GP	ZP	TP	GP
01	Agriculture including extension	48	15	19	14	-	-	-
02	Land Improvement, Soil Conservation	48	14	17	17	-	-	-
03	Minor Irrigation, Watershed	46	13	16	17	-	-	-
04	Animal Husbandry	38	05	10	08	05	05	05
05	Fisheries	40	15	13	12	-	-	-
06	Social Forestry	20	08	05	07	-	-	-
07	Minor Forest produce	22	03	02	01	08	03	05
08	Small Scale Industries	15	03	01	-	03	06	02
09	Khadi, Village & Cottage Industry	33	08	03	05	05	10	02
10	Rural Housing including IAY	10	01	02	07	-	-	-
11	Drinking water	15	05	03	07	-	-	-
12	Fuel and Fodder	12	02	01	09	-	-	-
13	Roads, Culverts, Bridges, etc.	32	13	11	08	-	-	-
14	Rural Electrification including distribution	10	03	01	04	-	01	01
15	Non-conventional Energy	13	04	05	04	-	-	-
16	Poverty alleviation programme	61	25	19	17	-	-	-
17	Education including Primary Education and Secondary School	16	05	05	06	-	-	-
18	Technical Training	11	06	04	-	-	-	01
19	Adult and Non-formal Education	10	05	02	03	-	-	-
20	Libraries	07	02	01	04	-	-	-
21	Cultural activities	10	05	02	02	01	-	-
22	Markets and fairs	11	04	05	01	-	-	01
23	Health and Sanitation	24	09	07	08	-	-	-
24	Family Welfare	28	15	07	06	-	-	-
25	Women & Child development	50	18	13	19	-	-	-
26	Social Welfare-including welfare of the handicapped and mentally retarded	96	41	48	05	-	-	02
TOTAL		726	247	222	191	22	25	19

Appendix 1.2

Functions envisaged in the Activity Map but not transferred to PRIs (Reference : Paragraph 1.7.1.1 / Page 14)

Sl.No.	Subject/Activity	Functions
ZILLA PANCHAYATS		
1.	Animal Husbandry Feeding & Fodder Dairy Development Poultry Development	Nutritive fodder, establishment of fodder banks. Assist cooperatives in the development of infrastructure for milk collection, transporting and processing. Infrastructure for poultry farming, production and supply of quality chicks to poultry farmers, allotment/leasing of community land for establishing poultry complexes.
2.	Minor Forest Produce Regeneration of species Training MFP collection Processing and Marketing	Planning Minor Forest Produce (MFP) plantations, encouraging cultivation of MFP in existing forests, encourage plantations of MFP such as gum, resin, oil seeds, etc., plantation of MFP in drought areas. Training of tapping of gums, resins, etc., and grading. Monitoring of MFP collection, timely payment of collection. Setting up of SSI units for value addition of MFP, fixing of supporting price, godowns for storage, market extension activities.
3.	Small Scale Industries Infrastructure Development Credit, financial assistance	Developing inter-linkages of institutions and organisations, establishment of small industrial estates, development of food processing complexes. Providing guidance about credit facilities and other financial incentives and coordination of credit support activities.
4.	Khadi, Village & Cottage Industries Training, skill development Infrastructure Development & Credit Financial support	Establishment of Training Centers for skill development Supply of raw materials, equipment and other inputs, setting up of retail showrooms. Credit plan preparation, supervision of credit flow and financial assistance. Providing guidance about credit facilities. Coordination of credit support activities.
5.	Cultural activities Promotion of cultural activities	Maintenance and supervision of Nehru Yuva Kendras.
TALUK PANCHAYATS		
1.	Animal Husbandry Dairy Development Poultry Development	Development and opening of new milk routes for milk collection, promotion of milk production, ensuring timely payment to milk producers. Supply of quality milch animals. Training of poultry farmers, supply of poultry feeds.
2.	Minor Forest produce Regeneration of MFP species Training Processing & Marketing charges	Establishment of nurseries for MFP species. Organising training at Taluk Panchayat level. Constitution of Joint Forest Management Committee with Forest Department, ensuring value addition to MFP.
Contd.....		

Sl.No.	Subject/Activity	Functions
3.	Khadi, Village and Cottage Industries Planning, Monitoring and Supervision Training, skill development and transfer of technology to beneficiaries Infrastructure development Credit and financial support Credit and financial assistance from State Government departments and agencies	Preparation of Plan for Khadi Village & Cottage Industries, other artisan activities. Selection of beneficiaries for Training and Skill development, arrange master craftspersons. Transfer and upgradation of technology. Supply of raw materials, equipment and other inputs to beneficiaries, coordination of infrastructure development plans, construction of workshops and market complexes, organising the cooperatives for production and marketing. Providing credit support, assisting in project plan formulation, arrangement of subsidy and financial support, monitoring of progress. Assist in providing financial assistance.
4.	Small Scale Industries Industrial Resource Potential Survey Development of Infrastructure Entrepreneur development	Assisting in Industrial Resource Potential survey. Establishing small rural industrial estates and complexes. Organising entrepreneurial development programmes, selection of entrepreneurs, establishing industrial counselling and guiding centers. Assist entrepreneurs in formulating viable projects.
5.	Rural Electrification including distribution	Monitoring and reporting progress of energisation of irrigation pumpsets.
GRAMA PANCHAYATS		
1	Animal Husbandry Veterinary services Feeding and Fodder	Supervision of Rural Livestock Unit Service Centers. Help in establishing cooperative fodder farm, allocation of community land for fodder production, controlling grazing, distribution of fodder droughts.
2.	Minor Forest Produce Regeneration of MFP species Training Processing and marketing charges	Identification of families willing to plant MFP species, distribution of MFP seedlings. Selection of Trainees. Promotion of primary processing and value addition to MFP species, ensuring timely payment to MFP collectors.
3.	Small Scale Industries Industrial Resource Potential Survey Development of Infrastructure	Assisting in survey and project formulation. Identification of suitable locations for rural industries.
4.	Khadi, Village and cottage Industries Planning, Monitoring and Supervision Infrastructure	Assisting Taluk Panchayats in identifying potential activities and formulation of projects. Assisting in distribution of raw material, equipment <i>etc.</i> , construction of common workshops/work places and market complexes.
5.	Rural Electrification including distribution	Land acquisition for installing/erecting electrification transmission poles
6.	Technical Training and Vocational Education Promotion of Vocational Courses	Assist in identification of eligible candidates for vocational training.
7	Markets and Fairs Development of Market yards	Construction of market complexes within the Grama Panchayat.
8.	Social Welfare Drug prevention	Rehabilitation of drug addicts, take drug addicts to counselling/de-addiction centers.

Appendix 1.3

Allocation for procurement of medicines for health institutions of PRIs (Reference : Paragraph 1.7.2/ Page 16)

(Rupees in lakh)

Year	Total allocation	ZP sector (60%)		State sector (40%)		Reduced allocation to ZP sector (Col.3-4)	Percentage of reduced allocation to ZP sector
		To be allocated	Actually allocated	To be allocated	Actually allocated		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2005-06	2,101.60	1,260.96	1,149.90	840.64	951.70	111.06	09
2006-07	2,400.04	1,440.02	880.83	960.02	1,519.21	559.19	39
2007-08	2,627.02	1,576.21	924.86	1,050.81	1,702.16	651.35	41

Appendix 1.4

Non-submission of accounts for amounts drawn on Abstract Contingent Bills (Reference: Paragraph 1.8.3 / Page 17)

Serial Number	Zilla Panchayat	Number of Departmental Officers	Number of NDC bills pending	Amount (Rupees in lakh)	Earliest year from which pending
1	Bagalkot	1	1	10.82	2005-06
2	Bangalore (Rural)	1	88	1.26	1987-88
3	Belgaum	1	29	56.25	2007-08
4	Bellary	3	13	3.73	2007-08
5	Bijapur	3	63	9.73	1986-87
6	Chikmagalur	1	5	1.73	2006-07
7	Chitradurga	3	9	1.93	2005-06
8	Dharwad	2	4	0.20	2007-08
9	Dakshina Kannada	1	18	6.01	2001-02
10	Kolar	3	NF	2.84	2006-07
11	Koppal	NF	26	5.45	1999-2000
12	Mysore	22	NF	298.19	1987-88
13	Raichur	1	1	28.97	1993-94
14	Shimoga	7	46	36.71	1991-92
Total		49	303	463.82	-

ZP - Mandya did not furnish the required information and other ZPs furnished as 'Nil'.

NF - Not Furnished

Appendix 1.5
List of incomplete works
(Reference: Paragraph 1.9 / Page 18)

(Rupees in lakh)

Sl. No.	Zilla Panchayat	Buildings		Roads & Bridges		Water Supply works		Swachcha Grama works		Total	
		Number	Expenditure	Number	Expenditure	Number	Expenditure	Number	Expenditure	Number	Expenditure
1	Bangalore (Rural)	-	-	1	5.51	-	-	-	-	1	5.51
2	Belgaum	-	-	2	61.85	5	54.12	5	33.03	12	149.00
3	Bijapur	1	48.35	-	-	1	21.96	-	-	2	70.31
4	Chitradurga	2	7.72	1	5.15	2	1.23	-	-	5	14.10
5	Gadag	-	-	1	72.31	-	-	-	-	1	72.31
6	Hassan	-	-	1	10.23	-	-	-	-	1	10.23
7	Raichur	2	2.13	-	-	-	-	-	-	2	2.13
8	Tumkur	-	-	1	6.25	-	-	-	-	1	6.25
9	Udupi	2	22.43	-	-	-	-	-	-	2	22.43
10	Uttara Kannada	-	-	-	-	1	326.11	-	-	1	326.11
	TOTAL	7	80.63	7	161.30	9	403.42	5	33.03	28	678.38

ZP - Mandya did not furnish the required information and other ZPs furnished as 'Nil'.

Zilla Panchayat	Serial Number	Name of the Village test-checked
Bagalkot	58	Jalihal
	59	Katageri
	60	Gaddanakeri
	61	Bodanayakanadinni
	62	Siddapura
	63	Kandagalla
	64	Kodihala
	65	Tungala
	66	Aasangi
	67	Budni PM
	68	Belura
	69	Nandawadagi
	70	lhole
	71	Nagura
	72	Dadanatti
	73	Hebbala
	74	Dhavaleshwara
	75	Uttura
Kodagu	76	Bilkerura
	77	Benakatti
	78	Naawalagi
	79	Choudlu
	80	M. Chembu
Tumkur	81	Sampaje
	82	Mullusoge
	83	Thoranur
	84	Kora
	85	Bellavi
	86	Kondli
	87	Kallur
	88	Benakanakere
	89	Kolaala
	90	Halevooru
	91	Arasikere
	92	Elanadu
	93	Sarthahalli
	94	Bukkapattana
	95	Venkatapura
	96	Chelur
	97	Araluguppe
	98	Kesaramadu
Shimoga	99	Honnudike
	100	Hebbur
	101	Mallasandra
	102	Ripponpet (Gavatooru)
	103	Yedehalli
	104	Maaravalli
	105	Chandragutti
	106	Kesalur

Appendix 2.2

Statement showing scheme-wise financial position in the test-checked districts during the period 2003-08 (Reference: Paragraph 2.2.8.1 / Page 40)

RIDF Scheme

(Rupees in crore)

Series	VIII		IX		X		Total	
District	Release	Expenditure	Release	Expenditure	Release	Expenditure	Release	Expenditure
Bellary	3.24	3.19	2.30	1.90	0.87	0.65	6.41	5.74
Bijapur	2.75	2.71	0.65	0.65	0.72	0.53	4.12	3.89
Chikmagalur	3.40	3.32	2.90	2.89	0.65	0.51	6.95	6.72
Gadag	4.26	4.08	2.00	1.89	0.23	0.23	6.49	6.20
Gulbarga	3.82	3.53	2.61	1.96	1.35	0.93	7.78	6.42
Hassan	3.30	3.02	6.64	4.74	0.75	0.82	10.69	8.58
Mandya	3.96	3.65	0.69	0.67	0.80	0.47	5.45	4.79
Shimoga	3.68	3.44	2.16	1.94	1.10	1.06	6.94	6.44
TOTAL	28.41	26.94	19.95	16.64	6.47	5.20	54.83	48.78

CMGSY (Head of account – 3054)

(Rupees in crore)

District	2003-04		2004-05		2005-06		2006-07		2007-08		Total	
	R	E	R	E	R	E	R	E	R	E	R	E
Bellary	2.41	0.93	3.71	3.71	4.40	2.23	6.53	6.39	5.54	4.58	22.59	17.84
Bijapur	1.98	3.15	3.02	2.89	3.27	2.15	6.00	4.64	5.26	5.26	19.53	18.09
Chikmagalur	3.32	1.38	2.56	2.72	3.26	2.16	5.67	5.67	6.68	6.48	21.49	18.41
Gadag	1.53	0.63	2.17	2.03	2.95	1.53	4.37	4.37	4.13	4.37	15.15	12.93
Gulbarga	3.18	2.26	6.26	5.94	12.48	9.04	10.87	7.95	15.36	15.08	48.15	40.27
Hassan	3.23	0.40	3.65	1.84	3.32	2.58	6.84	6.84	7.13	7.03	24.17	18.69
Mandya	7.72	2.48	4.62	1.56	4.28	2.30	7.56	7.03	10.45	6.60	34.63	19.97
Shimoga	3.36	1.18	4.42	3.38	5.38	0.84	14.44	14.44	6.88	7.73	34.48	27.57
TOTAL	26.73	12.41	30.41	24.07	39.34	22.83	62.28	57.33	61.43	57.13	220.19	173.77

R-Release and E-Expenditure

5054 – Capital outlay on roads and bridges

(Rupees in crore)

District	2003-04		2004-05		2005-06		2006-07		2007-08		Total	
	R	E	R	E	R	E	R	E	R	E	R	E
Bellary	0.96	0.74	0.29	0.29	0.91	0.71	0.92	0.92	1.57	0.86	4.65	3.52
Bijapur	0.57	0.92	0.48	0.48	0.82	0.82	0.83	0.28	1.43	0.37	4.13	2.87
Chikmagalur	0.83	0.63	0.77	0.67	0.66	0.67	0.66	0.61	1.94	1.87	4.86	4.45
Gadag	0.35	0.22	0.25	0.25	0.58	0.51	0.59	0.59	1.01	1.01	2.78	2.58
Gulbarga	1.64	0.92	1.70	1.68	1.79	0.85	1.80	1.02	3.10	1.16	10.03	5.63
Hassan	0.47	0.15	0.20	0.20	0.91	0.78	0.92	0.92	1.91	1.91	4.41	3.96
Mandya	0.74	0.43	1.08	0.69	0.88	0.87	0.88	0.87	1.52	1.27	5.10	4.13
Shimoga	0.68	0.40	0.21	0.22	0.74	0.27	0.74	0.74	2.13	1.96	4.50	3.59
TOTAL	6.24	4.41	4.98	4.48	7.29	5.48	7.34	5.95	14.61	10.41	40.46	30.73

R-Release and E-Expenditure

TFC Grants

(Rupees in crore)

District	First instalment-of 2006-07		Second instalment of 2006-07		Total	
	Release	Expenditure	Release	Expenditure	Release	Expenditure
Bellary	2.64	2.64	2.64	1.05	5.28	3.69
Bijapur	1.96	1.96	1.96	1.77	3.92	3.73
Chikmagalur	3.42	3.01	3.42	3.42	6.84	6.43
Gadag	2.15	1.40	2.15	2.65	4.30	4.05
Gulbarga	3.26	2.79	3.26	2.48	6.52	5.27
Hassan	4.41	4.41	4.41	4.30	8.82	8.71
Mandya	6.27	2.13	6.27	6.27	12.54	8.40
Shimoga	4.57	1.80	4.57	4.57	9.14	6.37
TOTAL	28.68	20.14	28.68	26.51	57.36	46.65

Appendix 2.3

Statement showing Non/short levy of penalty (Reference: Paragraph No.2.2.9.4 / Page 42)

(Rupees in lakh)

Sl.No.	Name of Division	Name of work	Amount put to tender	Date of Award	Due date of completion	Date of completion	Delay	Penalty leviable	Penalty levied	Non/Short levy
1	Sagar (Shimoga)	Improvement to road from Karkikoppa-Geejagaru in Sagar taluk	22.61	25.01.2004	01.07.2004	01.03.2005	239 days	1.71	0.01	1.70
2	Sagar (Shimoga)	Improvement to road from Mugalagere to Nimbegundi in Shikharipura taluk	11.89	04.08.2003	03.02.2004	31.03.2006	790 days	0.89	0.04	0.85
3	Shimoga	Improvement and Asphalting to road from Tadasa to Navile Barapura via Padmenahalli in Bhadravathi taluk	13.83	05.12.2003	04.06.2004	05.09.2005	455 days	1.04	0.04	1.00
4	Shimoga	Improvement to road from Jagatguru to Nijavud Hiraara road	15.96	10.03.2005	09.08.2005	30.01.2006	172 days	1.20	0.01	1.19
5	Chikmagalur	Improvements to road from Hirebaihu-Malleshangudda-Balehole road in Mudigere taluk	14.00	19.03.2005	02.09.2005	30.05.2006	271 days	0.79	0.05	0.74
6	Chikmagalur	Improvements to road from Balachole-Sudeman-Kolagur Marasanise road in Mudigere taluk	22.00	26.09.2003	01.06.2004	28.02.2005	273 days	1.65	0.14	1.51
7	Chikmagalur	Improvements to road from 3.50 km to 7.00 km on 19.11 road and join B.S.Road in Ramenahalli Bislehally in Kadur taluk	22.00	09.06.2003	02.01.2004	19.02.2005	414 days	1.65	0.32	1.33
8	Chennarayapatna (Hassan district)	Improvement and asphalting Haranahally, Nagenahally, Kamalpura road in Arasikere taluk	13.38	12.05.2003	07.02.2004	30.07.2005	537 days	1.00	-	1.00
9	Chennarayapatna (Hassan district)	Improvement to road from Hirisare-Didaga road to Balaganchi via Honnashettyhalli, Kabbinaigere to Gowdanahally in Chennarayanapatna taluk	9.36	05.12.2003	04.06.2004	17.11.2005	521 days	0.70	-	0.70
10	Chennarayapatna (Hassan district)	Improvement and asphalting to road from K.R. Pete, Mandagere road to join H.N. Pura road	20.97	01.12.2003	31.05.2004	25.08.2006	816 days	1.57	-	1.57
11	Chennarayapatna (Hassan district)	Improvement and asphalting to road from Keragodu to Kallabydarahally in Holenarasipur taluk	16.31	01.12.2003	31.05.2004	22.08.2005	441 days	1.22	-	1.22
12	Chennarayapatna (Hassan district)	Improvements to road from Sannenahally, Mallenahally-Gollarahatti in Arasikere taluk	23.21	14.12.2004	13.06.2005	31.12.2007	927 days	1.74	-	1.74
13	Chennarayapatna (Hassan district)	Improvement to road for Arasikere to Byrambadi in Arasikere taluk	20.06	17.02.2005	16.08.2005	15.03.2008	940 days	1.50	-	1.50
TOTAL								16.66	0.61	16.05

Appendix 2.4

**Statement showing sanctioned strength, men-in-position and vacancy in different cadres in the Department of Health and Family Welfare in Bellary district
(Reference: Paragraph 2.3.9.2 / Page 61)**

Cadre	2003-04			2004-05			2005-06			2006-07			2007-08		
	Sanctioned Strength	Men-in-position	Vacant	Sanctioned strength	Men-in-position	Vacant	Sanctioned strength	Men-in-position	Vacant	Sanctioned strength	Men-in-position	Vacant	Sanctioned strength	Men-in-position	Vacant
General Doctors	92	69	23	92	71	21	111	79	32	111	84	27	117	82	35
Specialists	Details not available						54	18	36	54	16	38	58	15	43
Staff nurses	75	50	25	75	49	26	75	47	28	115	81	34	115	91	24
Health Assistants	Not furnished												644	502	142

Appendix 2.5
Statement showing the details of incomplete water supply schemes
(Reference : Paragraph 2.3.14.1 / Page 71)

Submission Projects

(Rupees in lakh)

Name of the village	Date of commencement	Scheduled date of completion	Original estimated cost	Expenditure	Revised cost	Reasons
Sridhargadda and three villages	23-10-2002	23-1-2004	196.00	292.31	369.90	Land problems and contractors demanding cost escalation (Revised estimates approved by State Government during June 2008)
Vanenur and five villages	22-08-2002	22-8-2003	164.50	249.67	257.90	
Sindhuvala and four villages	29-05-2006	28-5-2007	285.00	322.50	390.94	Land problems
TOTAL			645.50	864.48	1,018.74	

Swajaldhara Scheme

(Rupees in lakh)

Name of the village	Date of commencement	Scheduled date of completion	Original estimated cost	Expenditure	Revised cost	Reasons
PWS to Devalapura and Somalapura	28-02-2004	27-05-2004	163.50	120.78	NA	Contract rescinded due to delay in completion and works re-tendered
PWS to AK Hal, Basarahalli and Halamurani camp	24-12-2003	23-02-2004	110.00	54.78	NA	
PWS to Balakundi, Mylapura and Uppaarahosahalli	24-01-2004	31-03-2004	228.00	167.13	NA	
TOTAL			501.50	342.69		

NA - Not available

PWS - piped water supply

Appendix 2.6

Department-wise position of pendency in receipt of Action Taken Notes (Reference : Paragraph 2.15 / Page 96)

Department	Audit Report (PRIs) - 2006		Audit Report (PRIs) - 2007		Total	
	DPs	Reviews	DPs	Reviews	DPs	Reviews
Commerce and Industries	-	-	1	-	1	-
Rural Development and Panchayat Raj	11	3	11*	3	22	06
TOTAL	11	3	12	3	23	06

* Alongwith RDPR, the ATNs are outstanding from the departments of Agriculture and Horticulture (Para No.2.13), Forest, Ecology and Environment (Para No.2.14) and Social Welfare (Para No.2.15) also.

Appendix 2.7

Inspection Reports and Paragraphs Outstanding (Reference: Paragraph 2.16 / Page 97)

Sl. No.	Zilla Panchayat	Pendency												Total	
		More than 10 years (till 1997-98)		5 to 10 years (1998-2003)		3 to 5 years (2003-2005)		2005-06		2006-07		2007-08			
		IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
1	Bagalkot	58	189	32	89	16	74	3	18	8	91	8	65	125	526
2	Bangalore (Rural)	32	60	38	88	26	59	4	19	31	136	30	135	161	497
3	Bangalore (Urban)	28	65	45	119	65	176	7	25	35	152	20	64	200	601
4	Bellary	96	267	55	168	13	96	8	38	9	61	9	88	190	718
5	Bijapur	69	172	39	98	15	48	6	28	13	83	16	132	158	561
6	Bidar	48	160	39	181	13	107	5	44	1	15	4	45	110	552
7	Belgaum	196	611	84	308	41	214	13	93	21	149	9	52	364	1,427
8	Chamarajanagar	3	4	7	16	5	21	8	36	14	84	18	131	55	292
9	Chikmagalur	13	15	14	26	11	40	7	30	13	58	7	27	65	196
10	Chitradurga	32	89	21	64	11	42	1	1	9	41	11	45	85	282
11	Dakshina Kannada	13	19	13	21	8	22	3	10	6	17	11	74	54	163
12	Davanagere	19	68	31	100	12	46	7	26	13	100	19	121	101	461
13	Dharwad	38	73	62	138	26	61	15	36	15	59	17	95	173	462
14	Gadag	57	151	52	151	26	117	13	62	4	23	7	45	159	549
15	Gulbarga	188	631	94	437	23	161	7	59	9	117	5	49	326	1,454
16	Hassan	21	30	26	56	18	45	17	69	7	45	1	3	90	248
17	Haveri	42	103	26	72	19	38	8	21	8	32	14	88	117	354
18	Kodagu	20	35	12	35	1	5	6	40	5	41	10	75	54	231
19	Kolar	60	127	49	200	22	123	16	118	11	73	1	7	159	648
20	Koppal	31	74	20	67	12	76	3	34	7	37	5	22	78	310
21	Mandya	62	152	49	164	24	92	12	84	15	145	22	134	184	771
22	Mysore	15	31	34	103	16	77	7	86	20	111	21	168	113	576
23	Raichur	110	326	52	216	18	127	5	78	7	69	6	41	198	857
24	Shimoga	51	86	30	79	12	59	11	80	9	84	19	147	132	535
25	Tumkur	63	80	61	170	27	92	14	82	20	159	20	135	205	718
26	Udupi	5	5	11	15	2	3	5	40	12	62	5	39	40	164
27	Uttara Kannada	115	398	64	238	21	102	13	73	10	71	14	96	237	978
TOTAL		1,485	4,021	1,060	3,419	503	2,123	224	1,330	332	2,115	329	2,123	3,933	15,131