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

FOR THE YEAR ENDED 31 MARCH 2004

GOVERNMENT OF KARNATAKA

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देनाक में विधानसभा को प्रदानित
Presented to Legislature on.....

10 JUL 2006

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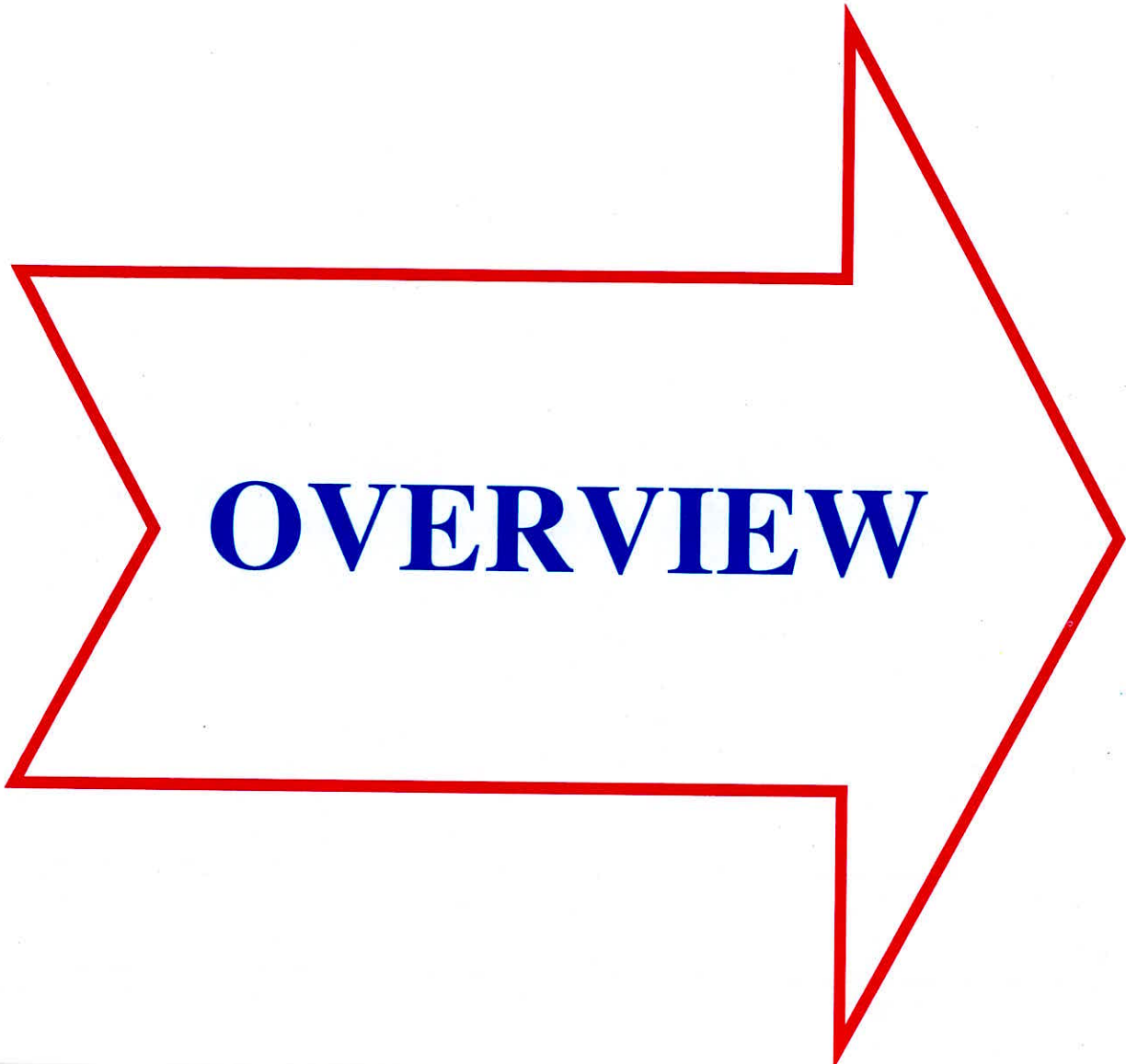
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PREFACE

1. This Report has been prepared for submission to the Governor under Article 151(2) of the Constitution.
2. Chapter I of this Report contains audit observations on matters arising from examination of accounts and finances of Zilla Panchayats.
3. Chapter II comprises of two sections. Section 'A' deals with findings of performance audit and section 'B' with audit findings of transactions of Zilla Panchayats.
4. The Reports containing the observations arising out of audit of (i) Statutory Corporations, Boards and Government Companies; (ii) Revenue Receipts; and (iii) Civil Departments are presented separately.
5. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2003-04 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 2003-04 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 Zilla Panchayats and the other chapter contains two reviews and 14 paragraphs based on the audit of financial transactions of the Zilla Panchayats. A synopsis of the findings contained in the reviews and paragraphs is presented in this overview.

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

Despite being pointed out by Audit, delays persisted in preparation of monthly accounts and 11 Zilla Panchayats did not even prepare the monthly accounts. Delay persisted in forwarding of annual accounts to the Principal Accountant General for audit and the delay ranged from 2 months to more than 12 months.

(Paragraph 1.6)

There were unauthorised diversions (Rs.1.38 crore), mounting unutilised balances (Rs.1616.79 crore), non-release of grants to Grama Panchayats (Rs.15.79 crore in 2001-02 and Rs.26.27 crore in 2002-03), non-remittance of dues to Government (Rs.1.33 crore), non-submission of detailed accounts for sums drawn on Abstract Contingent bills (Rs.8.42 crore), etc.

(Paragraphs 1.7, 1.8 and 1.11)

During 2000-03, percentage of 'Plan' receipts to total receipts showed fluctuating trend. 'Non-Plan' expenditure was more than 'Plan' expenditure.

(Paragraph 1.9)

Prescribed internal controls were rendered ineffective as reconciliation of balances between controlling officers and Zilla Panchayats was in arrears. Cases of misappropriation involving Rs.22.06 crore were pending settlement.

(Paragraphs 1.10 and 1.13)

2. Pradhan Mantri Gram Sadak Yojana

Delay in constitution of State Level Coordination Committee/District Programme Implementation Units resulted in sanctioning of works without preparation of District Rural Road Plan and detailed estimates.

(Paragraph 2.1.6.2)

Improper selection of works resulted in cancellation of works either due to land acquisition problems or due to works having been executed under other schemes.

(Paragraph 2.1.7.2)

Scheme implementation suffered from non-provision of funds for plantation of trees along the road sides to arrest environmental degradation, non-adherence to the technical specifications prescribed by Indian Road Congress and Ministry of Surface Transport and non-utilisation of locally available material for cost reduction.

(Paragraphs 2.1.7.3, 2.1.7.4 and 2.1.7.5)

Contrary to the guidelines, already existing black topped roads were repaired at an expenditure of Rs.6.97 crore. Road works with an expenditure of Rs.3.32 crore were executed leading to multi-connectivity to many villages.

(Paragraph 2.1.8)

Financial restriction imposed by the State Government on preparation of estimates resulted in non-achievement of complete connectivity and there were delays in awarding of works and their execution.

(Paragraphs 2.1.9.3 and 2.1.10)

The State Government had also not identified Panchayat Raj Institutions for maintenance of roads. The quality control mechanism was inadequate as the implementing agencies and contractors had not established quality control units and laboratories.

(Paragraphs 2.1.11 and 2.1.12)

3. Programme implementation, material and human resource management in Zilla Panchayat, Hassan

Planning process suffered as shelf of programmes was not prepared and there was delay in approval of Annual Action Plans.

(Paragraph 2.2.2.1)

Programme implementation was deficient in many ways. There were instances of loss of assistance (Rs.5.41 crore), delay in completion of works (Rs.10.50 crore), delay in release of programme funds affecting

implementation (Rs.50.07 crore) and diversion of funds (Rs.1.36 crore in Jawahar Gram Samridhi Yojana).

(Paragraphs 2.2.2.2 to 2.2.2.10)

Medical equipment costing Rs.55.98 lakh remained idle for want of infrastructure/specialists denying intended health care facilities to rural population.

(Paragraph 2.2.3)

4. Audit Paragraphs

Large number of vacant technical posts in Animal Husbandry and Veterinary Services Department ranging from 23 to 92 per cent adversely affected the veterinary services besides, fraught with the risk of spreading contagious/infectious diseases.

(Paragraph 2.3)

Despite the Government order, failure to shift the dispensaries to rural areas under Zilla Panchayat, Bangalore (Urban) resulted in unfruitful expenditure of Rs.6.11 crore besides denial of health care to needy rural poor.

(Paragraph 2.5)

Subversion of internal controls by the officials of Zilla Panchayat, Kolar and Taluk Panchayat/Sub-treasury, Malur facilitated misappropriation of Rs.1.74 crore by the Executive Officer, Taluk Panchayat, Malur.

(Paragraph 2.6)

Improper planning and non-provision of adequate funds for construction of a bridge-cum-barrage over Mullamari river in Chincholi taluk rendered the investment of Rs.1.14 crore idle besides, commuting problems of people remained unsolved.

(Paragraph 2.7)

Defective designs and types of pipe adopted by Zilla Panchayat Engineering Division, Bellary for water supply scheme to Sandur rendered the expenditure of Rs.61.24 lakh unfruitful/infructuous.

(Paragraph 2.10)

Construction of seven minor irrigation works was unduly delayed rendering investment of Rs.23.80 lakh not yielding expected returns besides depriving irrigation facilities to 152 hectares. Test-check also revealed that an expenditure of Rs.6.27 crore was incurred on desilting of tanks without conducting proper survey.

(Paragraph 2.12)

Failure of Zilla Panchayat, Bagalkot to ensure proper verification before releasing the assistance under Special Component Plan resulted in misappropriation of Rs.10.40 lakh.

(Paragraph 2.14)

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

Chapter summary

- ❖ **Many Zilla Panchayats did not prepare the monthly accounts and the delay in forwardal of annual accounts for audit persisted**
- ❖ **Huge unutilised balances lying in Zilla Panchayats**
- ❖ **Instances of unauthorised diversion of funds and non-transfer of funds to Grama Panchayats**
- ❖ **Percentage of 'Plan' receipts to total receipts showed fluctuating trend and 'Non-Plan' expenditure was more than the 'Plan' expenditure**
- ❖ **Unsettled cases of misappropriation/defalcation on the increase**

CHAPTER I

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF ZILLAPANCHATS

1.1 Introduction

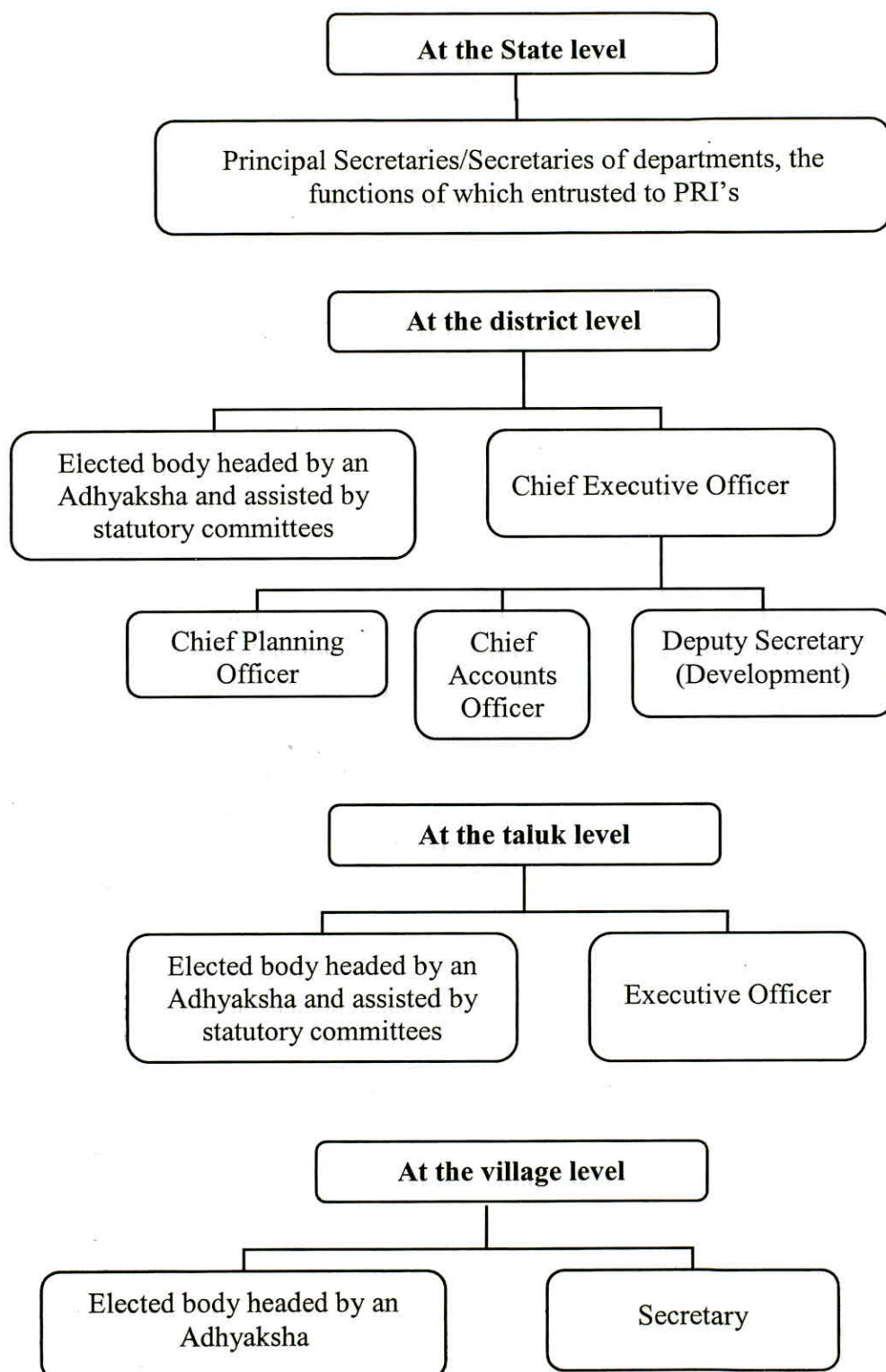
1.1.1 The Karnataka Panchayat Raj (KPR) Act, in keeping with the 73rd Constitutional amendment, was enacted in 1993 to establish a three-tier Panchayat Raj Institution (PRI) system, at the village, taluk and district levels in the State. The PRI system comprised elected bodies – Grama Panchayats (GPs)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

1.1.2 Besides paving way for decentralisation of functions, functionaries and funds till then vested with the Government, the PRI system aimed at increased participation of people and effective implementation of rural development programmes, by functioning as units of local-self Governments. The overall supervision, coordination and implementation of development schemes at taluk and district levels and preparing the plan for the development of the district vested with the ZPs.

1.1.3 As at the end of 31 March 2004, there were 27 ZPs, 176 TPs and 5659 GPs in the State.

1.2 Organisational structure and accountability

1.2.1 The organisational structure is indicated below:



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

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

1.3 Funding of Panchayat Raj Institutions

1.3.1 The State and Central Governments funded the PRIs in the form of grants-in-aid for general administration and for development activities. The State Government released block grant every quarter and every month in the last quarter. The Central Government also released funds direct to ZPs for development activities. The funding by the State Government was on the lines of accepted recommendations of the State Finance Commission including factors like population, literacy, health, irrigation, medical facilities, etc. Allocation to PRIs during 2001-03 formed 14 to 20 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)		
2000-01	23319.58	4589.43	20
2001-02	27056.57	4828.31	18
2002-03	32684.76	4527.68	14

1.3.2 The ZPs deposited grants-in-aid and receipts from other sources, in ZP Funds maintained in treasuries. Such ZP Funds were outside the Consolidated Fund of the State Government but formed part of its Public Account. The ZPs also deposited sums received from the Government of India/money received for 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 bank. The GPs carried out their financial operations through GP Funds in the treasury/any approved co-operative/scheduled bank.

1.4 Audit

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

1.5 Financial position of Zilla Panchayats

The financial position of the ZPs, as aggregated from their certified annual accounts for the years 2000-01 to 2002-03^{*} was as below and as reflected in Chart I.

(Rupees in crore)				
2000-01	Receipts*	7492.82	Expenditure	7119.26
	Revenue ^Ω 4694.03		Revenue 4227.91	
	DDR ^{^^} heads 2798.79		Capital 149.64	
	DDR heads		DDR heads 2741.71	
	Opening balance	1287.94	Closing balance	1661.50[‡]
	Total	8780.76	Total	8780.76
2001-02	Receipts*	7868.51	Expenditure	7681.84
	Revenue 5120.75		Revenue 4839.71	
	DDR heads 2747.76		Capital 89.84	
	DDR heads		DDR heads 2752.29	
	Opening balance	1168.64[‡]	Closing balance	1355.31
	Total	9037.15	Total	9037.15
2002-03	Receipts*	8366.68	Expenditure	8105.20
	Revenue 5363.87		Revenue 5087.49	
	DDR heads 3002.81		Capital 57.94	
	DDR heads		DDR heads 2959.77	
	Opening balance	1355.31	Closing balance	1616.79
	Total	9721.99	Total	9721.99

* The figures exhibited as capital receipts by the ZPs in their annual accounts have been merged with the revenue receipts, as the Government generally released grants under revenue heads of account

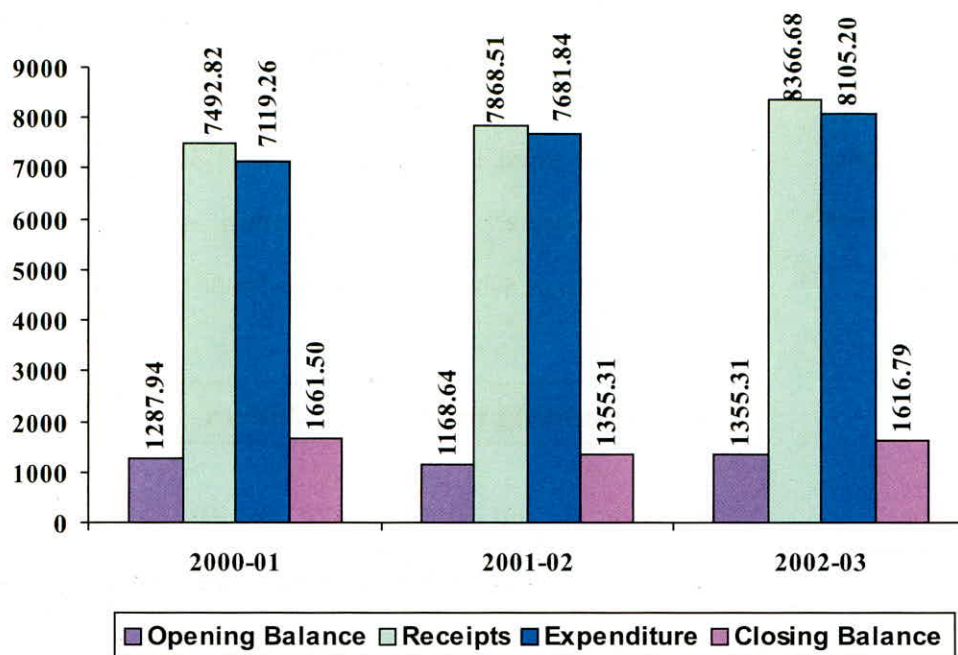
^Ω Based on the information furnished by the ZPs

^{^^} Debt, Deposit and Remittance

[‡] The difference of Rs.492.86 crore between the closing balance of 2000-01 and opening balance of 2001-02 was due to adoption of figures furnished by the ZPs, as the annual accounts were not certified at the time of preparation of Audit Report for the year ending March 2003 and the difference is under reconciliation

^{*} Comments restricted to the year up to which Audit had scrutinised the accounts of ZPs

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



1.6 Preparation of accounts of Zilla Panchayats

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

1.6.1 Despite Audit and Government (March 1999 and December 2000) reiterating various stipulations of the Karnataka Zilla Panchayat (Finance and Accounts) Rules, 1996 regarding preparation and submission of accounts, the CEOs/FAPCs did not ensure submission of monthly and annual accounts, as envisaged. While the delay in preparation of monthly accounts persisted in many ZPs, 11* ZPs did not even prepare the monthly accounts during 2002-03.

1.6.2 The ZPs forwarded the annual accounts for 2002-03 to the Principal Accountant General for audit after delays ranging from two to more than

* Bagalkot, Bangalore (Urban), Bellary, Dakshina Kannada, Davanagere, Dharwad, Gadag, Haveri, Kodagu, Mysore and Raichur

twelve months as shown below:

Year	2002-03		
Range of delay	2 to 6 months	7 to 12 months	More than 12 months
Number of Zilla Panchayats	13 [^]	10 ^Ω	4 [#]

1.7 Unauthorised diversions

Rs.1.38 crore were unauthorisedly diverted

Seven ZPs diverted a total sum of Rs.1.38 crore unauthorisedly from one scheme to another, etc., in violation of scheme guidelines, affecting implementation of schemes for which funds were provided (Appendix 1.1).

1.8 Mounting unutilised balances

Huge unutilised balances lying in ZPs

1.8.1 As at the end of March 2003, the ZPs held Rs.1616.79 crore as closing balance. Audit noticed that there were cases of non-transfer of funds to GPs and non-remittance of receipts to Government account.

1.8.2 The CAOs of ZPs were to draw the Government grants to GPs and credit them to ZP Funds under a suspense account. They should distribute the grants in full either by issue of transfer advice to the treasury or by allowing GPs to draw from ZP Funds. The CAOs of 13 ZPs did not release Rs.15.79 crore to GPs during 2001-02. Similarly, 14 ZPs did not release Rs.26.27 crore during 2002-03.

[^] Bagalkot, Belgaum, Chamarajanagar, Chikmagalur, Dakshina Kannada, Davanagere, Dharwad, Kolar, Koppal, Mandya, Shimoga, Tumkur and Udupi

^Ω Bangalore (Rural), Bellary, Bijapur, Chitradurga, Gulbarga, Haveri, Kodagu, Mysore, Raichur and Uttara Kannada

[#] Bangalore (Urban), Bidar, Gadag and Hassan

The ZP-wise details were as shown below:

Zilla Panchayat	Amount relating to Grama Panchayats retained by Zilla Panchayat (Rupees in lakh)	
	2001-02	2002-03
Bagalkot	4.95	6.86
Bangalore (Rural)	287.26	260.57
Bangalore (Urban)	65.36	109.34
Bellary	256.49	-
Bijapur	34.70	-
Chamarajanagar	-	5.20
Chikmagalur	398.07	418.70
Davanagere	51.75	3.90
Gadag	8.60	26.26
Hassan	58.67	-
Haveri	-	266.60
Kodagu	-	258.77
Kolar	-	631.85
Koppal	56.09	46.09
Mandya	80.72	-
Mysore	-	113.91
Shimoga	273.96	155.19
Tumkur	2.29	323.47
Total	1578.91	2626.71

1.8.3 As at the end of March 2003, recoveries aggregating Rs.1.33 crore made by 10 ZPs towards income tax, sales tax and royalty were not remitted to Government account. The details were as under:

Sl.No.	Zilla Panchayat	Recoveries not remitted (Rupees in lakh)		
		Income tax	Sales tax	Royalty
1	Bangalore(Rural)	-	8.63	0.64
2	Belgaum	-	0.07	1.04
3	Bellary	14.20	19.18	-
4	Bidar	12.38	22.87	4.45
5	Dakshina Kannada	-	0.25	1.06
6	Gulbarga	5.36	6.08	21.44
7	Hassan	3.29	8.99	0.96
8	Haveri	0.23	0.65	0.11
9	Kodagu	0.09	1.14	-
10	Udupi	-	0.06	-
Total		35.55	67.92	29.70
Grand total		133.17		

1.8.4 During the financial years 1999-2000 to 2003-04, the ZP, Hassan received substantial grants ranging from 14 to 17 per cent of the total grants during the last month of the financial years.

(Rupees in crore)

Year	Total grants received	Grants received during March	Percentage of grants received in March to total grants	Grants received on the last working day of March	Percentage of grants received on the last working day to total grants
1999-2000	189.71	33.18	17	21.75	11
2000-01	193.84	21.45	11	5.27	3
2001-02	198.74	27.69	14	3.30	2
2002-03	193.29	14.79	8	2.10	1
2003-04	190.80	5.50	3	Nil	Nil

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

1.9 Time series data on finances of Zilla Panchayats

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

(Rupees in crore)

	2000-01			2001-02			2002-03		
	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL
RECEIPTS									
Total Receipts	1942.04	2751.99	4694.03	2481.35	2639.40	5120.75	2112.25	3251.62	5363.87
EXPENDITURE									
Revenue Expenditure	1702.69	2525.22	4227.91	2188.77	2650.94	4839.71	2072.62	3014.87	5087.49
General Services									
Public works	-	81.55	81.55	-	92.88	92.88	-	90.69	90.69
Social Services	956.96	1565.15	2522.11	1101.40	1784.75	2886.15	843.48	2044.96	2888.44
Education, Sports, Art and Culture	247.41	1184.95	1432.36	291.79	1371.52	1663.31	172.59	1589.56	1762.15
Health and Family Welfare	94.97	230.04	325.01	111.82	245.67	357.49	102.12	250.06	352.18
Water supply and Housing	397.85	5.75	403.60	472.79	6.25	479.04	378.99	3.89	382.88
Welfare of SC/ST/OBC	138.92	109.48	248.40	136.91	124.95	261.86	96.78	162.69	259.47
Social Welfare and Nutrition	77.81	34.93	112.74	88.09	36.36	124.45	93.00	38.76	131.76
Economic Services	597.09	530.98	1128.07	844.90	426.91	1271.81	752.76	448.10	1200.86
Agriculture and allied activities	51.53	140.98	192.51	65.85	163.33	229.18	57.01	172.14	229.15
Rural Development	479.89	208.07	687.96	637.71	119.52	757.23	571.72	155.36	727.08
Special Areas Programmes	14.11	-	14.11	15.52	0.46	15.98	13.89	0.01	13.90
Irrigation and Flood Control	0.61	9.64	10.25	2.38	13.67	16.05	2.03	13.03	15.06
Energy	15.41	0.02	15.43	14.84	1.27	16.11	4.67	0.05	4.72
Industry and Minerals	7.96	28.89	36.85	7.52	31.18	38.70	3.25	33.36	36.61
Science, Technology and Environment	0.12	-	0.12	0.14	-	0.14	0.06	-	0.06

Transport	27.46	139.80	167.26	100.84	93.55	194.39	99.90	70.34	170.24
General Economic Services	-	3.58	3.58	0.10	3.93	4.03	0.23	3.81	4.04
TP/GP expenditure[#]	148.64	347.54	496.18	180.60	346.40	527.00	241.52	431.12	672.64
Bank[@]	-	-	-	61.87	-	61.87	234.86	-	234.86
Capital Expenditure	149.64	-	149.64	89.84	-	89.84	57.94	-	57.94
General Services									
Public works	0.24	-	0.24	0.02	-	0.02	-	-	-
Social Services	120.74	-	120.74	59.27	-	59.27	35.22	-	35.22
Education, Sports, Art and Culture	5.94	-	5.94	6.08	-	6.08	5.17	-	5.17
Health and Family Welfare	6.02	-	6.02	5.41	-	5.41	4.72	-	4.72
Water Supply and Housing	108.20	-	108.20	46.00	-	46.00	19.46	-	19.46
Welfare of SC/ST/OBC	0.58	-	0.58	1.78	-	1.78	1.88	-	1.88
Social welfare and Nutrition	-	-	-	-	-	-	3.99	-	3.99
Economic Services	28.66	-	28.66	30.55	-	30.55	22.72	-	22.72
Agriculture and allied activities	0.26	-	0.26	0.42	-	0.42	0.25	-	0.25
Irrigation and Flood Control	7.29	-	7.29	6.22	-	6.22	5.70	-	5.70
Industry and Minerals	0.26	-	0.26	0.20	-	0.20	0.13	-	0.13
Transport	20.80	-	20.80	23.68	-	23.68	16.63	-	16.63
Others	0.05	-	0.05	0.03	-	0.03	0.01	-	0.01
Total Expenditure	1852.33	2525.22	4377.55	2278.61	2650.94	4929.55	2130.56	3014.87	5145.43

Note: Figures as rounded off
[#] As seven^Σ and ten^Ω ZPs and ZP, Kodagu did not indicate sector-wise expenditure of TPs/GPs for the years 2001-02 and 2002-03 respectively, lump sum amount has been exhibited
[@] Two^{*} and seven^{*} ZPs did not indicate sector-wise expenditure for bank transactions for the years 2001-02 and 2002-03 respectively

Percentage of 'Plan' receipts to total receipts showed fluctuating trend. 'Non-Plan' expenditure was more than 'Plan' expenditure

1.9.2 It could be seen from the data that both receipts and expenditure of ZPs increased steadily during 2000-03. The percentage of 'Plan' receipts to total receipts which was 41 during 2000-01 increased to 48 in 2001-02 and dropped to 39 in 2002-03. Similarly, the percentage of 'Plan' expenditure (capital and revenue) to total expenditure (capital and revenue) which was 42 in 2000-01 increased to 46 in 2001-02 but declined to 41 in 2002-03.

1.9.3 'Non-Plan' expenditure was more than 'Plan' expenditure during all the three years in 2000-03. The percentage of 'Non-plan' expenditure to total expenditure (capital and revenue) showed a fluctuating trend from 58 in 2000-01, to 54 in 2001-02 and 59 in 2002-03.

^Σ Bagalkot, Bellary, Chamarajanagar, Chikmagalur, Dharwad, Koppal and Mysore

^Ω Bagalkot, Bellary, Chamarajanagar, Chikmagalur, Dharwad, Haveri, Kodagu, Koppal, Mysore and Raichur

^{*} Shimoga and Tumkur

^{*} Bangalore (Rural), Dakshina Kannada, Gulbarga, Kodagu, Shimoga, Tumkur and Uttara Kannada

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

Chart II
'Plan' receipts in total receipts during 2000-01 to 2002-03
(Rupees in crore)

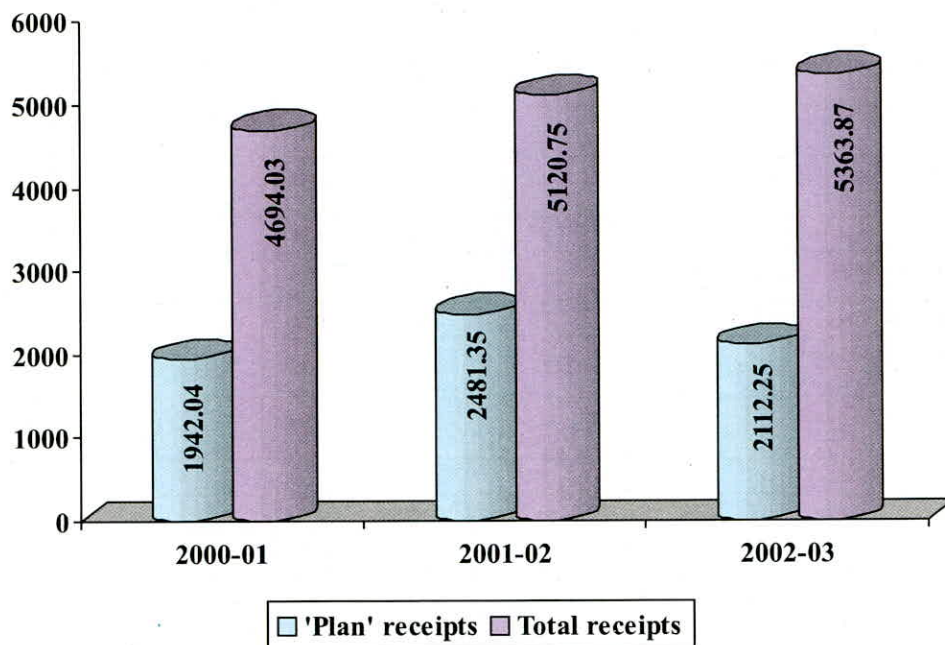
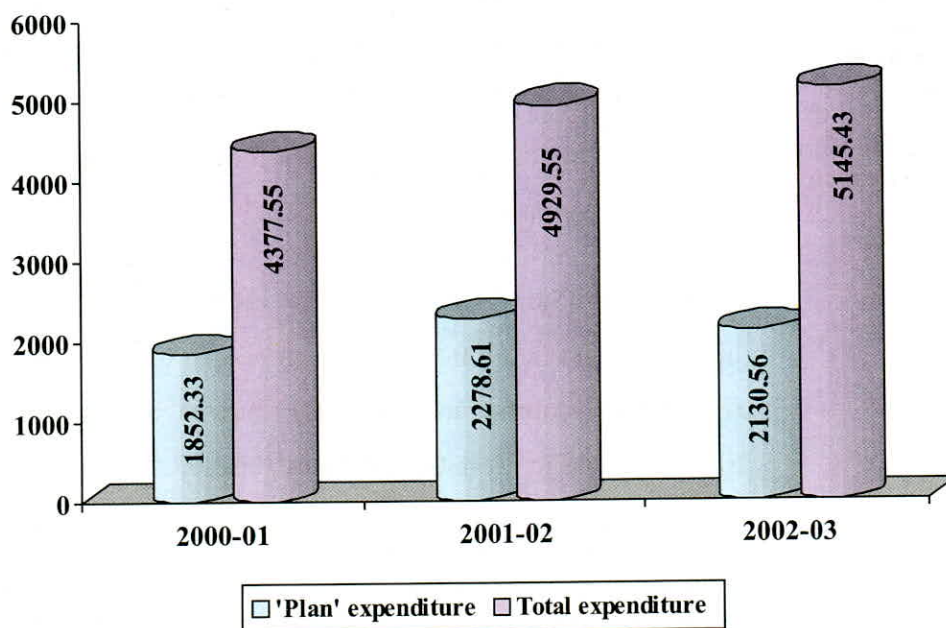


Chart III
'Plan' expenditure in total expenditure during 2000-01 to 2002-03
(Rupees in crore)



1.10 Laxity of internal controls

Internal controls were inadequate

The Controlling Officers/heads of departments of ZPs were primarily responsible for reconciliation of their expenditure figures with those booked by CAOs. Seventy six Controlling Officers of eight ZPs did not reconcile (March 2005) expenditure of Rs.454.07 crore incurred during 2003-04 (Appendix 1.2).

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

In 15 ZPs, detailed accounts for Rs.8.42 crore drawn on AC bills were not submitted

Non-payable Detailed Contingent (NDC) bills for an aggregate sum of Rs.8.42 crore, on more than 3390 Abstract Contingent (AC) bills, some of which drawn as early as 1986-87, were not rendered (March 2005) by more than 355 drawing officers of 15 ZPs (Appendix 1.3).

Despite being commented regularly in previous reports, the CAOs did not initiate action, to get any bill presented by the defaulting officers who did not render detailed accounts within a month, dishonoured at the treasury. The risk of irregular drawal on AC bills going unnoticed, therefore, continued.

1.12 Investment without returns

In 11 ZPs, investment of Rs.9.51 crore on incomplete works remained idle

As at the end of March 2004, 47 works on which 11 ZPs made an aggregate investment of Rs.9.51 crore remained without serving the intended purpose even though these works were generally expected to be completed in two years and the Government issued instructions to accord priority to incomplete works in allocation of funds over the new works (Appendix 1.4).

1.13 Cases of misappropriation/defalcation

329 cases of mis-appropriation/defalcation involving Rs.22.06 crore were pending

As at the end of March 2005, 329 cases of misappropriation/defalcation involving Rs.22.06 crore were pending at various stages in 22 ZPs (Appendix 1.5). The pendency, as furnished by the ZPs, was as under:

(Amount : Rupees in crore)

Under investigation		Pending in Court		Others		Total	
Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
290	19.59	25	2.15	14	0.32	329	22.06

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

CHAPTER-II
RESULTS OF AUDIT

Chapter summary

Pradhan Mantri Gram Sadak Yojana

- ❖ Delay in constitution of State Level Coordination Committee/District Programme Implementation Units
- ❖ Provision was not made for planting of trees and locally available material not made use of
- ❖ Delays in awarding road works and their execution
- ❖ Quality control mechanism was inadequate
- ❖ Authority for maintenance of roads not identified

Programme implementation, material and human resource management in Zilla Panchayat, Hassan

- ❖ District Planning Committee did not meet, as envisaged
- ❖ Shelf of programmes not prepared
- ❖ Delays in release of funds hampering implementation

Audit Paragraphs

- ❖ Subversion of controls leading to misappropriation of funds
- ❖ Retention of large amount of funds outside Government account
- ❖ Travelling allowance paid on fictitious tour programmes
- ❖ Inordinate delays in completion of minor irrigation works, hospital building and a bridge-cum-barrage
- ❖ Denial of health care facilities to the needy rural poor
- ❖ Large number of vacant technical posts leading to poor veterinary services
- ❖ Government response to Audit Report poor

CHAPTER II - RESULTS OF AUDIT

SECTION 'A' – REVIEWS

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.1 Pradhan Mantri Gram Sadak Yojana

Highlights

The Pradhan Mantri Gram Sadak Yojana was launched by Government of India in December 2000 with an objective of providing all weather rural roads to unconnected habitations in rural areas with 100 per cent funding by Government of India. Such connectivity aimed at providing economical and social services thereby, accelerate generation of increased agricultural income and employment opportunities. The implementation of the scheme suffered due to improper planning, irregular expenditure, diversion of funds, non/multi-connectivity, non-adherence to scheme guidelines, etc., resulting in habitations remaining unconnected even after the stipulated time limit.

The funds released by the Government of India were lesser than the estimated cost of works sanctioned. There was diversion of funds aggregating Rs.1.02 crore.

(Paragraphs 2.1.5.1 and 2.1.5.4)

Delay in constitution of State Level Coordination Committee/District Programme Implementation Units resulted in sanctioning of works even before the preparation of detailed estimates. Contrary to the guidelines, the proposals and estimates of works under Phases I and II were scrutinised by the Central Road Research Institute/State Technical Agency after they were sanctioned by the Government of India.

(Paragraphs 2.1.6.2 and 2.1.6.3)

Selection of works was defective as six road works estimated to cost Rs.61.94 lakh were cancelled due to land acquisition problems and 10 road works estimated to cost Rs.2.44 crore were cancelled as they were already executed under other schemes

(Paragraph 2.1.7.2)

None of the districts test-checked made attempts to utilise the locally available materials like fly ash, slag, etc., in the formation of roads, as contemplated in the guidelines.

(Paragraph 2.1.7.5)

Contrary to the guidelines, already existing black topped roads were repaired at an expenditure of Rs.6.97 crore.

(Paragraph 2.1.8.1)

Road works with an expenditure of Rs.3.32 crore were executed leading to multi-connectivity to many villages.

(Paragraph 2.1.8.2)

Due to financial restrictions imposed by the State Government, 62 road works with an expenditure of Rs.13.91 crore failed to achieve complete connectivity, defeating the objective of the scheme.

(Paragraph 2.1.9.3)

There were delays in awarding contracts and their execution in the first two Phases of the scheme and as of March 2005, works taken up under Phases II and III remained incomplete.

(Paragraph 2.1.10)

Implementing agencies did not establish quality control units and the contractors also had not established quality control laboratories, as envisaged.

(Paragraph 2.1.12)

2.1.1 Introduction

2.1.1.1 Rural road connectivity with all weather rural road was a key factor in promoting access to economic and social services. This would act as key ingredient in effective implementation of poverty reduction schemes. In spite of efforts made over the years, 40 per cent of rural habitations^B were not connected by all weather roads. Recognising these facts and to redress the situation, Government of India (GOI) launched Pradhan Mantri Gram Sadak Yojana on 25 December 2000. The project was funded 100 per cent by GOI.

2.1.1.2 The primary objective of the scheme was to provide road connectivity by way of all weather road (with culverts and cross drainages) to all rural habitations with a population of 1000 and above by the year 2003. All unconnected habitations with a population of 500-999 were to be covered by the year 2007.

2.1.2 Organisational structure

The organisational structure in the State for the implementation of the scheme, as of March 2005, was as under:

Organisation/Agency	Responsibility
Rural Development and Panchayat Raj (RDPR) Department	Nodal department
State Level Coordination Committee (Empowered Committee) (SLCC)	According administrative sanctions, forwardal of project proposals to GOI and to ensure effective monitoring of the scheme at the State level
Rural Development Engineering Department (RDED)	Executing agency and Empowered Office to operate and maintain scheme funds from 20 October 2004 onwards
Karnataka Land Army Corporation (KLAC)	Implementing agency and State level autonomous agency to operate and maintain scheme funds from April 2003 to 19 October 2004
Executive Engineers of Zilla Panchayat Engineering Divisions (ZPEDs) and Deputy Directors of KLAC	Implementing agencies
District Level Committee (DLC)- District Programme Implementation Unit (DPIU)	Formulation of projects, implementation and monitoring at the district level
Superintendent Engineer (Designs), RDED	Coordinator for quality control
System Analyst, National Informatics Centre, Bangalore	Information Technology (IT) Coordinator

^B Habitation is a cluster of population living in an area, the location of which does not change over time

2.1.3 Scope of Audit

Audit conducted (April-July 2004 and January-March 2005) a review of the implementation of the scheme up to March 2005 by test-check of records of the Secretary of RDPR Department, Chief Engineer (CE) of RDED, Managing Director of KLAC, ZPEDs and Deputy Directors of KLAC.

The coverage of audit in the review was

- 12^B districts out of 27 districts (44 per cent)
- 82 packages out of 265 packages (31 per cent) and 575 road works (estimated cost – Rs.149.20 crore) out of 1669 road works (estimated cost – Rs.441.87 crore)
- road length of 2003.44 Km. out of 5398.96 Km. (37 per cent).

2.1.4 Audit objectives

Performance appraisal of the scheme was conducted to examine:

- Scheme was implemented economically, efficiently and effectively to achieve connectivity to rural habitations, through all weather roads
- The roads taken up under the scheme were laid as per specifications and had requisite quality
- Policy had been formulated with realistic and achievable target
- Provision of funds was adequate to achieve the scheme objective
- Planning process was as per the guidelines and in consonance with District Rural Road Plan (DRRP) and core net work
- The bottlenecks in the efficient and effective execution of work
- Quality control mechanism and monitoring system were effectively functioning
- Steps taken to ensure the adequacy of maintenance mechanism and provision of funds
- Scheme achieved the expected social and economic growth through connectivity.

^B Bangalore (Rural), Bellary, Belgaum, Chamarajanagar, Davanagere, Gadag, Haveri, Kolar, Koppal, Mysore, Raichur and Shimoga

2.1.5 Management of funds

2.1.5.1 The project is fully funded by Central Government. Fifty per cent of the cess on High Speed Diesel was earmarked for the programme. The State Government was, however, to bear the cost overrun and tender premium. During 2000-01 the GOI released the funds to the State Government (RDPR Department) for being released to the Zilla Panchayats (ZPs). During 2001-02 and 2002-03, the GOI released the funds to the ZPs directly. From April 2003 to October 2004, GOI released funds to the KLAC which was nominated (March 2003) as nodal agency for receipt and accounting of the funds. From 20 October 2004, the CE, RDED was nominated as nodal agency for receiving and accounting of the funds. As of March 2005, the details of funds received and expended by various agencies were as below:

Phase	Year	Allocation of GOI	Estimated cost of works sanctioned by CRR/STA*	Funds released by GOI	Expenditure
(Rupees in crore)					
I	2000-01	95.00	103.22	100.57	103.67
II	2001-02	95.00	220.24	206.11	211.48
	2002-03	95.00			
III	2003-04	95.00	118.41	59.00	27.10 ^π
Total		380.00	441.87	365.68	342.25

* Central Road Research Institute/State Technical Agency

^π This includes expenditure upto March 2005 (No funds sanctioned for Phase III during 2004-05)

Thus, it could be seen that during 2000-04, the estimated cost of works sanctioned by GOI was more than the allocation, but actual releases were less than the cost of the works sanctioned. Under Phase III, the shortfall in expenditure was due to delay in awarding contracts. The CE, RDED attributed delay in awarding contracts to code of conduct of elections.

2.1.5.2 Scheme guidelines stipulated that tender premium and cost over run were to be borne by the State Government. The tender premium for Phase I amounting to Rs.4.57 crore was, however, released in July 2004. For Phase II, as against the tender premium of Rs.13.34 crore, only Rs.7.26 crore had been released (May 2005). This affected the finalisation of contractor's bills and declaring the works as complete.

2.1.5.3 Two ZPs (Belgaum and Bellary) and 10^β ZPEDs spent (2000-05) a total sum of Rs.92.94 lakh on works like survey, preparation of estimates, tender notifications, stationery items, purchase of logo, etc., from the funds meant for implementation of the scheme. Had these items been included in the original estimates, the implementing agencies could have received funds from GOI.

Diversion of Rs.1.02 crore from scheme funds

2.1.5.4 One ZP, three ZPEDs and a Deputy Director of KLAC diverted a total sum of Rs.1.02 crore from the scheme funds to other activities. The details were as under:

Agency	Amount diverted (Rupees in lakh)	Month of diversion	Month of recoupment	Purpose
ZP, Belgaum	80.00	June 2002 to March 2003	November 2002 to June 2003	Watershed and Social Forestry schemes
ZPED, Chikkodi	3.75	October 2002 to January 2003	March 2003	Installation of computers
ZPED, Haveri	12.42	March 2004	Not yet recouped	Credited to ZP account
ZPED, Shimoga	0.66	March 2004		Swarnjayanti Gram Swarozgar Yojana works
Deputy Director, KLAC, Koppal	5.03	March 2004		Towards Earnest Money Deposit for tendering process
Total	101.86			

2.1.5.5 The funds for the implementation of the first two phases of the programme were released to the ZPs from GOI/State Government and the interest accrued on these funds was also to be utilised for the implementation of the programme, as stipulated in the guidelines. The unutilised balances with the ZPs were to be transferred to KLAC/RDED, being nominated nodal agencies for accounting the programme funds. It was, however, noticed that five[£] ZPs did not transfer (September 2004) funds aggregating Rs.25.38 lakh (mainly interest accrued on the scheme funds) to the nodal agencies. The CE, RDED stated (July 2005) that the unutilised balances with the ZPs would be got remitted to centralised scheme account.

^β Belgaum, Chamarajanagar, Chikkodi, Davanagere, Gadag, Haveri, Koppal, Raichur, Sagar and Shimoga

[£] Belgaum-Rs.1.24 lakh, Chamarajanagar-Rs.1.46 lakh, Koppal-Rs.5.52 lakh, Mysore-Rs.11.44 lakh and Raichur-Rs.5.72 lakh

2.1.5.6 The KLAC, which was nominated as the nodal agency for receiving and accounting of funds from April 2003 to October 2004, did not maintain separate cash book for recording the scheme transactions. The reconciliation of unutilised balances with the other agencies was not done.

2.1.5.7 The Assistant Directors of KLAC at the sub-divisional level did not maintain separate cash book and bank account for transactions exclusively relating to the scheme, but clubbed with other transactions.

2.1.5.8 Against the requirement of maintenance of a single bank account for the operation of the transactions of the scheme, test-check disclosed that three[∞] ZPs, three^δ ZPEDs and KLAC maintained more than one bank account.

2.1.6 Planning process

2.1.6.1 The GOI brought out (June 2001) a manual for preparation of DRRP from the year 2001-02. Accordingly, the ZPEDs were required to prepare Master Plan for each block furnishing details like habitation, existing road network and its status, proposed new road construction, as well as roads requiring upgradation. These Master Plans were to be approved by respective ZPs after considering views and suggestions of the Members of Parliament and Members of State Legislature and forwarded to SLCC for consideration.

Selection of roads was improper in the absence of SLCC/DPIU

2.1.6.2 The works for Phase I of the scheme were sanctioned by GOI in February-March 2001. The State Government, however, constituted SLCC and DPIU only in July 2001. It was also observed that the DRRP was not prepared by DLC/DPIU and got approved by the ZP before taking up/entrustment of the works of Phases I and II. Evidently, the works were selected based only on the line estimates, contrary to the guidelines.

[∞] Belgaum (three), Chamarajanagar (three) and Gadag (three)

^δ Bellary (two), Gadag (two) and Haveri (two)

The proposals were got scrutinised by the technical agencies after the approval of GOI, contrary to the guidelines

2.1.6.3 The scheme guidelines prescribed that the proposals for works were to be sent to Ministry of Rural Development (MORD) for approval with the recommendation of SLCC after scrutiny by CRRI/STA. In first two phases of the scheme, this agency scrutinised the proposals and estimates only after their approval by MORD. This resulted in omission of many works approved by GOI and inclusion of some of the works without the approval by GOI. In two^β districts, three works estimated to cost Rs.57 lakh were not taken up and the amount allocated for these works was utilised for other road works within that package. In other two[£] districts, three works estimated to cost Rs.89.95 lakh, were substituted without approval of GOI.

2.1.7 Scheme implementation

Works were entrusted to KLAC without agreement

2.1.7.1 The guidelines (December 2000) stipulated that the entrustment of works was to be on package basis through tender process. The State Government, however, entrusted (March 2001/April 2002) 50 per cent of the works in Phases I and II to KLAC for execution, without any formal agreement regarding penalty for bad/substandard work, and conditions regarding maintenance of roads for five years, as envisaged.

2.1.7.2 Further, the SLCC was to ensure that the required land was available for the proposed road work and a certificate in this regard was to be furnished. It was, however, noticed that six works involving road length of 7.68 Km. and sanctioned at a cost of Rs.61.94 lakh were cancelled due to land acquisition problems and 10 other works involving road length of 20.38 Km. and sanctioned at a cost of Rs.2.44 crore were cancelled on the ground that these works were already executed under other schemes, etc. The CE, RDED accepted (November 2005) that no certificate regarding availability of land for the road work was furnished to GOI while forwarding the proposals. The details of the utilisation of funds released for these works were not made available.

^β Gadag and Raichur

[£] Haveri and Koppal

**Non-planting
of trees along
the road sides
to avoid
environmental
degradation**

2.1.7.3 The guidelines envisaged planting of trees on either side of the roads to arrest environmental degradation. None of the estimates and conditions of contract, in Phases I and II included the condition of planting of trees. Had this been included in the estimates, funds for this item of work also could have been obtained from the GOI. In Phase III (January 2003) of the scheme, though State Government was made responsible for planting of trees, no specific provision of funds was made by the State Government for this purpose. The State Government/Panchayat Raj Institutions (PRIs) neither made attempts to provide funds for planting of trees nor augment this work through Social Forestry and other schemes. The objective of averting environmental degradation was, thus, not served.

2.1.7.4 The guidelines of the scheme envisaged that the roads constructed should adhere to the technical specifications prescribed by the Ministry of Surface Transport/Indian Roads Congress (IRC). It is specified in IRC (Civil Works 2000 Volume II) that in Grade II and III, quantity of coarse metal required for achieving a thickness of 75 mm was from 0.91 Cu.m. to 0.96 Cu.m. per 10 Sq.m. In Phase I, it was noticed in test-checked districts that the coarse metal provided in the estimates was less than the requirement, resulting in non-achievement of thickness of roads to the required standard. The CE, RDED stated (February 2005) that such defects were taken care of in subsequent Phases.

**Use of locally
available
materials not
encouraged**

2.1.7.5 The scheme guidelines encourage use of locally available materials like fly ash, slag from iron and steel industry, etc., subject to adherence of technical norms. The National Rural Road Development Agency has reported (May 2003) that use of fly ash in embankment/sub-grades of roads was well established and the use of fly ash was made mandatory (September 1999) by the Ministry of Environment and Forests. In none of the test-checked districts, possibility of utilisation of locally available materials was explored to reduce the cost. The estimates of the projects were prepared/approved without considering this important aspect.

2.1.8 Ineligible works

Existing black topped roads were repaired at a cost of Rs.6.97 crore in contravention of the guidelines

2.1.8.1 The guidelines (December 2000) prohibit repairs to existing black topped or cement roads even if the surface condition is bad. In five^a test-checked districts, it was noticed that 19 black topped roads, involving road length of 107.90 Km. were repaired at a cost of Rs.6.97 crore.

Villages achieved multi-connectivity, contrary to the guidelines

2.1.8.2 The scheme guidelines contemplate single connectivity through an all weather road. Contrary to this, in three^δ test-checked districts, seven roads involving road length of 42.64 Km. with an expenditure of Rs.3.32 crore were executed, resulting in multi-connectivity to many villages.

2.1.9 Non-adherence to guidelines

Focus of the scheme shifted resulting in partial achievement of the goal

2.1.9.1 The primary focus of the scheme was to provide connectivity to all the habitations with a population of 1000 and above within three years (upto 2003) and to the habitations with a population of 500-999 by the year 2007. Though the State was having 398 unconnected habitations (156 with a population of 1000 and above and 242 with a population of 500-999), Rs.273.35 crore (87 per cent) out of total expenditure of Rs.315.15 crore, was incurred on upgradation of roads in Phases I and II, contrary to the objectives of the scheme.

2.1.9.2 The State Government identified that out of 56,682 habitations, 4,608 habitations had no connectivity. The details of road connectivity to rural habitations established/being established, as of March 2005, were as under:

	Population of				
	1000 and above	500-999	250-499	Less than 250	Total
Number of unconnected habitations before implementation	156	242	602	3608	4608
Number of habitations covered under the scheme					
Phase I - 2000-01	40	21	20	21	102
Phase II - 2001-03	111	97	33	46	287
Phase III - 2003-04	-	-	-	-	-
Total	151	118	53	67	389
Number of unconnected and uncovered habitations	5	124	549	3541	4219

^a Belgaum, Chamarajanagar, Gadag, Haveri and Shimoga

^δ Chamarajanagar, Gadag and Haveri

2.1.9.3 The State Government issued instructions to implementing agencies to prepare estimates at the rate of Rs.54 lakh and Rs.60 lakh per taluk in Phases I and II respectively. The PIUs prepared estimates adhering to financial limits imposed by Government without providing for required cross drainage works, reducing length of the road, etc., in the process defeating the objectives of the scheme. It was noticed in nine⁸ test-checked districts, 62 road works with an expenditure of Rs.13.91 crore failed to achieve complete connectivity. It was observed during a joint inspection with the departmental officers, in respect of the road from Dasanur to Toravalli in ZPED, Mysore, road length of 3.05 Km. (intermediate stretch) had only been executed as against the distance of 6.40 Km. between the two villages. Evidently, the objective of the scheme providing connectivity through a single all weather road to the villages, was not achieved.

2.1.10 Delay in awarding works and execution

Non-completion of preliminaries in stipulated time resulted in works remaining incomplete

2.1.10.1 The scheme guidelines (December 2000) stipulated that the works taken up under the scheme were to be completed within nine months of their approval. According to the revised guidelines (January 2003), formalities for entrusting the works were to be completed within four months of its approval and work as such within six months thereafter. It was observed that in Phase I, there was delay ranging from one to six months in awarding 37 packages and in Phase II, the delay ranged from one to nine months in awarding 66 packages.

2.1.10.2 As of March 2005, it was observed that 44 works (30 packages) of Phase II involving road length of 161.58 Km. (approved in March 2002) and 359 road works (82 packages) of Phase III involving road length of 1093.30 Km. (approved in September 2003) with an expenditure of Rs.11.29 crore and Rs.26.86 crore respectively remained incomplete.

⁸ Bellary, Belgaum, Chamarajanagar, Davanagere, Gadag, Koppal, Mysore, Raichur and Shimoga

2.1.11 Maintenance of roads

**Authority for
maintaining
roads not
identified**

The scheme guidelines stipulated that proposals for approval has to be accompanied by name of the PRI (district or intermediary) identified for the maintenance of road and also an undertaking to the effect that State would remit the requisite funds to the identified PRI for maintenance. It was, however, observed that neither the PRIs had been identified nor any undertaking given, as stipulated in guidelines. As the road works completed in 2001-02 are required to be maintained by PRIs from 2006-07, non-identification of PRIs may result in non-maintenance of roads.

2.1.12 Quality control

**Quality
control
mechanism
was
inadequate**

2.1.12.1 The scheme guidelines (December 2000) stipulated quality control by the DPIU by obtaining test certificates for manufactured materials and setting up of a quality control unit independent of PIU, apart from periodic inspections.

2.1.12.2 From Phase III, the guidelines were revised (January 2003) prescribing establishment of quality control laboratories by contractors and a three tier quality control mechanism. Accordingly, implementing agencies were made responsible for mandatory quality control tests. The State Quality Monitors (SQMs) and National Quality Monitors (NQMs) formed next two tiers of quality control mechanism. It was observed that the implementing agencies did not establish quality control units and the contractors also had not established quality control laboratories.

2.1.12.3 Further, the guidelines contemplated that the contractor whose work was graded as 'average' or 'poor' by the NQM/SQM was to be black listed. As of January 2005, though 17 and 204 works were graded as 'poor' and 'average' respectively by the NQM, the CE, RDED stated that 13 out of the 17 works were graded as 'very good' (10) and 'good' (3) on subsequent inspections. The action taken by the SLCC/CE, RDED on the defaulting contractors/agencies, as envisaged, was not forthcoming.

2.1.13 Impact assessment

The scheme guidelines (January 2003) envisage a study of improvement in indicators of education, health and rural income, etc., of the habitations which attained connectivities. It was noticed that in none of the districts the impact assessment on improvement of objective indicators had been undertaken. Though the CE, RDED replied (July 2005) that the impact assessment had been conducted in four districts, no documentary evidence was furnished.

2.1.14 Other points of interest

In ZPED, Haveri, the bank guarantee which expired on 19 November 2003 had not been renewed and in ZPED, Raichur, the entire security deposit of Rs.8.84 lakh has been refunded without obtaining even bank guarantee.

In ZPED, Mysore, two road works (Phase II) completed (August 2003) by a contractor at an expenditure of Rs.55.30 lakh were found to be defective and were yet to be rectified (February 2005). No penal action, as stipulated, had been initiated against the contractor.

2.1.15 Conclusion

- The selection of roads was not realistic in the absence of DRRP.
- Budgetary provisions were not made for planting of trees along the road sides and locally available low-cost materials not made use of.
- Improper selection of roads resulted in multi-connectivity to some villages, contrary to objective of the scheme.
- Upgradation works were taken up even though there were unconnected habitations.
- Imposition of financial restrictions resulted in villages not getting complete connectivity, as envisaged.
- Quality control mechanism was very weak.
- Impact assessment to assess the socio-economic improvement was not undertaken.

2.1.16 Recommendations

- Estimates should be realistically prepared taking into consideration the site conditions, requirement of cross drainages, etc., to avoid cost and time over run.
- Quality control mechanism should be strengthened to achieve the road standards as envisaged in Rural Road Manual and to ensure full realisation of scheme objectives.
- Utilisation of locally available materials to reduce cost should be ensured.
- Sufficient funds should be provided for planting of trees.
- PRIs should be identified as roads completed in 2001-02 onwards are required to be maintained from 2006-07 by them.
- Responsibility should be fixed for sub-standard works.
- The quality monitors should be made accountable for achieving roads of envisaged quality which can sustain for five years without repairs.
- Impact assessment of completed roads has to be conducted.

2.1.17 The points brought out in the review were referred to Government in September 2004; reply had not been received (November 2005).

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.2 Programme implementation, material and human resource management in Zilla Panchayat, Hassan

Highlights

Review of programme implementation, material and human resource management in Zilla Panchayat, Hassan disclosed the following:

The shelf of programmes was not prepared and there was delay in approval of Annual Action Plans.

(Paragraph 2.2.2.1)

The Zilla Panchayat lost Central assistance of Rs.3.98 crore and State assistance of Rs.1.43 crore due to non-adherence to scheme guidelines.

(Paragraph 2.2.2.2)

Despite huge expenditure, there were delays in completion of hospital buildings (Rs.9.56 crore), water supply schemes (Rs.73.25 lakh) and minor irrigation tanks (Rs.21 lakh) depriving the rural poor of intended benefits.

(Paragraphs 2.2.2.3 and 2.2.2.4)

There was shortfall in coverage of beneficiaries belonging to various categories under Swarnjayanti Gram Swarozgar Yojana.

(Paragraph 2.2.2.6)

There was irregular diversion of funds of Rs.1.36 crore of Jawahar Gram Samridhi Yojana to another scheme.

(Paragraph 2.2.2.10)

Internal control and monitoring mechanisms were very weak. Equipment costing Rs.55.98 lakh were lying idle in various hospitals under the jurisdiction of Zilla Panchayat due to non-completion of buildings and non-availability of specialists.

(Paragraphs 2.2.2.11 and 2.2.3)

2.2.1 Audit coverage

Audit reviewed (March 2004-September 2004) programme implementation, material and human resource management in Zilla Panchayat (ZP), Hassan, for the period 1999-2000 to 2003-04. Records of the ZP, two⁺ Zilla Panchayat Engineering Divisions (ZPEDs), District Health and Family Welfare Officer (DHFWO) and the District Hospital were test-checked. Important points noticed in the review are narrated in the succeeding paragraphs.

2.2.2 Programme implementation

2.2.2.1 Planning process

The DPC did not meet as envisaged in the KPR Act and approval of Annual Action Plans delayed

According to Karnataka Panchayat Raj Act, 1996 (KPR Act), every district has to have a District Planning Committee (DPC) with responsibility of consolidation/preparing the Annual District Development Plan and forwarding the same to the Planning Department for monitoring and evaluation of the implementation of Plan programmes. The Committee was to meet at least once in every three months. The DPC was, however, constituted only in 2001 and it met only twice (March 2002 and April 2003) indicating the ineffective functioning. Besides, there was also no mechanism in ZP to ensure the inclusion of its plan proposals in the State Plan.

The implementation of rural drinking water supply scheme requires preparation of shelf plan for prioritising and preparation of Annual Action Plans. The shelf of programmes had not been prepared and there was delay ranging from three to nine months in preparation and approval of Annual Action Plans during 1999-2004. The Annual Action Plans were also not

⁺ Channarayapatna and Hassan

prepared with emphasis on constructive use of surface and ground water resources and ensuring sustainability of the sources by avoiding excessive usage of ground water, construction of water harvesting structures like check dams/percolation tanks, direct injection methods[¥] utilising abandoned structures, etc.

2.2.2.2 Loss of assistance

Assistance of Rs.5.41 crore lost due to poor absorption capacity

The ZP has been implementing various Central Sector/Centrally sponsored schemes^Ω. It suffered on account of reduction of the Central assistance in terms of scheme guidelines, for shortfall in spending, etc. Such reductions resulted in proportionate loss of State share also. The total loss of Central and State assistance was Rs.5.41 crore as detailed below:

Under Swarnjayanti Gram Swarozgar Yojana

(Rupees in lakh)

Year	Allocation (Central+State)	Release		Assistance lost				Percentage of loss of financial assistance to total allocation
				Central		State	Total	
		Central	State	Short receipt	Non- receipt	Non- receipt		
1999-2000	264.80	99.30	33.10	-	99.30	33.10	132.40	50
2000-01	225.76	84.65	28.22	-	84.67	28.22	112.89	50
2001-02	130.63	48.98	16.33	-	48.99	16.33	65.32	50
2002-03	130.63	48.98	16.33	-	48.99	16.33	65.32	50
2003-04	180.45	98.91	22.55	36.43	-	22.56	58.99	33
TOTAL	932.27	380.82	116.53	36.43	281.95	116.54	434.92	

Under other schemes

(Rupees in lakh)

Year	Scheme	Allocation (Central+State)	Release		Assistance lost			Percentage of loss of financial assistance to total allocation
			Central	State	Central	State	Total	
1999-2000	SGRY-I (EAS)	324.12	243.09	81.03	Nil	Nil	Nil	-
2000-01		207.49	133.49	44.50	22.13	7.37	29.50	14
2001-02		414.87	311.15	103.72	Nil	Nil	Nil	-
2002-03		393.97	295.48	98.49				
2003-04		456.27	342.20	114.07				
TOTAL		1796.72	1325.41	441.81	22.13	7.37	29.50	
1999-2000	SGRY-II (JGSY)	388.25	265.33	88.44	25.86	8.62	34.48	9
2000-01		363.59	241.30	80.44	31.39	10.46	41.85	12
2001-02		363.61	272.71	90.90	Nil	Nil	Nil	-
2002-03		383.98	287.99	95.99				
2003-04		446.17	334.63	111.54				
TOTAL		1945.60	1401.96	467.31	57.25	19.08	76.33	

[¥] Direct injection method means strengthening of check dams and soil structures by injecting mortar/paste (grout) for filling cracks/gaps

^Ω Employment Assurance Scheme (EAS), Swarnjayanti Gram Swarozgar Yojana (SGSY), Jawahar Gram Samridhi Yojana (JGSY), Sampoorna Grameena Rozgar Yojana (SGRY), etc.

Effective remedial action was not taken to ensure utilisation of the available funds as envisaged in the guidelines of the schemes to avoid such loss. This was also indicative of poor absorption capacity of the ZP.

2.2.2.3 Unfruitful outlay

Expenditure of Rs.9.56 crore remained unfruitful as the construction of hospital buildings remained incomplete/not put to use

The work of renovation and expansion (out-patient department, surgical wards, maternity ward, radiology block, kitchen block, casualty block, etc.) of District Hospital, Hassan taken up in 1994-95 with an estimated cost of Rs.5.34 crore remained incomplete even as of April 2004 rendering the expenditure unfruitful. Even some portions of the building completed at an expenditure of Rs.4.80 crore had not been put to use.

Another work at an estimated cost of Rs.3.08 crore for renovation and expansion of hospital building at Sakaleshpur taken up under Karnataka Health Systems Development Project (KHSDP) remained incomplete (May 2004) even after incurring an expenditure of Rs.3.06 crore and even the completed portion of the building had not been put to use. Similarly, the hospital building at Holenarasipur renovated and expanded at an expenditure of Rs.1.70 crore had not been put to use (June 2004).

The Medical Officers of the hospitals attributed shortage of staff for non-occupancy of the completed portion of the hospital buildings. The replies were not tenable as adequate action had not been taken to get the building completed early and to obtain sufficient staff for the hospital.

Thus, non-completion/utilisation of hospital buildings rendered the investment of Rs.9.56 crore unfruitful besides, depriving the needy poor of the intended improved health care facilities.

Abandonment/delay in completion of water supply schemes

In the two[♦] ZPEDs test-checked, 53 water supply works (estimated cost - Rs.2.19 crore) taken up during 1993-94 to 2001-02 remained incomplete/abandoned (March 2004) rendering the expenditure of Rs.73.25 lakh unfruitful. Executive Engineers (EEs) of the divisions attributed (April and September 2004) paucity of funds and non-availability of water sources

[♦] Channarayapatna and Hassan

for non-completion/not tackling these water supply works. Out of 137 water supply schemes taken up under scarcity relief works for revival of defunct water supply schemes, only 40 works had been completed (May 2004).

Failure of the EEs to complete the water supply works by obtaining adequate funds and identification of suitable source deprived safe drinking water to the rural population.

2.2.2.4 *Incomplete minor irrigation tank works*

Sixteen minor irrigation tank works taken up for execution during 1992-93 to 2001-02 in two ZPEDs remained incomplete rendering the investment of Rs.21 lakh unfruitful besides depriving the irrigation facilities to 213 hectares. The abnormal delay in completion of these tanks denied the beneficiaries of the intended basic infrastructure. The ZPED-wise break up was as below:

(Rupees in lakh)

ZPED	Number of works	Area proposed to be irrigated (in hectares)	Estimated cost	Expenditure
Channarayapatna	3	106	23.00	9.36
Hassan	13	107	16.44	11.64
TOTAL	16	213	39.44	21.00

The EEs attributed delay in completion of tanks to non-availability of adequate funds/due to court case^Ω, without furnishing the details of the efforts made to complete the works.

2.2.2.5 *Delay in release of funds*

Grants released belatedly for implementation of schemes

During 1999-2004, the ZP delayed release of grants aggregating Rs.25.78 crore (56 occasions) to the implementing officers under rural water supply schemes. The delay ranged from 6 to 287 days. The CAO, Hassan attributed (August 2004) delay in release of grants to non-finalisation of action plans by the implementing agencies. The reply was not tenable as the ZP was responsible for approval and monitoring of implementation of action plans and release of funds.

^Ω Construction of a tank near Bagur Kalenahalli in Channarayapatna taluk (expenditure : Rs.4.72 lakh)

In the implementation of SGSY during 1999-2004, there was

- ❖ delay ranging from 2 to 150 days in release of State share aggregating Rs.79.65 lakh (six occasions)
- ❖ delay ranging from 23 to 127 days in drawal of grants from treasury amounting to Rs.1.24 crore (eight occasions).

During 1999-2002, though the funds were to be released to the Taluk Panchayats for implementation of SGSY, the ZP released Rs.3.11 crore directly to the beneficiaries, contrary to the guidelines.

In the implementation of SGRY during 1999-2004, there was

- ❖ delay ranging from 15 to 154 days in crediting State share of grants aggregating Rs.9.09 crore (38 occasions) to scheme account
- ❖ delay ranging from 6 to 133 days in release of funds aggregating Rs.13.16 crore (25 occasions) to implementing officers.

2.2.2.6 Shortfall in coverage of scheme

There was shortfall in coverage of beneficiaries under various categories

The guidelines for SGSY prescribed that percentage of coverage of Scheduled Castes (SC)/Scheduled Tribes (ST), women and disabled under individuals and self help groups was to be 50, 40 and 3 respectively and in respect of women groups it must be 50 per cent. The shortfall in coverage under these categories is as detailed below:

Year	Total number of swarozgaris	SC/ST			Women			Disabled		
	Group/ Individuals	Required coverage	Actual coverage	Percentage of shortfall	Required coverage	Actual coverage	Percentage of shortfall	Required coverage	Actual coverage	Percentage of shortfall
1999-2000	317/85	159/43	84/15	47/65	159/34	281/20	Nil/41	10/03	Nil	100/100
2000-01	25/269	13/135	02/59	85/56	13/108	17/94	Nil/13	01/08	Nil/03	100/63
2001-02	1260/523	630/262	290/187	54/29	630/209	926/327	Nil	38/16	09/01	76/94
2002-03	1514/497	757/249	467/138	38/45	757/199	1156/140	Nil/30	45/15	06/01	87/93
2003-04	1712/228	856/114	579/118	32/Nil	856/91	1497/65	Nil/29	51/07	07/05	86/29

During 1999-2004, the percentage of shortfall in coverage of individual under SC/ST ranged between 29 and 65, women ranged between 13 and 41 and disabled ranged between 29 and 100. Similarly, the percentage of shortfall in coverage under self-help groups ranged between 32 and 85 under SC/ST and 76 and 100 under disabled. The CEO, ZP, Hassan attributed (June 2004) the shortfall in coverage to the difficulties in identifying the targeted beneficiaries and lack of entrepreneurial qualities. The reply was not tenable as the scheme envisaged training of beneficiaries in their respective skills besides providing assistance.

2.2.2.7 Inadmissible expenditure

**Inadmissible
expenditure
aggregated
Rs.3.74 crore**

The SGRY prohibits taking up works like repairs to buildings/roads, etc. It was noticed that such ineligible works like repairs/improvements to roads, repairs to anganawadi/school buildings, veterinary dispensaries and primary health centres/units were taken up during 2001-04 involving an inadmissible expenditure/outlay of Rs.3.74 crore.

The CEO, ZP, Hassan stated (August 2004) that works were included in the action plans based on the recommendations of the elected representatives. The fact, however, remained that the scheme guidelines were not adhered to scrupulously resulting in non-realisation of intended benefits of the scheme to the eligible beneficiaries.

2.2.2.8 Unauthorised expenditure

Contrary to the guidelines of SGSY, unauthorised expenditure aggregating Rs.15.44 lakh (37 occasions) was noticed during 1999-2003. They were in the nature of payments made to Technical and Consultancy Services Organisation of Karnataka towards preparation of project reports, printing charges, payment of honorarium, computerisation, payment of audit fees, purchase of camera, tape recorders, etc.

An amount of Rs.79.20 lakh was released (2001-03) from the funds of SGSY to Women and Child Development Department, Backward Classes Development Corporation and SC/ST Development Corporation for training

and also as revolving fund to Sthree Shakti Yojana and Swarnima Yojana. As these two schemes were State Sector Schemes, assistance given was inadmissible.

2.2.2.9 Short-release/utilisation of funds

Funds were not released in full for implementation of programmes

Out of Central assistance of Rs.6.61 crore received during 2003-04 for rural water supply schemes, the ZP retained Rs.2.21 crore without being released to implementing officers and out of Rs.58.05 lakh received under Calamity Relief Fund, Rs.5.74 lakh had not been released. The CAO, ZP stated (September 2004) that the funds would be utilised in subsequent years, after obtaining approval of the Government.

Out of Rs.47.31 lakh received by the DHFWO, Hassan during 2002-03 for procurement of drugs and chemicals, Rs.12.79 lakh had not been utilised even after Government extending the time for utilisation of funds till June 2003. The DHFWO attributed (March 2004) non-supply of drugs by suppliers for non-utilisation of funds. Non-utilisation of available funds deprived the needy poor of health care facilities.

2.2.2.10 Diversion of funds

Scheme funds of Rs.1.36 crore diverted irregularly

During 2001-02, the CAO, ZP irregularly diverted a sum of Rs.1.36 crore from JGSY funds to National Family Benefit Scheme being implemented by the Deputy Commissioner. As of May 2004, Rs.0.25 crore had only been recouped. Thus, injudicious decision of the CAO to divert funds of a labour oriented programme, hampered the implementation of JGSY in the district besides denial of wage employment to the needy poor.

2.2.2.11 Internal audit, monitoring and evaluation

The KPR Act stipulated that the CAO should chalk out a systematic programme for internal audit of all the offices of the ZP and was responsible for audit of all the transactions both centrally in his office and locally in respective offices. It was, however, noticed that the CAO did not conduct the internal audit centrally and there were arrears to the extent of 46 to 84 per cent in internal audit to be conducted locally.

Guidelines envisaged physical monitoring of implementation of schemes through field inspections for which a schedule has to be drawn. The ZP did not draw up any such schedule and documentary evidence was not produced for having monitored the implementation of programmes at various levels.

2.2.3 Material Management

Idle Machinery

Equipment costing Rs.55.98 lakh remained idle

Medical equipment costing Rs.37.70 lakh supplied during December 1997 to January 2003 under KHSDP to two[¥] hospitals in the district remained unutilised as the necessary infrastructure had not been provided. The District Surgeon, Hassan attributed (April 2004) non-utilisation of the equipment to non-completion of the work of renovation of the hospital building.

Similarly, the medical equipment costing Rs.18.28 lakh supplied under KHSDP between December 1997 and August 2003 to six^{*} PHCs were lying idle due to non-availability of specialists to utilise these equipments resulting in idle investment.

Thus, non-posting of specialised staff to these hospitals coupled with supply of equipment without assessing the proper utilisation/infrastructure had rendered the expenditure of Rs.55.98 lakh idle. Besides, the health care facilities intended to be provided did not flow to the rural population.

2.2.4 Human Resource Management

2.2.4.1 Nugatory expenditure on staff

Though the hospitals and Primary Health Centres (PHCs)/Units (PHUs) were not having sufficient staff strength, nine officials (both para-medical and administrative) from PHCs/PHUs were working in District Health and Family Welfare Office on deputation in excess of sanctioned strength which had

[¥] Hassan and Sakaleshpur

^{*} Alur, Belur, Dudda, Hallimysore, Hirisave and Konanur

resulted not only in nugatory expenditure of Rs.13.06 lakh* (as worked out by Audit) on their salary, but also hampered the functioning of PHCs/PHUs.

2.2.4.2 Shortage of staff

There was shortage of Medical Officers, Specialists, para-medical and non-medical staff in many of the hospitals/PHCs test-checked. The percentage of shortage to the total sanctioned strength which was 16 during 1999-2000 increased to 19 by the year 2003-04. The test-check revealed that shortage of staff had adversely affected the health services in the district by denying the services of specialists in Gynaecology, Pathology, Forensic, Micro-Biology, Tuberculosis (District Hospital) and Surgery, Radiology, Gynaecology (Holenarasipura and Arasikere).

The Taluk Health Offices headed by Taluk Health Officers (THOs) were created in the year 2000 for conducting inspection and monitoring the implementation of health sector schemes. In six out of eight taluks, no THO was posted except posting of supporting staff. This resulted in non-conducting of inspection besides affecting the monitoring of implementation of health schemes.

2.2.5 Recommendations

- ✓ The functioning of the District Planning Committee should be strengthened, as envisaged.
- ✓ Procedure for release of grants to the implementing officers should be streamlined in accordance with the guidelines to avoid loss of assistance and delay in completion of schemes.
- ✓ There is a need to strengthen the rural health care system by deploying sufficient medical/para-medical staff and to ensure proper utilisation of equipment/buildings.

2.2.6 The points brought out in the review were referred to Government in February 2005; reply had not been received (November 2005).

* From January 2001 to March 2004

SECTION 'B' – PARAGRAPHS

ANIMAL HUSBANDRY AND VETERINARY SERVICES DEPARTMENT

2.3 Deficiencies in providing animal health care services

Large number of technical posts were vacant. Investment of Rs.21.86 lakh made on veterinary polyclinics was lying idle due to non-sanctioning of technical posts. Ten Mobile Veterinary Clinics procured at a cost of Rs.19 lakh were not fully functional

The animal health care services was being rendered in the State through veterinary hospitals/dispensaries, primary veterinary centres, artificial insemination centres and mobile veterinary clinics. Audit review (March-July 2004) of animal health care services provided in three[^] districts disclosed the following deficiencies.

(i) There was a mismatch between the actual number of posts required as per norms prescribed and number of posts sanctioned to veterinary institutions functioning in these districts. Though the posts had been sanctioned, there were large number of vacancies in technical posts and number of technical persons was far less than the requirement. As of July 2004, the percentage of vacancy compared to the requirement ranged from 23 to 92, as detailed below:

Post	Veterinary Officer	Veterinary Supervisor	Veterinary Inspector
Hassan			
Required	68	12	176
Sanctioned	79	8	175
Men in position	45	1	133
Percentage of vacancy	34	92	24
Kolar			
Required	77	21	180
Sanctioned	100	20	190
Men in position	59	5	97
Percentage of vacancy	23	76	46
Mandya			
Required	86	21	187
Sanctioned	94	11	183
Men in position	59	6	141
Percentage of vacancy	31	71	25

[^] Hassan, Kolar and Mandya

The Assistant Directors of the department/Zilla Panchayats did not initiate effective measures to fill-up the vacant technical posts. The vacant technical posts adversely affected the veterinary services and were also fraught with the risk of spreading of contagious/infectious diseases.

(ii) The Government established veterinary polyclinics in selected veterinary hospitals to have a multi-disciplinary approach in combating diseases of animals. In two of the districts test-checked, buildings for accommodating the polyclinics were constructed (1994) at a cost of Rs.9.20* lakh. Equipment like hydraulic operation table, overhead shadow lamps, X-ray machines, etc., costing Rs.12.66* lakh were supplied during 1994-96 to the three test-checked districts. The technical posts like Specialists, Veterinary Officers, Inspectors, etc., were, however, not sanctioned resulting in the investment of Rs.21.86 lakh remaining without serving the intended purpose.

(iii) For 10 out of 25 mobile veterinary clinics (MVCs) sanctioned for the three test-checked districts to carry the veterinary care to the doorstep of livestock owner, Veterinary Officers had not been posted (August 2005). Drivers (five MVCs) and Group 'D' staff (10 MVCs) were also not posted. Expenditure of about Rs.19 lakh on the procurement of vehicles for 10 MVCs did not, therefore, fully serve the intended purpose.

The matter was referred to Government in August 2004. The Government stated (November 2005) that the vacant technical posts would be filled and the veterinary services were being provided through MVCs with the available staff. The reply was not tenable as there was shortage of technical staff even to run the existing veterinary hospitals/dispensaries in these districts.

* Hassan - Rs.4.20 lakh and Mandya - Rs.5.00 lakh

* Hassan - Rs.3.71 lakh, Kolar - Rs.4.77 lakh and Mandya - Rs.4.18 lakh

HEALTH AND FAMILY WELFARE DEPARTMENT

2.4 Long delay in completion of a hospital building

Undue delay in arranging adequate funds for construction of a hospital building resulted in the investment of Rs.27.70 lakh remaining unproductive besides denying the health care facilities

The Zilla Panchayat (ZP), Raichur accorded (October 1993) administrative approval for the construction of a 30 bedded hospital at Mudgal in Lingasugur taluk of Raichur district at an estimated cost of Rs.56 lakh. The ZP entrusted the construction to the Karnataka Land Army Corporation (KLAC) during 1993-94 for completion within two years. It released a total sum of Rs.27.70^β lakh to the KLAC during 1994-97.

Present status of the building

The KLAC spent the funds on the construction and as of 1996-97 the reinforced cement concrete roofing of the out-patient department was completed with partial plastering and flooring.



The other two blocks

comprising wards and operation theatres came up to roof level. Further construction was not undertaken and it was proposed to complete the work under Karnataka Health Systems Development Project (KHSDP). Even as of September 2005, further work was not taken up.

Meanwhile, the estimated cost of the construction was revised (April 2000) to Rs.75.70 lakh, of which the cost of balance works was Rs.50.32 lakh. The Deputy Director, KLAC, Raichur, who undertook the construction, stated (July 2004) that due to changes in the schedule of rates, there was escalation in

^β Rs.20.70 lakh in 1994-95, Rs.5.00 lakh in 1995-96 and Rs.2.00 lakh in 1996-97

costs and the work could not be completed on account of non-release of funds for seven years.

The District Health and Family Welfare Officer, Raichur stated (September 2004) that despite repeated requests made to Government by the ZP, Raichur and discussions at State level meetings, the efforts were not fruitful. The ZP, Raichur stated (February 2005) that they were not directly connected with the project any more since it was proposed to be undertaken further under KHSDP. The reply of the ZP was not tenable since only funding source was proposed to be changed and not the implementing/executing agency.

Thus, on account of not arranging for adequate funds for construction and not taking effective steps by ZP to complete the work, the investment of Rs.27.70 lakh made so far has been rendered unproductive.

The matter was referred to Government in March 2004. The State Government merely stated (September 2005) that the balance work would be taken up under KHSDP, but did not furnish the reasons for inordinate delay in taking up of construction work even under KHSDP. The fact, however, remained that the objective of providing health care through the hospital was not achieved even 12 years after the construction of the hospital was approved. Besides, investment of Rs.27.70 lakh remained unproductive.

2.5 Unfruitful expenditure and denial of health care facilities to needy rural poor

Failure to shift the dispensaries from urban to rural areas, despite Government order resulted in unfruitful expenditure of about Rs.6.11 crore, besides denial of health care facilities to the needy rural poor

The Primary Health Centres (PHCs) were functioning under the administrative control of Zilla Panchayats (ZPs) in the State to provide free medical services to the needy poor. As of December 2004, the number of patients treated in some of the dispensaries under ZP, Bangalore (Urban) since 1998 was between 3 to 25 per day. The ZP sent proposals to Government to shift 16 dispensaries (14 in November 1998 and 2 in October 2002) from Bangalore city to the rural areas. The Government instead of shifting the dispensaries,

decided (September 2003) to redeploy 18 Medical Officers out of 29 and 42 other staff out of 66 from 16 dispensaries to the rural areas. The ZP, Bangalore (Urban) has transferred only 8 Medical Officers and 19 other staff in January 2005 and remaining staff was yet to be redeployed (November 2005).

Failure of the ZP to pursue its proposals for shifting of dispensaries made in November 1998, non-shifting of dispensaries by Government, non-transferring/redeployment of medical staff as per the Government order (September 2003) by the ZP resulted in under/non-utilisation of services of 29 Medical Officers and 66 other staff and unfruitful expenditure of about Rs.6.11 crore on their pay and allowances for the period from April 1999 to December 2004 besides, depriving health care facilities to the needy rural poor.

The matter was referred to Government in September 2004. The State Government while justifying (November 2005) non-shifting of Medical Officers and other staff from PHCs stated that the services of these officials were made use of for implementation of other health programmes. The reply was not tenable as the very purpose of transferring the Medical Officers and other staff from PHCs was existence of other hospitals in the same locality, run by Bangalore Mahanagara Palike, which were also rendering similar health care services.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.6 Misappropriation of funds in the Taluk Panchayat, Malur by presenting fraudulent claims

Prescribed checks and internal controls were flouted by the officials of Zilla Panchayat/Taluk Panchayat/Sub-Treasury resulting in misappropriation of funds to the tune of Rs.1.74 crore

Audit scrutiny of records (2001-03) of Executive Officer (EO), Taluk Panchayat (TP), Malur in Kolar District disclosed that the EO misappropriated funds aggregating Rs.1.74 crore by preferring fraudulent claims of works/supply bills in violation of Codal provisions. Sub-Treasury Officer

(STO), Malur facilitated misappropriation by passing such fraudulent bills without exercising proper checks as prescribed in Codes and Manuals.

Test-check also disclosed that the following lapses facilitated the misappropriation.

- Non-maintenance of stock register/stock account
- Improper maintenance of cash book
- Work bills not supported by measurement books
- Expenditure not backed by approved action plans
- Non-maintenance of Bills Register

The key controls/checks at various levels against misuse of funds were subverted and fraud was perpetuated through syndicated operation involving officials at various levels.

The failure of control mechanism was as under:

Authority responsible for exercising control	How control failed
Chief Accounts Officer, Zilla Panchayat (ZP), Kolar	As an officer responsible for preparation of monthly and annual accounts of TPs and for exercising budgetary control, did not object to the excess expenditure over budget allocation under many heads of account and diversion of funds from one scheme to another
Deputy Secretary (Development), ZP, Kolar- Countersigning officer for bills, as delegated by Chief Executive Officer, ZP, Kolar	Countersigned the works/supply bills without examining • Availability of budget provision • Non-attestation of corrections in the bills by the EO • Arithmetical inaccuracies and discrepancies in sub-vouchers like supply bills and contractor certificates enclosed to the bills • Stock certificates for supply bills and check measurements for work bills
STO, Malur	• Did not object to incorrect depiction of budget allocation and accepted the budget allocation/balance as mentioned in the bills without any checks • Neither objected to interpolations/corrections in the bills nor insisted on attestation by the competent authority, as envisaged in Codal provisions • Did not exercise the primary responsibility of checking arithmetical accuracies of the bills/supporting vouchers • Issued cheques in favour of EO, in disregard of Codal provisions, even after certifying on the bills as 'cheque issued in the name of the firm'

Authority responsible for exercising control	How control failed
EO, TP, Malur	• Did not maintain register of bills and the budget allotments were quoted arbitrarily in the bills • Most of the bills contained alterations/over writings/interpolations • Insisted on issuing cheques in favour of EO, TP even for supply/work bills and proper acknowledgements not obtained/kept on record in support of payments made • Supporting vouchers attached to the bills did not match with the total of the bills • Same bills were preferred more than once quoting the budget allocation more or less equal to the bill amount • Issued cheques in favour of subordinate staff from scheme accounts

Category-wise details of fraud were as under:

- (i) There were instances of double drawal aggregating Rs.20.62 lakh through manipulation of supply/work bills.
- (ii) An amount of Rs.70.37 lakh was drawn through interpolated/tampered supply bills which were not supported by stock certificates and the cheques were issued by treasury in favour of EO, TP instead of the suppliers, disregarding Codal provisions. Also, there were discrepancies between the descriptions on the bills to that of vouchers enclosed. Similarly, an amount of Rs.3.42 lakh was drawn through work bills without any check measurements.
- (iii) An amount of Rs.37.74 lakh was drawn on bills for which no material had been received. In disregard of Codal provisions, the STO issued cheques in favour of the EO in all these cases.
- (iv) An amount of Rs.33.88 lakh was drawn on work bills which were not supported by relevant measurement books and many of the bills were tampered by altering without attestation. STO did not object to the tampered bills and irregularly passed these for payment. In the absence of measurement books, the genuineness of execution of these works was doubtful.

An abstract of the fraudulent claims preferred is as under:

Sl. No.	Particulars	Amount (Rupees in lakh)
1	Double drawal	20.62
2	Fictitious drawal	73.79
3	Bills drawn without receipt of materials	37.74
4	Expenditure incurred without support of measurement books	33.88
5	Bank drawal of Nirmala Karnataka Yojana and treasury drawal for masonry work not accounted	5.85
6	Amount encashed but not accounted for in the cash book	2.33
TOTAL		174.21

Evidently, the prescribed internal controls at all levels were subverted which resulted in misappropriation of Rs.1.74 crore by well orchestrated syndicate operation, involving the officials of ZP/TP/Sub-Treasury.

The matter was reported to Government in April 2004, which replied (June 2004 and June 2005) that show-cause notices were issued to the officials found responsible for the financial irregularities and the Deputy Secretary (Development) of ZP, Kolar was kept (June 2005) under suspension pending departmental enquiry. It further stated (November 2005) that the case had been referred to Corps of Detective for enquiry. Further development in the matter was awaited (November 2005).

2.7 Idle investment due to delay in construction of a bridge-cum-barrage

Due to non-completion of a bridge-cum-barrage for over six years, investment of Rs.1.14 crore remained idle

Considering the pressing demand of the people to solve the problem of commuting to taluk headquarters and also to impound water for irrigation purposes, the Chief Executive Officer, Zilla Panchayat (ZP), Gulbarga proposed (August 1995) construction of a bridge-cum-barrage across Mullamari river, near Garakpalli village of Chincholi taluk in Gulbarga district, at a cost of Rs.80 lakh. The work was included in the action plan for 1998-99 under Jawahar Rozgar Yojana. The estimated cost of construction was revised to Rs.98.65 lakh based on the schedule of rates for 1998-99.

The entire amount of Rs.98.65^β lakh was released (April 1998) to the ZP, Gulbarga.

The Government while according (March 1999) administrative approval stipulated that the work should be entrusted after inviting tenders, but directed later in the same month to entrust the work to Karnataka Land Army Corporation (KLAC), a State Government undertaking and designated agency for execution of departmental works, so that the work could be completed at the earliest.

The KLAC commenced construction in April 1999. The ZP released a total sum of Rs.1.14 crore to KLAC during March 1999 to July 2003. The KLAC prepared revised estimates in July 2003, as the cost of project was going up, due to escalation in cost of labour and material, inclusion of certain additional items not provided for in the original estimate, insufficient provision in the original estimate for removal of silt, dewatering, requirement of steel and excavation in hard rock and non-inclusion of charges (14 per cent) payable to KLAC. The revised estimates for Rs.2.19 crore were yet to be approved by the State Government (November 2005).

As of May 2002, the work of foundation up to about 75 metres valued at Rs.1.29 crore had only been executed. The KLAC attributed (June 2005) the non-completion of work to non-release of funds required, non-approval of revised estimate and standing waters in the river across which the bridge-cum-barrage was being constructed. The ZP, Gulbarga stated (September 2005) that the efforts are being made to complete the entire work at the earliest. The fact, however, remained (November 2005) that there was no progress in the work after May 2002 and no funds were released after July 2003.

Thus, the work, the necessity of which was felt as early as in August 1995, was not completed (November 2005) even after more than six years after commencement of work. This resulted in idle investment of Rs.1.14 crore so far made on the work; besides, the commuting problems of the people remained unsolved. The non-completion also indicated that the efforts made

^β Rs.78.92 lakh from Central Government and Rs.19.73 lakh from State Government

by the ZP to ensure completion of work by proper monitoring and providing sufficient funds, were inadequate.

The matter was referred to Government in October 2004; Government merely endorsed (October 2005) the reply of ZP, Gulbarga. No specific reasons were furnished for non-release of funds after May 2002 and long delay of more than two years in according approval to the revised estimate of Rs.2.19 crore.

2.8 Irregular payment of travelling allowance for fictitious tour programmes

Failure of the Chief Accounts Officer, Zilla Panchayat, Haveri in exercising proper checks in accordance with the Codal provisions while admitting/passing the travelling allowance bills based on fictitious tour programmes, led to irregular payment of claims aggregating Rs.28.14 lakh

On a test-check of records of Chief Executive Officer, Zilla Panchayat (ZP), Haveri, it was noticed that the Travelling Allowance (TA)/Daily Allowance (DA) claims of Grama Panchayat Secretaries of three[♦] Taluk Panchayats (TPs) and Junior Engineers of a TP (Hanagal) for the period 1998-2003 aggregating Rs.28.14 lakh were irregularly admitted and paid (March 2003) in disregard of Article 22-A of Karnataka Financial Code and Rule 576-A of Karnataka Civil Service Rules. Further, the payments were made by re-appropriating the funds from the savings under other heads of account, contrary to the instructions (February 2003) of Government prohibiting the re-appropriations for meeting the non-salary expenditure.

The test-check also disclosed that:

- ❖ Bills admitted/paid were not supported by any documentary evidence such as approved tour programmes, proper tour diaries, etc.
- ❖ TA/DA was claimed even for the holidays/days on which the official was absent due to leave or otherwise and was not on tour
- ❖ No corroborative evidence was forthcoming from the attendance register (many had signed the attendance register for all the days in a month) for officials being on tour

[♦] Hanagal, Ranebennur and Shiggaon

- ❖ There were discrepancies in the dates claimed to have attended the meetings and actual dates of meeting.

Evidently, the Chief Accounts Officer (CAO), ZP, Haveri passed/ countersigned the bills in a routine manner without exercising any of the checks, as required. The CAO, though initially justified (May 2004) the payment of TA/DA by stating that the officials had preferred the claims within the time limit, which could not be paid for paucity of funds, later ordered (October 2004) for partial recovery of the amount paid to the Secretaries of Grama Panchayats.

The matter was brought to the notice of Government in August 2004. The Government ordered (November 2004) for recovery of Rs.23.66 lakh. Similar recovery amounting to Rs.5.79 lakh in respect of Secretaries of Grama Panchayats in other four^Σ taluks was also ordered. The details of disciplinary action, if any, initiated by the Government and the particulars of recovery effected were awaited (November 2005). The method of preferring claims and the manner in which they were admitted without verifying the veracity indicates lack of proper internal control mechanism which needs to be strengthened and responsibility fixed for the irregularity.

2.9 Non-rendering of accounts for temporary advance

Failure of the Executive Engineer, Zilla Panchayat Engineering Division, Bidar to restrict the grant of temporary advance with reference to the passed bills and to obtain the accounts early and to initiate action on the erring officials facilitated retention of huge amount with the subordinate officers

Temporary advances were to be issued to subordinate officers only to make petty payments on muster roll or other voucher, which has been passed for payment. The accounts of temporary advances have to be closed, as soon as possible.

Test-check of records of the Executive Engineer (EE), Zilla Panchayat Engineering Division (ZPED), Bidar disclosed that the temporary advances were paid to subordinate officers irrespective of the passed bills.

^Σ Byadagi, Haveri, Hirekerur and Savanur

Outstanding temporary advance with the subordinate officers, as of March 2003, was to the tune of Rs.0.87 crore. Further, a sum of Rs.6.85 crore had been advanced to them between April 2003 to November 2004.

Scrutiny of accounts rendered by the subordinate officers revealed the following:

- procurement of materials aggregating Rs.4.15 crore, contrary to concept of temporary advance
- refund of temporary advance in cash Rs.0.23 crore after delay ranging from one month to one year
- an amount of Rs.1.73 crore in bank accounts.

As of November 2004, the amount of advance outstanding with the subordinate officers was Rs.2.65^Ω crore.

Thus, the failure of the EE to restrict grant of temporary advance with reference to the passed bills only and to obtain the accounts expeditiously, as contemplated in the codal provisions, facilitated unauthorised retention of hefty sums and injudicious expenditure by subordinate officers.

The matter was referred to Government in June 2004. The Government endorsed (November 2005) the reply of the EE, ZPED, Bidar who stated that entire advance except Rs.8.32 lakh had been adjusted. He further stated that criminal case was booked against an Assistant Engineer and action was being taken to initiate criminal action against other two Assistant Engineers against whom the advance was outstanding. The reply was not acceptable as the re-verification (December 2005) disclosed that an amount of Rs.35.12 lakh was still outstanding with subordinate officers, besides Rs.1.06 crore held in bank accounts.

Specific remarks on the failure of the EE and the subordinate officers for continued irregularity had not been communicated. The matter calls for

^Ω Rs.0.92 crore in cash and Rs.1.73 crore in bank accounts

investigation, as irregularity is being continued by the same officials though they were suspended earlier for the same cause, pointing to subversion of internal controls and inadequate monitoring.

2.10 Defective designs leading to infructuous/unfruitful expenditure

Zilla Panchayat Engineering Division, Bellary executed the work of laying gravity main pipes for the water supply scheme to Sandur Town with defective designs, resulting in infructuous/unfruitful expenditure of Rs.61.24 lakh

On Government approval, the Zilla Panchayat Engineering Division (ZPED), Bellary entrusted (September 1997) the work of “providing, supplying, laying, jointing and commissioning of 375 mm diameter pre-stressed concrete (PSC) pipes” for a length of 12 Km., as part of water supply scheme to Sandur Town, to a contractor at tendered cost of Rs.1.91 crore (including excise duty). The work, taken up under Hyderabad-Karnataka Area Development Board (HKADB) schemes, was to be completed by November 1999. As of December 1999, the work was executed only to the extent of Rs.61.24 lakh, for which the payment was made by the ZPED, Bellary.

As sufficient funds were not available with HKADB, the State Urban Development Department directed in May 2000 that the work be transferred to the Karnataka Urban Water Supply and Drainage Board (KUWSDB) under ‘Bellary package’. Accordingly, the Zilla Panchayat (ZP), Bellary transferred (June 2000) the work to the KUWSDB.

On taking over, the KUWSDB verified the details of the work by carrying out a detailed survey. While pointing out certain design defects relating to the test pressure to which the pipes were to be subjected, they reported (July 2000) to the Government that the pipes laid in portions by the ZPED, Bellary for a total length of 4.32 Km. would not withstand the pressure of water let out from brake pressure tank and that it was not possible to lay the type of pipes selected by the ZPED in the initial reaches passing through narrow roads, hillock and valley. On the hydraulic test conducted (November 2000) by the KUWSDB in the presence of an Assistant Executive Engineer of ZPED, Bellary, in a stretch of 315 metres, it was found that all the joints of pipes were

leaking without application of external pressure, without any possibility of rectification. Evidently, the design adopted and the types of pipe used on the work as decided by the ZPED were defective.

In view of this technical defect, the KUWSDB proposed (November 2000) to replace the PSC pipes already laid with mild steel (MS) pipes. The State Urban Development Department approved this proposal in December 2000. The KUWSDB removed 3.55 Km. of PSC pipes already laid for laying MS pipes and did not remove the balance of 0.77 Km. of PSC pipes as the alignment of MS pipes was changed in a few chainages. The pipes so removed and 1.70 Km. of un-laid PSC pipes were stacked at the work site. Of this, 1.02 Km. of pipes were found damaged for which recovery of Rs.6.78 lakh was proposed in the final bill of the contractor (October 2004). The KUWSDB completed and commissioned the project in September 2002. Details of recovery and specific plan for utilisation of the PSC pipes stacked had not been communicated (November 2005).

Thus, due to defects in designs and type of pipes finalised by the ZPED, Bellary, the expenditure of Rs.61.24 lakh incurred by it on procurement and laying of PSC pipes remained unfruitful/was rendered infructuous as the pipes had not been utilised and as the other allied works like excavation, filling, etc., had to be redone.

The matter was referred to Government in June 2004; reply had not been received (November 2005).

2.11 Irregular expenditure/non-collection of road cutting charges

The Executive Engineer, Zilla Panchayat Engineering Division, Udipi appropriated departmental receipts of Rs.1.43 crore for departmental expenditure irregularly. The Executive Engineer, Zilla Panchayat Engineering Division, Madhugiri failed to collect Rs.63.90 lakh from Department of Telecommunication towards road cutting even after four years

a) The Karnataka Panchayat Raj Act, 1993 stipulated that in matters relating to incurring of expenditure, rules/standing orders/instructions as applicable to Departments of Government would apply to Zilla Panchayats (ZPs). The Karnataka Zilla Panchayat (Finance and Accounts) Rules, 1996

stipulated that revenues generated from the resources of every department of the ZPs should be credited to Government. Appropriation of departmental receipts, except when specially authorised, was strictly prohibited by the Karnataka Financial Code (KFC). The Chief Engineer, Communication and Buildings (South), Public Works Department, Bangalore reiterated (March 2001) the standing instructions of Government and directed that the deposits made by the Department of Telecommunication towards road cutting charges should be credited to Government account and should not be used for other repairs of roads. If expenditure was incurred from road cutting charges, the same would have to be recovered from the Engineer concerned.

The Executive Engineer (EE), Zilla Panchayat Engineering Division (ZPED), Udupi collected Rs.1.63 crore towards road cutting charges from the Department of Telecommunication for laying optical fibre cable along the roads maintained by the ZPED, as detailed below:

Year	Road cutting charges collected (Rupees in lakh)
1998-99	18.54
1999-2000	8.85
2000-01	36.01
2001-02	70.57
2002-03	22.22
2003-04	7.23
Total	163.42

In disregard of the financial propriety stipulated in KFC and despite standing orders that departmental expenditure should not be incurred from the road cutting charges collected, the EE, ZPED, Udupi incurred a total expenditure of Rs.1.43 crore (Rs.69.86 lakh on roads damaged by the Department of Telecommunication) for carrying out repair works of ZP roads as detailed below, by according technical sanction for such works at the divisional level itself.

Year	Expenditure (Rupees in lakh)
1999-2000	9.12
2000-01	18.23
2001-02	73.31
2002-03	21.68
2003-04	21.01
Total	143.35

The matter was referred to Government in August 2003. The Government endorsed (July 2004) the reply of the Chief Executive Officer, ZP, Udupi that the road cutting charges could not be treated as departmental receipts and thus, could be utilised for restoration of roads cut by the Department of Telecommunication. The reply was not tenable as it contravened the provisions of KFC and standing instructions of Government.

b) The EE, ZPED, Madhugiri raised (March 2001) a demand for Rs.63.90 lakh against the Department of Telecommunication towards road cutting charges for laying the optical fibre cables for a length of 213 Km. under the jurisdiction of the Sub-division, Madhugiri. The Department of Telecommunication did not honour the claim (July 2001), instead offered to make a nominal payment for restoration of roads and further, it contended (February 2005) that the work was executed only for a length of 78.70 Km. as against 213 Km. claimed by the Sub-division, and paid (May/June 2005) Rs.1.18 lakh. The Chief Accounts Officer (CAO), ZP, Tumkur merely accepted the contention of the Department of Telecommunication and had replied (September 2005) that the claim was settled in full.

The matter was referred to Government in January 2004. The Government merely endorsed (November 2005) the reply (September 2005) of the CAO, ZP, Tumkur. The reply was not tenable as even for the length of 78.70 Kms, a sum of Rs.23.61 lakh (at the rate of Rs.30 per metre claimed earlier) was to be collected from the Department of Telecommunication. The reasons for accepting such a meagre rate against the rate at which the demand was raised, were not forthcoming.

2.12 Deficiencies in execution and maintenance of minor irrigation works

Delays in completion of seven minor irrigation tanks rendered expenditure of Rs.23.80 lakh unproductive and postponed the anticipated benefits; expenditure of Rs.6.27 crore was incurred on desilting without proper survey

The Zilla Panchayat Engineering Divisions (ZPEDs) were responsible for construction and maintenance of minor irrigation tanks having an *atchkut*^{*} up to 40 hectares. Audit test-checked (April to June 2004) the records relating to the activities undertaken under Minor Irrigation Sector, in three^β ZPEDs of two^ψ Zilla Panchayats. Important points noticed in the test-check are detailed in the succeeding paragraphs.

(i) Delays in completion

Minor irrigation works with an *atchkut* up to 40 hectares can generally be completed within two years. It was, however, noticed that seven works of construction of minor irrigation tanks had not been completed (October 2005) within the period of two years. These tanks were sanctioned during 1984-2003. The details are furnished below:

Zilla Panchayat Engineering Division	Number of works	Area proposed to be irrigated (in hectares)	Estimated cost	Actual expenditure
			(Rupees in lakh)	
Chikballapur	2	72	19.25	19.55
Chikmagalur	5	80	5.04	4.25
Total	7	152	24.29	23.80

Non-completion of these works, besides rendering the expenditure of Rs.23.80 lakh incurred unproductive also deprived the irrigation facilities for 152 hectares and postponed the benefits expected to accrue. Non-completion of the works indicated that adequate efforts were not made to complete the tanks which were lingering for long.

^{*} Atchkut means irrigable area

^β Chikballapur, Chikmagalur and Kolar

^ψ Chikmagalur and Kolar

(ii) Improper desilting of tanks

Two[♢] ZPEDs, spent substantial amounts on desilting of tanks as a routine, without conducting surveys for determining loss of storage capacity, duty[♣] and irrigable area. These divisions incurred a total expenditure of Rs.6.27 crore during 1999-2004 on desilting under various schemes. In the absence of data on loss of storage capacity, duty, etc., it could not be ascertained as to whether the expenditure of Rs.6.27 crore served the intended purpose in full.

The matter was referred to Government in September 2004. Government endorsed (August and October 2005) the replies of the ZPs which stated that the action would be taken to complete the lingering works and that capacity survey of tanks was not carried out due to paucity of funds. The replies were not tenable as adequate measures were not taken to complete these minor irrigation works denying the benefits to the needy population whereas, large amount of money was being spent on desilting works, without conducting the survey, as required.

SOCIAL WELFARE DEPARTMENT

2.13 Unfruitful expenditure on construction of a hostel building

The decision of the Director of Social Welfare Department to construct a post-matric hostel for the students of Scheduled Castes/Scheduled Tribes at Navalgund in Dharwad district, which was sanctioned without any proper recommendation/assessment of demand, resulted in unfruitful expenditure of Rs.24.32 lakh on construction of the building

The Director of Social Welfare Department (Director), based on the requisition received from various districts, recommended (July 1998) setting up of 25 post-matric hostels for the benefit of students belonging to Scheduled Castes/Scheduled Tribes. The Government, however, sanctioned (November 1998) setting up of 18 hostels in the State, including one at Navalgund in Dharwad district.

[♢] Chikballapur (Rs.5.18 crore) and Kolar (Rs.1.09 crore)

[♣] Duty is the relation between the area irrigated and quantity of water used

On test-check of records it was noticed that though sanction for a post-matric hostel at Naval Gund was not recommended by the Director to Government in his proposal, the Government sanctioned a hostel. The Director, instead of assessing the requirement of new hostel building, entrusted (September 2000) the construction of the hostel building at Naval Gund to Karnataka Land Army Corporation (KLAC). The construction of the building was completed (June 2004) at a cost of Rs.24.32 lakh and was handed over to the Department (December 2004). Neither the staff was posted nor the inmates admitted to the hostel since completion, as there was no demand from the students studying in the college located at Naval Gund to get admitted to the hostel. The hostel remained non-functional even as of November 2005. Thus, the decision to construct a hostel building without assessing the demand resulted in unfruitful expenditure of Rs.24.32 lakh.

On this being pointed out, Government stated (November 2005) that the proposal to increase the inmate capacity of the existing pre-matric hostel at Naval Gund for utilisation of the new building was under consideration. The reply was not acceptable as the expenditure on post-matric hostel building did not serve the intended purpose.

2.14 Misappropriation and non-utilisation of programme funds

Failure of the Zilla Panchayat, Bagalkot to ensure proper verification before release of assistance and to closely monitor proper utilisation of released assistance of Rs.10.40 lakh led to misappropriation of funds of Special Component Plan meant for weaker sections of the society

The Government released (July 2001) Rs.18.25 lakh under Special Component Plan to the Zilla Panchayat (ZP), Bagalkot for a leather tanning-cum-production unit to be run by Sri. Hanuman Khadi and Gramodyoga Kaigarika Sangha (Sangha), Budni K.D., Mudhol taluk. According to the project report prepared (July 2000) by the Sangha, the money was to be utilised for the establishment of the production unit. After obtaining a report from the District Social Welfare Officer (DSWO), Bagalkot the Director of Social Welfare Department, Bangalore instructed (September 2001) the ZP to release the assistance to the Sangha. Based on this, the ZP, Bagalkot released (December 2001) Rs.10.40 lakh to the Sangha for being distributed to the 104 members of

the Sangha at Rs.10000 each, even though the project report prepared by the Sangha based on which the Government issued order of July 2001, did not envisage distribution of cash assistance to the members. The beneficiaries were also not selected by the ZP as required in the said Government order. The President of the Sangha undertook (October 2001) to complete the establishment of the unit within a year by collecting contribution from the members and by raising loans and submitted (August 2002) acknowledgements of 100 members for receiving Rs.10 lakh.

Audit noticed (January 2004) that the Sangha had not completed the establishment of the unit till date. The DSWO, Bagalkot stated (July 2004) that the assistance was not actually distributed to the members of the Sangha and that the ZP, Bagalkot appointed (July 2004) a committee of officers for spot inspection and report. The committee in its report (August 2004) indicated that the existence of the Sangha was doubtful and recommended to:

- ❖ file a criminal case against the President and the management of the Sangha for misappropriation and order for recovery of assistance
- ❖ initiate disciplinary proceedings against staff and officers of Social Welfare Department of the ZP and others involved in the irregularities like improper verification prior to release of assistance, non-selection of beneficiaries, non-monitoring, etc.

Evidently, proper verification was not made by the Taluk Social Welfare Officer, Mudhol and DSWO, Bagalkot before and after release of assistance. The Chief Executive Officer, ZP, Bagalkot also failed in his duties in ordering the release of funds to the individual beneficiaries, though not provided for in the Government order.

Thus, due to improper verification prior to release of assistance and absence of close monitoring after its release, the assistance of Rs.10.40 lakh meant for eradicating poverty among the weaker sections of the society was misappropriated. The balance assistance of Rs.7.85 lakh was held by the ZP unutilised for more than four years.

The matter was referred to Government in January 2005. The State Government stated (September 2005) that the action had been initiated to recover the amount from the Sangha and disciplinary action would be taken against the then DSWO. It further stated that the guidelines to all the DSWOs would be issued to follow the rules strictly while releasing funds.

WOMEN AND CHILD DEVELOPMENT DEPARTMENT

2.15 Namma Magalu Namma Shakti Scheme

2.15.1 Introduction

2.15.1.1 The State Government launched (March 1997) 'Namma Magalu Namma Shakti Scheme' with the objective to empower the girl children by providing financial assistance to raise their standard in the family in particular and in the society in general. The scheme was implemented in collaboration with the Life Insurance Corporation of India (LIC) and the benefits were to reach the girl child through her mother or natural guardian.

2.15.1.2 Under the scheme, the Child Development Project Officers (CDPOs), being the implementing officers, would pay a lump sum amount of Rs.2500 per girl child to the LIC upon joining the scheme, on attaining the age of five. After a year of admission in the scheme, the LIC would pay an annual dividend of Rs.200 for four years, Rs.300 for the next four years and Rs.400 for the subsequent four years. On the girl child attaining majority, a sum of Rs.4410 would be paid. The assistance was to be paid into a bank account in a nationalised bank held in the name of the child and her mother/natural guardian.

2.15.1.3 The CDPOs were to identify the beneficiaries. The Assistant Director of Women and Child Development Department in the districts were to sanction and recommend beneficiaries to the LIC. The scheme was implemented through Zilla Panchayats (ZPs) under district sector schemes from 1997-98.

2.15.1.4 Audit test-checked (August 2004-October 2004) the records relating to implementation of the scheme in 24 CDPOs in three* ZPs. Information from the Director of Women and Child Development Department was also obtained and analysed. Important points noticed during the test-check and analysis are narrated in the succeeding paragraphs.

2.15.2 Financial and physical progress

2.15.2.1 The financial and physical progress of implementation of the programme, as furnished by the Director of Women and Child Development Department, were as under:

Year	Financial provision (Rupees in crore)	Physical progress (Number of beneficiaries)
1997-98	3.71	14609
1998-99	4.37	17629
1999-2000	7.08	Nil
2000-01	3.56	14488
2001-02	3.64	Nil
Total	22.36	46726

42880
beneficiaries
were denied of
the benefits due
to diversion of
scheme funds

2.15.2.2 During 1999-2000, pending revision of the scheme, the provision of Rs.7.08 crore was diverted for construction of anganawadi buildings. The Government revised (August 2000) the scheme incorporating proof for having studied up to matriculation and self declaration for remaining unmarried, etc. Further, the provision of Rs.3.64 crore in 2001-02 was also diverted for providing supplementary nutrition and construction of anganawadi buildings. Had these earmarked funds been utilised for the implementation of the scheme, 42880 beneficiaries could have been assisted. It also resulted in cumulative loss of financial benefits of Rs.34.35[©] crore.

Eligible girl
children were
deprived of the
benefits due to
discontinuation
of the scheme

2.15.2.3 As the content of the scheme was similar to the Balika Samridhi Yojana sponsored by the Government of India from 15 August 1997, it was decided (August 2001) to discontinue the Namma Magalu Namma Shakti scheme from 2001-02. The girl child born on or after 15 August 1997 was only eligible for benefit under Balika Samridhi Yojana. Discontinuation of Namma Magalu Namma Shakti scheme resulted in the girl children born between April 1996 and 14 August 1997 being deprived of the benefits in

* Bangalore (Rural), Belgaum and Hassan

© Rs.8010 per beneficiary in the form of annual dividends and payment at the time of attaining majority

either of the schemes, as the children born during that period would reach the age of 5/6 years only in 2001-02.

2.15.3 Weak monitoring mechanism

Benefits of the scheme did not reach the beneficiaries

2.15.3.1 Test-check in the three ZPs and information made available by the Director of Women and Child Development Department disclosed that monitoring of the scheme was not effective as 3153 cheques received from the LIC were credited to the bank with a delay ranging from one to eight years, resulting in dividend being not credited to the bank accounts of the beneficiaries and cheques being returned for revalidation/correction, as detailed below:

Zilla Panchayat	Number of dividend cheques from LIC	Number of cheques credited	Balance
Bangalore (Rural)	2292	2104	188
Belgaum	4255	3865	390
Chamarajanagar	3120	2718	402
Chitradurga	2073	2050	23
Davanagere	1237	1225	12
Gulbarga*	220	128	92
Hassan	11163	9141	2022
Kodagu	1592	1568	24
Total	25952	22799	3153

*for Jewargi taluk alone

Details of period and amount involved in these cheques and information in respect of other districts were not furnished.

2.15.3.2 According to the guidelines of the scheme, the entire control of the funds of the scheme should vest with the implementing agency. In six* taluks of two[§] ZPs, payment details of 1321 beneficiaries were not available. Evidently, monitoring mechanism to watch the payment to beneficiaries was not in place, as envisaged.

2.15.4 Conclusion

- The scheme funds were diverted resulting in denial of benefits of the scheme to eligible girl children.
- The discontinuance of the scheme resulted in depriving of benefits to girl child born between April 1996 and 14 August 1997.

* Gokak, Khanapur, Saundatti, Mulbagal, Chikkodi and Hoskote

§ Belgaum and Bangalore (Rural)

- Monitoring mechanism to ensure timely payment to the 46726 beneficiaries under the scheme was very weak as an amount of Rs.11.68 crore had been invested with LIC which was to fetch cumulative financial benefits of Rs.37.43 crore to the beneficiaries till they attain the age of 18 years. There is a need for strengthening the monitoring mechanism.

The matter was referred to Government in October 2004; reply had not been received (November 2005).

GENERAL

2.16 Follow up on Audit Reports

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

ATNs for the Reports of the Comptroller and Auditor General of India (Zilla Panchayats) for the year ended March 2001 and March 2002 which were presented to the Legislature in March 2003 and February 2004 respectively, had not, however, been received by Audit as of November 2005. Department-wise position of observations for which ATNs were due, as on November 2005, is indicated below:

Department	AR-2002		AR-2001		Total	
	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs	Reviews
Rural Development and Panchayat Raj	10	2	6	1	16	3
Education	-	-	2	-	2	-
Finance	-	-	1	-	1	-
Forest, Environment and Ecology	-	-	1	-	1	-
Social Welfare	1	-	-	-	1	-

While the above reports presented to the State Legislature featured audit paragraphs on serious irregularities, misappropriation of funds in Zilla Panchayats, idle/wasteful expenditure and lacunae in management of stores and stock in Zilla Panchayat Engineering Divisions, the Government had not communicated (November 2005) details of action taken to plug loop holes in the system that lead to these financial irregularities. The departments concerned need to be instructed to prepare and forward to Karnataka Legislative Assembly Secretariat, ATNs on the paragraphs/reviews featured in the Audit Reports, timely.

K. P. Lakshmana. Rao

BANGALORE
The

29 MAR 2006

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

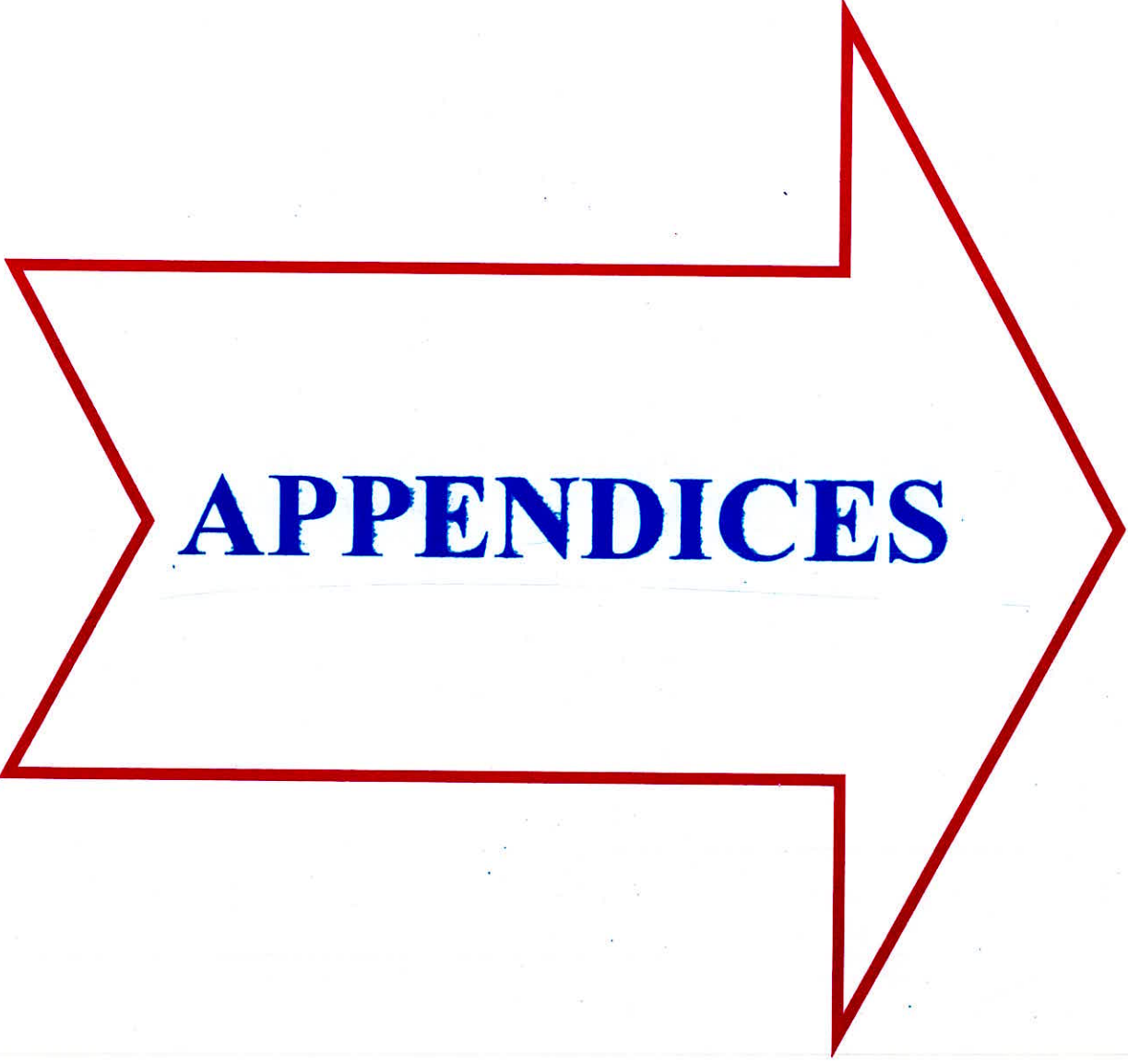
COUNTERSIGNED



NEW DELHI
The

18 APR 2006

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



APPENDICES

Appendix 1.1

Diversion of funds

(Reference: Paragraph 1.7/Page 10)

Sl. No.	Zilla Panchayat	Level at which diverted	Year	Scheme from which diverted	Scheme/purpose for which diverted	Amount (Rupees in lakh)
1	Bangalore (Urban)	ZP	2001-02	Water Supply and Sanitation Programme	Production of documentary films on programmes of Social Welfare Department	5.00
2	Bidar	TP, Aurad	1999-2004	Stamp duty grants	Construction/repairs of buildings, purchase of medicines, etc.	21.54
		ZP	2001-02		Rural network programme	12.00
		TP, Basava Kalyan	2001-03		Construction of Rural Beneficiary Training Centre and meeting hall	18.31
3	Bijapur	TP, Mudhol	2001-04	Stamp duty grants	Construction of Samudaya Bhavan, Rangamandira, etc.	24.06
4	Chitradurga	ZP	2002-03	SGSY	Purchase of office equipment, construction of building and tour programme of ZP members	8.82
5	Gadag	TP, Gadag	2002-03	Nirmala Grama Yojana	Ashraya Housing Scheme	5.00
6	Kodagu	ZP	1999-2000	SGSY	Construction of buildings	8.11
			2001-02			11.40
			2002-03			10.00
			2002-03	Zilla Panchayat Maintenance grants	Purchase of solar lights	8.07
				DRDA Administration grants	Supply of Karnataka Panchayat Raj Manual to the members of ZP and GP	0.60
7	Shimoga	ZP	2002-03	Western Ghats Development Programme	Production of documentary film on watershed programme	5.12
TOTAL						138.03

Appendix 1.2

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

(Reference : Paragraph 1.10/Page 15)

Sl. No.	Zilla Panchayat	Number of departmental officers	Number of departmental officers whose expenditure was not reconciled	Amount not reconciled (Rupees in lakh)
1	Chamarajanagar	24	1	193.52
2	Dakshina Kannada	20	17	478.77
3	Davanagere	22	22	20249.11
4	Dharwad	25	2	7005.92
5	Gadag	22	8	192.81
6	Gulbarga	15	5	3279.95
7	Koppal	22	10	1223.94
8	Shimoga	18	11	12783.15
Total		168	76	45407.17

Source : Information furnished by the ZPs
ZPs, Bidar, Bijapur and Kolar did not furnish the information

Appendix 1.3

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

(Reference: Paragraph 1.11/Page 15)

Sl. No.	Zilla Panchayat	Number of departmental officers	Number of NDC bills pending	Amount (Rupees in lakh)	Earliest year from which pending
1	Bagalkot	1	2	0.24	2000-01
2	Bangalore (Rural)	2	704	17.11	1987-88
3	Belgaum	31	94	8.51	1995-96
4	Bijapur	46	420	28.89	1986-87
5	Chitradurga	30	13	0.95	2004-05
6	Dakshina Kannada	18	76	8.11	2001-02
7	Davanagere	1	4	1.56	2000-01
8	Gulbarga	119	689	17.81	2002-03
9	Hassan	NF	327	215.12	2001-02
10	Mandya	NF	NF	30.73	2004-05
11	Mysore	NF	NF	421.36	1987-88
12	Raichur	6	6	30.35	1993-94
13	Shimoga	30	NF	39.30	1991-92
14	Udupi	67	1055	12.75	2004-05
15	Uttara Kannada	4	NF	9.23	NF
	Total	355	3390	842.02	-

Source : Information furnished by the ZPs

ZPs, Bidar, Chamarajanagar, Kolar and Koppal did not furnish the information

NF – Not furnished

Appendix 1.4

List of incomplete works

(Reference: Paragraph 1.12/Page 15)

(Expenditure : Rupees in lakh)

Sl. No.	Zilla Panchayat	Buildings		Roads & Bridges		Water Supply Works		Total	
		Number	Expenditure	Number	Expenditure	Number	Expenditure	Number	Expenditure
1	Bagalkot	-	-	-	-	2	17.67	2	17.67
2	Belgaum	-	-	-	-	1	13.63	1	13.63
3	Bellary	-	-	1	8.36	8	376.58	9	384.94
4	Bijapur	1	3.16	-	-	1	5.12	2	8.28
5	Chikmagalur	2	23.28	-	-	1	2.16	3	25.44
6	Chitradurga	2	2.10	-	-	1	4.37	3	6.47
7	Davanagere	-	-	-	-	1	202.00	1	202.00
8	Dharwad	1	85.38	1	54.69	-	-	2	140.07
9	Kodagu	-	-	4	66.41	-	-	4	66.41
10	Mandya	4	12.61	4	7.02	6	22.95	14	42.58
11	Mysore	1	13.16	-	-	5	30.50	6	43.66
Total		11	139.69	10	136.48	26	674.98	47	951.15

Source : Information furnished by the ZPs

ZPs, Bangalore (Rural), Gulbarga, Hassan, Kolar, Shimoga and Tumkur did not furnish the information

Appendix 1.5
Cases of misappropriation/defalcation
(Reference: Paragraph 1.13/ Page 15)

(Amount : Rupees in lakh)

Sl. No.	Zilla Panchayat	Under investigation		Pending in court		Others		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	Bagalkot	1	0.09	-	-	-	-	1	0.09
2	Bangalore (Rural)	16	20.99	-	-	-	-	16	20.99
3	Bangalore (Urban)	7	36.31	1	0.05	-	-	8	36.36
4	Belgaum	11	56.07	1	1.22	1	0.82	13	58.11
5	Bellary	27	295.00	1	2.43	-	-	28	297.43
6	Bijapur	15	206.66	-	-	-	-	15	206.66
7	Chamarajanagar	24	266.45	-	-	-	-	24	266.45
8	Chikmagalur	32	62.72	-	-	-	-	32	62.72
9	Dakshina Kannada	24	40.19	1	1.02	-	-	25	41.21
10	Davanagere	1	51.33	-	-	1	11.14	2	62.47
11	Dharwad	2	8.83	1	1.80	7	14.41	10	25.04
12	Gadag	10	32.63	1	17.66	-	-	11	50.29
13	Hassan	26	96.56	2	22.01	1	0.77	29	119.34
14	Haveri	20	148.22	3	11.80	-	-	23	160.02
15	Kodagu	-	-	9	98.88	-	-	9	98.88
16	Koppal	5	17.39	1	0.66	3	4.12	9	22.17
17	Mandya	19	125.50	-	-	-	-	19	125.50
18	Mysore	15	84.27	-	-	1	1.15	16	85.42
19	Raichur	9	133.32	2	12.09	-	-	11	145.41
20	Shimoga	22	182.72	-	-	-	-	22	182.72
21	Tumkur	2	6.62	1	0.16	-	-	3	6.78
22	Uttara Kannada	2	86.68	1	45.50	-	-	3	132.18
Total		290	1958.55	25	215.28	14	32.41	329	2206.24

Source : Information furnished by the ZPs

ZPs, Bidar, Gulbarga and Kolar did not furnish the information

