

GOVERNMENT OF KARNATAKA

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

For the year ended 31 March 2001



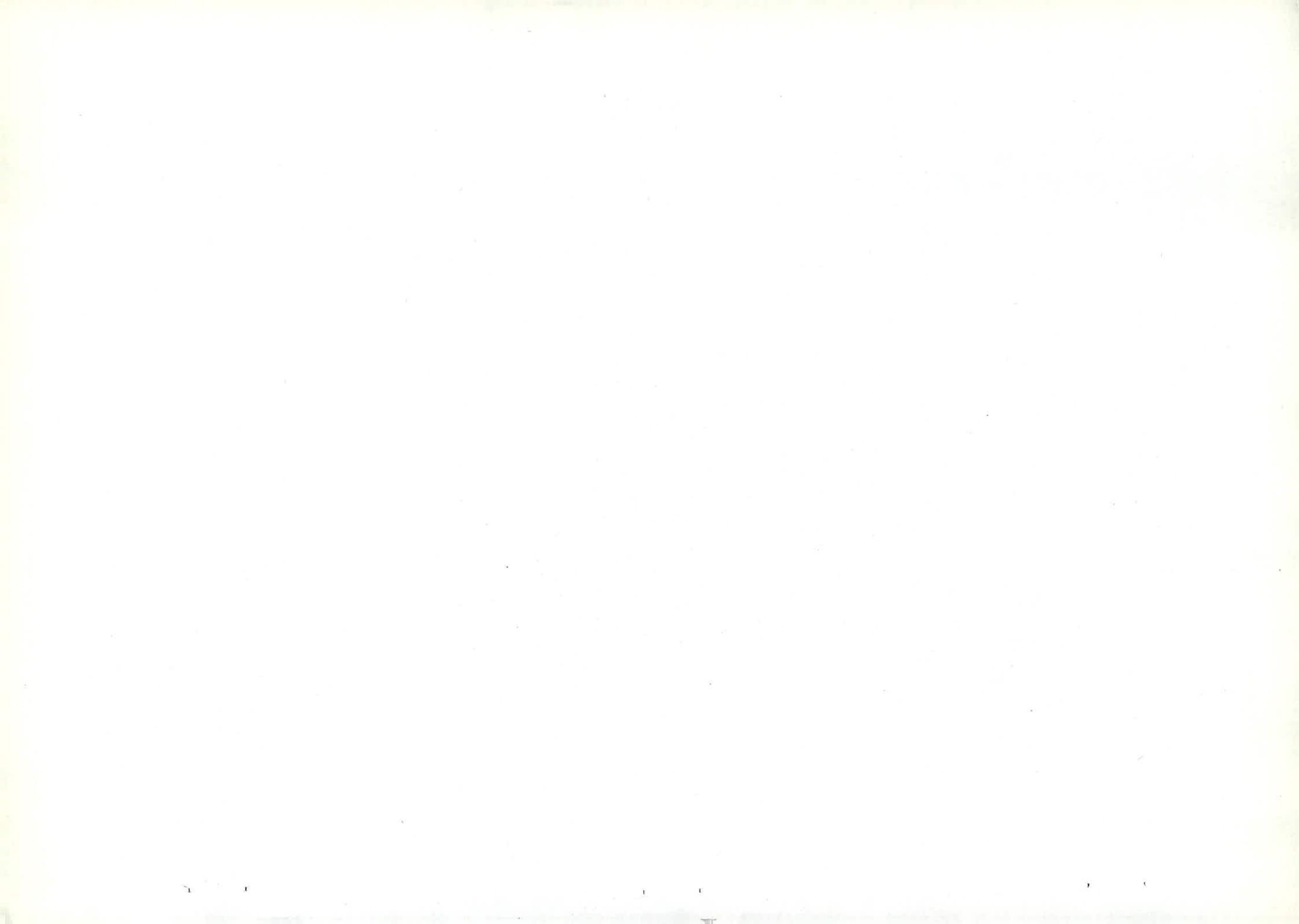
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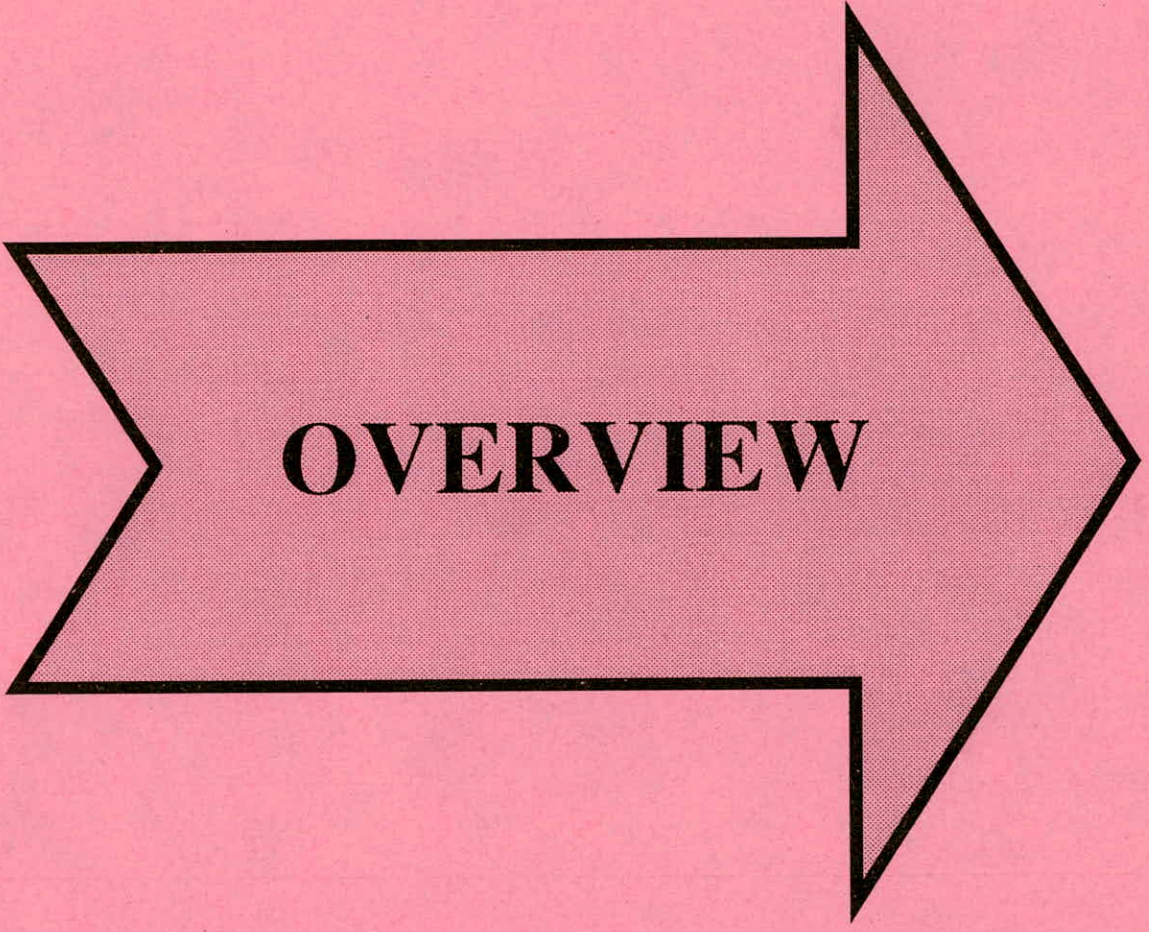
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PREFACE

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 for the year ended 31 March 2001.
3. The other Chapter deals with the findings of audit on financial transactions of Zilla Panchayats.
4. The Reports containing the observations arising out of (i) Statutory Corporations, Boards and Government Companies; (ii) Revenue Receipts; and (iii) Civil Departments are presented separately.
5. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2000-2001 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 2000-2001 have also been included, wherever necessary.



OVERVIEW

OVERVIEW

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

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

There were delays ranging from 2 to 12 months in the transmission of annual accounts to the Accountant General by the Zilla Panchayats during 1996-97 to 1998-99 while 17 Zilla Panchayats did not compile the accounts in the prescribed format during 1998-99.

(Paragraph 1.8)

The closing balances held by Zilla Panchayats during 1996-97, 1997-98 and 1998-99 were Rs.608.37 crore, Rs.647.04 crore and Rs.969.52 crore respectively, indicating increasing trend in the unutilised funds of Zilla Panchayats year after year.

(Paragraph 1.10)

Expenditure on plan programmes which was 44 per cent of the total expenditure in 1996-97 came down to 39 per cent in 1997-98 and 1998-99. Non-plan expenditure rose from 56 per cent of total expenditure in 1996-97 to 61 per cent in 1997-98 and 1998-99. Expenditure on salaries constituted major share of non-plan expenditure during these years.

(Paragraph 1.11)

Fifteen Zilla Panchayats did not transfer a sum of Rs.2.92 crore to Grama Panchayats, depriving the benefit due to them.

(Paragraph 1.12)

Nine Zilla Panchayats diverted an amount of Rs.4.55 crore from various schemes for other purposes/schemes.

(Paragraph 1.14)

Non-payable detailed contingent bills for an amount of Rs.10.72 crore drawn on 1787 abstract contingent bills during 1987-2001 by 393 drawing and disbursing officers of 15 departments were not submitted.

(Paragraph 1.17)

As of March 2001, there were 361 cases of misappropriation of Zilla Panchayat funds amounting Rs.14.69 crore by departmental officers/officials.

(Paragraph 1.18)

2 Review of the working of Zilla Panchayats

State Government released funds to Zilla Panchayats 7 to 49 per cent in excess of the budget provision during 1995-2000 (except during 1997-98). In three out of five test-checked districts, State Government released 10 to 17 per cent of the grants on the last working day of the financial year during 1997-2000. As a result, the unspent balances in ZP funds increased from Rs.318.87 crore in 1995-96 to Rs.949.85 crore in 1999-2000. Internal controls against errors and inaccuracies through monthly accounts and plus and minus memorandum were not operational. Expenditure control was not prevalent at all across the Zilla Panchayats. Chief Executive Officers failed to surrender salary savings under several heads to Finance Department during 1997-2000. They also unauthorisedly incurred huge excess expenditure under several heads of account without sanction of the Finance Department. The heads of the Department in the districts did not regularly reconcile their expenditure figures with those booked by the Chief Accounts Officer. This has exposed the system to unauthorised expenditure, diversion of funds, etc. Internal controls in the Zilla Panchayats consisting of internal audit by the Chief Accounts Officer and prompt compliance to external audit observations were not satisfactory as there were huge arrears in internal audit and 5902 external audit paragraphs were not attended to by the Chief Accounts Officer.

(Paragraphs 2.1.4 to 2.1.7)

Five Zilla Panchayats lost Central assistance of Rs.30.20 crore as they failed to fulfil the conditions laid down by Government of India for implementation of Centrally Sponsored Schemes. Gulbarga district alone accounted for 51 per cent of the loss of Central assistance.

(Paragraph 2.1.8)

Four Zilla Panchayats spent Rs.0.81 crore on various programmes/schemes in contravention of guidelines.

(Paragraph 2.1.9)

Block Education Officer, Molakalmuru and District Officer, Backward Classes and Minorities, Bijapur irregularly countersigned grant-in-aid bills of unrecognised institutions during 1989-2001 and facilitated unauthorised and irregular payment of grant-in-aid of Rs.1.19 crore.

(Paragraph 2.1.11)

Advances of Rs.0.39 crore given to officials and others in two districts remained unadjusted for 1 year to 8 years.

(Paragraph 2.1.12)

Failure of Executive Engineers and Accounts Superintendents of three Zilla Panchayat Engineering Divisions to check monthly stock accounts facilitated non-accountal of stores costing Rs.20.75 lakh during 1995-2001.

(Paragraph 2.1.14(i))

No action was taken in 5 Zilla Panchayat Engineering Divisions and one District Health and Family Welfare Office for recovering the cost of shortage of materials aggregating Rs.4.92 crore for 2 to 9 years.

(Paragraph 2.1.14(ii))

Six Zilla Panchayat Engineering Divisions, four District Health and Family Welfare Officers and one District Social Welfare Officer failed to observe the

prescribed procedure for purchase of materials and incurred an avoidable expenditure of Rs.29.44 lakh.

(Paragraph 2.1.15(i))

Executive Engineer, Zilla Panchayat Engineering Division, Bijapur flouted instructions for purchase of PVC pipes and favoured a large-scale manufacturer to the extent of Rs.22.44 lakh.

(Paragraph 2.1.15(ii))

Zilla Panchayats purchased 31 new vehicles during 1995-2000 at a cost of Rs.1.21 crore without sanction of Government.

(Paragraph 2.1.15(iii))

Due to deficiencies in planning, eight x-ray machines valued Rs.23.98 lakh remained idle in one hospital and six Community Health Centres for over 6 months to 5 years.

(Paragraph 2.1.18(i))

3. Audit paragraphs

(1) Deputy Directors of Public Instruction, [Bangalore (Urban)] and Tumkur sanctioned grants of Rs.91 lakh from 1994-95 to January 2001 for 4 secondary schools located in Anekal and Gubbi blocks although recognition had not been renewed from 1994-95 in respect of these schools. DDPI, Tumkur accorded post-facto renewal to 13 schools incorrectly and released grant-in-aid of Rs.3.72 crore.

(Paragraph 2.2)

(2) Failure of the Block Education Officer to reconcile the expenditure, non-inclusion of paid vouchers in the list of payments by Treasury Officer and his failure to compare the list of cheques issued with cheques paid every month facilitated fraudulent drawal of Rs.1.34 crore by two grant-in-aid schools.

(Paragraph 2.3)

(3) Social Forestry

Some of the major deficiencies noticed during a review of the implementation of the Social Forestry Programme are (i) for every one rupee spent on the Programme, the corresponding administrative cost increased from Re.0.57 to Rs.2.42 during 1998-2001 in 10 divisions as a result of huge surplus staff due to huge reduction in the Programme; (ii) Deputy Conservator of Forest (Social Forestry), Chickmagalur unnecessarily purchased polythene bags costing Rs.16.61 lakh during January 2000 to November 2000; and (iii) failure of Range Forest Officer (Social Forestry), Tumkur Range to ensure that the amounts obtained from the treasury were accounted for in his cash book facilitated misappropriation of Rs.6.39 lakh during September 1997 to August 2001.

(Paragraph 2.4)

(4) Executive Engineer, Zilla Panchayat Engineering Division, Huvinahadagali made payment of Rs.18.77 lakh for supplies which were not received. He also paid Rs.19.52 lakh towards materials which were not available on a scheme.

(Paragraph 2.5)

(5) Misappropriation of Government funds in Zilla Panchayat

Smt.M.G.Shanthakumari (MGS) as Chief Accounts Officer in Zilla Panchayats, Uttara Kannada and Bangalore (Urban) unauthorisedly opened several savings bank accounts in various banks, in disregard of instructions.

Instead of allotting funds to implementing officers, MGS irregularly drew Rs.29.32 crore from treasury during November 1995 to December 1999 and deposited the same in savings bank accounts opened unauthorisedly. Out of Rs.29.32 crore, she did not account for Rs.18.08 crore in Zilla Panchayat accounts.

She misappropriated funds from the savings bank accounts by (i) drawing huge funds on self-cheques and through cheques on banks for demand drafts/pay orders in favour of fictitious persons; (ii) issuing cheques in favour of officials of Zilla Panchayats and/or their relatives; and (iii) issuing cheques

for huge amounts in favour of persons/firms who had not rendered any service or supplies to the Zilla Panchayats.

MGS did not (i) maintain cash book for large number of schemes; (ii) compile monthly accounts for 19 months; and (iii) reconcile bank balance with cash book wherever maintained.

Varada Grameena Bank, Karwar where the Chief Executive Officer and Deputy Secretary (Development) of the Zilla Panchayat, Uttara Kannada were Directors, was used by MGS as the front organisation for initially diverting and subsequently misappropriating Zilla Panchayat funds. The bank facilitated suppression of information about the transactions in the savings bank accounts by issuing two sets of passbooks, one to suit the manipulation of MGS and the other containing the details of all the transactions.

(Paragraph 2.6)



CHAPTER-I

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

CHAPTER I

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF ZILLA PANCHAYATS

1.1 Introduction

In Karnataka, there were 20 districts up to end of March 1998. Seven new districts were formed from April 1998 making 27 districts in all comprising 175 taluks and 56600 rural habitations including 27017 revenue villages as on 31 March, 2001. According to 1991 census, about 310 lakh people out of 448 lakh (about 69 per cent of the State's population) lived in rural habitations and of these, 55.52 lakh households (68 per cent) depended mainly on agriculture.

With the objective of overall development of rural population, effective from April 1987 Panchayat Raj system was introduced in Karnataka to delegate powers to the grass root level. At district level, Zilla Parishads were constituted (which were re-named "Zilla Panchayats" in 1993) as corporate bodies under Karnataka (Zilla Parishads, Taluk Panchayat Samithis, Mandal Panchayats and Nyaya Panchayats) Act, 1983. They were entrusted with the powers to execute certain works with overall supervision and co-ordination of development schemes as also maintenance of services in the district. In May 1993, State Government enacted a comprehensive Panchayat Raj Act, viz., the Karnataka Panchayat Raj Act, 1993 (the Act) incorporating all the essential features of the 73rd amendment to the Constitution. As of 31 March 2001 there are 27 Zilla Panchayats (ZPs), 175 Taluk Panchayats (TPs) and 5659 Grama Panchayats (GPs). The ZP is the apex body, which supervises and monitors the working of TPs and GPs.

1.2 Organisational set up

At the State level, Rural Development & Panchayat Raj is the nodal department having overall control on the working of Panchayat Raj

Institutions (PRIs). At the district level, the ZP is constituted by the elected representatives headed by Adhyaksha. Chief Executive Officer (CEO) is the Administrative head in charge of overall activities of the ZP and he is assisted by Chief Accounts Officer (CAO) and Chief Planning Officer (CPO). For effective functioning several committees viz., General Standing Committee, Finance, Audit and Planning Committee, Social Justice Committee, Education & Health Committee and Agriculture & Industries Committee, are constituted at ZP. The CEO will have overall control on working of the departments under ZP. The CAO is the financial head, CPO is responsible for Planning while Deputy Secretary (Development) will monitor the physical progress of schemes/works carried by the various departments. The TP is constituted by elected representatives headed by Adhyaksha. Executive Officer is the administrative head at taluk level. There are three committees viz., General Standing Committee, Finance, Audit and Planning Committee and Social Justice Committee to monitor the working of TPs. GP is constituted by elected members headed by Adhyaksha at village level and Secretary is its executive functionary.

1.3 Source of funds

Funds required for execution of various developmental activities are provided by the State Government and Government of India in the form of block grants. In order to achieve regional balance, the allocation and release of funds to PRIs is based on certain indicators such as population, backwardness in irrigation, literacy percentage, backwardness in medical and health facilities, etc. Allocation of resources is also governed by the recommendations of the State Finance Commission constituted under Section 267 of the Act to review the financial position of PRIs. During 1996-2001, funds at an average of 20 per cent of the State's budget were allocated to PRIs.

1.4 Release of funds

The financial support from the State Government for the functions of PRIs is in the form of amounts transferred on block basis as well as scheme linked by appropriation from the Consolidated Fund of the State. Grants-in-aid in respect of certain Central Sector (like Western Ghat Development Project, Integrated Waste Land Development Programme, Prime Minister's Gram Sadak Yojana, etc.) and Centrally Sponsored Schemes (like Jawahar Gram Samridhi Yojana, Swarna Jayanthi Grama Swarozgar Yojana, Employment Assurance Scheme, Indira Awas Yojana, Desert Development Programme, etc.) are directly released to the ZPs by Government of India (GOI).

The Finance Department releases funds relating to ZPs quarterly for first three-quarters and monthly for the last quarter of the year according to the provisions made in the link document for different services including salaries, maintenance grant etc. Departments of Rural Development & Panchayat Raj, Education, Health, Housing, and Social Welfare release funds directly to ZPs in respect of various schemes (State and State's share of Central Schemes), which are implemented by PRIs.

At district level, the CPO of each ZP prepares the action plan in respect of ZPs, TPs and GPs which are approved by Finance, Audit and Planning Committee. On the basis of approved annual budget and action plans of TPs and GPs, the ZP used to release funds depending on the progress of expenditure and requirement of departments under their jurisdiction up to 1999-2000. From 2000-2001 onwards the funds are separately earmarked by State Government for ZPs, TPs and GPs. However, funds are released to ZPs by Government who in turn release funds to TPs and GPs as per the allocation.

1.5 Application of funds

Out of funds so received, the PRIs provide funds for expenditure on salaries, spillover works, State Plan Schemes and the State's share on Centrally Sponsored Schemes. These institutions determine the location where the asset has to be created, identify the beneficiaries under different schemes, etc.

1.6 Finalisation of annual budget

According to Rule 33(2) of the Karnataka Zilla Panchayat (Finance & Accounts) Rules, 1996 (ZP Rules), the annual budget estimates relating to Plan/Non-plan schemes are prepared by each ZP for the ensuing year well in advance, based on the information furnished by the subordinate officers. The budget approved by Finance, Audit and Planning Committee of ZP is forwarded to Rural Development and Panchayat Raj Department. The Planning Department arranges for plan discussion involving officers of ZPs and concerned heads of department at State level before finalising link document to the State Budget which would be voted by the Legislature.

1.7 Financial position of Zilla Panchayats

The financial position of the 27 ZPs as a whole as per the Finance Accounts of the State for the years 1996-97 to 2000-01 is as indicated below.

(Rupees in crore)				
Year	Opening Balance	Receipts	Disbursements	Closing Balance
1996-97	318.87	3094.12	2975.02	437.97
1997-98	437.97	3371.97	3286.01	523.93
1998-99	523.93	4099.55	3774.99	848.49
1999-2000	848.49	6295.95	6194.60	949.84
2000-01	949.84	7712.54	7509.12	1153.26

The audit of the accounts of the ZPs was entrusted to the Comptroller and Auditor General of India (CAG) under Section 19(3) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 initially for a period of five years with effect from the accounts of the year 1987-88 and later extended twice for a period of five years each time. The certification of accounts of ZPs has also been entrusted (May 2000) to CAG, covering the accounts since 1997-98. The accounts of GPs are audited by the Controller of State Accounts.

As of December 2001, the Annual accounts of ZPs are certified up to the year 1998-99 only. The receipts and payments of ZPs as per certified accounts for

the years 1996-97, 1997-98 and 1998-99 were as follows.

(Rupees in crore)

1996-97	Receipts	3736.26	Expenditure	3641.38
	Revenue	3084.14	Revenue	*2911.20
	Capital	-	Capital	57.51
	Debt, Deposits and Remittances (DDR) Heads	652.12	DDR Heads	672.67
	Opening Balance	431.85	Closing balance	526.73
	Total	4168.11	Total	4168.11
1997-98	Receipts	4201.87	Expenditure	4139.27
	Revenue	3433.14	Revenue	3321.30
	Capital	-	Capital	61.86
	DDR Heads	768.73	DDR Heads	756.11
	Opening Balance	526.73	Closing balance	589.33
	Total	4728.60	Total	4728.60
1998-99	Receipts	4932.72	Expenditure	4628.32
	Revenue	3957.01	Revenue	3603.02
	Capital	**43.31	Capital	119.80
	DDR Heads	932.40	DDR Heads	905.50
	Opening Balance	589.33	Closing balance	893.73
	Total	5522.05	Total	5522.05

* Includes Rs.8.95 crore relating to adjustment in closing balance of 1993-94, which is shown as expenditure during 1996-97.

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

A few ZPs which had huge closing balances are Bangalore – Urban (Rs.52.67 crore), Belgaum (Rs.86.97 crore), Bellary (Rs.85.12 crore), Bijapur (Rs.51.28 crore), Kolar (Rs.70.91 crore), Raichur (Rs.60.39 crore) and Uttara Kannada (Rs.54.58 crore). The reasons attributed by ZPs for huge closing balances were delay in approval of action plans by ZPs, release of additional grants and release of funds by Government at the fag end of the year.

The comments on accounts in subsequent paragraphs are restricted to the accounts up to the year 1998-99.

1.8 Comments on annual accounts of Zilla Panchayats

(i) Delay in submission of accounts

According to Rule 38 of ZP Rules, the income and expenditure accounts of the ZP fund should be kept in accordance with the rules prescribed and the Finance, Audit and Planning Committee should present the accounts of ZP for

approval. The ZP should pass the accounts of a year within three months after the close of that financial year and as soon as the accounts are passed, copy of the accounts should be submitted to Government and also to the Accountant General for check and certification.

There were, however, delays ranging from 2 to 12 months in the transmission of annual accounts to the Accountant General by the ZPs during the years 1996-97 to 1998-99 as shown below.

Year	2 to 6 months delay - Number of Zilla Panchayats	Zilla Panchayat	7 to 12 months delay - Number of Zilla Panchayats	Zilla Panchayat
1996-97	11	Bellary, Bijapur, Chickmagalur, Chitradurga, Gulbarga, Hassan, Mysore, Tumkur, Belgaum, Dakshina Kannada and Shimoga.	09	Bangalore(R), Bangalore(U), Bidar, Dharwad, Kodagu, Kolar, Mandya, Raichur and Uttara Kannada
1997-98	14	Bidar, Bellary, Bijapur, Chickmagalur, Dakshina Kannada, Gulbarga, Hassan, Mandya, Mysore, Raichur, Shimoga, Tumkur, Uttara Kannada and Belgaum	06	Bangalore(R), Bangalore(U), Dharwad, Kodagu, Kolar and Chitradurga.
1998-99	23	Bangalore(R), Bangalore(U), Bidar, Bellary, Bijapur, Chickmagalur, Chitradurga, Dharwad, Kodagu, Kolar, Dakshina Kannada, Gulbarga, Hassan, Mysore, Raichur, Shimoga, Tumkur, Koppal, Udupi, Bagalkot, Chamarajanagar, Davanagere and Belgaum	04	Mandya, Uttara Kannada, Gadag and Haveri.

(ii) *Non-adherence to prescribed format*

According to Rule 37(4) of ZP Rules, the annual accounts should be prepared in Statements I to V as under.

Statement I	Summary of transactions by major heads of account and in three parts, one each for Revenue Account, Capital Account and DDR Account with an abstract for all the three parts.
Statement II	Detailed account of Receipts on Revenue Account
Statement III	Detailed account of Expenditure on Revenue Account
Statement IV	Detailed account of Receipts and Expenditure on Capital Account
Statement V	Details of balances under DDR Account

However, 17 ZPs* did not prepare the annual accounts in the prescribed format during the year 1998-99.

* Bangalore (Rural), Bangalore (Urban), Bidar, Belgaum, Chamarajanagar, Chickmagalur, Davanagere, Dharwad, Dakshina Kannada, Gadag, Hassan, Kodagu, Mandya, Mysore, Shimoga, Udupi and Uttara Kannada.

(iii) Compilation

According to Rule 34(3) of ZP Rules, the annual accounts should be compiled according to ZPs budget heads of accounts up to detailed head level. However, 12 ZPs* did not compile the accounts up to detailed head level, inspite of repeated comments in the Separate Audit Reports in the previous years.

1.9 Budgetary control

According to Rule 39(1) & (2) of ZP Rules, all the controlling officers and heads of the departments administering grants of ZPs are responsible for watching the progress of expenditure on services under their control. They should also forward a consolidated statement of expenditure every month to respective CAOs by 20th of the following month. The CAO, after receipt of expenditure statements from the controlling officers should verify the expenditure figures to ensure that they agree with the figures shown in his books and are within the grants earmarked therefor.

During the years 1996-99, in none of the ZPs, the departmental officers forwarded the monthly expenditure statements to the CAOs and budgetary control was not exercised by the latter. In 10 ZPs, expenditure of Rs.66.32 crore was incurred without budget provision. In 15 ZPs, expenditure to the extent of Rs.123.53 crore was incurred in excess of budget provision while in 15 ZPs, there was an aggregate saving of Rs.352.41 crore, indicating lack of budgetary control. The ZP - wise details are furnished in Appendix 1.1.

1.10 Closing balances of Zilla Panchayats

The closing balances in treasury and the bank accounts held by ZPs during the years 1996-97 to 1998-99 were as follows. ZP-wise details are given in Appendix 1.2.

* Bangalore (Rural), Bangalore (Urban), Bidar, Chitradurga, Hassan, Mandya, Chickmagalur, Dharwad, Dakshina Kannada, Gulbarga, Haveri and Udupi.

(Rupees in crore)

Year	Treasury balance as per Zilla Panchayat accounts	Balance in bank accounts	Total*
1996-97	480.96	127.41	608.37
1997-98	532.91	114.13	647.04
1998-99	825.00	144.52	969.52

* The figures of closing balance do not agree with that in the abstract of receipts and disbursements of ZPs (Paragraph 1.7) as 9 ZPs during 1996-97 and 1997-98 and 12 ZPs during 1998-99 had not included the balance in bank accounts in their annual accounts.

The above table indicates the increasing trend in the unutilised funds of ZPs year after year as the ZPs are prohibited from utilising the unspent balance in the following year.

Exhibit - Time series data of finances of Zilla Panchayats

(Rupees in crore)

	1996-97			1997-98			1998-99		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
PART.A – Receipts									
I. Revenue Receipts*	1542.64	1645.43	3188.07	1494.27	2052.91	3547.18	1759.84	2313.51	4073.35
i) State Government	1034.35	1632.59	2666.94	968.83	2025.86	2994.69	1229.88	2300.27	3530.15
ii) Central Government	494.07	-	494.07	518.51	-	518.51	526.02	-	526.02
iii) Others	14.22	12.84	27.06	6.93	27.05	33.98	3.94	13.24	17.18
II. Capital Receipts	-	-	-	-	-	-	43.31	-	43.31
i) State Government	-	-	-	-	-	-	43.31	-	43.31
PART.B – Expenditure									
I. Revenue expenditure	1286.42	1615.83	2902.25	1288.11	2033.20	3321.31	1399.76	2203.31	3603.07
a) General Services – Public works	0.52	71.05	71.57	-	74.47	74.47	-	73.69	73.69
b) Social Services	763.47	1333.39	2096.86	795.70	1670.37	2466.07	900.19	1821.85	2722.04
i) Education, Sports, Art & Culture	189.30	1061.77	1251.07	145.66	1327.63	1473.29	194.48	1471.68	1666.16
ii) Health and Family Welfare	79.29	138.02	217.31	78.23	177.04	255.27	75.25	192.99	268.24
iii) Water Supply and Housing	292.35	3.03	295.38	329.12	2.95	332.07	381.42	2.22	383.64
iv) Welfare of SC/ST /OBC	115.59	83.84	199.43	140.90	111.84	252.74	138.24	115.23	253.47
v) Labour & Employment and Others	0.06	-	0.06	-	-	-	-	-	-
vi) Social Security, Nutrition	86.88	46.63	133.51	101.79	50.90	152.69	110.80	39.73	150.53
c) Economic Services	522.38	211.44	733.82	492.41	288.36	780.77	499.57	307.77	807.34
i) Agriculture & Allied Services	66.34	108.53	174.87	52.68	144.18	196.86	52.93	159.02	211.95
ii) Rural Development	414.88	34.91	449.79	396.36	63.65	460.01	406.24	65.65	471.89
iii) Special Areas Programmes	9.87	-	9.87	14.48	-	14.48	12.48	-	12.48
iv) Irrigation & flood control	0.34	7.00	7.34	0.61	8.13	8.74	0.49	8.36	8.85
v) Energy	13.30	0.01	13.31	8.41	0.05	8.46	9.29	-	9.29
vi) Industry and Minerals	7.25	20.51	27.76	7.47	23.91	31.38	7.89	25.67	33.56
vii) Science, Technology and Environment	-	-	-	0.12	-	0.12	0.11	-	0.11
viii) Transport	9.44	38.96	48.40	11.67	46.17	57.84	9.09	45.35	54.44

* The difference in receipts as shown in abstract of receipts and payments (Paragraph 1.7) and Exhibit was due to non-inclusion of GOI grants of Rs.103.93 crore in 1996-97 and Rs.105.87 crore in 1997-98 by 4 ZPs (Bijapur, Dharwad, Gulbarga and Tumkur) and adjustment of Rs.8.17 crore relating to earlier years in 1997-98 by ZP, Bidar. During 1998-99, the difference was due to non-inclusion of GOI grants of Rs.113.73 crore by 7 ZPs (Bijapur, Dharwad, Gulbarga, Tumkur, Bagalkot, Haveri and Udipi) and adjustment of Rs.2.61 crore by ZP, Raichur.

	1996-97			1997-98			1998-99		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
ix) General Economic Services	0.95	1.53	2.48	0.61	2.27	2.88	1.05	3.73	4.78
II. Capital expenditure	57.51	-	57.51	61.86	-	61.86	119.80	-	119.80
b) Social Services	19.64	-	19.64	21.57	-	21.57	84.00	-	84.00
i) Education, Sports, Art & Culture	9.38	-	9.38	10.67	-	10.67	6.30	-	6.30
ii) Health and Family Welfare	9.94	-	9.94	10.05	-	10.05	7.50	-	7.50
iii) Water Supply and Housing	-	-	-	-	-	-	68.75	-	68.75
iv) Welfare of SC/ST/OBC	0.32	-	0.32	0.72	-	0.72	1.45	-	1.45
v) Social Security, Nutrition	-	-	-	0.12	-	0.12	-	-	-
c) Economic Services	37.87	-	37.87	40.29	-	40.29	35.80	-	35.80
i) Agriculture & Allied activities	0.79	-	0.79	0.46	-	0.46	0.54	-	0.54
ii) Irrigation & Flood Control	9.31	-	9.31	10.19	-	10.19	9.50	-	9.50
iii) Industries & Minerals	0.22	-	0.22	0.22	-	0.22	0.21	-	0.21
iv) Roads and Bridges	27.46	-	27.46	29.37	-	29.37	25.47	-	25.47
v) Others	0.08	-	0.08	0.05	-	0.05	0.08	-	0.08
PART.C – Other data									
Expenditure on salaries (Percentage of salaries to total expenditure)	357.75 (28)	1194.02 (74)	1551.77 (53)	242.28 (19)	1704.47 (84)	1946.75 (59)	357.19 (26)	1799.78 (82)	2156.97 (60)

1.11 Quality of expenditure

The expenditure on plan programmes (Revenue + Capital) which was 44 per cent of the total expenditure in 1996-97 came down to 39 per cent in 1997-98 and 1998-99. The receipts under plan programmes were not fully utilised during any of these years and the percentage of utilisation was 87, 90 and 84 during 1996-97, 1997-98 and 1998-99 respectively.

Non-plan expenditure, which was Rs.1616 crore in 1996-97 (56 per cent) rose to Rs.2033.20 crore in 1997-98 and to Rs.2203 crore in 1998-99 constituting 61 per cent of the total expenditure in both the years. Expenditure on salaries constituted major share of non-plan expenditure [(Rs.1194 crore (74 per cent) in 1996-97, Rs.1704 crore (84 per cent) in 1997-98 and Rs.1800 crore (82 per cent) in 1998-99)].

1.12 Non-transfer of grants to Grama Panchayats

Section 206 of the Act provides for grants to GPs. The grants are required to be transferred by ZPs to respective GPs from out of the total grants received from Government. However, 15 ZPs did not transfer a sum of Rs.292.43 lakh to GPs during the years 1996-97 to 1998-99. The ZP-wise details are given in Appendix 1.3.

This amount remained in the closing balances of ZPs. As the ZPs are not permitted to utilise in the subsequent years, amount remaining unspent at the end of the year which include the funds due to be released to GPs, the GPs were deprived of the benefit due to them.

1.13 Non-remittance of income tax, sales tax, royalty deposits, etc., to Government account

According to Karnataka Public Works Accounts/Departmental Codes as adopted by the ZPs, while making payment for the work done or supplies made by the contractors, gross amount of the bills should be debited to the concerned expenditure head and the departmental revenues which are required to be credited to Government/other agency account should not be credited to ZP funds. The State Government while clarifying the procedure to be followed in regard to income tax recoveries, contemplated (June 1987) that for each contractor's bill two cheques will have to be passed, one for the net amount of the bill in favour of the contractor and another for income tax amount in favour of Income Tax Department. The procedure would apply to other recoveries as well.

However, certain amounts representing recoveries made by ZPs towards income tax (Rs.12.87 lakh - 8 ZPs), sales tax (Rs.29.93 lakh - 9 ZPs), and royalty (Rs.36.44 lakh-7 ZPs) were not remitted to respective Government account as of 31 March 1999. Non-remittance of the amounts due to

Government attracts penal provisions under the respective laws. The details are as follows:

(Rupees in lakh)				
Sl. No.	Zilla Panchayat	Income tax	Sales tax	Royalty
1	Bangalore (Rural)	-	5.19	0.17
2	Belgaum	1.82	3.24	1.45
3	Bellary	3.89	9.30	7.29
4	Bidar	-	-	0.28
5	Bijapur	0.11	0.06	-
6	Chitradurga	0.01	0.01	-
7	Gulbarga	3.92	5.61	20.37
8	Hassan	1.33	3.03	6.87
9	Kodagu	0.11	1.15	-
10	Kolar	1.68	2.34	0.01
	Total	12.87	29.93	36.44

1.14 Diversion of funds

Contrary to scheme guidelines issued by Central/State governments in respect of Centrally Sponsored /State Sector schemes, ZPs diverted an amount of Rs.4.55 crore from different schemes, the details of which are given in Appendix 1.4.

1.15 Non-reconciliation of treasury balances

According to Rule 37(1) of ZP Rules, after the accounts for the month are compiled, the CAO should draw a 'Plus & Minus' memorandum of the ZP for the month and compare it with that furnished by the Treasury in order to take appropriate action to reconcile the differences. The reconciliation was, however, not done by any of the ZPs during the years 1996-97 to 1998-99 as detailed below:

(Rupees in lakh)				
Year	Number of Zilla Panchayats	Excess balance	Number of Zilla Panchayats	Short balance
1996-97	10	5954.24	6	1490.54
1997-98	11	6316.02	5	1856.33
1998-99	12	8464.44	7	10606.01

ZP-wise/year-wise details are given in Appendix 1.5.

1.16 Non-reconciliation of receipts and expenditure by the departmental officers

According to Rule 31.1(ii) and 32 of ZP Rules, the departmental officers of ZPs are responsible for reconciliation of figures of receipts and expenditure with those booked by the CAO. However, 172 departmental officers of 16 ZPs involving an expenditure of Rs.454.91 crore for the year 1999-2000 and 246 departmental officers of 17 ZPs involving an expenditure of Rs.1140.65 crore for the year 2000-01 were yet to reconcile as per the information furnished by the ZPs. Thus, an expenditure of Rs.1595.56 crore remained un-reconciled (September 2001). The details are furnished in Appendix 1.6 (a) & (b).

1.17 Drawal of funds on abstract contingent bills/non- submission of non-payable detailed contingent bills

According to Rule 47(2) of ZP Rules, the departmental officers drawing money on Abstract Contingent (AC) bills should render accounts through Non-payable Detailed Contingent (NDC) bills to the CAO within a fortnight of the close of the month in which AC bills were drawn. However, on a review of the status of submission of NDC bills as furnished by the ZPs for the amounts drawn on AC bills during 1987-88 to 2000-01 it was noticed that NDC bills for an amount of Rs.10.72 crore drawn on 1787 AC bills by 393 drawing and disbursing officers of 15 departments were not submitted. NDC bills were pending for large amounts in respect of ZP, Mysore (Rs.299.74 lakh relating to period 1993-94 to 2000-2001), ZP, Shimoga (Rs.295.74 lakh relating to period 1998-99 to 2000-2001) and ZP, Dakshina Kannada (Rs.96.55 lakh for the period 1999-2000 and 2000-2001). The details are given in Appendix 1.7.

Further, according to Rule 47(3) of ZP Rules, the CAO should watch the drawal of funds on AC Bills and also submission of NDC bills by the departmental officers through a watch register. At the end of each month, an abstract of pending AC bills shall be drawn up along with a note of action taken for obtaining the wanting NDC bills and report to the CEO, the position of pendency besides advising the Treasury Officer not to honour any bill

presented by the defaulting drawing and disbursing officers. This was not done by any of the CAOs as at the end of August 2001 and AC Bills were continued to be drawn.

1.18 Cases of misappropriations/defalcations

As of March 2001 there were 361 cases of misappropriation of ZP funds amounting to Rs.1469.16 lakh by the departmental officers/ officials. The status of pending cases as furnished by the ZPs was as follows.

(Rupees in lakh)							
Awaiting completion of investigation		Pending in Courts		Other cases		Total	
Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
304	1134.95	17	147.94	40	186.27	361	1469.16

A few ZPs in which the quantum of mis-appropriation is huge are Bangalore – Rural (Rs.118.03 lakh – 30 cases), Bellary (Rs.239.28 lakh – 11 cases), Davangere (Rs.104.05 lakh – 3 cases), Haveri (Rs.123.18 lakh – 23 cases), Kodagu (Rs.100.99 lakh – 12 cases) and Uttara Kannada (Rs.132.18 lakh – 3 cases). The District-wise/department-wise details are given in Appendix 1.8. Besides, during the audit of ZPs, Bangalore (Urban) and Uttara Kannada misappropriation of funds to the extent of Rs.5.30 crore and Rs.3.42 crore respectively was noticed for which separate comments are included in Chapter-II.

1.19 Blocking of capital on incomplete works/projects

The works/projects taken up by the implementing officers of ZPs under various schemes are minor in nature. As per scheme guidelines, they should normally be completed within two years of their commencement. As of 31 March 2001, there were 1943 incomplete works on which Rs.100.98 crore was spent. The ZPs having large number of incomplete works are Bidar (141 works), Hassan (326 works), Mysore (111 works), Shimoga (164 works) and Tumkur (164 works). Some of the works which were commenced as early as

1987-88 were still incomplete as at the end of March 2001. The details of incomplete works are given in Appendix 1.9.

1.20 Asset register

According to Rule 52(6) of ZP Rules, a consolidated record of immovable properties duly classified into categories such as land, buildings, roads, irrigation tanks, ponds, lakes, wells, water supply schemes, parks, play grounds, etc., belonging to or vested in the ZP, shall be maintained by each ZP. However, none of the ZPs had maintained the consolidated Asset Register. There were also no records regarding the transfer of assets by the erstwhile District Rural Development Societies to the newly formed ZPs at the time of formation.

1.21 Outstanding utilisation certificates

For the implementation of Central Sector and Centrally Sponsored Schemes, grants are released to ZPs by GOI and State Government, for which ZPs should furnish utilisation certificates along with expenditure statements at the end of each financial year. As at the end of 31 March 2001 utilisation certificates for Rs.299.85 crore were not furnished by 23 ZPs, for the grants received during previous years. A few ZPs in which the outstanding utilisation certificates are significant were Bijapur (Rs.16.22 crore), Chickmagalur (Rs.17 crore), Davangere (Rs.28.61 crore), Gulbarga (Rs.18.55 crore), Kolar (Rs.30.53 crore), Mandya (Rs.17.75 crore), Raichur (Rs.20 crore), Tumkur (Rs.29.42 crore) and Uttara Kannada (Rs.18.92 crore). District-wise details are given in Appendix 1.10.

1.22 Accounting and audit of Grama Panchayat accounts

According to Section 243 & 246(1) of the Act, the GPs should maintain accounts of the income and expenditure in accordance with the rules prescribed and the accounts of each GP is audited each year by the Controller

of State Accounts. The Controller of State Accounts submits to the Government, a summary of observations made in the audit report and their compliance by the GPs. The Controller of State Accounts submitted a summarised report to Government of Karnataka for the years 1996-97 and 1997-98 in December 1999 and for 1998-99 in May 2001. The position of arrears in audit of the accounts of the GPs during the years 1996-97 to 1998-99 was as follows.

Year	Total Number of Grama Panchayats	Number of Grama Panchayats audited	Balance
1996-97	5662	5411	251
1997-98	5658	5397	261
1998-99	5655	5398	257

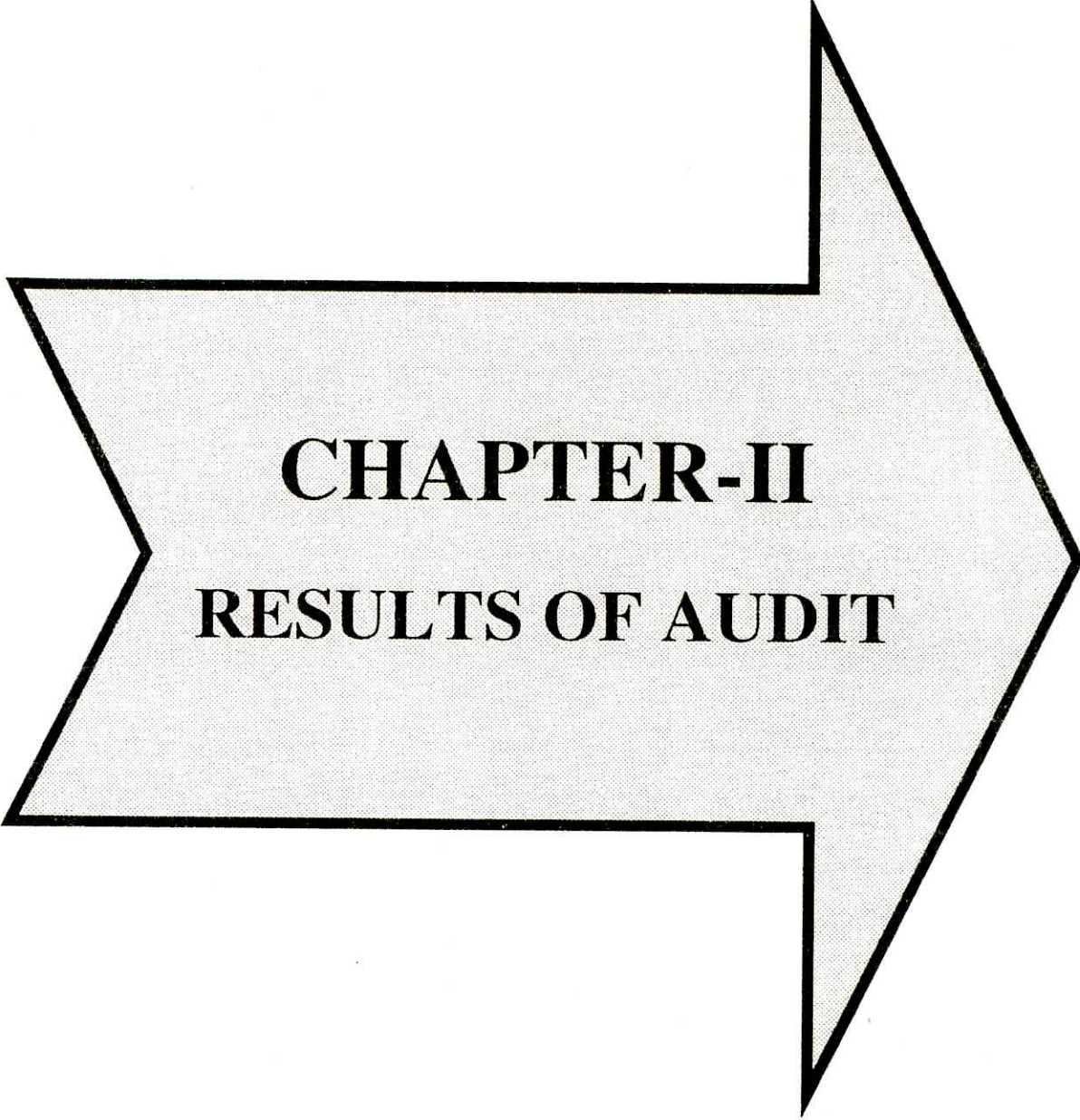
The reasons attributed by the Controller of State Accounts for arrears in audit were shortage of audit personnel, non-production of records by Secretaries of GPs.

The local audit circles of State Accounts Department, during the course of audit, have pointed out 3895 cases of misappropriation by the GP officials involving an amount of Rs.96.80 lakh during the years 1996-97 to 1998-99 as detailed below.

Year	Number of cases	Amount (Rupees in lakh)
1996-97	1608	24.85
1997-98	829	40.94
1998-99	1458	31.01
Total	3895	96.80

The matter was reported to Government by the Controller of State Accounts.





CHAPTER-II
RESULTS OF AUDIT

CHAPTER II - RESULTS OF AUDIT

SECTION 'A' – REVIEWS

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.1 Review of the working of Zilla Panchayats

Highlights

The review of the working of five Zilla Panchayats revealed the following important findings:

State Government released funds to Zilla Panchayats 7 to 49 per cent in excess of the budget provision during 1995-2000 (except during 1997-98). In three out of five test-checked districts, State Government released 10 to 17 per cent of the grants on the last working day of the financial year during 1997-2000. As a result, the unspent balances in Zilla Panchayat funds increased from Rs.318.87 crore in 1995-96 to Rs.949.85 crore in 1999-2000.

(Paragraph 2.1.4)

Internal controls against errors and inaccuracies through monthly accounts and plus and minus memorandum were not operational. Chief Accounts Officers of the Zilla Panchayats which were test-checked failed to prepare these accounts or reconcile their accounts with treasury. Chief Executive Officers/Finance, Audit and Planning Committees failed to insist on submission of monthly accounts by the Chief Accounts Officers. Only annual accounts were prepared. Chief Executive Officers/Finance, Audit and Planning Committees reviewed the annual accounts submitted by the Chief Accounts Officers without the plus and minus memorandum. As a result, reliability and the accuracy of posting of the amounts in the annual accounts were not ensured.

(Paragraph 2.1.5(a))

Expenditure control was not prevalent at all across the Zilla Panchayats. Chief Executive Officers failed to surrender salary savings under several heads to Finance Department during 1997-2000. They also unauthorisedly

incurred huge excess expenditure under several heads of account without sanction of the Finance Department. The heads of the Department in the districts did not regularly reconcile their expenditure figures with those booked by the Chief Accounts Officer. This has exposed the system to unauthorised expenditure, diversion of funds, etc.

(Paragraphs 2.1.6(i) & (iii))

Internal controls in the Zilla Panchayats consisting of internal audit by the Chief Accounts Officer and prompt compliance to audit observations were not satisfactory as there were huge arrears in internal audit and 5902 external audit paragraphs were not attended to.

(Paragraph 2.1.7)

Five Zilla Panchayats lost Central assistance of Rs.30.20 crore as they failed to fulfil the conditions laid down by Government of India for implementation of Centrally Sponsored Schemes. Gulbarga district alone accounted for 51 per cent of the loss of Central assistance.

(Paragraph 2.1.8)

Four Zilla Panchayats spent Rs.0.81 crore on various programmes/schemes in contravention of guidelines.

(Paragraph 2.1.9)

Block Education Officer, Molakalmuru and District Officer, Backward Classes and Minorities, Bijapur irregularly countersigned grant-in-aid bills for Rs.1.19 crore during 1989-2001 to unrecognised institutions and facilitated unauthorised and irregular payment of grant-in-aid of Rs.1.19 crore.

(Paragraph 2.1.11)

Advances of Rs.0.39 crore given to officials and others in two districts remained unadjusted for 1 year to 8 years.

(Paragraph 2.1.12)

Failure of Executive Engineers and Accounts Superintendents of three Zilla Panchayat Engineering Divisions to check monthly stock accounts facilitated non-accountal of stores costing Rs.20.75 lakh during 1995-2001.

(Paragraph 2.1.14(i))

No action had been taken in 5 Zilla Panchayat Engineering Divisions and one District Health and Family Welfare Office for recovering the cost of shortage of materials aggregating Rs.4.92 crore for 2 to 9 years.

(Paragraph 2.1.14(ii))

Six Zilla Panchayat Engineering Divisions, 4 District Health and Family Welfare Officers and one District Social Welfare Officer failed to observe the prescribed procedure for purchase of materials and incurred an avoidable expenditure of Rs.29.44 lakh.

(Paragraph 2.1.15(i))

Executive Engineer, Zilla Panchayat Engineering Division, Bijapur flouted instructions for purchase of PVC pipes and favoured a large scale manufacturer to the extent of Rs.22.44 lakh.

(Paragraph 2.1.15(ii))

Zilla Panchayats purchased 31 new vehicles during 1995-2000 at a cost of Rs.1.21 crore without sanction of Government.

(Paragraph 2.1.15(iii))

Due to deficiencies in planning, eight x-ray machines valued Rs.23.98 lakh remained idle in one hospital and six Community Health Centres for over 6 months to 5 years.

(Paragraph 2.1.18(i))

2.1.1 Introduction

Zilla Panchayats (ZPs) are financed mainly by the State Government. Under the provisions of the Karnataka Zilla Panchayats (Finance and Accounts) Rules, 1996 (ZP Rules), receipts and payments of ZPs and Taluk Panchayats (TPs) are booked in the Finance Accounts of the State Government under “8448 - Deposit of Local Funds – 109 Panchayat Bodies Funds – ZP funds”. Chief Executive Officer (CEO) of the ZP is responsible for drawal and disbursement of money out of the ZP fund. Treasury Officers are to exercise the same checks on the bills prepared by authorised officers of the ZP as in the case of Government bills before passing them for payment. The year-end

closing balances under the ZP fund could not be utilised without specific authorisation from the State Government. However, the State Government does not transfer the unspent closing balances in the ZP Fund to the Consolidated Fund.

In the case of a few Centrally Sponsored Schemes like Jawahar Rozgar Yojana (JRY), Employment Assurance Scheme (EAS), Indira Awaas Yojana (IAY), etc., ZPs receive funds directly from Government of India (GOI). The transactions under these schemes are operated only through separate bank accounts. One bank account is opened for each scheme. ZPs are to credit GOI funds received directly by them into the respective bank accounts. State share for these schemes, when released by State Government, are to be drawn by the ZPs from the Treasury and credited to the respective bank accounts.

2.1.2 Internal accountability structure

The internal accountability structure of the ZPs is as shown below:

Functions	Officer/Authority responsible therefor
Preparation of annual action plan and budget	District level officers of the departments
Approval of budget and action plan	ZP
Allocation of funds to the implementing officers	CEO
Preparation of monthly and annual accounts	CAO and CEO
Review of such accounts	CEO, Finance, Audit and Planning Committee (FAPC) and ZP
Monitoring and review of programme implementation	CEO, FAPC, Secretary of RDPR
Submission of monthly and annual accounts to Government	CAO

2.1.3 Audit coverage

The transactions of the ZPs during 1995-2000 in five districts viz. Belgaum, Bijapur, Chitradurga, Davanagere and Gulbarga were reviewed in audit. Besides, records of TPs in the five district headquarters of the selected ZPs and of the heads of departments of Education, Health and Family Welfare, Social Welfare, Backward Classes and Minorities, Animal Husbandry and Veterinary Services, Women and Child Welfare and 8 ZP Engineering

Divisions (ZPEDs) for the period 1995-2000 were also test-checked. The findings of the review are discussed below.

2.1.4 Funding of Zilla Panchayats

Finance Department releases funds to ZPs quarterly for the first three quarters and monthly for the last quarter of a financial year. During 1995-96 to 1999-2000, Rs.19613 crore were transferred to the ZP funds. These constituted 27 to 37 per cent of the budget provision of the State Government as a whole. The total expenditure during this period was Rs.18912 crore as per the Finance Accounts of the State Government for these years as shown below:

(Rupees in crore)

Year	Opening balance	Budget provision	Deposits into ZP funds	Excess over budget provision (in percentage)	Expenditure	Closing balance
1995-96	249.21	2454.42	2751.06	12	2681.40	318.87
1996-97	318.87	2901.39	3094.12	7	2975.01	437.98
1997-98	437.98	3440.73	3371.97	-	3286.01	523.94
1998-99	523.94	3804.04	4099.55	8	3774.99	848.50
1999-2000	848.50	4235.77	6295.95	49	6194.60	949.85
Total			19612.65		18912.01	

Government released funds to ZPs belatedly and in excess of budget provision

These deposits were funds transferred from the regular budget heads and credited to ZP accounts. The above table showed that State Government released funds to ZPs 7 to 49 per cent in excess of budget provision except during 1997-98. Test-check of grants received by ZPs in five districts during 1997-2000 revealed that in three districts 10 to 17 per cent of the grants were received on the last working day of the financial year as shown below:

(Rupees in crore)

Year	Zilla Panchayats	Total grants received during the year	Grants received on the last working day	Percentage of grants received on the last day to total grants received
1997-98	Chitradurga	183.30	19.37	11
1997-98	Belgaum	237.43	22.64	10
1998-99	Davanagere	137.52	16.03	12
1999-2000	Chitradurga	160.89	24.90	15
1999-2000	Belgaum	314.58	53.12	17
1999-2000	Davanagere	160.42	26.33	16

While the budget heads showed the full amount as having been spent, money was lying unutilised in the ZP funds. Release of grants to ZPs in excess of budget provision more so on the last working day of the financial year resulted in heavy unspent balances in the ZP funds which strengthened the ways and

means position of Government. Further, these also indicated that releases of funds were neither related to actual programme of implementation of schemes nor any assessment was made of the ability of ZPs to spend these amounts. Thus, the releases were not in pursuance of proper plan of implementation.

2.1.5 Quality and maintenance of accounts

(a) Monthly accounts of the Zilla Panchayats not prepared

ZP Rules prescribe the CAO of the ZP to compile monthly accounts from the treasury schedules and the accounts rendered by Divisional Officers of Public Works and Forest Departments who draw money from the treasury through cheques based on letter of credit. CAO is to prepare every month a plus and minus memorandum* for the ZP and reconcile the closing balance with that furnished by the treasury. CAO is to place the monthly accounts through the CEO before the FAPC for scrutiny.

CEOs and FAPCs failed to ensure preparation of monthly accounts of the ZPs

Internal controls against errors and inaccuracies through monthly accounts and plus and minus memorandum were not operational. CAOs of the ZPs test-checked failed to prepare these accounts or reconcile their accounts with treasury. CEOs/FAPCs also failed to insist on submission of monthly accounts by the CAOs. Only annual accounts were prepared. CEOs/FAPCs reviewed the annual accounts submitted by the CAOs without the plus and minus memorandum. As a result, reliability and the accuracy of posting of the amounts in the annual accounts were not ensured. Since the internal accounting controls were bypassed, there were huge differences between the consolidated amounts of receipts and disbursements extracted from the annual accounts of the ZPs and those as per the Finance Accounts. The deposits into the ZP funds and disbursement therefrom together with the unspent balances

* Plus and minus memorandum is a reconciliation statement accounting for the reasons for the differences, if any, between the closing balance as per the books of the ZP and that furnished by the treasury.

as per the annual accounts of the ZPs during 1995-99 were as shown below:

(Rupees in crore)				
Year	Opening balance	Receipts into Zilla Panchayat funds	Expenditure	Closing balance
1995-96	356.65	3243.51	3168.26	431.90
1996-97	431.90	3736.24	3641.38	526.76
1997-98	526.76	4201.88	4139.28	589.36
1998-99	589.36	4926.83	4614.34	901.85

These figures varied widely with those as per the Finance Accounts given in paragraph 2.1.4 above as some ZPs included funds released by GOI directly to them while others did not.

Failure to comply with the prescribed procedure for preparation and review of monthly accounts and reconciliation with treasury rendered the internal controls against errors and inaccuracies non-functional.

(b) Non-submission of accounts of settlement with treasury

ZPEDs failed to prepare and submit SSTs

The divisional officers of ZPEDs who are authorised to make payments by cheques on the ZP fund are to send their monthly accounts to CAO, duly supported by Schedule of Settlement with Treasuries (SST) which is a tool for monitoring the differences in the amounts of remittances and cheques drawn between the records of the drawing officers and the treasuries. ZPEDs in Gulbarga and Davanagere districts failed to prepare SST since 1987 and 1998 respectively. In Belgaum district, the SSTs submitted by ZPEDs for 1999-2000 were incomplete as they were not supported by treasury schedules. As a result, the CAO failed to ensure the correctness of the drawals and remittances made by these ZPEDs during 1995-2000.

(c) Non-maintenance of consolidated abstract

CAO is to prepare the monthly and annual accounts of the ZP from the consolidated abstracts of receipts and expenditure. This is a control account and is to facilitate monitoring and watch over the progressive expenditure against grants/appropriations on programmes/schemes under various heads of accounts. The test-checked ZPs excepting Bijapur did not maintain this consolidated abstract and were, thus, unable to exercise any meaningful expenditure control.

2.1.6 Absence of control and monitoring of expenditure

(i) Persistent huge savings/excess expenditure

The provisions of Karnataka Budget Manual (KBM) are applicable to ZPs also. KBM, inter alia, specifies that the controlling officers should be in a position from month to month to estimate the likelihood of savings and excesses over grant and appropriations and should surrender the savings to the Finance Department. CEOs who are the controlling officers of the grants released to ZPs, can re-appropriate savings from one unit of appropriation to another up to 10 per cent of the budget provision. All re-appropriations beyond 10 per cent are to be approved by the Finance Department. KBM further states that controlling officers are to submit proposal for re-appropriations/supplementary grants to the Finance Department through the administrative department concerned.

Scrutiny revealed that in the test-checked ZPs there were persistent and huge savings much in excess of 10 per cent of the provisions under several heads (both under Plan and Non-plan) every year during 1997-2000. The CEOs of the ZPs did not surrender the savings to the Finance Department. The details were as shown under:

(Rupees in crore)

Zilla Panchayat	1997-98			1998-99			1999-2000		
	Savings	Number of heads	Percentage of savings	Savings	Number of heads	Percentage of savings	Savings	Number of heads	Percentage of savings
Belgaum	10.61	11	11 to 61	32.86	16	13 to 59	16.30	13	13 to 54
Gulbarga	27.69	15	11 to 68	36.98	16	12 to 71	24.04	15	11 to 75
Bijapur	30.46	11	15 to 80	11.04	12	11 to 75	17.88	11	16 to 100
Chitradurga	11.17	15	14 to 86	14.81	13	11 to 71	32.23	10	15 to 81
Davanagere	--	--	--	22.27	17	11 to 67	6.03	12	11 to 85
Total	79.93			117.96			96.48		

CEOs failed to surrender salary savings to Finance Department

These savings included savings under salaries under Non-plan heads in the five ZPs during 1997-2000. The salary savings were due to preparation of budget estimates for establishment based on sanctioned strength of staff instead of on the basis of staff in position during the financial years as prescribed by KBM and despite a general ban on recruitment. CEOs failed to surrender these salary savings inspite of specific instructions (April 1991) of

the Finance Department to the ZPs for surrendering the salary savings. Finance Department also did not take any action to enforce compliance of its own instructions. The details are as under:

(Rupees in crore)

Zilla Panchayat	Non-plan salary savings not surrendered						Total savings
	1997-98		1998-99		1999-2000		
	Savings	Number of heads	Savings	Number of heads	Savings	Number of heads	
Belgaum	2.37	6	10.71	9	2.59	6	15.67
Chitradurga	3.77	14	1.20	11	23.66	9	28.63
Bijapur	2.10	6	3.04	12	1.42	9	6.56
Gulbarga	3.63	9	13.18	12	3.83	9	20.64
Davanagere	--	--	14.52	12	0.45	3	14.97

Huge excess expenditure without Government sanction

These ZPs also incurred excess expenditure ranging from 11 per cent to 738 per cent of the budget provision under several heads of account (2202 – General Education, 2215 - Water Supply and Sanitation, 2204 - Sports and Youth Services, 2402 - Soil and Water Conservation, 2235 - Social Security and Welfare, 2406 - Forestry and Wild life, 2515 - Other Rural Development Programmes, etc., both under Plan and Non-plan) during 1997-2000 without obtaining the sanction of the State Government. The details were as shown below:

(Rupees in crore)

Zilla Panchayat	1997-98			1998-99			1999-2000		
	Excess Expenditure	Number of heads involved	Percentage of excess	Excess Expenditure	Number of heads involved	Percentage of excess	Excess Expenditure	Number of heads involved	Percentage of excess
Belgaum	2.16	10	13 to 69	0.42	3	15 to 69	15.72	10	11 to 80
Gulbarga	14.07	11	12 to 131	4.05	6	18 to 64	13.29	6	14 to 49
Bijapur	9.00	8	13 to 114	5.91	6	13 to 56	9.64	8	11 to 161
Chitradurga	2.46	2	47 to 93	2.32	4	13 to 84	5.02	4	28 to 555
Davanagere	--	--	--	2.48	4	18 to 84	6.68	10	16 to 738
Total	27.69		12 to 131	15.18		13 to 84	50.35		11 to 738

Government failed to check the reasons for the excess/savings

Persistent huge savings/excesses were indicative of unrealistic budget estimates of the ZPs. Besides, there was no expenditure control in ZPs as the CEOs neither surrendered the savings nor obtained Government approval for incurring excess expenditure under several heads. The huge savings did not fully accumulate as unspent balance in the ZP fund as these were partly offset by the excess expenditure under several heads. Although Government received from ZPs major head-wise statements of funds received and expenditure incurred every month, yet it failed to act upon them to check the

occurrence of excess/savings. This is a serious weakness in the system of expenditure control as it facilitates incurring huge excess expenditure over the budget provision without sanction of Government and using the unsundered savings for expenditure without authorisation. This has exposed the system to unauthorised expenditure and diversion of funds. FAPCs of the ZPs did not prevent the bypassing of the prescribed procedures and rules and eventually authorised huge expenditure in excess of the budget provision before approving the annual accounts.

(ii) Expenditure without budget provision

ZPs, Belgaum, Bijapur and Gulbarga irregularly incurred plan expenditure of Rs.1.85 crore during 1997-2000 under three[⊖] heads of account although there was no budget provision for these activities.

(iii) Non-reconciliation of expenditure

As per the ZP rules, the controlling officers/heads of the Departments in the district were to reconcile every month the expenditure incurred by their departments with those booked by the CAO who is to report any failure in this regard to CEO. Scrutiny revealed that no reconciliation was done by any of the controlling officers/heads of departments in Davanagere district since inception in 1998-99, while there was shortfall in reconciliation by heads of departments in other districts as shown below:

Zilla Panchayat	Number of departments not reconciling the expenditure figure				
	1995-96	1996-97	1997-98	1998-99	1999-2000
Bijapur	--	--	--	2	2
Gulbarga	--	--	--	4	5
Chitradurga	1	1	2	1	2

In Gulbarga district, while the departments of (i) Welfare of Scheduled Caste, Scheduled Tribe and Backward Classes; (ii) Women and Child Development; (iii) Soil Conservation; and (iv) Co-operation did not reconcile the expenditure during 1998-99, CAO of the ZP failed to take effective steps to get the expenditure reconciled by the departments. In the absence of reconciliation,

⊖ 2245 - Relief on account of Natural Calamities
2810 - Non-conventional Sources of Energy
3451 - Secretariat Economic Services

The controlling officers failed to reconcile the expenditure figures with those of the CAO

reliability and accuracy of accounts were affected. Besides, this could also result in cases of fraud and defalcations remaining undetected.

2.1.7 Deficient internal controls

(i) Ineffective internal audit system

Huge arrears
in internal
audit

Under the ZP rules, the CAO is to conduct internal audit of all the transactions of the departments of the ZP in two stages, one centrally in his office covering 100 per cent of the transactions and the other locally in the departmental offices of the ZP. While the CAOs did not conduct any internal audit at the ZP level, the internal audit coverage of departmental offices locally ranged from nil to 27 per cent during 1995-2000 in the five ZPs.

(ii) Lack of response to external audit

Lack of
response to
external
audit
observations

The heads of the offices and ZPs are to take remedial action and inform Audit regarding the action taken by them on audit observations within a month from the receipt of inspection reports containing audit observations. This provision was not complied with by large number of heads of offices and ZPs in the five districts who did not attend to 5902 audit paragraphs of which 1410 were over 11 to 20 years old. The details were as shown below:

Zilla Panchayat	Number of paragraphs pending for periods					Total
	Over 20 years	16 to 20 years	11 to 15 years	6 to 10 years	Up to 5 years	
Belgaum	78	73	354	895	739	2139
Chitradurga	Nil	Nil	318	289	301	908
Bijapur	20	27	154	336	392	929
Gulbarga	86	75	153	578	583	1475
Davanagere	Nil	Nil	72	133	246	451
Total	184	175	1051	2231	2261	5902

ZP, Belgaum (36 per cent) and Gulbarga (25 per cent) accounted for 61 per cent of the pending paragraphs.

2.1.8 Loss of Central assistance

ZPs lost Rs.30.20 crore of Central assistance due to tardy implementation of Centrally Sponsored Schemes

In terms of guidelines for implementation of Centrally Sponsored Schemes like JRY, IAY, Jawahar Grama Samruddhi Yojana (JGSY), Swarna Jayanthi Grama Swarozgar Yojana (SGSY) and Integrated Rural Development Programme (IRDP), GOI reduced the Central assistance to the State for these schemes due to unspent balances, shortfall in release of matching share by the State Government, excess expenditure on administration, etc. The Central assistance to the five districts was reduced by GOI during 1995-2000 to the extent of Rs.30.20 crore as detailed below.

(Rupees in lakh)

District	Amount short released due to						Total
	Excess opening balance	Short release of State share	Non utilisation of 60 per cent of first instalment	Excess administrative expenditure	Shortage of SC/ST beneficiaries	Others	
Gulbarga	737.15	330.28	183.93	-	-	281.59	1532.95
Bijapur	208.80	20.74	-	-	-	13.05	242.59
Belgaum	99.83	30.42	-	27.25	-	30.03	187.53
Chitradurga	509.91	82.95	10.35	5.77	18.29	55.77	683.05
Davanagere	359.58	2.33	-	-	-	11.70	373.60
Total	1915.27	466.72	194.28	33.02	18.29	392.14	3019.72

These ZPs failed to fulfil the conditions laid down by GOI for releasing assistance for these Centrally Sponsored Schemes and lost Central assistance of Rs.30.20 crore in the process.

In the case of IAY alone, the loss of Central assistance during the years 1996-97 to 2000-01 on account of excess opening balance and short release of State share aggregated Rs.813.67 lakh, with which 4068 houses could have been constructed in rural areas for the target population.

2.1.9 Irregular expenditure in implementation of schemes

Expenditure on inadmissible items

(i) According to guidelines issued (August 1989) by the State Planning Department, no subsidy and/or grant was to be given to any individual, private institutions, etc., from the sub-plan allocation and no amounts were to be spent on construction and repairs. In disregard of the guidelines, ZPs, Belgaum (Rs.17.95 lakh) and Davanagere (Rs.13.73 lakh) spent Rs.31.68 lakh during 1997-2001 on grants to 57 private institutions for school day celebrations

(Rs.0.35 lakh) and tournaments (Rs.0.75 lakh), construction/repairs to buildings^v (Rs.27.23 lakh) and others (Rs.3.35 lakh).

Wasteful expenditure on deviated item of work

(ii) The Centrally Sponsored Million Wells Scheme (MWS) was intended to provide open irrigation wells free of cost to small and marginal farmers belonging to SC/ST and freed bonded labourers below poverty line. Where open wells were not feasible due to geological features, other minor irrigation schemes like irrigation tanks, water harvesting structures could be taken up under MWS.

Open wells were not successful in Gulbarga district due to geological features and this was within the knowledge of the ZP. However, community irrigation wells which were not envisaged in the guidelines, were taken up by ZPEDs, Gulbarga and Yadgir during 1996-97 with the approval of ZPs. After Rs.41.32 lakh were spent on 81 wells during 1996-97, these works were abandoned due to discontinuance of MWS from 1 April 1997. CEO stated that a detailed report was sent to Government in June 1998. Thus, taking up of community irrigation wells in contravention of the scheme guidelines and stoppage of work midway resulted in wasteful expenditure of Rs.41.32 lakh on 81 wells.

(iii) Under the Operation Black Board Scheme, primary schools in rural areas only were to be covered. In contravention of the scheme guidelines, DDPI, Bijapur spent Rs.8 lakh on 20 primary schools in the urban areas of Bijapur. DDPI stated (March 2001) that post-facto sanction would be obtained from GOI.

2.1.10 Irregular drawal of funds

Funds irregularly drawn based on false certificates

(i) Deputy Director of Public Instruction (DDPI), Gulbarga drew treasury cheques for Rs.2.69 crore during May 1995 to June 1999 in favour of suppliers by preferring contingent bills supported by stock certificates recorded by him on the bills for purported supplies like steel furniture, library

^v Samudaya bhavan, yuvaka mandal, temples, mahila mandals and statues

books, equipment, utensils, etc. The stock certificates were evidently false as materials were received long after drawal of cheques and payments were made to suppliers 8 to 12 months after drawal of cheques. Out of Rs.61.21 lakh similarly drawn by him during May 2000, only Rs.12.67 lakh had been disbursed to the suppliers as of January 2001.

Drawal of funds far ahead of requirement

(ii) District Social Welfare Officer (DSWO), Gulbarga drew (March 2000) from the treasury, grant-in-aid of Rs.15 lakh sanctioned for construction of low cost houses for STs and deposited it in savings bank account. CEO of the ZP had irregularly authorised the drawal although beneficiary list had not been finalised. As a result, funds of Rs.15 lakh remained blocked in savings bank account for a year (March 2001).

2.1.11 Irregular release of grant-in-aid

Payment of grant-in-aid to unrecognised institutions

(i) Block Education Officer (BEO), Molakalmuru irregularly countersigned grant-in-aid bills of seven high schools and two primary schools which drew grant-in-aid of Rs.1.08 crore during April 1999 to July 2000 without renewal of recognition by DDPI, Chitradurga. BEO stated (August 2000) that renewal records had been processed and kept ready for approval.

(ii) District Officer, Backward Classes and Minorities, Bijapur countersigned grant-in-aid bills for Rs.10.50 lakh during 1989-2001 of a free boarding hostel at Devarahipparagi. The hostel, meant for Banjara girls, but unauthorisedly converted into a boys' hostel during 1989-90 without Government sanction, continued to receive the grant-in-aid during 1989-2001. District Officer stated (April 2001) that the proposal for conversion of the girls hostel was with the State Government. Formal approval of State Government for this was not communicated (September 2002).

2.1.12 Unadjusted advances

Advances remaining unadjusted for a long time

(i) Advances to the tune of Rs.36.07 lakh given to officials of the ZP (Rs.3.43 lakh) and Deputy Director, Khadi and Village Industries, Gulbarga (Rs.32.64 lakh) during November 1992 to August 2000 remained unadjusted in ZP, Gulbarga for 1 year to 8 years. Rs.32.64 lakh was outstanding against the Deputy Director since November 1999. CAO of the ZP stated (February 2001) that recovery proceedings had been commenced.

(ii) Similarly, advances of Rs.3.19 lakh unauthorisedly made by DDPI, Bijapur to the officials of his office out of Operation Black Board Scheme funds remained unadjusted for over 12 to 52 months (March 2001).

2.1.13 Revenues of Zilla Panchayats not credited to Government account

Non-remittance of revenues to Government account

ZP Rules provided that the revenues generated by every department of the ZP are to be credited to Government account. However, 5 ZPs which generated revenue of Rs.31.92 crore from sale of farm products, seedlings and scrap materials during 1995-2000 irregularly credited the funds to the ZP fund instead of to Government account.

2.1.14 Stores**(i) Non-accountal of materials**

Failure to check monthly stock accounts facilitated non-accountal of stores

ZPEDs are to maintain accounts of stores in accordance with the provisions contained in Karnataka Public Works Accounts Code and Departmental Code. Accounts Superintendent (AST) and Executive Engineer (EE) of the ZPED are responsible for proper maintenance of the accounts of the stores in the Divisional and Sub-divisional offices. Test-check of stores accounts in ZPEDs, Chitradurga, Bijapur and Yadgir (ZP, Gulbarga) revealed that materials issued from the divisional stores to sub-divisional stores were not accounted for or short accounted in the stores accounts of the sub-divisions during 1995-2001. EEs/ASTs failed to notice this irregularity during the

check of returns submitted by the sub-divisions and this facilitated continuation of irregularity for a long period of time. The details of such non-accountal of stores by 12 out of 17 sub-divisions in these three ZPEDs were as shown below:

Zilla Panchayat Engineering Division	Period of non-accountal of stores	No. of sub-divisions	Value of stores not accounted (Rupees in lakh)	Type of material misappropriated
Chitradurga	1999-2000	4	4.19	Pumpsets, PVC pipes and cable wires, valves, GI pipes and bends
Bijapur	1996-1998	3	6.96 ^ψ	Hand-pumps, PVC pipes and steel
Yadgir	1995-2001	5	9.60	PVC pipes, steel, GI pipes and rubber packing material
		Total	20.75	

The divisional officers agreed (December 2001) to verify the stock accounts of the sub-divisions.

(ii) *Shortage of stores*

Persistent and widespread pilferage of stores

Though Store-keepers of ZPEDs and officials in-charge of stores in the sub-divisional offices were found responsible for shortage of materials, involving substantial financial implications, EEs of the ZPEDs and CEOs did not take effective and timely action to fix responsibility for the shortages and recover the cost of materials found short from the persons responsible. The cost of materials found short in the five ZPs as of February 2001 is given below:

Zilla Panchayat Engineering Division	Cost of materials found short (Rupees in lakh)	Pattern of shortage
Gulbarga	78.62	Physical verification for the year ending March 1999 in Chittapur sub-division disclosed shortage.
	256.99	Shortages were noticed at the time of handing over charge of stores by the Stores Superintendent of the Division in June 1999. AEE reported the matter to CEO in November 1999. There was no further action.
	48.97	Chittapur, Chincholi and Aland sub-divisions did not account for materials issued from divisional stores during 1995-97. There was no action after November 2000 when EE reported the matter to the CEO.
Total	384.58	
Chikkodi	21.18	Shortages were noticed in April 1992 against the Second Division Clerk working in Hukkeri sub-division. Matter was referred to Lokayukta in April 1995. The official retired in 1997. Lokayukta discontinued investigation of the case in September 2000 on the ground that no proceedings could be initiated against a Government servant in respect of events taken place more than 4 years before such institution. Government orders for write-off were yet to be obtained.

^ψ Including Rs.5.43 lakh charged direct to works but could not be verified by Audit as the measurement books and material at site accounts were not produced.

Zilla Panchayat Engineering Division	Cost of materials found short (Rupees in lakh)	Pattern of shortage
Belgaum	0.98	Recovery of cost of cement found short by the CEO during his surprise check in June 1992.
	14.00	Assistant Executive Engineer (AEE), Bailhongal sub-division did not hand over materials on his transfer in May 1994. There was no further action after March 1999 when the articles of charges were sent to Government.
	14.02	The official in-charge of stores in Belgaum sub-division did not hand over materials on his relinquishing the charge in November 1995.
	9.48	Cost of materials not handed over by AEE, Bailhongal on his transfer in July 1998.
	1.19	Shortages noticed during physical verification in Ramdurg sub-division during July 1998.
Total	39.67	
Chitradurga	4.50	Cost of materials not handed over by the Stores Superintendent on his retirement in January 2001. Pension of the official was yet to be settled.
Bijapur	27.64	Cost of materials not handed over by the official in-charge of stores in Muddebihal sub-division on his transfer in 1998. The same official was found responsible for shortages valued Rs.0.80 lakh in June 1999 in his new place of working.
	1.69	Shortages noticed during verification of Stores for the period ending September 1998.
	0.30	Shortages against the same Stores Superintendent who failed to hand over materials in full on his retirement in Chitradurga ZPED.
Total	29.63	
Grand Total	479.56	

Besides, District Health and Family Welfare Officer, Bijapur failed to ensure proper maintenance of stock accounts and arrange for annual verification of stock. When officers from ZP inspected (April 1998) the stock accounts, shortage of medicines costing Rs.11.94 lakh was noticed. ZP lodged (May 1998) a complaint with the Police against the Stores-in-charge. The outcome of police investigation was awaited (March 2001).

There was a definite pattern emerging from the details given above. The shortages which were huge, came to light in a large number of cases only at the time of change in the incumbency of divisional and sub-divisional stores and were not detected earlier during the periodical physical verification of stores in divisional/sub-divisional stores. Thus, there is reason to believe that the system of physical verification in place is ineffective in its functioning and should be strengthened to provide a realistic feedback on the availability/custody of stores. Further, there was inordinate delay in fixing responsibility for the shortages and recovering the cost thereof from the officials responsible. The delay of 5 years in fixing responsibility for the shortage of materials costing Rs.21.18 lakh in Chikkodi division facilitated retirement of the concerned official without recovery. Further delay in processing the case

against him caused a financial loss of Rs.21.18 lakh, following closure of the case by Lokayukta. The matter calls for investigation.

Follow-up action in all the cases of shortages should be prompt and swift so that misuse of Government funds is discouraged and efficiency in operation of stores in ZPEDs improves.

2.1.15 Purchases without observing due procedure

(i) Purchases at exorbitant rates

Purchases at exorbitant rates

Cases of purchases of materials by various officers of the ZPs at exorbitant rates during 1995-2000 involving extra expenditure of Rs.29.44 lakh (54 per cent of the cost of purchases) were noticed. The details were as shown below:

(Rupees in lakh)

Details of machinery purchased	By whom	Period	Cost of purchase	Extra expenditure	Nature of irregularity
Batteries	EEs of ZPEDs, Gulbarga, Bijapur and Yadgir	1995-2000	8.36	4.27	Purchased locally at higher rates although rate contracts fixed by Karnataka Small Industries Marketing Corporation (KSIMC) were available.
Chain pulley blocks	EEs of ZPEDs, Gulbarga, Chitradurga, Davanagere and Harapanahalli	1995-2000	16.99	11.33	Chain pulley blocks were purchased locally after calling for quotations. Rates paid were abnormally high compared to those in rate contracts finalised by Director General of Supplies and Disposals.
Weighing machines	EE, ZPED, Gulbarga	September 1998	4.78	3.43	Rate quoted for 3 weighing machines of 2 tonnes capacity was Rs.1.59 lakh each as against the market rate of Rs.0.45 lakh per machine. EE stated that the extra cost paid would be recovered from the available bills of the supplier.
Stationery articles	EEs, ZPEDs, Gulbarga, Yadgir and DSWO, Gulbarga and DHO, Gulbarga	1995-2000	11.47	5.03	Purchase of stationery locally instead of at the rates of Mysore Sales International Limited, a Government of Karnataka Undertaking and a rate contract firm
Medicines and surgical equipment	DHOs, Gulbarga, Belgaum, Davanagere and Chitradurga	1998-2000	12.91	5.38	Local purchases instead of from rate contract firms
Total			54.51	29.44	

The matter calls for investigation to fix responsibility for non-observance of the prescribed purchase procedures resulting in wanton waste of Government funds.

(ii) Large scale manufacturers favoured

ZPED flouted instructions of EIC to favour a supplier

With a view to promoting small scale industrial (SSI) units, State Government authorised (June 1993) the KSIMC to finalise rate contract for PVC pipes required by Government departments. In spite of directions from Engineer-in-Chief (EIC), Rural Development Engineering Department, Bangalore for purchase of PVC pipes only from KSIMC rate contract holders, ZPED, Bijapur purchased 3.46 lakh metres of PVC pipes from a large scale manufacturer (M/s. Finolex Industries, Pune) during 1998-2000 at a cost of Rs.1.72 crore at the rate approved in the KSIMC rate contracts. While doing so, the EE of the Division overlooked the directions of the EIC that whenever pipes were to be procured from M/s. Finolex Industries, Pune, the rate paid was to be 15 per cent less than that in the rate contract approved for the SSI units or alternatively tenders were to be invited. The EE flouted these instructions and favoured the large scale manufacturer to the tune of Rs.22.44 lakh by making payments at the rate approved for SSI units. The EE stated (March 2001) that M/s. Finolex Industries, Pune intimated that they were not in a position to supply PVC pipes at the reduced rates and that the CEO, ZP, Bijapur had instructed to purchase Finolex make PVC pipes only. The fact, however, remained that there was avoidable payment of Rs.22.44 lakh in the procurement.

(iii) Purchases in disregard of Government directions

ZPs purchased vehicles without Government sanction

ZPs were not to purchase new vehicles without the approval of the Standing Sub-committee of the State Government. Five ZPs flouted Government directions and purchased 31 new vehicles costing Rs.1.21 crore during 1995-2000 for use by various departments without the approval of the Standing Sub-committee.

2.1.16 Execution of housing schemes for the rural poor

Slippages in execution of housing schemes

Under the Ashraya and Dr.Ambedkar housing schemes implemented by the State Government, houses were to be provided to target groups in rural areas. In addition, IAY, a Centrally Sponsored Scheme, was also implemented in the

State for combating rural housing problem. The salient features of these schemes are as shown below.

(In Rupees)

Scheme	Target group	Unit cost	State Govt subsidy	Loan from HUDCO	GOI subsidy
Rural Areas Ashraya housing scheme	SC/ST	20,000	19,000	Nil	1,000
	Non SC/ST	20,000	9,000	10,000	1,000
Ambedkar housing scheme	SC/ST	20,000	19,000	Nil	1,000
IAY	SC/ST and others below poverty line	20,000	5,000	Nil	15,000
		in plain areas /22000 in hilly or difficult areas	5,500		16,500

Houses constructed under these schemes were to be provided with sanitary latrines and a smokeless chulha. While the unit cost of Rs.20000 under IAY included the cost of construction of sanitary latrines, GOI contributed a subsidy of Rs.1000 per latrine constructed in the houses allotted to beneficiaries below poverty line under the Ashraya and Dr.Ambedkar housing schemes. ZPs are to incur expenditure separately on the latrines and claim subsidy from GOI. ZPs are to keep the funds for all these schemes in separate savings bank accounts.

A review of the implementation of these schemes in five districts revealed the following:

(i) *Target/achievement*

(Unit in numbers)

Year	Ashraya housing scheme			Ambedkar housing scheme			IAY		
	Target	Achievement	Shortfall (per cent)	Target	Achievement	Shortfall (per cent)	Target	Achievement	Shortfall (per cent)
1995-96	12590	12561	1	5525	5499	1	13504	13504	-
1996-97	7241	7166	1	5395	5373	1	15521	15521	-
1997-98	7525	7159	5	5427	5236	4	10255	9109	11
1998-99	14813	9088	39	5751	4944	14	11256	10545	6
1999-2000	8300	6130	26	4639	1869	60	11054	8367	24

A total of 709 houses taken up during 1995-98 under Ashraya (470) and Dr.Ambedkar housing schemes (239) remained incomplete.

Delay in release of funds for housing schemes

Scrutiny revealed that the delay in completion of houses targeted during 1995-2000 was largely due to staggered and delayed release of funds by State Government especially for Ashraya and Dr.Ambedkar housing schemes.

(ii) Non-remittance of interest to Government account

Under the Ashraya and Dr.Ambedkar housing schemes, ZPs were to remit the earnings on the funds kept in banks to Government account. However, out of interest of Rs.58.43 lakh[Ⓔ], earned on scheme funds by 4 ZPs and 3 TPs, only ZP, Davanagere remitted interest of Rs.7.77 lakh to Government account in July 2001.

(iii) Scheme guidelines not adhered to

Female beneficiary ignored

(a) IAY scheme guidelines prescribed that allotment of houses was to be in the name of the female member of the beneficiary household or in the joint name of the husband and wife. In disregard of the guidelines, 64 to 78 per cent and 66 to 78 per cent of the total houses built under IAY during 1995-2000 in Gulbarga and Belgaum taluks respectively were allotted by Grama Sabhas in favour of male beneficiaries.

(b) In Test-checked ZPs, sanitary latrines were not provided in the houses constructed under Ashraya and Dr.Ambedkar housing schemes.

(iv) Incomplete houses abandoned

Houses were abandoned mid-way by the beneficiaries

112 houses were taken up for construction during 1993-95 in Molakalmuru taluk under Ashraya housing scheme. TP, Molakalmuru paid Rs.14,500/- per house to the beneficiaries. Of these, only 29 houses were completed. The Executive Officer (EO), TP, Molakalmuru reported in June 2000 that 74 houses that remained incomplete had collapsed. Construction of 9 houses was yet to commence. Failure of the EO to release amounts to beneficiaries proportionate to and consistent with the progress of work as envisaged in the scheme guidelines resulted in wasteful expenditure of Rs.10.73 lakh on 74 collapsed houses.

(v) Non-recovery of loan

In respect of non-SC/ST beneficiaries under the Ashraya housing scheme, the unit cost included a loan of Rs.10,000 which was to be recovered from the

[Ⓔ] ZPs, Davanagere (Rs.7.77 lakh), Bijapur (Rs.19.57 lakh), Belgaum (Rs.14.50 lakh), Gulbarga (Rs.4.17 lakh), TPs, Chitradurga (Rs.6.51 lakh), Davanagere (Rs.3.98 lakh) and Bijapur (Rs.1.93 lakh)

beneficiaries by GPs. A separate loan account ledger containing the details of beneficiaries was to be maintained by GPs which were to issue pass books to each of the non-SC/ST beneficiaries.

The loan recoverable from the non-SC/ST beneficiaries in respect of houses constructed during 1995-99 alone aggregated Rs.28.54 crore in 5 ZPs. Although Government announced (August 1995) incentives to GPs for improving the recovery, no recovery of loan was made from the non-SC/ST beneficiaries in the ZPs test checked.

2.1.17 Irregularities in supply of energy food

(i) Short supply of energy food

Under the Integrated Child Development Scheme, energy food was to be supplied to expectant mothers and children up to 6 years of age. Karnataka Agro Corn Products Ltd (KACP) supplied energy food to Child Development Project Officers (CDPOs) who in turn distributed it to anganwadi centres. Energy food was packed in containers weighing 25 kgs (net).

Persistent and widespread short supply of energy food and absence of system of verification of the weight of food containers

During the test-check of the accounts of the CDPO, Belgaum (Urban) who received 10.80 metric ton (MT) of energy food costing Rs.1.64 lakh during March 2001, the weight of the containers was jointly verified by the officials from the office of the Principal Accountant General (Audit)-I and the CDPO and the net weight was found to be only 24.125 kgs. The weight of the containers during similar verification in two^φ anganwadi centres under the control of Assistant Director, Women and Child Welfare, Chitradurga as well as in the manufacturing unit of KACP at Chitradurga ranged from 24.68 kgs to 24.84 kgs. The system of verification of weight of the containers on a sample basis by the CDPO did not seem to be prevalent at all. As the weight of the sample food containers checked in the unit of KACP itself was below 25 kgs, persistent and widespread short supply of energy food in the total supply of 11,835.80 MT to Belgaum, Chitradurga and Davanagere districts during 1997-2001 cannot be ruled out.

^φ Jogimatti Road and Gopalapura Road

(ii) Receipt of time expired energy food

Time expired
energy food
received by
CDPO

In March 2001, 10.80 MT of energy food was received and taken to stock by CDPO, Belgaum (Urban). This was manufactured by KACP as early as in March 2000 and was to be consumed by June 2000. When Audit pointed out the lapse during joint verification, CDPO stated that supplier was agreeable to replace the consignment. Thus, no controls existed at the level of the CDPO to check the quality of the energy food.

2.1.18 Other topics of interest**(i) Idle machinery**

X-ray
machines
remained idle
for six months
to five years

Eight x-ray machines valued Rs.23.98 lakh in one hospital and six Community Health Centres in Chitradurga district remained non-functional as of May 2001 for over 6 months to 5 years due to not making provision for complementary items like dark room, power supply, etc., as detailed below:

Number of idle machinery	Value (Rupees in lakh)	Date of purchase	Reasons
4	12.98	May 1997 to May 1998	Non-availability of power supply
2	5.50	October 1997 to December 1997	Want of dark room facility
2	5.50	March 1996 to July 2000	Idle for want of repairs
Total 8	23.98		

(ii) Wasteful expenditure

Staff
continued
without
work

(a) Though State Government closed (February 1992) the Pre-examination Training Centre for BCM at Gulbarga, the staff (Manager, First Division Clerk and a peon) were continued without work in the training centre by District Officer, BCM, Gulbarga, resulting in wasteful expenditure of Rs.9.15 lakh on their pay and allowances during 1992-2000.

(b) District Officer, BCM, Chitradurga, identified (July 1999) two inspectors in his office for redeployment, as directed (May 1999) by the State Government while abolishing the posts. However, he did not redeploy them till June 2000 resulting in wasteful expenditure of Rs.1.40 lakh on their pay

and allowances during August 1999 to June 2000. Further developments on redeployment had not been communicated (September 2002).

(iii) Delay in supply of uniforms

The inmates of pre-matric hostels run by the Department of Social Welfare and Backward Classes and Minorities were to be issued two sets of uniforms every year. District Social Welfare Officers, Bijapur, Chitradurga and Davanagere and District Officer, BCM, Gulbarga supplied 5687 sets of uniforms during 1995-2000 to inmates studying in 10th standard long after completion of the academic year (April to March) as detailed below:

District	1995-96		1996-97		1997-98		1998-99		1999-2000		Total	Cost (Rupees in lakh)
	Qty	Month of supply	Qty	Month of supply	Qty	Month of supply	Qty	Month of supply	Qty	Month of supply		
Bijapur	292	August 1996	156	August 1998	463	May 1998	--	-	159	September 2000	1070	3.21
Chitradurga	--	--	--	--	447	July 1998 to March 1999	122	April 1999 to June 1999	62	May 2000 to July 2000	631	1.89
Davanagere	--	--	--	--	--	--	475	April 1999	--	--	475	1.43
Gulbarga	--	--	818	July 1997	1092	April/ May 1998	782	May/ June 1999	819	April 2000	3511	6.49

Issue of uniforms after completion of pre-matric education negated the concept of providing essential inputs to the students belonging to weaker sections.

(iv) Non-disposal of empty asphalt barrels

In ZPED, Yadgir, out of 19461 empty asphalt barrels, 17581 valued Rs.13.19 lakh were lying undisposed since March 2000.

2.1.19 The matter was referred to Government in November 2001; reply had not been received (September 2002).

SECTION 'B' – PARAGRAPHS

EDUCATION DEPARTMENT

2.2 Irregular sanction/release of grants to secondary schools

Irregular sanction/release of grants of Rs.4.63 crore to schools in contravention of rules

In terms of Rule 16(x) and 16(xi) of Grant-in-aid Code for Secondary Schools, the institutions recognised by State Government whether temporarily or permanently are eligible for release of grants during the period of recognition only.

Scrutiny of relevant records revealed that Deputy Directors of Public Instruction (DDPI), Bangalore (Urban) and Tumkur sanctioned grants of Rs.91 lakh from 1994-95 to January 2001 to 4 secondary schools located in Anekal and Gubbi blocks although their recognition had not been renewed since 1994-95. Block Education Officers in these blocks also countersigned the grant-in-aid bills of these schools without renewal of recognition. Sanction/release of grants of Rs.91 lakh to these schools in total disregard of the provisions of Grant-in-aid Code, besides being irregular, was fraught with the risk of ineligible schools continuing to receive grant-in-aid.

DDPI, Tumkur also renewed recognition (March to September 2001) retrospectively from 1994 to 2001 for 13 schools. Audit scrutiny revealed that reasons/grounds (not providing teaching/learning equipment, toilets, not owning building and playground, etc.) for which recognition was not renewed as and when it was due, continued to persist. The grant of ex-post-facto renewal of recognition and release of salary grant of Rs.3.72 crore for these 13 schools was, therefore, irregular and contrary to rules.

The matter was referred to Government in July 2001; reply had not been received (September 2002).

**FINANCE DEPARTMENT
AND
EDUCATION DEPARTMENT**

2.3 Fraudulent drawal of Rs.1.34 crore by two grant-in-aid schools

Failure of the Block Education Officer to reconcile the expenditure, non-inclusion of paid vouchers in the list of payments by Treasury Officer and his failure to compare the list of cheques issued with cheques paid every month facilitated fraudulent drawal of Rs.1.34 crore by two grant-in-aid schools

Salary to teachers of grant-in-aid primary schools is disbursed through banks. Head Master/Mistress (HM) of a school prepares salary bills in quadruplicate and Block Education Officer (BEO) countersigns them. The HM, BEO and bank each retain one copy of the countersigned bill and fourth copy which bears the full signature of BEO is sent to treasury after endorsement by bank that payee's accounts would be credited after cheque's realisation. The Treasury Officer issues cheques for net salary and deductions towards life insurance premium, profession tax, co-operative society dues, etc., in favour of the banker. The banker credits net salary to individual accounts of teachers and the amounts of deductions to the HM's account. The HM arranges for transfer of such deductions to the respective agencies. The BEO is to reconcile the expenditure.

The District Treasury Officer, Bangalore-Urban (TO) had from January 1999 to March 2001 issued 544 cheques aggregating Rs.2.02 crore [as compiled from the list of cheques encashed available with Accountant General (Accounts & Entitlement)] which related to bills prepared and signed by HMs of ten schools in favour of Karnataka Bank Limited (KBL), Srirampuram Branch, Bangalore. Audit scrutiny (May 2001) of records in the Office of BEO, Treasury and available 34 salary vouchers (both treasury and bank copies) for a total amount of Rs.13.43 lakh, collected from KBL, Srirampuram and Zilla Panchayat, revealed the following lapses and modus operandi of the fraud:

- (i) As against 544 cheques involving Rs.2.02 crore issued by the TO to KBL, Srirampuram, check of Register of Countersigned Bills maintained and produced to Audit by the concerned BEO indicated that he had countersigned salary bills for Rs.68 lakh only.
- (ii) KBL, Srirampuram furnished details for Rs.1.09 crore involving 390 cheques only.
- (iii) Details as furnished by KBL, Srirampuram of the accounts, names of account holders and amounts aggregating Rs. 1.09 crore credited to the accounts were as under:

Sl. No.	Account holder	Account Number	Amount credited (Rupees in lakh)	Number of cheques
1	R. Uma (in individual name)	11720	20.59	91
2	HM, Vani LPS, Laggere	11721	35.32	109
		Sub total (A)	55.91	200
3	D. Nirmalamma (in individual name)	14038	6.01	40
4	Sri Educational Society, Srirampuram	11971	10.09	10
5	-do-	6793	16.89	48
6	-do-	3314	7.75	7
		Sub total (B)	40.74	105
7	R. Suma	27098	4.79	22
8	S. Lalithamma	14301	1.45	21
9	Lakshmidevi	11728	2.05	24
10	M.S. Sharada	13838	4.28	18
		Sub total (C)	12.57	85
		Grand total A+B+C	109.22	390

- (iv) By intercepting and manipulating entries in the treasury copy of salary bills of other schools and presenting different sets of bills to KBL, Srirampuram corresponding to the treasury copy of the bills, a total sum of Rs.55.91 lakh was got credited through 200 cheques [indicated at (A) above] as evidenced by the following illustrations:

Sl. No.	Nature of irregularity	Amount (In Rupees)	Lapse
1	Salary for December 2000 was drawn twice	8054	Not objected or detected by TO
2	6 cheques issued by TO to KBL during November 2000 though pertained to five different schools having account in different banks were credited to these accounts by manipulation of name of bank and affixing endorsement of KBL	386451	TO overlooked these manipulations and passed the bills
3	Salary bill for November 2000 pertaining to Jothi Kannada, HPS, Prakashnagar, besides being credited to the accounts of the teachers of that school was credited to the accounts of R.Uma also.	97157	One of these two bills was signed by BEO and another by HM. However, TO passed these bills.

(v) The HM incharge of Sri Education Society Higher Primary School, Srirampuram also resorted to manipulation of bank endorsement on treasury copy of salary bills, double drawal, furnishing details in bank copy different from those indicated in treasury copy of the bill and thus, drew Rs.40.74 lakh through 105 cheques [indicated at B below (iii)] during January 1999 to March 2001.

(vi) Salary aggregating Rs.12.57 lakh involving 85 cheques [indicated at C below (iii)] was credited to accounts of 4 individuals even though they were not borne on the establishment of the two schools.

(vii) According to provisions of Karnataka Financial Code, TO was to prepare list of cheques issued in Form KTC-66 and to maintain a Register of Cheques delivered wherein details of cheques issued in respect of all bills were to be entered. This register duly posted was to be sent from Cheque Section to officer in-charge of Accounts Section who was to ensure that vouchers were available for inclusion in the list of payments (LOP) in respect of all cheques issued. This procedure was not followed and paid vouchers were sent to Accounts Section without the Register of Cheques delivered. Due to bypassing of the prescribed procedure for transmission of vouchers, all bills for which cheques had been issued were not included in the LOP. Out of 109 cheques issued for Rs.73.71 lakh, 63 cheques for Rs.46.82 lakh were neither included in the LOP nor in list of cheques issued. Thus, expenditure though incurred, remained unaccounted under relevant head of account.

(viii) TO did not compare the list of cheques issued with the list of paid cheques so as to identify cheques unencashed/cheques encashed but not included in the list of cheques issued. He also failed to prepare plus and minus memorandum indicating cheques outstanding at the beginning of the month, cheques issued, encashed and closing balance for the last five years inspite of number of demi-official letters written by Accountant General (Accounts and Entitlement), Karnataka to the Finance Department, Government of Karnataka and Director of Treasuries.

The BEO and TO disregarded the prescribed procedure/rules regarding the reconciliation of expenditure and accounting for all paid vouchers in the LOP which facilitated fraudulent drawal of the Rs.1.34 crore (cheques issued for Rs.2.02 crore less bills for Rs.0.68 crore authorised by BEO) by HMs of these two schools.

The fact of denial by BEO regarding countersignature of salary bills in excess of Rs.68 lakh and circumstances under which treasury copy of salary bills of other schools came into possession of R.Uma and D.Nirmalamma, HMs and were manipulated and another set of bills were furnished to KBL, Srirampuram branch, needs investigation. The controls prescribed at different levels and their subversion by the concerned officials were as follows:

Control point	Nature of control	Controls subverted/overridden and its effect
BEO	Reconciliation of expenditure	Expenditure not reconciled by BEO resulting in non-detection of drawal of money through bills not countersigned by him
TO	Preparation of list of cheques issued	Several cheques issued were not included in the issue list. The LOP was incomplete as all the bills were not included.
	Verification of cheques between the issue and paid list	A list of unencashed cheques and plus and minus memorandum were not prepared and sent to Accountant General's office resulting in non-detection of cheques encashed but not included in the issue list and also non-inclusion of paid vouchers in the list of payments
	Preparation of plus and minus memorandum	
	Attestation of corrections in salary bills	Attestation of corrections and over-writings by the BEO not insisted upon, resulting in non-detection of manipulations in the salary bills, passing bills with inflated amounts and endorsing cheques to unauthorised persons

Failure of BEO and TO to observe the prescribed controls also needs investigation.

Principal Secretary to Rural Development and Panchayat Raj Department stated (October 2001) that action had been taken to suspend four officers and enquiry was in progress. Further developments in this case are awaited (September 2002).

FOREST DEPARTMENT

2.4 Social Forestry

The Social Forestry Programme (Programme) was implemented in Zilla Panchayats (ZPs) with World Bank assistance by social forestry divisions up to 1991-92. Thereafter, the Programme was implemented out of funds provided for JRY^Φ, EAS^Ψ, DPAP^{*}, NWDPR[♣], JBIC[♠] and soil and water conservation schemes and released through ZPs. Salary expenditure was met out of funds provided by State Government's budget under Overseas Economic Cooperation Fund. The implementation of the Programme was test-checked in 10^{*} out of total 27 divisions during June to October 2001. The important points noticed during test-check of records are brought out in the succeeding paragraphs.

2.4.1 Continuous decline in Programme and unjustified continuation of establishment

State Government established (December 1999) a separate Directorate for Watershed Development and existing District Watershed Development Projects were converted into District Watershed Development Offices (DWDOs). Consequently, various schemes (JRY, EAS, DPAP, NWDPR and Soil and Water Conservation) were to be implemented by DWDOs and staff of line departments including Social Forestry were to be redeployed among DWDOs. However, redeployment of staff had not been effected so far (December 2001). Also, financial and physical progress as furnished by Deputy Conservator of Forest (Social Forestry) (DCF) of test-checked divisions indicated that both activities of raising plantations and seedlings

^Φ Jawahar Rozgar Yojana

^Ψ Employment Assurance Scheme

^{*} Drought Prone Area Programme

[♣] National Wasteland Development Programme in Rural Areas

[♠] Japanese Bank International Co-operation

[♣] Bagalkot, Bidar, Chickmagalur, Chitradurga, Gadag, Gulbarga, Mandya, Mysore, Raichur and Tumkur

declined continuously from 1998-99 to 2000-2001 as indicated below:

Year	1998-99	1999-2000	2000-2001
Area covered by plantations (in Hectares) under			
(a) JBIC scheme	1681	1486	1109
(b) Other schemes	5855	2852	609
Total	7536	4338	1718
Number of seedlings raised (Numbers in lakh) under			
(a) JBIC scheme	30	33	23
(b) Other schemes	18	13	3
Total	48	46	26
Expenditure (Rupees in crore)			
(a) JBIC scheme	2.85	2.90	2.71
(b) Other schemes	5.50	2.19	0.25
Total	8.35	5.09	2.96
(d) Establishment expenditure (Rupees in crore)	4.80	6.41	7.19

The activity of raising plantations and seedlings by social forestry divisions in territorial forest area out of the funds released by territorial forest divisions under JBIC scheme was the legitimate function of the latter (territorial forest divisions). The physical progress on raising plantation and seedlings declined by 90 and 83 per cent under social forestry while the same declined by 34 and 23 percent respectively under JBIC scheme during 2000-01. For every rupee spent on Programme of Social Forestry implementation, the corresponding administrative cost increased from Re.0.57 to Rs.2.42 during 1998-2001 in these 10 divisions. This was due to non-transfer of surplus staff to DWDOs. Thus, implementation of the Programme became economically non-viable/cost ineffective.

CEO, ZPs/PCCF did not identify the surplus staff and redeploy them inspite of steep decline in physical and financial progress

Though the targets for social forestry in respect of these divisions indicated huge reduction in the Programme, CEOs of ZPs did not initiate action through Principal Chief Conservator of Forest (PCCF) for redeployment of staff of social forestry divisions among territorial forest divisions or DWDOs and transfer of the Programme and assets to DWDOs. The PCCF who was the cadre controlling authority also failed to identify surplus staff and redeploy them from social forestry to territorial divisions where 16 per cent of 1774 posts sanctioned remained vacant. Thus, there was no justification for continuation of establishment of social forestry divisions and expenditure thereon was largely unfruitful.

2.4.2 Unnecessary purchase of stores by Deputy Conservator of Forest, Chickmagalur

Purchase of stores valued Rs.16.61 lakh was unnecessary. Stores valued Rs.35.87 lakh were not handed over to DWDO

DCF, Chickmagalur purchased during January 2000 to November 2000 polythene bags and barbed wire at a total cost of Rs.16.61 lakh out of unutilised funds under different schemes. After assigning implementation of social forestry to DWDOs, purchase of stores was irregular and unnecessary. No reason had been furnished for such purchases. Besides, stores costing Rs.19.26 lakh (polythene bags-Rs.11.54 lakh, seedlings-Rs.7.72 lakh) were also held in stock (polythene bags from April 2000 and seedlings from July/August 2000). No action had been taken to transfer these material to DWDO, Chickmagalur (September 2002).

2.4.3 Misappropriation of funds drawn by Range Forest Officer (Social Forestry), Tumkur

Rs.6.39 lakh drawn through salary bills was misappropriated

The Range Forest Officer (Social Forestry), Tumkur Range (RFO) being Drawing and Disbursing Officer was to draw and disburse salary and establishment charges of the staff of Range Office. Scrutiny of salary vouchers, cash book and acquittance register for the period from 1995-96 to August 2001 revealed the following irregularities:

(a) RFO drew salary and other claims (festival advance, travelling allowance, etc.) for 12 to 13 persons as against working strength of 9 to 10 (sanctioned strength-11) by including names of one or two persons who were not borne on the establishment of the Range Office for a few months and the names of those who were transferred long ago.

(b) In one month (March 2000), RFO drew salary of two persons (Rs.12154) without even recording name of the persons in the salary bill. The Treasury Officer failed to notice non-inclusion of the names of these two persons.

(c) The RFO being the Head of the Range Office was to check and ensure that amounts of bills encashed and payments made were posted in the cash book correctly besides attesting each transaction in proof of having exercised such checks. However, RFO failed to exercise this statutory check to ensure

that amounts obtained from treasury were accounted for fully in cash book. The failure of RFO facilitated the subordinate official incharge of this work accounting for less funds than those drawn from treasury. During September 1997 to August 2001, Rs.25.98 lakh only was accounted for in the cash book and disbursed as per acquittance books to 9 to 10 officials as against Rs.32.37 lakh drawn from treasury. Balance of Rs.6.39 lakh pertaining to 2 to 3 officials whose names were irregularly included had been misappropriated.

(d) Blank space in original salary bills were not covered with oblique lines and corrections/alterations were not attested by RFO. The Treasury Officer passed salary bills despite such deficiencies.

2.4.4 Fictitious payments

Payment of Rs.3.87 lakh was fictitious

Plantation in forest sector consisted of two stages, the first being advance work for trenching or formation of pits and the second consisting of planting of seedlings. Payment already made by RFO out of advance given for such work would be admitted after measurement by Assistant Conservator of Forest and another check by DCF. In one Range (Muddebihal in Bijapur district), the DCF during recheck (April 2000) of advance trenching carried out in 1998-99 noticed that only 14412 trenches/pits were excavated as against 20883 recorded in field note books for which payments were made. Evidently, payment of Rs.3.87 lakh relating to 6471 trenches/pits was fictitious. DCF, Bijapur sent a report (June 2000) to PCCF. However, details of action taken by PCCF had not been furnished to Audit (September 2002).

2.4.5 Failed plantations

Plantations costing Rs.1.33 lakh failed due to improper maintenance

Failure of plantations raised in 35 hectares during 1997 and 1998 in Bijapur division (Jalamandir tank area) at a cost of Rs.1.33 lakh was attributed to officials not evincing interest in maintenance and enquiry was instituted (September 2000). Results of such enquiry had not been furnished to Audit. In another case, plantation raised on 25 hectares during 1997-98 (cost not available) in Shivapura village of Kudligi Range, Bellary district also failed. However, no reasons had been furnished for the same (September 2002).

**Action not taken
for disposal of
plantations**

2.4.6 Disposal of old plantations

Plantations raised under social forestry were to be maintained for three years by Divisions and then handed over to Village Forest Committees or Grama Panchayats (GPs) for further maintenance. Plantations were to be harvested and disposed of as per approved Management Plan. Revenue realised thereof was to be shared by State Government, ZPs and GPs. DCF, Tumkur sought (June 2001) approval of ZP for harvesting of plantations raised during 1984-85 to 1989-90 on total area of 1453 hectares (not handed over to GPs) at a cost of Rs.1.26 crore. ZP, Tumkur had not yet taken further action. In respect of other 9 divisions test-checked, details regarding plantations not handed over and due for harvesting as of March 2001 and their present status had not been furnished to Audit (September 2002). The PCCF had also not monitored this activity as similar details for the whole State were not available with him.

2.4.7 Non-maintenance of plantation journals

According to Paragraph 29(9) of Karnataka Forest Code, plantation journals were to be maintained indicating details such as area of plantation, village, survey numbers, inspections, maintenance, etc. Though plantations on 13592 hectares were raised at a cost of Rs.16.40 crore during 1998-2001, only the initial entries on raising of plantations were made in the journals and subsequent events such as extent of replacements/survival, inspections, maintenance, etc., were not entered in 8 out of the 10 test-checked divisions. In the absence of these details, status of plantations was not susceptible of verification.

2.4.8 Land records not updated

PCCF issued (July 1998) instructions for updating land records duly indicating areas where plantations had been raised from time to time. Such updating had to be completed before June 2001 and certificate of right of tenancy was to be obtained from revenue authorities. None of the divisions test checked completed the work as of August-October 2001, resulting in envisaged control systems not being in operation.

2.4.9 The matter was referred to Government in December 2001; reply had not been received (September 2002).

**RURAL DEVELOPMENT AND PANCHAYAT RAJ
DEPARTMENT**

2.5 Payment made for unaccounted materials

Executive Engineer, Zilla Panchayat Engineering Division, Huvinahadagali made a payment of Rs.18.77 lakh for supplies which were not received; he also made a payment of Rs.19.52 lakh for materials which were not available on a scheme

Zilla Panchayat Engineering Division (ZPED), Huvinahadagali in Bellary district was formed with effect from 1 June 1998 by transferring to its control three sub-divisions[⊗] of ZPED, Harapanahalli. On its formation, Executive Engineer (EE) ZPED, Huvinahadagali received (July 1998) 39 pending bills for Rs.78.98 lakh representing cost of materials (like cement, steel, pumps, panel boards and electrical fittings) purchased by EE, ZPED, Harapanahalli and distributed to the three sub-divisions during October 1995 to May 1998. Without seeking any funds from Zilla Panchayat (ZP), Bellary, EE, ZPED, Huvinahadagali diverted funds provided for works and paid 34 bills (1996-97 – 3, 1997-98 – 11 and 1998-99 – 20) for Rs.72.48 lakh during July 1998 to March 2000. While doing so, EE did not exercise any checks to ensure that material was actually taken on stock by these sub-divisions and how bills of 1996 were unpaid till 1998 and made the payments on the strength of stock certificates and pass orders furnished by EE, ZPED, Harapanahalli on the bills.

Scrutiny of the stock account of the three sub-divisions for the period October 1995 to May 1998 revealed that materials costing Rs.18.77 lakh out of Rs.72.48 lakh for which payment had been made were not taken to the stock accounts as claimed in the stock certificates furnished by EE, ZPED, Harapanahalli. Similarly, in respect of a transferred work viz. Comprehensive Rural Water Supply Scheme to Dasarahalli Thanda and four other villages (Scheme), although materials costing Rs.19.52 lakh had been charged to the Scheme by ZPED, Harapanahalli prior to transfer of jurisdiction of the Scheme, these materials were not received by ZPED, Huvinahadagali.

[⊗] Hagari Bommanahalli, Huvinahadagali and Kudligi

Evidently, the expenditure had been fraudulently charged to the scheme though the materials were not received. Thus, the stock certificates to the extent of Rs.38.29 lakh were false. EE, ZPED, Huvinahadagali replied (June 2001) regarding payment of pending bills without receipt of materials that the supplies might have been distributed to all the three sub-divisions in piecemeal and correlating them with the quantities as per supply bills was difficult. The reply effectively meant that the bills were paid without verifying the receipt of materials. Regarding non-receipt of materials charged to the Scheme, he stated that the matter would be taken up with ZPED, Harapanahalli.

Thus, a financial loss of Rs.38.29 lakh was caused to ZP by the EE, ZPED, Huvinahadagali by payment against fictitious purchase and showing fraudulent expenditure to the Scheme towards materials which were actually not available on the Scheme.

The matter was referred to Government in July 2001; reply had not been received (September 2002).

2.6 Misappropriation of Government funds in Zilla Panchayats

2.6.1 Introduction

State Government posted Smt.M.G.Shanthakumari (Deputy Controller in the State Accounts Department) to Zilla Panchayat (ZP), Uttara Kannada, Karwar where she functioned as Chief Accounts Officer (CAO) during November 1995 to June 1998. Later, on her transfer to ZP, Bangalore (Urban), Bangalore, she worked as CAO from July 1998 till State Government suspended her in December 1999 following reports of misappropriation in ZPs, Uttara Kannada and Bangalore (Urban). State Government referred the case of misappropriation to Central Bureau of Investigation in August 2000.

State Government in Rural Development and Panchayat Raj (RDPR) Department and Finance Department requested for special audit of transactions of ZPs, Uttara Kannada and Bangalore (Urban) for 1994-99 and 1998-2000 respectively. The special audit of ZP, Uttara Kannada was conducted during October 2000 to December 2000 and ZP, Bangalore (Urban)

was conducted during March 2001 to June 2001 and the report sent to Government in May/June 2001. The replies had not been received (September 2002). The main points of this special audit are discussed below.

2.6.2 Procedure for drawal of funds from treasury by Zilla Panchayats

The procedure prescribed for drawal and disbursement of money by ZPs was as under:

Sl. No	Transaction	Procedure
1.	General	All receipts were to be remitted and all payments drawn from District Treasury, in terms of procedure prescribed for Departments of Government. CEOs were responsible for this and for review of accounts of ZP. CAOs were to compile monthly accounts duly incorporating accounts of offices of PWD/ Irrigation/ Forest Departments who were authorised to draw cheques based on letter of credit sanctioned by ZP.
2	Grants of State Government	CAOs were authorised to draw by presenting grant in aid bills to treasuries. Treasuries were to credit the proceeds of bills to a personal deposit account of ZP maintained in the treasury.
3	Grants of Government of India for Centrally Sponsored Schemes, released direct	ZPs were to desposit such amounts in a single bank account along with State Government share of grant. State Government share was to be drawn from treasury by the CAO with the countersignature of CEO
4	Grants of Government of India released through State Government	ZPs were to draw these from treasury and credit into ZP funds for further operation
5	Deposits and loans	ZPs were to deposit surplus funds in scheduled/co-operative banks and raise loans with prior sanction of Government.

2.6.3 Modus operandi of the fraud

Scrutiny revealed that the key controls/checks at various levels against misuse of ZP funds were overridden and the fraud/misappropriation was perpetrated through a syndicated operation involving officials at various levels. The modus operandi of the fraud was as shown below:

Details	Authority subverting the controls	How controls were overridden
Irregular drawal of funds from treasury	CEO	Irregularly countersigned grant-in-aid bills prepared by the CAO for drawal of funds from treasury relating to State and Central Sector Schemes to be executed by the implementing officers.
	CAO	Irregularly drew huge funds sanctioned for the schemes from treasury on grant-in-aid bills with and without countersignature of the CEO.
	District Treasury Officer	Passed these irregularly preferred bills, issued cheques in favour of the CAO and facilitated huge irregular drawal of ZP funds.
Accounting of the irregular drawals	CAO	(i) Suppressed information on the irregular drawals by not reflecting them in the ZP records;

Details	Authority subverting the controls	How controls were overridden
		(ii) did not maintain cash book and other related records for drawal; and (iii) did not prepare monthly accounts and did not agree the ZP accounts with those of the treasury.
	CEO	Failed to review the monthly/annual accounts which facilitated continued widespread misappropriation of funds.
	Chartered Accountants	There were cases of professional failure which facilitated the fraud remaining undetected for a long time.
Parking of funds irregularly drawn from treasury	CAO	(i) Opened savings bank (SB) accounts in several banks indiscriminately and unauthorisedly without sanction of CEO/ Government and kept these unauthorised accounts outside the ZP accounts. (ii) Transferred huge funds from one SB account to another and mixed up funds relating to several schemes. (iii) Invested the funds available in these unauthorised SB accounts in Fixed/Term Deposits without sanction of Government.
	CEO	Did not review the monthly accounts and failed to ascertain the number of bank accounts in operation in the ZP.
Misappropriation of funds	CAO	(i) Drew huge amounts from the unauthorised SB accounts and misappropriated them. (ii) Issued cheques to several fictitious firms/persons and misappropriated ZP funds.
	CEO	Funds from these unauthorised SB accounts were transferred to the personal SB account of CEO, indicating her involvement in the fraud.
	Officials at various levels	Were the beneficiaries of misappropriation indicating that the fraud was a syndicated operation
	Varada Grameena Bank	Suppressed information on the drawals/deposits made by Smt.M.G.Shanthakumari (MGS) in the passbook issued for the SB account, implying the bank's involvement in the fraud.

The details of the fraud/misappropriation are discussed below:

2.6.4 Chief Accounts Officer opened bank accounts unauthorisedly

CAO unauthorisedly opened and operated several accounts in 12 banks and misappropriated funds

During her tenure in ZP, Uttara Kannada from November 1995 to June 1998 and in ZP, Bangalore (Urban) from July 1998 to December 1999, MGS as CAO disregarded the instructions for opening bank accounts and irregularly opened SB accounts in several banks in the name of CAO without approval of CEO/State Government for the State/State's share in the Central Sector

Schemes for which funds had to be drawn from the treasury by the implementing officers, by presenting bills.

From the information made available to Audit by CEOs of ZPs, Uttara Kannada and Bangalore (Urban), there were 54 SB accounts in operation in 11 banks in ZP, Uttara Kannada during 1994-99 of which the transactions in 28 bank accounts involving an amount of Rs.10.60 crore were not accounted for in the records of the ZP. Of these, MGS had opened at least 32 accounts during April 1996 to June 1998 in five banks (Appendix 2.1). The schemes to which the accounts related were not specified in the case of seven accounts (Corporation Bank-3, Varada Gramena Bank (VGB)-3 and Vysya Bank-1) while one account (SB 627 at VGB) was opened as a miscellaneous account. She had closed 5 out of 32 accounts within 3 to 141 days of opening these accounts.

Similarly in ZP, Bangalore (Urban), 67 SB accounts were operated during 1997-2000. Of these, MGS had opened 45 accounts in 14 branches of 7 banks (Appendix 2.2) and closed 31 of them during her tenure from July 1998 to December 1999. Of these, 12 accounts were in operation for only 1 to 3 months and the remaining 19 were closed after 5 to 17 months. The transactions in 18 out of 45 accounts involving a total amount of Rs.7.48 crore did not figure in the records of ZP, Bangalore (Urban).

Operation of large number of unauthorised accounts in 12 banks facilitated parking of funds irregularly drawn by the CAO from Treasury and its continued misappropriation as discussed below:

2.6.5 Huge funds drawn from treasuries and transferred unauthorisedly to savings bank accounts and misappropriation thereof

(a) MGS drew Rs.29.32 crore through 428 bills during November 1995 to December 1999 from ZPs, Uttara Kannada and Bangalore (Urban) under various heads of account as detailed below out of the funds adjusted to ZP Fund and obtained cheques in favour of CAO. These cheques were unauthorisedly credited to the bank accounts mentioned in the previous sub-paragraph:

**CAO credited
Rs.29.32 crore
drawn from
treasuries to
unauthorised
bank accounts**

(Rupees in crore)

Zilla Panchayat	Uttara Kannada	Bangalore (Urban)
Number of treasury cheques obtained	346	82
Details of heads of account under which funds were drawn		
2202-General Education	3.71	1.50
2210-Medical and Public Health	0.10	-
2215-Water Supply and Sanitation	1.00	-
2216-Housing	2.75	0.92
2225-Welfare of SCs, STs and Other Backward Classes	0.11	-
2401-Crop Husbandry	0.51	-
2501-Special Programmes for Rural Development	3.08	0.61
2505-Rural Employment	2.68	4.17
2515-Other Rural Development Programmes	2.21	3.42
2551-Hill Areas	0.04	-
2810-Non-conventional Sources of Energy	0.63	-
3451-Secretariat-Economic Services	0.03	-
Drawals for which details were awaited from the ZP	-	1.85
Total	16.85	12.47

CAO did not account for 136 treasury cheques for Rs.18.08 crore in the records of the ZPs

(b) Of these, 83 cheques for Rs.10.60 crore drawn from ZP fund in District Treasury, Karwar, and 53 cheques for Rs.7.48 crore drawn from District Treasury, Bangalore (Urban) relating to major heads of accounts 2202, 2501, 2505, 2515, etc., did not figure in any of the relevant records of ZPs, Uttara Kannada and Bangalore (Urban) respectively. The vouchers (paid bills) for these 136 treasury cheques for a total amount of Rs.18.08 crore were not available in the ZPs. However, 111 cheques (Rs.14.88 crore) out of 136 cheques were traced by Audit in the bank accounts unauthorisedly opened which did not figure in the records of the ZPs. Audit verified the end use of the money drawn by MGS at ZPs, Uttara Kannada and Bangalore (Urban) by a scrutiny of deposits and withdrawals as reflected in the ledger extracts and copies of paid cheques obtained from the banks where MGS had operated the SB accounts. The following serious violations were noticed.

2.6.5.1 Investment of huge funds in interest bearing deposits without Government sanction

Investment of Rs.17.93 crore in short term deposits with banks without Government sanction

Of the 101 short term fixed/term deposits for Rs.17.93 crore made during 1994-99 in ZP, Uttara Kannada, without sanction from Government, only 56 deposits for Rs.7.46 crore had been reflected in the records of the ZP. MGS invested Rs.4.98 crore in term deposits with 4 banks while at ZP, Bangalore (Urban), investment was made for a period of 45 days initially, which was renewed from time to time. The proceeds of the deposits were credited to unauthorised SB accounts.

2.6.5.2 Loans from bank against security of Zilla Panchayat deposits

CAO obtained loan of Rs.5.08 crore from a bank without Government sanction

MGS obtained (September 1996 to August 1997) loan of Rs.5.08 crore in the name of CAO from VGB, Karwar without sanction of Government through 32 loan accounts against the security of fixed/term deposits with the bank. She credited the loans so obtained to several SB accounts in the same bank. She cleared the loan accounts and the interest of Rs.7.18 lakh partly out of the proceeds realised on maturity of the deposits and partly by transferring funds from SB accounts.

2.6.5.3 Overdraft taken from the bank against Zilla Panchayat deposits

CAO availed overdrafts of Rs.38.87 lakh from a bank and did not account for them in ZP records

MGS drew (November 1996 to October 1997) Rs.38.87 lakh as overdraft on 33 occasions against ZP deposits from VGB. She cleared (May 1997 to December 1997) the overdrafts and the interest of Rs.0.40 lakh periodically by transferring funds from SB accounts and out of the proceeds from fixed/term deposits.

The overdrafts including the investments in deposits and loan accounts with VGB, Karwar did not figure in any of the records of ZP, Uttara Kannada and remained outside the ZP account.

2.6.5.4 Recipients of the funds misappropriated

Officials at various levels in the ZPs were the beneficiaries of misappropriation

Review and analysis of the pattern of deposits and drawals reflected in the ledger extracts furnished by the banks indicated that MGS indulged in frequent and unnecessary transfer of funds from one SB account to another and consequently, there was total mixing up of funds relating to several

schemes. She misappropriated funds from the SB accounts by (i) drawing huge funds on self-cheques and through cheques on banks for demand drafts/pay orders in favour of fictitious persons; (ii) issuing cheques in favour of officials of ZPs and/or their relatives; and (iii) issuing cheques for huge amounts in favour of persons/firms who had not rendered any service or supplies to the ZPs. Details of misappropriated funds were as shown below:

(Rupees in lakh)

Details of misappropriation	Zilla Panchayat, Uttara Kannada		Details of misappropriation	Zilla Panchayat, Bangalore (Urban)	
Amount drawn by MGS through self cheques or cheques on banks		155.00	Amount drawn on self cheques		48.27
Amounts paid to officials of Zilla Panchayats			Personal loan of MGS repaid		3.54
Dr Nagambika Devi, CEO	7.22		Amounts paid to officials of Zilla Panchayats and their relatives		
Sri Laxman Mesta, First Division Assistant (FDA)	1.50		Sri Khader, Accounts Superintendent	2.78	
Sri G.J.Madiwal, Planning and Executive Officer	0.30		Smt Haryar, wife of Sri Khader	2.00	
Sri Kalgutkar, Second Division Clerk	0.24		Smt Tasneem, daughter of Sri Khader	18.50	
Personal Assistant to CEO	0.05		Sri Ramachandra, husband of MGS	2.30	
			Sri Jayaramaiah, FDA	12.88	
Total	9.31	9.31	Total	38.46	38.46
Amounts paid to persons who had not rendered any service/supplies to ZP		131.71	Amounts paid to persons/firms who had no connection with the ZP		341.99
Interest on fixed deposits not accounted for in any of the bank accounts		44.57	Payments for which details could not be verified		98.04
Grand Total		340.59			530.30

Amounts paid by MGS to persons who had no connection with ZP, Bangalore (Urban) included Rs.1.73 crore and Rs.0.20 crore to Hema Constructions and three motor vehicle dealers respectively. As the CEO, ZP, Uttara Kannada (Dr.Nagambika Devi) also received misappropriated funds of Rs.7.22 lakh through transfer of amounts on 20 occasions from the unauthorised bank accounts to her personal SB account in VGB, Karwar, possibility of her being party to the overall misappropriation cannot be ruled out. As officials at

Appendix 1.3
Non-transfer of grants to Grama Panchayats
(Reference : Paragraph 1.12/Page 12)

(Rupees in lakh)

Sl. No.	Zilla Panchayat	Amount relating to Grama Panchayats retained by the Zilla Panchayats		
		1996-97	1997-98	1998-99
1	Bangalore (Rural)	0.50	-	2.25
2	Bellary	1.50	1.00	-
3	Belgaum	0.13	-	-
4	Bidar	3.50	26.50	-
5	Bijapur	0.25	1.00	0.24
6	Chitradurga	-	-	0.04
7	Dakshina Kannada	6.65	1.00	-
8	Kodagu	6.25	-	-
9	Mandya	0.51	-	57.75
10	Mysore	28.23	-	4.48
11	Raichur	-	1.00	1.96
12	Shimoga	-	-	45.30
13	Chamarajanagar	-	-	40.32
14	Gadag	-	-	28.98
15	Koppal	-	-	33.09
	Total	47.52	30.50	214.41
			292.43	

Appendix 1.4

Diversion of funds

(Reference: Paragraph 1.14/Page 13)

(Rupees in lakh)

Sl. No.	Zilla Panchayat	Year of reporting	Department	Scheme from which diverted	Scheme/purpose to which diverted	Amount
1	Bangalore(Rural).	1998-99	Social Forestry	Million wells scheme	For raising plantations	118.87
2	Kolar	1998-99	Social Welfare	Special component plan	Towards purchase of pump sets for drilled bore wells, open wells and MWS.	26.24
3	Tumkur	1999-2000	Social Welfare	Scholarship funds	Towards payment of Grant-in-aid to private hostels.	17.70
4	Mysore	1999-2000	Zilla Panchayat	Water supply scheme	Irregular transfer of budgeted head of water supply scheme funds to CDD Watson (UNICEF) programme.	17.80
5	Udupi	1999-2000	Taluk Panchayat	Additional stamp duty	Used for construction of office building and purchase of Xerox machine.	19.77
6	Bellary	1999-2000	Zilla Panchayat	X Finance Commission Grants	Diverted for maintenance of water supply schemes.	14.88
7	Kolar	2000-2001	Education	Savings under salary	Used for purchase of furniture, science and laboratory equipment.	20.75
8	Bangalore(Urban)	2000-2001	Taluk Panchayat	Stamp duty funds	Used for purchase of furniture and supply of uniforms to SC/ST students.	13.84
9	Bijapur	2000-2001	Zilla Panchayat	DDP funds	Used towards fisheries work.	10.25
10	Mysore	2000-2001	Zilla Panchayat	X Finance Commission Grants	Towards payment of dues of Karnataka Power Transmission Corporation Limited.	175.28
11	Mandya	2000-2001	Zilla Panchayat	Additional stamp duty	Credited to ZP Fund.	20.00
					TOTAL	455.38

Appendix 1.5
Non-reconciliation of treasury balances
(Reference: Paragraph 1.15/Page 13)

(Rupees in lakh)

Sl. No.	Zilla Panchayat	1996-97		1997-98		1998-99	
		Balance as per Zilla Panchayat	Balance as per treasury	Balance as per Zilla Panchayat	Balance as per treasury	Balance as per Zilla Panchayat	Balance as per treasury
1	Bangalore (R)	3442.88	3212.87	3708.09	3350.18	4560.40	4202.49
2	Bangalore (U)	1657.11	1666.38	966.25	862.47	5266.52	3102.57
3	Belgaum	4281.95	3919.39	5163.17	4162.59	8511.58	7629.43
4	Bidar	1597.94	779.96	961.13	961.13	-	-
5	Bijapur	4401.19	3002.37	4965.40	4131.40	5128.20	4294.20
6	Chickmagalur	2135.54	2176.76	2130.53	2146.72	2865.11	2618.00
7	Chitradurga	2365.98	2268.29	3315.27	3056.99	4163.97	2810.10
8	Dakshina Kannada	1553.22	1983.02	2575.08	3004.87	3756.59	4186.39
9	Dharwad	2447.60	3289.10	958.16	2016.66	1224.84	8722.85
10	Gulbarga	3829.71	3996.84	2780.53	3130.76	3728.91	4065.18
11	Hassan	2968.62	2921.81	4652.91	3192.08	4424.33	4196.78
12	Kodagu	251.56	219.67	474.14	433.08	741.73	699.34
13	Kolar	3804.16	2306.70	3222.04	3222.03	5135.87	5135.87
14	Mandya	1454.46	1454.46	1011.29	1011.29	1711.54	2895.29
15	Mysore	1513.73	1513.73	1791.93	1791.92	4066.34	4066.34
16	Raichur	3723.41	2884.98	5430.42	3946.28	6038.72	5502.94
17	Tumkur	996.77	998.39	1037.06	1038.68	-	-
18	Uttara Kannada	3092.80	2460.21	3947.23	3171.81	*	-
19	Bagalkot	-	-	-	-	1312.40	1334.00
20	Chamarajanagar	-	-	-	-	1170.20	1170.20
21	Davanagere	-	-	-	-	1790.43	1948.32
22	Gadag	-	-	-	-	837.17	656.81
23	Haveri **	-	-	-	-	947.26	(-) 617.10
24	Koppal	-	-	-	-	719.95	1698.64
25	Udupi	-	-	-	-	775.64	700.63

* Accounts for 1998-99 not certified

** Due to non transfer of balances from ZP, Dharwad

Appendix 1.6

Statement showing the non-reconciliation of departmental expenditure figures with the accounts of Zilla Panchayats

(Reference: Paragraph 1.16/Page 14)

(a) Year 1999-2000

(Rupees in lakh)

Sl. No.	Zilla Panchayat	Number of departmental officers responsible for reconciliation	Number of departmental officers who have not reconciled	Amount remained unreconciled
1	Bangalore (U)	18	9	981.26
2	Chickmagalur	21	12	4314.25
3	Chitradurga	21	1	0.39
4	Dakshina Kannada	32	19	Not available
5	Dharwad	24	13	5757.38
6	Gulbarga	15	3	1291.13
7	Hassan	27	4	68.36
8	Kodagu	23	17	359.28
9	Kolar	22	3	4314.65
10	Mysore	21	4	533.49
11	Raichur	22	8	Not available
12	Shimoga	34	30	19767.99
13	Chamarajanagar	24	3	3578.89
14	Davanagere	24	24	220.12
15	Koppal	23	21	881.88
16	Udupi	21	1	3421.65
	Total	372	172	45490.72

(b) Year 2000-2001

(Rupees in lakh)

Sl. No.	Zilla Panchayat	Number of departmental officers responsible for reconciliation	Number of departmental officers who have not reconciled	Amount remained unreconciled
1	Bangalore (U)	18	15	8679.21
2	Bidar	25	6	740.67
3	Bijapur	24	7	3744.38
4	Chitradurga	21	21	18343.08
5	Dakshina Kannada	32	19	Not available
6	Dharwad	24	24	15149.10
7	Gulbarga	15	5	1492.18
8	Hassan	27	5	53.42
9	Kodagu	23	23	958.29
10	Mandya	25	25	19336.34
11	Raichur	23	9	2731.09
12	Shimoga	30	26	19480.50
13	Bagalkot	24	8	3525.00
14	Chamarajanagar	25	1	592.79
15	Davanagere	24	24	16873.16
16	Koppal	23	22	899.51
17	Udupi	21	6	1466.70
	Total	404	246	114065.42

Appendix 1.7

Non-submission of non-payable detailed contingent bills for the amounts drawn on abstract contingent bills

(Reference: Paragraph 1.17/Page 14)

Sl. No.	Zilla Panchayat	Number of departments	Number of departmental officers	Number of NDC bills pending	Amount (Rupees in lakh)	Period for which pending
1	Bangalore (R)	6	29	197	12.65	January 2000 to March 2001
2	Bangalore (U)	3	4	4	7.52	April 2000 to March 2001
3	Bellary	1	1	6	5.24	February 1999 to March 2000
4	Belgaum	4	23	23	14.90	March 1992 to October 2000
5	Bidar	3	3	49	37.89	April 2000 to March 2001
6	Bijapur	2	11	32	3.80	July 2000 to March 2001
7	Chickmagalur	2	13	31	52.57	April 2000 to March 2001
8	Dakshina Kannada	5	19	167	96.55	December 1999 to December 2000
9	Gulbarga	4	15	17	10.38	April 1999 to March 2001
10	Hassan	4	10	56	52.72	April 1994 to March 2001
11	Kodagu	2	2	5	3.33	October 1996 to February 2001
12	Kolar	3	9	13	5.60	April 1995 to March 2001
13	Mandya	3	8	103	12.72	April 1987 to March 2001
14	Mysore	15	70	350	299.74	March 1994 to March 2001
15	Raichur	5	5	21	66.23	April 1991 to March 2001
16	Shimoga	9	125	340	295.74	October 1998 to March 2001
17	Tumkur	5	9	37	13.55	April 2000 to March 2001
18	Uttara Kannada	4	5	287	73.26	April 2000 to March 2001
19	Bagalkot	3	9	13	2.51	April 1999 to March 2001
20	Chamarajanagar	1	14	18	0.54	April 1998 to March 2001
21	Davanagere	1	1	4	2.70	March 2000
22	Koppal	6	6	12	1.42	December 2000
23	Udupi	1	2	2	0.45	April 1987 to March 2001
	Total	15	393	1787	1072.01	

Appendix 1.8

Cases of misappropriations/defalcations

(Reference : Paragraph 1.18/Page 15)

Sl. No.	Zilla Panchayat	(Rupees in lakh)							
		Awaiting completion of investigation		Pending in Courts		Others		Total	
		Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
1	Bangalore (R)	30	118.03	-	-	-	-	30	118.03
2	Bangalore (U)	2	3.37	2	7.85	-	-	4	11.22
3	Bellary	10	236.85	1	2.43	-	-	11	239.28
4	Belgaum	6	8.28	-	-	4	6.04	10	14.32
5	Bidar	9	26.78	-	-	-	-	9	26.78
6	Bijapur	11	53.82	1	2.41	-	-	12	56.23
7	Chickmagalur	17	14.03	-	-	10	9.02	27	23.05
8	Chitradurga	12	6.44	-	-	-	-	12	6.44
9	Dakshina Kannada	-	-	2	3.43	7	5.37	9	8.80
10	Dharwad	-	-	-	-	-	-	-	-
11	Gulbarga	20	46.76	-	-	-	-	20	46.76
12	Hassan	45	42.98	2	5.07	1	0.60	48	48.65
13	Kodagu	12	100.99	-	-	-	-	12	100.99
14	Kolar	17	19.57	-	-	-	-	17	19.57
15	Mandya	18	46.79	2	7.23	-	-	20	54.02
16	Mysore	28	30.53	-	-	-	-	28	30.53
17	Raichur	7	84.93	2	12.09	-	-	9	97.02
18	Shimoga	19	17.43	-	-	6	46.10	25	63.53
19	Tumkur	-	-	1	0.16	1	0.24	2	0.40
20	Uttara Kannada	3	132.18	-	-	-	-	3	132.18
21	Bagalkot	8	7.81	1	0.03	-	-	9	7.84
22	Chamarajanagar	5	9.31	1	65.00	1	12.14	7	86.45
23	Davanagere	-	-	1	41.58	2	62.47	3	104.05
24	Gadag	8	42.48	-	-	-	-	8	42.48
25	Haveri	17	85.59	-	-	6	37.59	23	123.18
26	Koppal	-	-	1	0.66	-	-	1	0.66
27	Udupi	-	-	-	-	2	6.70	2	6.70
	Total	304	1134.95	17	147.94	40	186.27	361	1469.16

Appendix 1.9
List of incomplete works
(Reference : Paragraph 1.19/Page 16)

(Rupees in lakh)

Sl. No.	Zilla Panchayat	Buildings		Minor irrigation works		Roads and bridges		Water supply works		Total	
		Number of works	Expenditure	Number of works	Expenditure	Number of works	Expenditure	Number of works	Expenditure	Number of works	Expenditure
1	Bangalore (R)	2	3.35	11	69.14	17	21.99	69	193.44	99	287.92
2	Bangalore (U)	9	36.29	4	192.99	-	-	24	91.81	37	321.09
3	Bellary	1	0.38	1	78.95	-	-	37	219.73	39	299.06
4	Belgaum	2	0.54	-	-	1	6.45	17	2200.83	20	2207.82
5	Bidar	16	111.02	-	-	14	45.15	111	632.71	141	788.88
6	Bijapur	3	84.03	-	-	-	-	26	127.65	29	211.68
7	Chickmagalur	27	127.57	-	-	7	52.17	52	158.97	86	338.71
8	Chitradurga	5	68.39	-	-	27	84.03	63	151.39	95	303.81
9	Dakshina Kannada	-	-	-	-	1	1.29	63	141.04	64	142.33
10	Dharwad	1	9.92	-	-	-	-	-	-	1	9.92
11	Gulbarga	13	120.95	-	-	1	48.81	14	93.02	28	262.78
12	Hassan	15	118.50	8	3.85	86	62.74	217	571.75	326	756.84
13	Kodagu	-	-	-	-	4	32.38	49	171.10	53	203.48
14	Kolar	6	51.55	-	-	-	-	-	-	6	51.55
15	Mandya	18	190.30	11	177.29	7	19.59	49	255.52	85	642.70
16	Mysore	19	195.67	6	32.17	10	4.94	76	347.40	111	580.18
17	Raichur	21	188.16	21	121.77	10	8.02	22	145.35	74	463.30
18	Shimoga	52	292.79	17	24.55	10	7.25	85	310.98	164	635.57
19	Tumkur	33	398.14	2	2.58	18	17.37	111	148.70	164	566.79
20	Uttara Kannada	-	-	-	-	-	-	-	-	-	-
21	Bagalkot	34	53.43	-	-	38	53.69	-	-	72	107.12
22	Chamarajanagar	-	-	-	-	-	-	16	36.01	16	36.01
23	Davanagere	26	203.93	-	-	7	23.22	33	133.52	66	360.67
24	Gadag	-	-	-	-	-	-	-	-	-	-
25	Haveri	-	-	1	31.15	-	-	2	4.29	3	35.44
26	Koppal	58	130.37	25	35.24	-	-	6	57.72	89	223.33
27	Udupi	19	37.80	-	-	11	32.33	45	191.10	75	261.23
	Total	380	2423.08	107	769.68	269	521.42	1187	6384.03	1943	10098.21

Appendix 1.10

Utilisation certificates outstanding in respect of Central Sector and Centrally Sponsored Schemes

(Reference: Paragraph 1.21/Page 16)

(Rupees in lakh)

Sl. No.	Zilla Panchayat	Opening balance	Grants received	Total grants	Amount for which utilisation certificates furnished	Balance amount for which utilisation certificates to be furnished
1	Bangalore (R)	395.08	1224.73	1619.81	68.52	1551.29
2	Bangalore (U)	277.62	731.80	1009.42	-	1009.42
3	Bellary	1000.59	1880.39	2880.98	1948.22	932.76
4	Bidar	434.77	1089.12	1523.89	1271.07	252.82
5	Bijapur	522.38	1099.45	1621.83	-	1621.83
6	Chickmagalur	541.48	1415.14	1956.62	256.28	1700.34
7	Chitradurga	847.10	1590.02	2437.12	1326.32	1110.80
8	Dakshina Kannada	173.23	264.19	437.42	274.44	162.98
9	Dharwad	235.83	407.16	642.99	433.37	209.62
10	Gulbarga	1854.55	-	1854.55	-	1854.55
11	Kodagu	280.07	401.81	681.88	-	681.88
12	Kolar	1569.55	1483.74	3053.29	-	3053.29
13	Mandya	478.89	1296.58	1775.47	-	1775.47
14	Raichur	580.40	1419.29	1999.69	-	1999.69
15	Shimoga	623.92	703.41	1327.33	119.73	1207.60
16	Tumkur	865.19	2076.54	2941.73	-	2941.73
17	Uttara Kannada	859.28	1338.54	2197.82	306.16	1891.66
18	Chamarajanagar	317.40	713.78	1031.18	-	1031.18
19	Davanagere	660.71	2199.96	2860.67	-	2860.67
20	Gadag	225.89	644.46	870.35	817.02	53.33
21	Haveri	427.06	-	427.06	-	427.06
22	Koppal	394.59	1731.15	2125.74	725.80	1399.94
23	Udupi	295.02	887.19	1182.21	926.74	255.47
	Total	13860.60	24598.45	38459.05	8473.67	29985.38

4 ZPs did not furnish the information

Appendix 2.1

(Reference :Paragraph 2.6.4/Page 59)

List of bank accounts opened by Smt.M.G.Shanthakumari, at Karwar

Sl.No.	Bank	Account Number
1.	Karnataka Bank	6017
2.	Syndicate Bank	45385
3.	Corporation Bank	12960
4.	Corporation Bank	13067
5.	Corporation Bank	13080
6.	Corporation Bank	13082
7.	Corporation Bank	13095
8.	State Bank of India	50039
9.	State Bank of India	50090
10.	State Bank of India	50139
11.	Varada Grameena Bank	727
12.	Varada Grameena Bank	940
13.	Varada Grameena Bank	976
14.	Varada Grameena Bank	1117
15.	Varada Grameena Bank	1118
16.	Varada Grameena Bank	627
17.	Varada Grameena Bank	837
18.	Varada Grameena Bank	970
19.	Varada Grameena Bank	971
20.	Varada Grameena Bank	972
21.	Varada Grameena Bank	975
22.	Varada Grameena Bank	977
23.	Varada Grameena Bank	978
24.	Varada Grameena Bank	979
25.	Varada Grameena Bank	980
26.	Varada Grameena Bank	981
27.	Varada Grameena Bank	1019
28.	Varada Grameena Bank	1013
29.	Varada Grameena Bank	1116
30.	Varada Grameena Bank	1119
31.	Varada Grameena Bank	1134
32.	Varada Grameena Bank	1136

Appendix 2.2
(Reference : Paragraph 2.6.4/Page 59)
List of bank accounts opened by Smt.M.G.Shanthakumari, at
Bangalore

Sl.No.	Bank	Account Number
1.	Canara Bank, Lalgagh Road	27103
2.	Canara Bank, VV Puram	36021
3.	Canara Bank, VV Puram	35555
4.	Canara Bank, VV Puram	35797
5.	Corporation Bank, HAL II Stage	7063
6.	Corporation Bank, HAL II Stage	6898
7.	Corporation Bank, HAL II Stage	7050
8.	Corporation Bank, HAL, II Stage	7061
9.	Corporation Bank, HAL, II Stage	6775
10.	Corporation Bank, HAL, II Stage	7060
11.	Corporation Bank, HAL, II Stage	7062
12.	Corporation Bank, RPC Layout	01/00135
13.	Corporation Bank, RPC Layout	01/00172
14.	Kalpatharu Grameen Bank, Malathahalli	188
15.	Kalpatharu Grameena Bank, Banashankari	1169
16.	Kalpatharu Grameena Bank, Banashankari	1230
17.	Kalpatharu Grameena Bank, Banashankari	1206
18.	Kalpatharu Grameena Bank, Banashankari	177
19.	Kalpatharu Grameena Bank, Banashankari	1126
20.	Kalpatharu Grameena Bank, Bellandur	4017
21.	Kalpatharu Grameena Bank, Bellandur	3984
22.	Kalpatharu Grameena Bank, Bellandur	3943
23.	State Bank of Mysore RMV Extention	39947
24.	State Bank of Mysore, C&I Branch	19054
25.	State Bank of Mysore, C&I Branch	19056
26.	State Bank of Mysore, C&I Branch	19055
27.	State Bank of Mysore, C&I Branch	19058
28.	State Bank of Mysore, C&I Branch	19059
29.	State Bank of Mysore, C&I Branch	190811
30.	State Bank of Mysore, C&I Branch	19053
31.	State Bank of Mysore, C&I Branch	19057
32.	State Bank of Mysore, C&I Branch	19060
33.	State Bank of Mysore, C&I Branch	19061
34.	State Bank of Mysore, Kavalbyrasandra	C&I/63
35.	State Bank of Mysore, RMV Extention	40206
36.	State Bank of Mysore, SB Road	5/193
37.	Syndicate Bank, Vijayanagar	706070
38.	Syndicate Bank, Vijayanagar	706154
39.	UCO Bank, KG Road	192431
40.	UCO Bank, KG Road	192414
41.	UCO Bank, KG Road	192465
42.	UCO Bank, KG Road	192449
43.	UCO Bank, KG Road	192481
44.	UCO Bank, KG Road	192490
45.	Vijaya Bank, Palace Guttahalli	19607

