



**CHAPTER-II**  
**RESULTS OF AUDIT**

## Chapter Summary

### Implementation of Rural Employment Guarantee Scheme

- ◆ The State Government delayed notification of the scheme and constitution of the State Employment Guarantee Council
- ◆ District perspective plan and shelf of projects were not prepared
- ◆ Funds released were not commensurate with the job cards issued and the projected expenditure
- ◆ In the absence of Employment Registers, Audit could not vouchsafe the employment provided
- ◆ Instances of inadmissible works, delay in payment of wages, excess expenditure on material and use of machineries were noticed
- ◆ Initial records were not maintained

### Accelerated Rural Water supply programme

- ◆ Annual action plans were either not prepared or were defective
- ◆ Instances of diversion/inadmissible expenditure were noticed
- ◆ Details of water supply schemes in operation were not available in the Zilla Panchayats
- ◆ Sachethana and Suvarnajal water supply schemes failed to achieve the objectives

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### **Implementation of Akshara Dasoha (Mid-day meal) Scheme**

- ◆ Funds under the scheme were not fully utilised by the Zilla Panchayats
- ◆ There was reduction in enrolment in schools covered under scheme
- ◆ No system exists for measuring impact of the scheme on enrolment, attendance, retention, etc.
- ◆ Supply of nutrients was not as per schedule
- ◆ Class rooms were used for storing food articles

### **Implementation of works, material and human resource management in selected Zilla Panchayats**

- ◆ Functioning of District Planning Committee was ineffective
- ◆ There was loss of central assistance provided for implementation of schemes
- ◆ Instances of unfruitful/irregular/inadmissible expenditure in implementation of development schemes were noticed
- ◆ Large number of vacant post hampered implementation of the project

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### **Audit paragraphs**

- ◆ **Delay in completion of water supply projects and buildings resulted in unfruitful expenditure**
- ◆ **Improper planning resulted in blocking up of Government of India grants and unfruitful expenditure**
- ◆ **Non-maintenance of defloridation plants deprived rural poor of safe drinking water**
- ◆ **Raising of large number of seedlings without proper assessment of demand resulted in extra expenditure on maintenance**
- ◆ **Failure to review/monitor the functioning of Artisan Training Institutes inspite of low enrolment resulted in infructuous expenditure on establishment**
- ◆ **Follow up action of Government on Audit Report was poor**

## CHAPTER II - RESULTS OF AUDIT

### SECTION 'A' – PERFORMANCE REVIEWS

#### RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

##### 2.1 Implementation of Rural Employment Guarantee Scheme

###### Highlights

*As an important step towards realisation of the right to work and to enhance the livelihood security on a sustained basis by developing the economic and social infrastructure in rural areas, the Government of India enacted (September 2005) the National Rural Employment Guarantee Act, 2005. Correspondingly, the State Government formulated the Karnataka Rural Employment Guarantee Scheme. The objective of the scheme was to give effect to the legal guarantee of work by providing atleast 100 days of guaranteed employment to every household whose adult members volunteer to do unskilled manual labour. The implementation of the scheme suffered due to laxity of the State Government in preparatory procedures, non-distribution of job cards and non-provision of envisaged employment to the registered households, delay in payment of wages to labourers, etc. Basic documents such as Employment Registers were not maintained in many of the Taluk Panchayats test-checked.*

**The State Government delayed notifying the scheme guaranteeing employment and constitution of the State Employment Guarantee Council. The District Perspective Plan for five years, Shelf of Projects and Labour Budgets for the year 2006-07 were not prepared in the test-checked Zilla Panchayats, as required.**

**(Paragraph 2.1.6)**

**The release of State share of funds was not uniform. Similarly, the release of funds for the implementation of the scheme was not commensurate with the job cards issued and projected expenditure on wages.**

**(Paragraph 2.1.7.2)**

**As of December 2007, the failure of District Programme Coordinator, Zilla Panchayat, Gulbarga to furnish the utilisation certificates resulted in non-release of funds by both Central and State Governments for the implementation of the scheme during 2007-08.**

**(Paragraph 2.1.7.3)**

**In the absence of Employment Registers in many of the Taluk Panchayats, it could not be vouchsafed in audit that employment was provided to the beneficiaries to the extent reported in the progress reports.**

**(Paragraphs 2.1.8.1 and 2.1.8.2)**

**There were instances of execution of inadmissible works, delay in payment of wages amounting to Rs.4.51 crore, non-adherence to list of priority works, excess expenditure on materials (Rs.1.45 crore) than admissible, irregular utilisation of machinery in execution leading to denial of employment (1.57 lakh mandays) to rural labourers, wasteful expenditure on printing of job cards (Rs.26.33 lakh), etc.**

**(Paragraphs 2.1.8.3 to 2.1.8.9)**

**The Programme Officers at the Taluk Panchayats did not maintain basic records which led to incorrect reporting of funds utilisation/ achievements. Monitoring mechanism was ineffective/ inadequate.**

**(Paragraphs 2.1.8.12 and 2.1.9)**

### **2.1.1 Introduction**

To provide for the enhancement of livelihood security of households in rural areas, the Government of India (GOI) enacted (September 2005) the National Rural Employment Guarantee Act (NREG Act), 2005. For the purpose of giving effect to the provision of the Act, it was envisaged that every State Government shall, within six months from the date of commencement of the Act, by notification make a scheme for implementation of the Act. Correspondingly, the State Government also notified (February 2007) the Karnataka Rural Employment Guarantee Scheme (KREGS). The KREGS

envisaged provision of 100 days of guaranteed employment to every registered household whose adult members volunteer to do unskilled manual labour. The objectives of the scheme, inter alia, included generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity among others. The scheme was to be implemented in the State as a Centrally Sponsored Scheme with sharing of funds between the Central and State Government in the ratio of nearly 90:10.

### 2.1.2 Organisational structure

The organisational structure for the implementation of KREGS was as below.

Level	Authority responsible for implementation of the scheme	Functions and responsibilities
Village	Grama Panchayat	Planning of works, registering households, issuing job cards, allocating employment, implementation of the scheme and conducting social audits
Taluk	Taluk Panchayat	Planning at the taluk level and prioritising the works and assisting the Grama Panchayats in implementation
	Programme Officer	Scrutinising the proposals submitted by Grama Panchayats for technical feasibility, matching employment opportunities with the demand for work at the taluk level and ensuring (i) execution of works as scheduled, (ii) payment of wages to labourers engaged and (iii) social audits
District	Zilla Panchayat	Principal authority for planning and implementation of the scheme, approving District/Taluk Rural Employment Guarantee Scheme plans, finalising and approving block wise shelf of projects, executing its own proposals and proposals received from other line departments and overall supervision and monitoring of the implementation
	District Programme Coordinator	To assist the Zilla Panchayat in discharging its functions, consolidation of plans prepared by Taluk Panchayats for inclusion in shelf of projects, according approval and coordinating and supervising the performance of Programme Officers and conducting periodical inspection of works in progress
State	State Employment Guarantee Council	Advising the State Government regarding implementation of the scheme, determining the preferred works, reviewing the monitoring and redressal mechanism from time to time and preparation of annual report to be laid before the State Legislature
	State Rural Employment Guarantee Commissioner	Overall supervision and monitoring of the implementation of the scheme in the State and to empanel reputed agencies to carry out impact assessment of the scheme

### 2.1.3 Scope of audit

As of March 2007, the scheme was being implemented in five<sup>¥</sup> Zilla Panchayats (ZPs) of the State. The performance appraisal of the scheme upto March 2007 was conducted (May-November 2007) by test-check of records in two<sup>¥</sup> ZPs, four Taluk Panchayats (TPs) and 26 Grama Panchayats (GPs). The coverage of audit was 40 *per cent* at the ZP level, 25 *per cent* at the TP level and 18 *per cent* at the GP level. In addition, the records of the Secretary, Rural Development and Panchayat Raj (RDPR) Department were also test-checked.

### 2.1.4 Audit objectives

Performance review of the KREGS was conducted to examine whether

- ▶ planning for implementation of the scheme was effective
- ▶ funds were released to the implementing agencies and expenditure incurred therefrom as per guidelines
- ▶ the scheme was implemented in true spirit and achieved its objectives
- ▶ there was effective and adequate mechanism at different levels for monitoring and evaluation of the implementation.

### 2.1.5 Audit criteria and methodology

The criteria and methodology adopted for the performance appraisal of the scheme were as follows:

#### **Audit criteria:**

- ▶ NREG Act and notifications issued there under
- ▶ Notification of KREGS
- ▶ Circulars and instructions issued by State Government.

#### **Audit methodology :**

- ▶ Discussion (May 2007) of the audit objectives and methodology with the RDPR Department and accommodating their suggestions
- ▶ Test-check of records relating to planning, receipt/release of funds, implementation and monitoring

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<sup>¥</sup> Bidar, Chitradurga, Davanagere, Gulbarga and Raichur

<sup>¥</sup> Chitradurga (population – 15.18 lakh) and Gulbarga (population – 31.31 lakh)



- ▶ The points noticed during the performance review were discussed (December 2007) with the Director, Self Employment Programmes (SEP), RDPR Department.

### Acknowledgement

Audit is thankful for the kind co-operation extended by the officers of the ZPs in the conduct of the review. The Entry Conference of the performance appraisal was held in May 2007. The points noticed during the review were communicated to the Government during November 2007. The Exit Conference was held on 27 December 2007 wherein the Department accepted the observations and stated that action would be taken to rectify the deficiencies. Specific remarks of the Government are awaited (February 2008).

### Audit findings

The audit findings are discussed in the succeeding paragraphs.

#### 2.1.6 Planning

##### *2.1.6.1 Delay in notification of the Scheme and constitution of the State Employment Guarantee Council*

**There was delay in notification of the scheme and constitution of the SEGC**

The NREG Act 2005 came into force with effect from September 2005. It was stipulated in the Act that each State Government should formulate and notify a scheme within six months of enactment of the NREG Act. However, it was noticed that the State Government notified the scheme only in February 2007 after the GOI's instructions (January 2007) that any further delay in notifying the scheme in the Gazette would result in non-release of funds. The KREGS was, however, implemented in the selected ZPs of the State from February 2006.

For the purposes of regular monitoring and reviewing the implementation of the Act/Scheme, the NREG Act stipulated that each State Government should constitute a State Employment Guarantee Council (SEGC). Though the KREGS was implemented from February 2006, the State Government constituted the Karnataka State Employment Guarantee Council only during

June 2006, after a delay of more than three months. As of December 2007, it was observed that the State Council met only twice (July 2006 and March 2007). The delay in constitution of SEGC resulted in lack of monitoring of the implementation of the scheme during the initial period.

Thus, there was laxity in the preparatory procedures for implementation of the scheme at the State level.

#### **2.1.6.2 Non-preparation of District Perspective Plan and shelf of projects**

**The District Perspective Plan for five years and shelf of projects had not been prepared**

Planning was critical to the successful implementation of the scheme and formed an integral part of the scheme. The NREG Act provided for adoption of annual action plan prepared for SGRY/NFFWP<sup>∞</sup> till notification of the KREGS. A District Perspective Plan (DPP) for five years was to be prepared to facilitate advance planning and to provide a developmental perspective for the district. It was, however, noticed in both the test-checked ZPs that DPP had not been prepared. It was further stipulated that the plans prepared for SGRY/NFFWP could be utilised provided it was revisited in order to serve the purposes of KREGS. Though ZP, Chitradurga stated that the DPP of NFFWP was adopted, the same had not been revisited to eliminate those items of works which were inadmissible under the scheme. Audit also noticed that non-preparation of proper DPP resulted in execution of 19 works not included in the list of priority works valued at Rs.23.85 lakh in four GPs under TP, Challakere.

The GOI released (February 2006) a sum of Rs.10 lakh to ZP, Gulbarga for the preparation of the DPP. The CEO, ZP, Gulbarga released (April 2006) an amount of Rs.10.22 lakh (1363 villages), at the rate of Rs.750 per village to certain Non-Government Organisations (NGOs) for preparation of the DPP. According to the guidelines, the DPP was to be prepared with holistic, diagnostic and delineated baselines. The details of technical expertise, resources possessed and capacity to handle work within the timeframe by these NGOs were not on record. In the absence of these particulars, the utilisation of scheme funds released to NGOs could not be verified in audit.

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<sup>∞</sup> Sampoorna Grameena Rozgar Yojana/National Food For Work Programme

Even after the lapse of more than a year, the DPP was yet to be prepared and approved.

A shelf of projects was required to be prepared at all levels to enable prioritisation of works to be taken up under the scheme. Such a shelf of projects was not prepared in ZP, Chitradurga. Though the Chief Executive Officer, ZP, Chitradurga contended that the shelf of projects had been prepared, the same was not made available to audit for verification.

### **2.1.6.3 Non-preparation of Labour budget**

The KREGS Act stipulated that the District Programme Coordinator (DPC) was to prepare a labour budget for the ensuing financial year containing the details of the anticipated demand for unskilled manual work in the district which should be the basis for planning. It was noticed in the test-checked ZPs that labour budget was not prepared for the year 2006-07.

## **2.1.7 Funds management**

### **2.1.7.1 Financial performance**

**The funding pattern prescribed in the guidelines was not followed by State Government**

The State Government was required to establish a State Employment Guarantee Fund to be expended and administered according to the guidelines. The Fund was to be utilised, inter alia, towards cost of material component, payment of unemployment allowance, administrative expenses of SEGC, etc. It was noticed in audit that the State Government had not established the State Employment Guarantee Fund (November 2007). Though, similar funds were also to be set up at all the three tiers of implementation, test-check revealed that no such Fund had been set up at any of the three levels.

The KREGS was to be implemented as a Centrally Sponsored Scheme on cost sharing basis between GOI and the State in the ratio 90:10 and funds were to be expended in the manner as prescribed in the guidelines. The GOI and the State Government released their share to the ZPs concerned directly.

The funds for the implementation of the scheme were released during February/March 2006 and as such, no expenditure was incurred during the year 2005-06. The details of the funds released and expenditure incurred

during 2006-07 for the State as a whole was as shown in the table below.

(Rupees in crore)

Name of the District	Opening balance	Funds released by		Total availability of funds	Total expenditure
		GOI	State Government		
Bidar	22.97	23.13	1.02	47.12	27.00
Chitradurga	17.38	91.85	6.62	115.85	77.09
Davanagere	16.99	68.59	4.80	90.38	84.76
Gulbarga	12.41	36.02	4.74	53.17	41.08
Raichur	8.74	22.89	3.16	34.79	21.96
<b>Total</b>	<b>78.49</b>	<b>242.48</b>	<b>20.34</b>	<b>341.31</b>	<b>251.89</b>

Source: Progress Report submitted by the State Government to GOI

It would be seen from the table above that the percentage of utilisation of fund was 74 per cent. As per the guidelines, the State Government was to release 10 per cent of the funds released by GOI. However, the State Government had not followed the prescribed percentage and the percentage varied from 4 (Bidar) to 14 (Raichur) in respect of ZPs.

#### 2.1.7.2 Allocation of funds was not uniform

**Allocation for funds was not need based**

The scheme was implemented in five ZPs of the State. As a matter of financial discipline, the allocation of funds was to be made to the implementing agencies based on the number of job cards issued and the mandays projected in the action plans. It was noticed during test-check that the allocation of funds by the District Programme Co-ordinator/Programme Officer was not uniform or based on the number of job cards/projected expenditure for providing wage employment.

The percentage of actual release to the projected expenditure varied from 2 to 89. The details of projected mandays/expenditure and actual fund released in respect of all the test-checked GPs are furnished in the **Appendix 2.1**.

#### 2.1.7.3 Non-submission of utilisation certificates resulted in non-release of funds

**GOI did not release funds during 2007-08 due to non-submission of utilisation certificates**

In order to get the funds for implementation of KREGS, the State Government was to formulate and submit a State Annual Work Plan and Budget Proposal (AWPB) to GOI indicating the expenditure incurred during the previous year. The AWPB was a tool for qualitative assessment of the proposals received from the State Government. The guidelines prescribed that sixty per cent of the funds released earlier was to be utilised and utilisation certificates

furnished at the time of submission of the proposal for the next instalment. It was however noticed in ZP, Gulbarga that the utilisation certificate for the expenditure incurred during the year 2006-07 had not been submitted and consequently, even as of December 2007, both the GOI and State Government had not released funds to ZP, Gulbarga for the year 2007-08. The failure of the DPC, Gulbarga to furnish the utilisation certificate resulted in denial of wage employment of 17.76 lakh mandays (as projected in the Labour Budget for 2007-08) besides non-implementation of the action plan for 2007-08 in the district. No action had been initiated against the DPC for this failure and subverting the primary objectives of the KREGS.

## **2.1.8 Implementation of the scheme**

### **2.1.8.1 Job cards**

#### **❖ Non-preparation/distribution**

**There were irregularities in preparation and issue of job cards to registered labourers**

The GPs were to issue job cards to every registered household and job cards were to be issued within a fortnight of receipt of application for registration. The timely issue of well-designed job cards was essential as the job card was a critical legal document which helps to ensure transparency and protect the labourer against fraud. It was noticed during audit in 10 GPs under ZP, Chitradurga that job cards were not prepared in respect of 1426 number of households, though applied for and thus, the rural labourers were denied the benefits under the scheme. It was further observed in five GPs under TP, Hiriya that 1049 number of job cards were not distributed to the respective households, though they were prepared by the Secretary of the GPs.

Thus, non-preparation/distribution of job cards resulted in denial of benefits of KREGS to 2475 rural households, though registered.

#### **❖ Cards acknowledged by same persons**

As per guidelines, job cards were to be issued to households in the presence of the local community (Grama Sabha) and the beneficiaries were to acknowledge receipt of the cards. It was, however, observed in test-checked GPs under TP, Hiriya that cards were issued to certain persons who acknowledged for a large number of beneficiaries. Such acknowledgements by individuals ranged from 4 to 29 households. In these circumstances,

genuineness of the process of registration and issue of job cards could not be ascertained in audit.

### 2.1.8.2 Provision of employment

**In the absence of Employment Register, the extent of employment provided to labourers could not be ensured**

All the adult members of the rural households who were willing to do unskilled manual work were eligible for registration under KREGS. The NREG Act stipulated provision of 100 days of wage employment, on demand, in a financial year to each of the registered households. The rural households were to register with the GPs concerned for issue of a job card. Every adult member of a registered household whose name appeared in the job card was entitled to apply for unskilled manual work under the scheme. According to the guidelines, the job card holders were required to apply, in writing, for employment and the Programme Officer (PO) of the TP was to ensure provision of employment to all the households that had demanded work. As of March 2007, the position of job cards issued, employment demanded/provided and the mandays generated, as compiled from the progress report submitted to GOI, was as shown in the table.

(in lakh)

Zilla Panchayat	Job cards issued	Employment details (Households)		Employment generated (Mandays)	Households provided with 100 days of employment
		Demanded	Provided		
Bidar	0.87	0.53	0.53	20.22	0.01
Chitradurga	1.59	1.42	1.42	69.88	0.17
Davanagere	1.55	1.48	1.45	74.84	0.44
Gulbarga	2.01	0.79	0.79	36.42	0.06
Raichur	1.93	1.26	1.26	20.68	0.02
<b>Total</b>	<b>7.95</b>	<b>5.48</b>	<b>5.45</b>	<b>222.04</b>	<b>0.70</b>

It could be observed from the table above that out of 5.45 lakh households, the envisaged 100 days of employment was provided to only 0.70 lakh households (13 per cent) and average employment provided to each household works out to around 40 days.

All registered job card holders were entitled to employment on demand subject to a maximum of 100 days in a financial year and employment was to be provided within 15 days of such demand. An Employment Register was required to be maintained in the GPs to record the details such as employment demanded, provided and actually taken up. It was noticed in the test-checked

ZPs that the GPs (excepting GPs under TP, Hiriya) did not maintain the Employment Register. The scrutiny of the Employment Register in GPs under TP, Hiriya disclosed that as against the actual demand received from 2580 households, employment was provided to only 2504 households and 76 households were not provided with any employment, though it was claimed by the DPC of both the ZPs that employment was provided to all those who had demanded. However, in the absence of the Employment Register, the contention of the DPCs could not be vouchsafed.

#### **2.1.8.3 Delay in payment of wages**

As per the guidelines, wages were to be paid to the labourers on a weekly basis and in any case within a fortnight of the work being done. It was also stipulated that compensation was to be paid to the labourers for any delay in payment of wages, as provided in the Payment of Wages Act 1936. It was noticed during test-check in ZP, Chitradurga that the ZP released (September 2007) an amount of Rs.7.78 crore to TPs towards works executed during 2006-07 after a lapse of 6 months. Thus, the labourers were deprived of their earnings aggregating to Rs.4.51 crore (wage component) for a period of more than 178 days and were thus denied the envisaged enhancement of livelihood security. Further, no compensation was paid to the labourers for the delayed payment, as required under the Act. The CEO, ZP, Chitradurga while accepting (December 2007) the fact attributed the delay to inspection of works by certain committees formed to look into the complaints regarding the proper execution/quality of works. The reply was not tenable as guidelines stipulated disbursement of wages to labourers on weekly/fortnightly basis. Delay in payment of wages to labourers for such a long period defeated the primary objective of the scheme.

#### **2.1.8.4 Unemployment allowance not paid**

Employment was to be provided to every registered household within fifteen days of demand. In case employment was not provided within the specific time limit, the labourer was entitled for unemployment allowance at the rates prescribed in the guidelines. No case of payment of unemployment allowance was noticed in any of the GPs/TPs. The Director (SEP), Ex-officio Joint Secretary to RDPR Department stated (December 2007) that there was no

demand from any TPs/ZPs for payment of unemployment allowance to the labourers. The reply is not based on facts since as mentioned in para 2.1.8.2, it was noticed in TP, Hiriyur that employment was not provided to 76 households even though they had demanded work. Further, as other GPs had not maintained the Employment Register, audit could not cross-check the Department's claim that there was no demand or the quantum of funds required for payment of unemployment allowance.

**2.1.8.5 Physical performance**

As of March 2007, the details of physical achievement of the works taken up under KREGS in the State, in the order of priority prescribed in the guidelines/Act was as below.

Name of the activity	Completed works		On-going works	
	Number	Expenditure (Rupees in crore)	Number	Expenditure (Rupees in crore)
Water Conservation and Harvesting	3869	59.47	3060	31.09
Drought Proofing	717	10.52	778	6.47
Micro Irrigation works	385	8.36	229	4.24
Provision of irrigation facilities to SC/ST and others	749	7.67	451	5.36
Renovation of traditional water bodies	537	11.20	316	5.60
Land development	241	6.32	204	4.17
Flood control and protection	666	8.20	434	7.21
Rural Connectivity	2937	42.47	2166	30.33
Any other activity	904	1.68	-	-
<b>Total</b>	<b>11005</b>	<b>155.89</b>	<b>7638</b>	<b>94.47</b>

Source : Progress Report submitted by the State Government to GOI

Similar details in respect of test-checked ZPs were as shown in the table below.

Name of the activity	Completed works		On-going works	
	Number	Expenditure (Rupees in crore)	Number	Expenditure (Rupees in crore)
Water Conservation and Harvesting	1977	34.62	1850	13.32
Drought Proofing	373	4.23	429	2.01
Micro Irrigation works	166	3.87	87	0.97
Provision of irrigation facilities to SC/ST and others	122	2.21	78	0.81
Renovation of traditional water bodies	125	3.05	88	1.15
Land development	168	3.63	170	1.90
Flood control and protection	171	3.13	69	0.70
Rural Connectivity	1434	27.26	1344	15.00
<b>Total</b>	<b>4536</b>	<b>82.00</b>	<b>4115</b>	<b>35.86</b>



**The prescribed order of priority was not complied with and huge expenditure was incurred on works with least priority**

The SEGC was to prepare a list of preferred works for different areas based on their ability to create durable assets. It was, however noticed that the SEGC did not prepare such a list. According to the guidelines, the allocation towards drought proofing works was to be a minimum of 20 *per cent* of the total cost of the works taken up and was to be accorded higher priority whereas road connectivity was to be accorded least priority with allocation not exceeding 10 *per cent*. It could be seen from the table above that out of the total expenditure of Rs.117.86 crore in ZPs, Chitradurga and Gulbarga, an expenditure of Rs.42.26 crore (36 *per cent*) was incurred on 2778 number of works under rural connectivity whereas the expenditure towards drought proofing was Rs.6.24 crore (5 *per cent*) on 802 number of works. The PO of the TPs and the DPC of the ZPs failed to ensure appropriateness and adequacy of works and accorded approval in contravention of guidelines. It was also reported (September 2007) that even the Prime Minister of India during a visit to State had objected to these irregularities in prioritisation of works.

The State Government, on observing the expenditure in excess of the admissibility on road connectivity, had instructed the ZPs (where the expenditure exceeded prescribed 10 *per cent* of total value of works) to stop execution of the road works under progress and to complete those works under other infrastructure schemes. Though the ZPs stopped execution of all the ongoing road works, they did not take adequate measures to complete these works under other schemes. This led to stoppage of 1344 number of road works in the test checked ZPs resulting in the expenditure of Rs.15 crore incurred on these works unproductive so far (February 2008).

#### **2.1.8.6 Execution of inadmissible works**

**Utilisation of funds for execution of works under the erstwhile schemes resulted in denial of employment under KREGS**

According to the KREGS Act and guidelines, NFFWP/SGRY schemes ceased to exist with effect from February 2006 and the unutilised funds under those schemes were to be transferred to the KREGS account and expenditure could only be incurred for completion of ongoing works under those schemes. The Executive Engineer, Panchayat Raj Engineering Division, Chitradurga requested (January 2007) the DPC to release an amount of Rs.1.29 crore for the execution of 224 works which were in the action plan of NFFWP/SGRY.

It was, however, noticed in test-check that there were only 67 ongoing works with a total requirement of Rs.18.94 lakh and 157 works were yet to be commenced. The DPC, in contravention of the guidelines, released (January 2007) a sum of Rs.76.38 lakh to EE, PRED, Chitradurga. The release of funds for works which had not yet commenced was irregular.

Similarly, the Deputy Commissioner (DC), Chitradurga irregularly approved (October 2006-May 2007) execution of seven works costing Rs.46.35 lakh under NFFWP by utilising the funds of KREGS, even though the DC was well aware of the fact that NFFWP had ceased to be in operation since February 2006. The DPC also did not object to such execution. The works were in progress and an expenditure of Rs.41.20 lakh was incurred on the works as of November 2007.

Further, it was observed during test-check that a total amount of Rs.1.58 crore was released by GOI to ZPs, Chitradurga and Gulbarga during March 2006 for implementation of SGRY. The State Government while releasing (May 2006) the matching share instructed the ZPs to utilise the State share towards implementation of KREGS. The CEO of the ZPs, however, credited the GOI grants to SGRY funds and utilised the same for implementation of SGRY. This was contrary to the instructions of the State Government and also resulted in denial of 2.29 lakh mandays of wage employment to the beneficiaries under KREGS.

#### ***2.1.8.7 Execution of works not recommended by the Grama Sabha***

**Works were executed without recommendations of the Grama Sabhas**

As per the guidelines of KREGS, each GP should prepare an action plan for the next financial year based on the recommendations of the Grama Sabha and forward it to the Programme Officer who in turn would forward it to the DPC for consolidation and approval of the ZP. The participation of the likely beneficiaries in the Grama Sabhas was to be ensured and works prioritised by Grama Sabhas were only to be taken up. It was, however, noticed in TP, Hiriyyur under ZP, Chitradurga that PO irregularly sanctioned 16 number of works estimated to cost Rs.22.73 lakh on the recommendations of the elected representatives like President or Member of GP/TP/Committees, etc., without discussing in the Grama Sabha concerned.

**The excess expenditure on material component led to denial of employment to an extent of 2.10 lakh mandays**

#### **2.1.8.8 Excess expenditure on materials**

The guidelines for implementation of KREGS stipulated that expenditure towards wage and material components should be in the ratio 60:40 and this was to be applied to works taken up at all levels. It was observed in ZP, Chitradurga that as against the admissible amount of Rs.30.44 crore (total expenditure - Rs.76.10 crore), an expenditure of Rs.31.89 crore was incurred on material component resulting in excess expenditure of Rs.1.45 crore. The excess expenditure on material resulted in denial of 2.10 lakh mandays of wage employment to the rural labourers.

**An expenditure of Rs.1.08 crore was incurred in usage of machinery defeating the objectives of the scheme**

#### **2.1.8.9 Irregular utilisation of machinery on works**

The primary objective of the KREGS was to provide employment to the rural poor. As per the scheme guidelines, a work funded under the KREGS was to be performed by using manual labour and not machinery. However, the DPC, Chitradurga irregularly issued (July 2006) a circular to the POs under his jurisdiction to make provision for utilisation of machinery for execution of heavy works subject to a limit of 10 *per cent* of admissible material cost. It was noticed in Chitradurga district that the GPs under test-checked TPs made payment of Rs.1.08 crore towards utilisation of machinery. It was noticed that heavy machinery (JCB) was utilised even for works such as clearance of jungles/shrubs, earthwork excavation in ordinary soil, etc., which were to be executed through manual labour. The expenditure incurred by GPs on machineries in individual works ranged upto 72 *per cent* of the total value of the work.

The utilisation of machinery under a labour oriented scheme was irregular and resulted in denial of 1.57 lakh mandays of employment to labourers.

#### **2.1.8.10 Delay in conducting publicity campaign**

Intensive communication was integral to the successful implementation of the scheme and should precede the implementation of the scheme. The effectiveness of the communication/publicity process determines to a large extent the number of people who register and apply for work. Though KREGS was implemented in the State from February 2006, it was observed in ZP, Chitradurga that the publicity campaigns were conducted from

September 2006 to February 2007. The publicity campaign was initiated almost seven to twelve months after the commencement of the scheme by which time the registration process was almost complete. It was also noticed that more than double the number of BPL families had already registered before the publicity campaign. An analysis of the number of people registered before and after these communication/publicity campaigns where an expenditure of Rs.8.97 lakh had been incurred in two TPs under ZP, Chitradurga revealed that the increase in registration was not even one *per cent*.

Thus, the conduct of publicity campaign seven months after the commencement of the scheme and completion of the registration process was not effective since the increase in registration was very meagre as observed in two TPs under ZP, Chitradurga.

#### **2.1.8.11 Low productivity**

**Work, time and motion study was not conducted and productivity was meagre**

Each State was to evolve norms for measurement of work and the State Government was required to undertake comprehensive work, time and motion studies to fix the out-turn/rates after detailed location specific observations. The productivity norms must follow possible out-turn under different geo-morphological and climatic conditions across and within the districts. The envisaged work, time and motion study was not conducted in the State. However, the norms fixed in neighbouring Andhra Pradesh were adopted and work schedule prepared in April 2007.

On a comparison of the norms adopted and the quantity of work actually turned out in a few test-checked works in GPs under ZP, Chitradurga, it was noticed that the productivity achieved was very low and the percentage of excess mandays utilised varied from 32 to 556 *per cent* (as worked out by audit) compared to the observations of time and motion study norms adopted.

#### **2.1.8.12 Non-maintenance of essential records by Programme Officers**

For better implementation of the KREGS it was important to maintain accurate records of all aspects. Maintenance of these registers was a safeguard to ensure transparency and protect the rights of wage labourers. This was also required by the Right to Information Act, 2005. The POs at the taluk level

were required to maintain the following registers:

- Employment Register
- Job card Register
- Muster Roll Issue Register
- Asset Register
- Complaint Register

It was noticed in test-check that excepting Challakere taluk, none of the TPs maintained the Employment Register and Asset Register either in physical or computerised format. Non-maintenance of the envisaged registers was fraught with the risk of incorrect reporting, non-accountal of assets created under the scheme, etc. besides making it difficult to assess the effectiveness of the scheme.

#### **2.1.8.13 Social audit not conducted**

**The envisaged social audit was not conducted in any of the test-checked TPs**

An innovative feature of the KREGS was that it provided a pivotal role to social audit, a public assembly where all the details of the scheme were scrutinised as a means of continuous public vigilance. The basic objective of the social audit was to ensure public accountability/transparency in the implementation of projects, laws and policies. The POs were required to convene the social audit at the Grama Sabhas. It was however noticed in TPs of both the test-checked ZPs that social audit of the scheme had not been conducted during 2006-07. The POs generally replied that social audit would be conducted from the ensuing years.

#### **2.1.8.14 Non-adherence to guidelines**

##### **❖ Unique identity number**

**The DPCs failed to accord unique identity number for each work**

The guidelines for the implementation of the scheme provided that the DPC should give a unique identity number and priority number to each work while according the administrative approval in order to avoid duplication of works. It was noticed that such a procedure was not followed by the DPCs in any of the ZPs test-checked.

##### **❖ Non-identification of key personnel**

According to the guidelines for implementation of the scheme, a full time dedicated Programme Officer was to be appointed at the taluk level. It was noticed in audit that no such independent officer was appointed in any of the

TPs test-checked and the Executive Officer of the TPs were entrusted the responsibility of Programme Officer in addition to their regular duties. This resulted in the implementation of the scheme not being monitored to the extent envisaged.

**The panel of accredited engineers was not constituted**

Similarly, the State Government was to constitute panels of accredited engineers at the district and taluk level for the purpose of assisting with the estimation and measurement of works. Implementing agencies were to engage the services of engineers of their choice from the panel. It was further provided that there should be an engineer/technical assistant for every 10 GPs and an administrative assistant for each GP. It was observed that no panel of accredited engineers was prepared at the State level and in ZP, Gulbarga. Instead, the responsibility was entrusted to the engineers of PRED in addition to their regular duties and no administrative assistant was appointed in any of the TPs/GPs.

### **2.1.9 Monitoring and evaluation**

**Monitoring mechanism was not in place**

The scheme guidelines envisaged verification and quality audit by external monitors at both State and district level. The State Government was to designate State Quality Monitors (SQMs) with the approval of SEGC. Similarly, the ZPs were to identify District Quality Monitors (DQMs) with the approval of State Government. It was observed that SQMs and DQMs were not designated/identified at State and district level.

The guidelines stipulated inspection of works taken up under KREGS at 100, 10 and 2 *per cent* by POs, DPCs and State Level Coordinator respectively. The test-check revealed that the works were not inspected by authorities at any level. Though it was replied by the authorities that regular inspections were conducted, no documentary evidence was produced to audit.

The State Rural Employment Guarantee Commissioner, who was also the Member Secretary of SEGC was to ensure that all the activities required to fulfil the objectives of the KREGS were carried out. He was also responsible for overall supervision and monitoring the implementation. Though there

were instances of non-preparation of envisaged DPP in the ZPs, under-utilisation of available funds, non-provision of employment to many households, delay in payment of wages to labourers, etc., as discussed in the previous paragraphs, the Commissioner failed to convene SEGC meeting regularly and provide inputs for proper implementation of the scheme. This rendered the monitoring mechanism ineffective.

#### **2.1.10 Impact assessment of scheme not conducted**

The scheme guidelines envisaged conduct of regular evaluation and sample surveys of specific KREGS works. Similarly, district-wise studies were to be conducted or commissioned by the SEGC and taluk-wise studies by the DPC. The SEGC was to seek the association of research institutions of repute approved by the SEGC for this process and to frame broad guidelines. It was, however, noticed that the SEGC neither framed the guidelines nor conducted the impact assessment in the State, district or taluk levels.

#### **2.1.11 Discrepancies in reporting to higher authorities**

There were discrepancies between the progress reports of TPs and ZPs leading to incorrect reporting of achievements

The guidelines for the implementation of KREGS prescribed certain formats for maintenance of complete details of funds received/expenditure incurred, number of households registered, employment demanded and provided to different category of beneficiaries, physical achievement under various activities, etc. It was, however, noticed in audit that there were discrepancies between the progress reports made available to audit in TPs and reports forwarded to higher authorities, as discussed below.

#### **◆ Financial reporting**

In the test-checked ZPs/TPs, the following were the discrepancies noticed in the figures of expenditure during 2006-07. Responsibility should be fixed against the DPCs for incorrect reporting.

Taluk Panchayat	As per the records of	
	Taluk Panchayat	Zilla Panchayat
	(Rupees in crore)	
Aland	4.55	5.35
Challakere	12.70	15.99
Gulbarga	3.17	3.92
Hiriyur	8.69	8.47

◆ **Job cards and provision of employment**

The discrepancies noticed in the number of job cards issued, employment demanded/provided and mandays generated in the TPs test-checked were as follows.

Taluk Panchayat	As furnished by TPs				As reported by ZPs to Government			
	Job cards issued	Employment		Mandays generated (in lakh)	Job cards issued	Employment		Mandays generated (in lakh)
		Demanded	Provided			Demanded	Provided	
Aland	19682	10668	10668	4.12	19682	10668	10668	4.73
Challakere	28381	15223	12056	12.64	34388	30949	30949	13.14
Gulbarga	19891	7470	7470	3.07	19891	7470	7470	3.64
Hiriyur	29718	16670	16051	7.76	28071	24983	24983	7.83

As commented under paragraph.2.1.8.2, it could not be ascertained in audit how the PO of the TPs ensured the correctness of the figures of employment demanded/provided in GPs as many of the GPs had not maintained the Employment Register. It was also observed in ZP, Chitradurga that the demand for employment was depicted at exactly 90 per cent of the job cards issued in all the taluks which was doubtful.

◆ **Provision of employment to women**

As a tool to empower rural women, the guidelines prescribed that priority in providing employment to the extent of one-third should be given to women who had registered and demanded work. The sample check of nominal muster rolls in GPs revealed that the gender of the labourer had not been mentioned and thus the quantum of employment provided to women could not be verified. The scrutiny of the progress report of ZP, Chitradurga submitted to State Government disclosed that in respect of employment provided to women, the DPC exhibited (against all the TPs) a uniform figure of 64 per cent of the total mandays generated in respective taluks. In the absence of the basic details in the NMRs, the figures furnished by DPC were doubtful.



### 2.1.12 Other points of interest

The expenditure of Rs.26.33 lakh on printing of job cards was rendered wasteful, as the cards were not according to the prescribed proforma

#### ❖ *Wasteful expenditure on printing*

The scheme guidelines prescribed a proforma for printing of job cards. The DPC of ZPs, Chitradurga and Gulbarga, however, did not follow the proforma prescribed and cards were printed in a different format by incurring a total expenditure of Rs.26.33 lakh. Subsequently, the State Government instructed (April 2007) the DPCs to print the job cards in tune with the guidelines of the scheme and cards were re-printed (the expenditure figure was not made available to audit as payment was yet to be made). As verified in audit, the new cards were yet to be distributed to the beneficiaries in both the ZPs. Thus, the arbitrary decision of the DPCs to print the job cards in a different format resulted in wasteful expenditure of Rs.26.33 lakh. The CEO, ZP, Chitradurga stated that all the cards would be issued within the financial year 2007-08.

#### ❖ **Non-transfer of unutilised balance of erstwhile schemes**

Consequent on launching of REGS, the GOI had stipulated (March 2006) that the unutilised funds under NFFWP/SGRY as of February 2006 would become part of the REGS and such funds were to be utilised as per the guidelines of the KREGS. It was however noticed in ZP, Chitradurga that as of March 2006 the ZP and the implementing agencies had a balance of Rs.14.29 crore<sup>♥</sup> under NFFWP/SGRY schemes (including cost of foodgrains). The ZP did not transfer the funds to the KREGS account and continued to incur expenditure under the erstwhile schemes. As of March 2007 a total amount of Rs.2.45 crore<sup>\*</sup> was still lying in the scheme accounts of NFFWP/SGRY which was irregular.

#### ❖ **Non-involvement of line departments in execution**

The scheme envisaged implementation of different kinds of works within the specified time frame which requires technical expertise, resources and sufficient manpower. It was noticed in the test-checked ZPs that though large number of works of different kinds were taken up for execution during 2006-07, no line departments except Social Forestry was involved. As worked out

<sup>♥</sup> NFFWP – Rs.11.72 crore and SGRY – Rs.2.57 crore

<sup>\*</sup> NFFWP – Rs.1.35 crore and SGRY – Rs.1.10 crore

by Audit 4533 works relating to water conservation/harvesting, micro irrigation, flood control and renovation of traditional water bodies were executed through PREs in ZPs, Chitradurga and Gulbarga at an expenditure of Rs.60.81 crore. The implementation of these works could have been entrusted to other line departments like Watershed Development, etc. Due to non-involvement of line departments having technically qualified staff in execution the quality of the works could not be ensured.

❖ **Maintenance of more number of bank accounts**

According to the scheme guidelines, only a single bank account was to be opened for the purpose of implementing KREGS. Contrary to this, it was noticed that the ZP, Gulbarga maintained two bank accounts. The number of accounts maintained by TPs under both the ZPs, Chitradurga and Gulbarga varied between 3 and 10 and the test-checked GPs were maintaining four accounts each. Further, it was also noticed that the bank accounts were not reconciled since inception of the scheme at any level. The PO, Hiriyur stated that more number of accounts were opened to help the GPs to utilise the funds in the limited time. The reply was not tenable as having a single bank account would not in any way hinder utilisation of funds within a limited time. Further, the possibility of misuse of funds from the accounts going undetected could not be ruled out.

**2.1.13 Conclusion**

Review on implementation of KREGS conducted in 26 GPs under 2 ZPs revealed that 28480 job cards were issued in these GPs and as against Rs.10.28 crore released for the implementation of the scheme, the GPs incurred a total expenditure of Rs.9.10 crore (89 *per cent*).

While the State Government had reported to GOI that 5.45 lakh mandays amounting to 99 *per cent* of employment was generated in the State *vis-à-vis* the demand, the claim of the State Government could not be verified in Audit in the absence of maintenance of Employment Register containing details of employment demanded, provided etc. In the absence of this critical document, the quantum of funds required for payment of unemployment allowance also remained unascertained. There were also irregularities in preparation and

issue of job cards to registered households. It was also noticed that asset registers were not maintained by the POs in many TPs.

The scheme provided generation of employment through participative planning duly involving the PRIs and the village population through Grama Sabhas in order to identify the works to be taken up for generation of employment and creation of utility durable assets. The districts test-checked did not comply with the preparation of the crucial DPP which envisaged participation of the rural poor. In the absence of the DPP, the scheme was being implemented without a clear spelt vision.

Expenditure in excess of prescribed norms had been incurred on utilisation of machinery and works involving excess expenditure on material components were also taken up thereby defeating the spirit of the scheme. Instances of delay in payment of wages and lacunae in preparation, distribution and receipt of job cards were also noticed in audit.

An innovative feature of the scheme was to ensure its transparency through regular meetings of the Grama Sabha and conduct of Social Audits. However, it was noticed that social audits were not conducted thereby defeating one of the objectives of the scheme. Impact assessments were not conducted and the monitoring mechanism was also not in place.

#### **2.1.14 Recommendations**

- ✓ The ZPs should be instructed to prepare the DPP, a tool for the successful implementation of the scheme with the objective of improving the living condition of the rural poor
- ✓ Proper maintenance of basic records should be ensured to avoid any incorrect reporting of the achievements
- ✓ Responsibility should be fixed for irregularities in issue of job cards and non-maintenance of records
- ✓ Action may be taken to close the erstwhile scheme accounts immediately and transfer the unutilised funds to KREGS account
- ✓ Compliance to scheme guidelines should be ensured and responsibility fixed for any deviation.