

Chapter 2

Performance Audit

Food, Civil Supplies and Consumer Affairs Department

2.1 Public Distribution System in Karnataka

Executive summary

Government of India (GOI) rationalised (April 2002) the existing Targeted Public Distribution System (PDS) to supply 35 kilograms (kg) of food grains at subsidised rates to the families living below poverty line (BPL). The families living above poverty line (APL) were also entitled to 35 kg of food grains at a rate slightly higher than that applicable to BPL families. While the overall responsibility of management of food grains in the country vested with GOI, the respective State Governments were responsible for their effective distribution through the PDS. In Karnataka, the PDS was implemented by the Department of Food, Civil Supplies and Consumer Affairs. During the period 2004-09, the State Government incurred an expenditure of Rs 3,452.44 crore on subsidy and transportation of food grains under PDS.

A performance audit of the implementation of 'Public Distribution System in Karnataka' covering the period 2004-09 was conducted between February 2009 and July 2009. The performance audit revealed that Karnataka was the first State in the country to launch computerisation of ration cards for creating a data base of beneficiaries of PDS by capturing digital photographs and biometrics of the family members.

The performance audit, however, revealed the following deficiencies:

- The State policy of excluding ineligible BPL families in the State through certain socio-economic criteria did not work effectively due to relaxation of many of these criteria by the State Government and issue of BPL ration cards on self declarations by the applicants without scrutiny. This, on the other hand, led to inclusion of ineligible beneficiaries in the BPL list and the number of ration cards exceeded the projected households in the State.
- Consequent upon abnormal increase in the number of BPL ration cards, the State Government was saddled with additional financial burden of Rs 1,034.82 crore to supply food grains at subsidised rates. The scale of issue of food grains was also drastically reduced to cater to the increased number of beneficiaries.
- There were instances of improper documentation, mis-reporting of sale transactions, irregularities in the working of fair price shops, etc., which could have led to diversion of PDS commodities to black market. The Department, however, failed to notice these irregularities due to lack of an effective monitoring mechanism.

2.1.1 Introduction

Public Distribution System (PDS) is a major instrument of Government's economic strategy for ensuring availability of food grains to the public at affordable price as well as for enhancing food security to the poor. Government of India (GOI) introduced (June 1997) Targeted PDS (TPDS) under which ten kilograms (Kg) of food grains per month was to be issued at subsidised rates to the families living below poverty line (BPL) with appropriate focus on the poor by streamlining the existing PDS. GOI launched one more scheme viz., 'Antyodaya Anna Yojana' (AAY) in December 2000 for the poorest of the poor in the country. The scheme envisaged distribution of 25 kg of food grains per month at a highly subsidised rate of Rs two per kg of wheat and Rs three per kg of rice. The scale of issue of food grains under both TPDS and AAY was raised to 35 kg per month (29 kg of rice and six kg of wheat) effective from 1 April 2002. GOI launched (2006-07) 'Annapurna Scheme' for distribution of 10 kg of food grains per month free of cost to those senior citizens who were not covered by the National Old Age Pension Scheme. Under the PDS, sugar and kerosene were also distributed at subsidised rates to the beneficiaries.

The network of PDS comprised 267 wholesale godowns, 347 kerosene wholesale points, 20,381 Fair Price Shops (FPS) and 25,350 kerosene retailers. The total number of families assessed by the Government as at the end of March 2009 was 1.60 crore of which 94.69 lakh were BPL, 52.98 lakh APL and 12 lakh AAY families.

2.1.2 Organisational set-up

The Principal Secretary, Department of Food, Civil Supplies and Consumer Affairs (FC&CA) assisted by the Commissioner (FC&CA) was responsible for implementation of the scheme at the State level. The Commissioner was assisted by the Deputy Commissioners, Deputy Directors (FC&CA) and Chief Executive Officers of Zilla Panchayats at the district level and by the Tahsildars and Executive Officers of Taluk Panchayat at taluk level.

2.1.3 Audit objectives

The objectives of performance audit were to assess whether:

- the system of selection of beneficiaries ensured issue of ration cards only to eligible families;
- PDS commodities were supplied timely and in adequate quantities to the beneficiaries; and
- monitoring of the PDS was effective.

2.1.4 Selection, scope and methodology of Audit

The implementation of PDS in the State was last commented upon in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 and the recommendations were made (March 2003) by Public Accounts Committee (PAC) in their Report No.13 of the Eleventh Assembly. The topic was selected to verify compliance to PAC's recommendations, its importance and the amount of expenditure (Rs 3,452.44 crore) incurred during the last five years. Exponential growth of ration cards issued to BPL families, decline in the quantity of food grains issued to the beneficiaries, inadequate infrastructure in the PDS delivery system, *etc.*, were other significant factors weighing for selection of this topic.

Implementation of PDS during the period 2004-09 was test-checked (February-July 2009) by reviewing the records of the Commissioner (FC&CA), Bangalore, Deputy Commissioners and Deputy Directors of nine¹ districts, two² zonal offices of Bangalore Informal Rationing Area³ (IRA), 22 taluk offices, 40 wholesale nominees, 52 kerosene wholesale points and 213 FPS by random sampling method.

The audit objectives and the methodology of audit were discussed with the Commissioner, Food, Civil Supplies and Consumer Affairs during an entry conference held in February 2009. An exit conference was held (July 2009) with the Principal Secretary to discuss the audit findings. The reply of the Government has been incorporated at appropriate places.

2.1.5 Compliance with PAC recommendations

PAC had, *inter alia*, recommended identification of beneficiaries on scientific grounds to avoid issue of ration cards to ineligible families and to eliminate bogus ration cards from the PDS. A number of measures such as computerisation of the entire system from the point of sale (FCI godowns) to the point of distribution to the beneficiaries (FPS), strengthening of Vigilance Committees and setting up of Food Security Committees at the FPS level and at Grama Panchayat level respectively to monitor the distribution of PDS commodities were also suggested by the PAC to strengthen PDS.

Audit of PDS revealed that while the Department had initiated computerisation of ration cards to create the database of beneficiaries, working of wholesale godowns and FCI godowns was yet to be computerised. The Department had set up the Vigilance Committees (February 2002) in all the FPS and constituted (July 2005) Food Security Committees at Grama Panchayat level. The effectiveness of computerisation and the working of Vigilance and Food Security Committees are discussed at paragraphs 2.1.7.3 and 2.1.12.1 respectively.

¹ Belgaum, Bidar, Dharwad, Gulbarga, Hassan, Kolar, Mandya, Mysore and Tumkur

² North zone and South zone

³ A city with a population of more than 40,000 is termed as Informal Rationing Area

The Department in complying with the PAC recommendations evolved (January 2005) certain socio-economic criteria to identify families not eligible for inclusion as BPL families. On the basis of a survey with reference to these criteria, about eight lakh ineligible beneficiaries were identified and excluded from the purview of BPL. The identification of beneficiaries was, however, not effective as discussed at paragraph 2.1.7.

Audit findings

2.1.6 Allotment of funds and expenditure

The food grains meant for public distribution are procured by Food Corporation of India (FCI) and made available to the State Government at Central Issue Price (CIP) fixed by GOI for BPL, APL and AAY categories. The difference between the cost of procurement of food grains and their issue price is reimbursed to the FCI in the form of subsidy by GOI. While the food grains meant for APL families are issued at CIP, that meant for BPL and AAY families is further subsidised and the subsidy amount and transportation cost is borne by the State Government. The cost of procurement and transportation of food grains distributed to beneficiaries under Annapoorna Yojana is fully met by GOI.

The details of funds allocated and the expenditure incurred during the period 2004-09 are given in **Table 2.1**.

Table 2.1: Allotment of funds and expenditure

(Rupees in crore)

Sl.No.	Year	Subsidy and Transportation		Annapurna Scheme	
		Funds allotted	Expenditure	GOI release	Expenditure
1.	2004-05	597.00	596.91	Nil	Nil
2.	2005-06	729.95	729.79	Nil	Nil
3.	2006-07	750.00	749.65	0.77	0.08
4.	2007-08	650.00	649.91	5.00	1.18
5.	2008-09	730.00	726.18	Nil	Nil
	Total	3,456.95	3,452.44	5.77	1.26

Source: Food, Civil Supplies and Consumer Affairs Department

GOI released Rs 5.77 crore under the Annapurna Scheme for distribution of free rice to 68,040 beneficiaries at the rate of 10 kg per beneficiary per month. The Department could, however, utilise only Rs 1.26 crore as the number of identified beneficiaries was only 36,644 (2004-05) which gradually declined to 14,231 by March 2008. The scheme was discontinued from April 2008.

Scheme implementation

2.1.7 Identification of beneficiaries and issue of ration cards

GOI prescribed (September 2002) an improved methodology for identification of BPL households who could be assisted under various anti-poverty programmes implemented by them. It envisaged adopting a normative approach for identification of the rural poor by introducing a 'score based

ranking' based on relative deprivations revealed by certain socio-economic indicators in contrast to the 'income' and 'expenditure' approach adopted during the earlier BPL censuses. Thirteen scorable indicators such as the type of dwelling house, category and extent of cultivable land, means of livelihood, access to two square meals per day, availability of clothing, sanitation, literacy status of the family, indebtedness level, *etc.*, were prescribed to assess the socio-economic condition of the beneficiaries and the total score for each household was to be calculated to arrive at the relative positioning of each household in a village. The identification of the poor was to be done through a door-to-door survey with hundred *per cent* coverage in each village. GOI guidelines also stipulated that the States may identify the BPL households in such a way that the total number of beneficiaries identified does not exceed the number of BPL persons as estimated by the Planning Commission for the year 1999-2000 by more than ten *per cent*. The entire process of finalisation of BPL list on the above lines was to be completed by 31 March 2003 so that the fresh list could be used during the year 2003-04.

The State Government did not identify BPL families as per GOI guidelines. Instead different criteria for exclusion of families from BPL list were prescribed

The State Government did not conduct the door-to-door survey to identify the beneficiaries as prescribed by GOI. A beneficiary survey was conducted during January 2005 following a certain criteria for identification of ineligible families and their exclusion from the list of BPL beneficiaries. According to these criteria, families holding land of two hectares or more, possessing telephone connections (both landline and mobile), owning diesel/petrol vehicles, having own borewell for irrigation and those having taken loan in excess of Rs one lakh from financial institutions or who were paying income tax, *etc.*, were not eligible for inclusion in the BPL list. During the survey, as many as eight lakh ineligible cases were detected and excluded from the purview of BPL. A revised list of 52.81 lakh BPL beneficiaries was prepared and BPL ration cards issued by September 2006.

The Government further relaxed (October 2006) the conditions and identified an additional 18.94 lakh BPL beneficiaries in the State except in Bangalore IRA. In Bangalore IRA, the Department invited (April 2007) applications from the eligible beneficiaries who did not possess ration cards. In all, 3.12 lakh families were identified, of whom 28 were AAY, 95,110 were BPL and 2.17 lakh were APL families to whom ration cards were yet to be issued.

Acceptance of self declaring affidavits led to abnormal increase of BPL beneficiaries

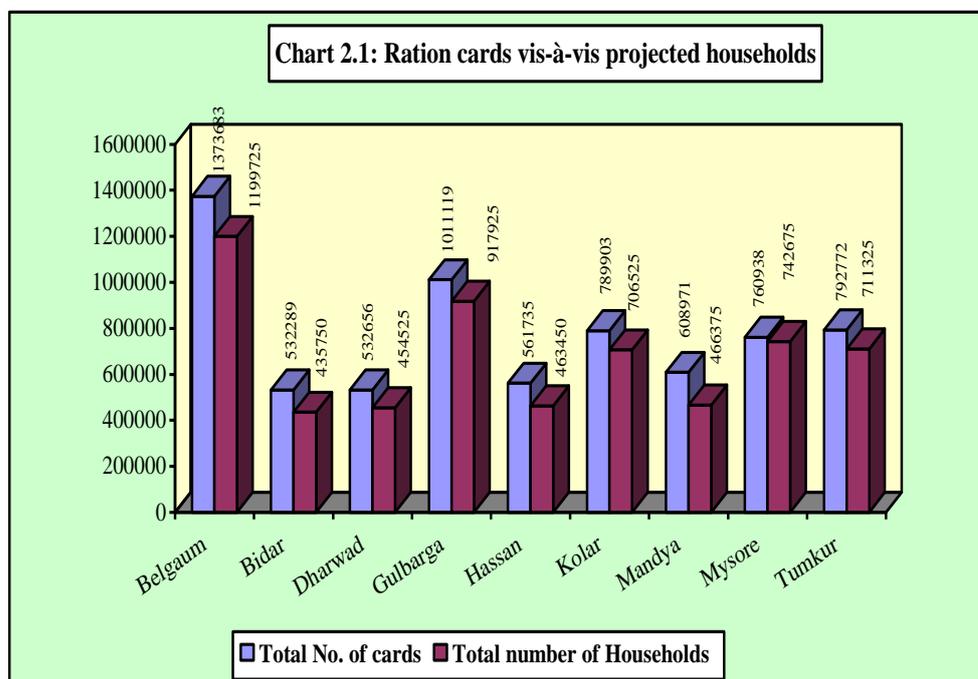
The Government again invited (November 2008) applications from all those who did not possess BPL/APL ration cards and issued (February/March 2009) 28.44 lakh BPL ration cards on the basis of self declarations. The total number of ration cards in the State as at the end of March 2009, after weeding out 5.51 lakh ineligible cases was as under:

AAY	11,99,700
BPL	94,69,157
APL	52,97,772
Total	1,59,66,629

2.1.7.1 Issue of ration cards in excess of the projected households

Number of ration cards issued exceeded the total number of households for a population of 6.05 crore projected for the year 2009

The State Directorate of Economics and Statistics, based on the General Census-2001, projected a population of 6.05 crore for the year 2009. The number of families was assessed at 1.51 crore reckoning four persons per family. The number of ration cards actually issued was 1.60 crore (March 2009) which was in excess of the projected households by nine lakh. The district-wise position of projected households and the number of cards issued by the Department in the test-checked districts is indicated in **Appendix-2.1**.



Mandya district topped in issue of ration cards exceeding the projected households (30.57 per cent). In the remaining test-checked districts, the excess issue ranged from 2.46 to 22.15 per cent.

2.1.7.2 Issue of BPL cards without scrutiny of applications

The self declarations of the BPL card applicants were to be got scrutinised by the respective village accountant and village panchayat secretary before issuing BPL cards as stipulated in the Government Order. Records revealed that the ration cards were issued without obtaining such scrutiny reports from the village accountant and the village panchayat secretary.

The action of the Government to admit the BPL beneficiaries without conducting a proper survey and without verifying the bonafides of the self declarations resulted in inclusion of ineligible persons in the BPL list. Besides, coverage of all eligible BPL families under PDS could not be ensured.

2.1.7.3 Delay in computerisation of ration cards

There was undue delay in completion of computerisation of ration cards due to non-completion of the beneficiary identification in the State

The Department undertook (March 2006) a comprehensive computerisation project to create a citizen database by capturing digital photographs and biometrics of the family members above the age of 12 years for issuing permanent computerised ration cards. The computerisation project aimed at providing PDS benefits to the right beneficiaries besides, improving planning, forecasting, inventory management and administration. The project was entrusted to a private company at an estimated cost of Rs 104.52 crore for commissioning it by October 2006 and extending operational support for a period of five years thereafter. The contractor had completed data digitisation and 77 per cent of online photography and capturing biometrics of the beneficiaries. The project was yet to be commissioned due to delay in completion of beneficiary identification process by the Government and an expenditure of Rs 34.87 crore had been incurred on the project.

Delay in launching the survey of beneficiaries and enlarging the base of BPL beneficiaries by relaxation of conditions by the Government resulted in undue delay in completion of the comprehensive computerisation project and non-realisation of intended objectives.

2.1.7.4 Lack of follow-up action to weed out ineligible families

The contractor for comprehensive computerisation of ration cards in the State had identified (2006-09) 16,648 ineligible families which had one or more of their members in Government service. Similarly, 133 families in Hassan district were found to be possessing more than one ration card. But no follow-up action was taken by the Department to weed out the ineligible cases and the bogus cards.

2.1.7.5 Procurement of food grains for BPL families at extra cost

State Government had to bear an extra Rs 1,034.82 crore (2004-09) to supply food grains to BPL families

Although the State Government had identified 106.69 lakh BPL families, GOI allotted food grains with reference to only 31.29 lakh BPL families. The State Government, therefore, treated the remaining 75.40 lakh families as extra BPL (EBPL) and supplied food grains to them at subsidised rates by diverting food grains allotted to APL families and purchasing at higher than the CIP (economic cost). Besides, the scale of issue of food grains was also reduced (February 2007) from 35 kg per BPL card per month to 25 kg (20 kg rice and five kg wheat) per month at the rate of four kg of rice and one kg of wheat per person per month.

Records revealed:

- As the APL quota of rice and wheat was diverted to BPL families, the State Government had to bear the differential cost of Rs 265 per quintal⁴ of rice and Rs 195⁵ per quintal of wheat. The total quantity of food grains so diverted from the APL quota during the period 2004-09 was 38.84 lakh MT entailing an extra burden of Rs 994.44 crore to the State exchequer.

⁴ CIP for APL rice: Rs 830 minus CIP for BPL rice: Rs 565

⁵ CIP for APL wheat: Rs 610 minus CIP for BPL wheat: Rs 415

- The State Government procured additional quantity of 33,637 MT of food grains at economic cost during the month of March 2009 incurring an additional expenditure of Rs 40.38 crore for distribution to card holders who were admitted to BPL category on self declaration basis. This was a recurring expenditure every month.
- GOI had directed (September 2002) during the survey of BPL beneficiaries that the number of BPL families could be limited to 10 *per cent* in excess of their earlier estimate of 31.29 lakh families. The total number worked out to 34.41 lakh families. The State Government by identifying the BPL beneficiaries strictly as per GOI guidelines could have obtained food grains at least with reference to 34.41 lakh BPL families. Failure to follow GOI guidelines thus, resulted in the State Government procuring food grains for 3.13 lakh BPL families at rates higher than applicable to them entailing a further extra expenditure of Rs 166.25 crore⁶ which was avoidable and recurring.

Thus, the defective system of identification of beneficiaries coupled with relaxation of a number of conditions resulted not only in inclusion of a large number of ineligible persons in the BPL list but also caused a heavy financial burden on the State Government to supply food grains at heavily subsidised rates.

The Government contended (December 2009) that GOI estimates of BPL families at 31.29 lakh were unscientific. The fact however, remained that the State Government could not make a realistic assessment of BPL beneficiaries by conducting a cent *per cent* survey and claim food grains as per actual number of BPL families.

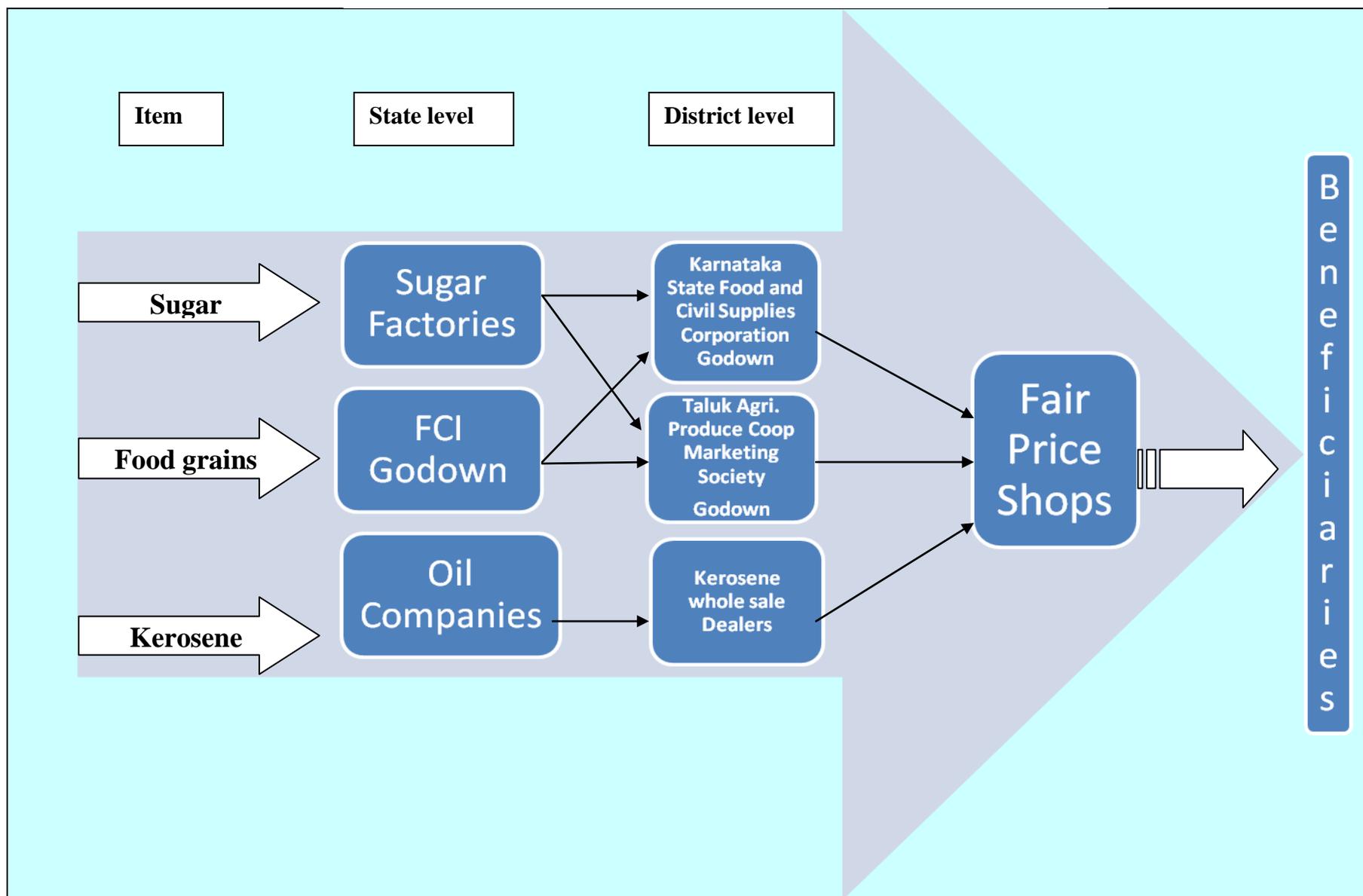
Procurement and delivery of PDS commodities

Food grains procured by GOI are stored in FCI godowns and made available to wholesale nominees⁷ at CIP fixed by GOI for each commodity and for APL and BPL categories separately. Levy sugar is made available to the wholesale nominees by the designated sugar factories at rates fixed by GOI. Kerosene is supplied by the oil companies to the wholesale nominees on the basis of allotment orders of the Commissioner. The Department arranges transportation of PDS commodities from FCI godowns/sugar factories/oil companies to wholesale nominees' godowns (wholesale godowns) and wholesale kerosene points and from there to the distribution points (FPS). The flow diagram of the PDS commodities from the State level to FPS is given in **Chart 2.2**.

⁶ Rice – 3,12,900 families x 29 kg per family per month = 90,741 quintal per month
Extra expenditure for five years = 90,741 x 265 (CIP of APL *minus* CIP of BPL) x 60 months
= Rs 144.28 crore
Wheat- 3,12,900 families x 6 kg per family per month = 18,774 quintal per month
Extra expenditure for five years = 18,774 x 195 (CIP of APL *minus* CIP of BPL) x 60 months
= Rs 21.97 crore
Total = Rs 166.25 crore

⁷ Karnataka Food and Civil Supplies Corporation (KFCSC) and Taluk Agricultural Produce and Co-operative Marketing Society (TAPCMS)

Chart 2.2: Flow of PDS Commodities to beneficiaries



2.1.8 Procurement of food grains

GOI introduced (1997-98) a Decentralised Procurement Programme (DCP) to encourage the State Governments to participate in procurement of rice/paddy and wheat on behalf of GOI and to store and distribute them under the Public Welfare Schemes including PDS. The main objective of DCP was to reduce overdependence on FCI for food grains and to reduce the subsidy burden to GOI.

In Karnataka, the DCP to procure rice was made effective from November 2005 and the State Government was to ensure procurement of a minimum 33.33 per cent of the total quantity of rice from every miller or dealer in the State by enforcing the Karnataka Rice Milling Regulation and Rice and Paddy Procurement (Levy) Order, 1999.

Total quantity of rice procured during the period 2006-09 under DCP was only 1.36 lakh MT which was a mere 1.24 per cent of the total quantity of rice produced (1.09 crore MT) in the State. Procurement of targeted quantity of levy rice would have ensured its distribution to BPL families not only at the prescribed scale but also at most economical rates. This was crucial especially in view of the commitment of the State Government to supply rice to an enlarged base of BPL families at a heavily subsidised rate of Rs three per kg.

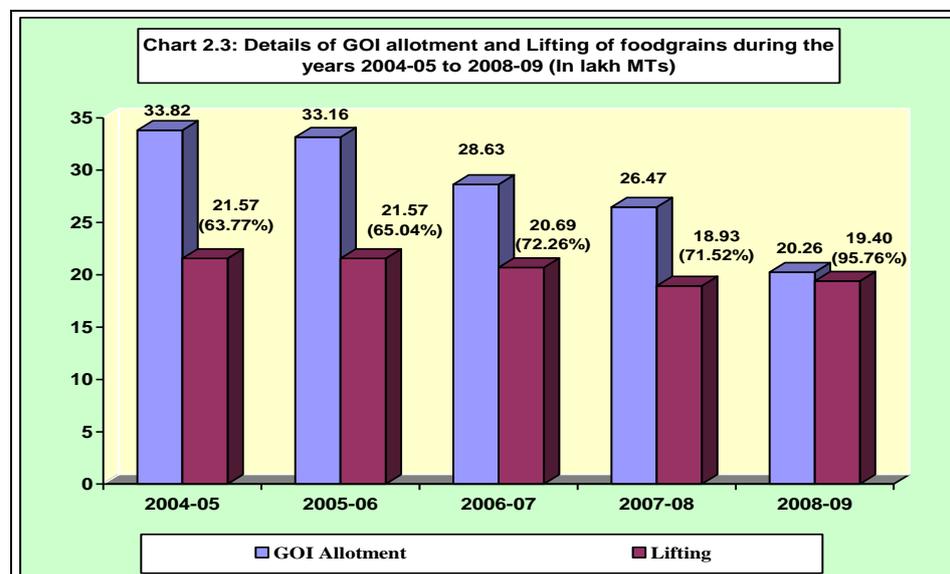
Procurement of rice under the Decentralised Procurement Programme was only 1.24 per cent of total rice production in the State

2.1.9 Allotment/lifting/storage and handling of PDS commodities

Several deficiencies such as shortfall in lifting of food grains/sugar, handling and storage losses, inadequate infrastructure in wholesale godowns for storage and handling of PDS commodities and inadequate controls for their delivery were noticed in audit:

2.1.9.1 Shortfall in lifting of food grains

Allotment of food grains by GOI and off take by the State Government revealed shortfall in lifting of the food grains by the wholesale nominees from FCI godowns during the period 2005-09 as shown in **Chart 2.3**.



The shortfall in lifting of PDS food grains was high under APL category

Analysis of the category-wise lifting (**Appendix-2.2**) revealed that lifting of AAY rice ranged from 95.01 to 99.82 *per cent* and wheat between 86.84 and 100 *per cent* during the period 2004-09. Similarly, lifting of BPL rice ranged from 99.39 to 100 *per cent* and wheat was lifted to the extent of 94.62 to 100 *per cent* during this period. The lifting of APL rice was, however, much lower in the range of 44.67 to 87.42 *per cent* and so was wheat which ranged between 29.35 and 96.18 *per cent*. Due to steep shortfall (44 to 51 *per cent* of allotment) in lifting the food grains allotted to APL families, GOI drastically reduced (2008-09) the allotment from 16.56 lakh MT of rice and 4.14 lakh MT of wheat to 6.61 lakh MT of rice and 0.62 lakh MT of wheat. The Department lifted only 87 *per cent* of rice and 96 *per cent* of wheat and diverted the entire quantity to BPL category. This resulted in total denial of food grains to APL families.

The Department did not lift 3,171 MT rice and 19,697 MT wheat meant for BPL families

In view of the unprecedented increase in the number of BPL families during 2004-05 to 2008-09, it was prudent for the State to ensure that the full quantity of food grains allotted by GOI under BPL quota was lifted. But the Department did not lift as much as 3,171 MT of rice and 19,697 MT of wheat during the period 2004-09 and the reasons for shortfall in lifting were not forthcoming.

2.1.9.2 Non-delivery of levy sugar by sugar factories

The Department did not take action to lift 9,667.70 MT of levy sugar (2007-09) from sugar factories

The quantity of sugar required for distribution under PDS was to be lifted by the wholesale nominees from the sugar factories in the State as per the allotment orders of GOI and transported to different districts as per the re-allotment orders of the Commissioner. Review of allotment and lifting of sugar revealed that during the period 2007-09, the State could not lift 9,667.70 MT of sugar from various designated sugar factories as the latter pleaded non-availability of levy sugar. The Department did not, however, take action to apprise GOI to seek revised allotment to other sugar factories so as to procure the required sugar for distribution under PDS. Consequently, 9,667.70 MT of sugar was denied to the beneficiaries.

2.1.9.3 Non-accounting of transit/storage/handling losses

In the absence of norms for transit and handling losses, the shortages in the food grains were passed on to the consumers

Out of 113 godowns in the test-checked districts, 40 godowns were jointly inspected in audit and information was obtained from the remaining 73 godowns. The physical verification of the godown premises and the information obtained revealed that there were visible transit and handling losses at all the test-checked godowns. Despite this, there was no provision for any kind of transit/storage/handling losses and hence, were not accounted for.



Storage loss of sugar at Wholesale Godown in Bidar - April 2009

The FCI was reckoning a transit loss at the rate of 3.5 kg per MT and storage loss at 1.7 kg per MT. Considering a minimum transit and storage loss at 3.5 kg per MT, the total loss incurred with reference to 102.17 lakh MT of food grains lifted during the period 2004-09 worked out to 35,761 MT. In the absence of reckoning this loss, the shortage was passed on to the consumers. The Government accepted (December 2009) the audit findings.

2.1.9.4 Inadequate controls for delivery of food grains

Blank delivery-cum-cash challans signed by food inspectors could have facilitated diversion of food grains

While receiving food grains from the wholesale godowns for transportation to FPS, the transport contractor was required as per Karnataka Value Added Tax Act, 2003 to draw up a trip sheet containing details such as the names of the consigner and the consignee, quantity loaded on to the truck, date, destination and registration number of the vehicle. The trip sheet was to be got countersigned by the godown manager. The wholesale godowns were to draw a delivery cum cash challan indicating all the above details duly countersigned by the owner of the FPS and the Food Inspector as proof of the correctness of the consignment. Besides, the Food Inspector was also to accompany the transport truck to prevent possible diversion of food grains.

Test-check of records of 20 godowns revealed that while trip sheets had not been drawn by transport contractors in any case, the delivery-cum-cash challans (October 2008-March 2009) were not signed by the Food Inspectors in 221 instances. In 85 instances noticed in three test-checked godowns, blank challan forms were found to have been signed by the Food Inspectors. In view of the non-compliance as detailed above, the chances of diversion of food grains or their short accountal could not be ruled out.

No mechanism existed in the Department to detect such improper documentation which was indicative of lack of adequate controls to prevent diversion of food grains to open market. Government stated (December 2009) that instructions have since been issued in this regard.

2.1.9.5 Inadequacy of infrastructure in wholesale godowns

The wholesale godowns did not have quality check and weighing facilities in place

The details furnished by 73 wholesale godowns revealed that 46 of them were housed in rented buildings without proper warehousing facilities, 16 godowns were not provided with leak proof roofs, 27 godowns without a compound wall to prevent movement of stray animals, etc. None of the godowns checked in audit had any facility for quality check of food grains before transportation to retail shops. It was also observed in the test-checked godowns of wholesale nominees that they did not have adequate weighing facilities to check the weight of the consignment received from FCI. Only the number of bags received along with the quantity as recorded in the trip sheets was taken into account. The shortages, if any, were not ascertained by the wholesale godowns.

The Department too, did not insist on the availability of this basic requirement with the wholesale nominees to ensure the correctness of the quantity of the food grains supplied to the beneficiaries. Government stated (December 2009) that instructions will be issued to the wholesale nominees in this regard.

2.1.10 Transportation of PDS commodities

Irregularities in the award of transportation contracts, unscientific assignment of sugar factories and crisscross movement of sugar entailing avoidable transportation charges were noticed in the transportation of PDS commodities during the period under review.

2.1.10.1 Transportation of food grains from the FCI godowns

The FCI godowns assigned by the Government for lifting food grains were not the nearest ones leading to an avoidable expenditure of Rs 2.82 crore

The Government assigned (December 2005) one FCI/Central Warehouse Corporation godown (CCI) as well as an alternative FCI/CCI godown in each district as the official godowns for lifting the food grains by the wholesale nominees. These godowns were assigned in view of their least distance to the wholesale points so as to regulate the transportation cost most economically. It was, however, observed that in the test-checked districts, the godowns so assigned by the Government were actually not the nearest ones to the respective district headquarters but were farther by 1 km to 150 km (**Appendix-2.3**). As a result, additional distance had to be covered (2006-09) by the trucks to transport food grains from the assigned godowns to 11 wholesale points in the districts of Bijapur, Koppal, Gulbarga, Davanagere and Chamarajanagar and an avoidable extra expenditure of Rs 2.82 crore (**Appendix-2.4**) was incurred on transportation. It was also observed that the Deputy Commissioners of Bangalore, Chamarajanagar, Davanagere and Gulbarga districts had also pointed out (2006-08) to the Commissioner, the deficiencies in assigning the FCI/CCI godowns. The Government stated (December 2009) that the matter would be taken up with the FCI.

Box 2.1

Excess expenditure on transportation of food grains

In the test-checked districts (*viz.*, Mysore, Belgaum and Bidar), avoidable expenditure of Rs 70.01 lakh was incurred during 2006-09 due to awarding the work of transportation of food grains in Mysore district rates without inviting tenders (Rs 29.56 lakh), lifting 10,116.51 MT of food grains from other than the wholesale godowns assigned by GOI in Belgaum district (Rs 25.76 lakh) and computation of excess mileage by the Department from the FCI godowns to the wholesale points in Belgaum and Bidar districts (Rs 14.69 lakh). The irregularities were suggestive of frauds with possible connivance of Government officials. But no action was taken by the Department to investigate these cases which may lead to recurrence of such incidents. Government stated (December 2009) that the concerned DCs have already been addressed for remedial action.

2.1.10.2 Crisscross movement of sugar

Levy sugar allotted by GOI through various sugar factories every month was to be distributed throughout the State, based on the principle of lifting sugar from the immediate neighbouring factories and subject to availability. In this connection, the Government had assured the PAC that their recommendation

to strengthen the transportation system to avoid unnecessary movement of sugar to and from far off places would be implemented by ensuring that the levy sugar collected from the sugar factories in a district is, as far as possible, transported to places within the same district.

Levy sugar was lifted from far-off sugar factories entailing avoidable extra expenditure on transportation

Review of monthly allotment orders of the Commissioner for the month of October 2007 and November 2007 on a test-check basis, however, revealed that sugar was lifted from far-off designated sugar factories instead of the nearby sugar factories involving an additional distance of 4,105 kms for transportation of sugar during October 2007 and 7,083 kms during November 2007 respectively which could have been avoided (**Appendix-2.5**).

Box 2.2

Avoidable expenditure on transportation of sugar

On a test-check basis, the contracts executed to transport sugar from the assigned sugar factory to the godown situated near the district head quarter in Haveri and Gadag districts were reviewed. It was found that in respect of transportation of sugar to Haveri, sugar was lifted from a factory at Athani (226 kms) instead of from the sugar factories situated at Bagalkot (203 kms) and Badami (171 kms) resulting in an avoidable expenditure of Rs 58.18 lakh. Similarly, sugar was lifted from a factory situated in Bidar and transported to Gadag covering a distance of 438 kms instead of lifting sugar from factories at Badami and Bijapur which were only 70 kms and 182 kms away respectively from Gadag. This led to an avoidable expenditure of Rs 1.22 crore. Government stated (December 2009) that they had no role in the matter as the sugar factories are designated by GOI.

The reply was not justified as district-wise lifting of sugar from the designated sugar factories was allotted by the Commissioner only. The reply was also indicative of the fact that the Government did not take any follow-up action on the recommendation of the PAC despite giving an assurance to the latter against such crisscross movement.

Action of the Department to award transport contracts at freak rates facilitated diversion of food grains

2.1.10.3 Irregularities in award of transportation contracts

The contracts for transportation of retail quantities of food grains in Gulbarga district were awarded (2006-07) at freak rates (Re.0.01 to 0.09 per km per quintal) without considering the benchmark rates of Re 0.38 to Re 0.45 per km per quintal approved by the Commissioner. The Regional Transport Authority had also confirmed these freak rates. The Commissioner, however, did not object to this, while accepting the tenders. It was also noticed that two contractors to whom transportation of food grains in Shahapur and Jewargi taluks was entrusted at freak rates were found (July-August 2008) diverting food grains to the open market and the Department had confiscated the food grains. Acceptance of freak rates thus, facilitated diversion. No action was taken to devise a foolproof mechanism to avoid recurrence of such incidents. Government stated (December 2009) that the correct procedure would be ensured in future.

2.1.11 Distribution of PDS commodities

There were noticeable irregularities in the functioning of FPS and mis-management by kerosene wholesale/retail dealers who were responsible for distribution of PDS commodities to beneficiaries.

2.1.11.1 Functioning of Fair Price Shops

The irregularities in the functioning of FPS were strongly indicative of diversion of PDS commodities to black market

Fair price shops are the licensed end point of the PDS network responsible for efficient distribution of food grains to the ration card holders as per entitlement and at the retail issue prices fixed by the Government. There were 20,381 FPS in the State as at the end of March 2009 of which, 200 were run by KFCSC, 8,913 by co-operative institutions and 11,268 by individuals.

213 FPS in nine selected districts and two IRA zones in Bangalore were test-checked for compliance with the terms and conditions prescribed in the PDS (Control) Order, 1992. The major violations observed in the various FPS were:

- 91 FPS were closed during working hours
- 27 FPS distributed food grains below the entitlement
- 52 FPS were not issuing receipts to beneficiaries
- 101 FPS had either not maintained or not updated or partially maintained the prescribed records
- 46 FPS had not displayed the samples of food grains

Apart from the above, instances of short accounting of receipt of food grains (three FPS in Gulbarga taluk), transfer of closing stock of food grains under AAY to BPL (one FPS in Gulbarga taluk), issue of rice up to 50-100 kg to a single beneficiary at a time (FPS in Dharwad taluk), reporting closing stocks of food grains at less than the ground balance (FPS in Hubli taluk) overstatement of sale of kerosene (FPS in Kolar district) were also noticed during the joint inspection of the FPS by audit.

Distribution of food grains below or in excess of entitlement, improper documentation, mis-reporting transactions, *etc.*, were strongly indicative of diversion of PDS commodities to open market. But the Department could not detect these irregularities. Government stated (December 2009) that action would be initiated against the concerned departmental staff.

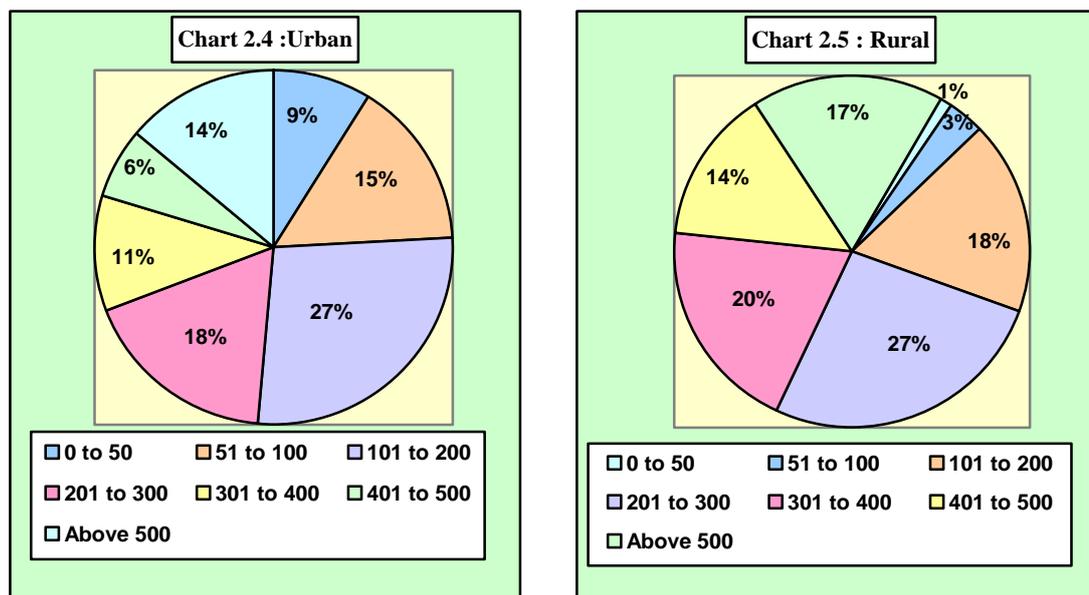
2.1.11.2 Unviable Fair Price Shops

Fair price shops were economically unviable due to very poor profit margin

A reasonable return for FPS owners was an important requirement for securing the efficient functioning of FPS as the income earned from running FPS turned out to be the major/only source of income. According to PDS (Control) Order, 1992, the number of cards assigned to a FPS shall not be less than 300 cards for a FPS in rural areas and not less than 500 cards in urban areas, provided that the authorised authority may, in exceptional cases and for reasons to be recorded in writing, relax the limit up to 200 cards for a FPS in a rural area and up to 300 cards per FPS in an urban area. Scrutiny of the

allocation of cards to FPS in the selected taluks of the test-checked districts and a review of the working of the FPS revealed that as against the norm of minimum 300 cards for rural areas, 589 FPS (45.66 per cent) out of 1,290 FPS in 12 test-checked taluks were operating (2008-09) with less than 300 cards. Similarly, as against the norm of 500 cards for urban areas, 719 FPS (85.29 per cent) out of 843 FPS were operating (2008-09) with less than 500 cards in the three test-checked IRA regions and two zones of Bangalore IRA region (**Appendix-2.6**). The FPS with number of cards ranging from 0-50 to above 500 is depicted at **Charts 2.4 and 2.5**.

Fair price shops operating with less than the prescribed number of ration cards



As the average monthly income of an FPS owner with 300 cards was around Rs 2,600 after reckoning the expenditure towards ground rent, salary for assistants, electricity, transportation and that of the FPS owner with 500 cards around Rs 4,200, the FPS were found economically unviable. With the number of cards assigned to each FPS being less than the prescribed norm and with the reduction in the scale of food grains supplied to each beneficiary the viability of the FPS was further reduced. The irregularities brought out could be attributed to the non-viability of the FPS.

2.1.11.3 Mis-management of distribution of kerosene

The oil companies allocate kerosene to each wholesale distributor in the districts on the basis of the allotment orders of the Commissioner. While the Deputy Commissioner and the CEO, Zilla Panchayat are responsible for allotment of kerosene for urban and rural areas respectively at district level, the Tahsildar and the Executive Officer, Taluk Panchayat are responsible for allotment for urban and rural areas respectively at taluk level. The wholesale distributor distributes kerosene based on the allotment at taluk level. Evaporation and handling losses are allowed up to a maximum of 0.2 per cent of total quantity of kerosene sold as per the orders (July 1999) of the Commissioner.

Records revealed:

- Out of the 52 wholesale distributors test-checked, it was observed during physical verification of stock that 26 distributors did not account for evaporation/handling losses. In respect of 16 distributors, the ground balance of stock was in excess of the closing balance as per the records (10 litres to 620 litres) and in respect of 16 wholesale nominees, the shortage in physical balance compared to the book balance was in the range of 12 to 3,080 litres. The variation between the book and ground balances of kerosene was indicative of improper documentation by wholesale dealers which could have facilitated diversion of kerosene to black market.
- Kerosene was short supplied to 178 FPS of Mandya taluk by 75,661 litres and supplied in excess of allotment by 55,554 litres to 142 FPS and hawkers (licensed retail vendors) of Mandya IRA region during the period September 2008 to March 2009. While the short supply of kerosene led to denial of the full quota of kerosene to the beneficiaries, excess supply could have facilitated diversion of kerosene to black market.
- Distribution of kerosene on retail sale by M/s Rock Oil Association of Hukkeri taluk, a wholesale distributor in Belgaum district who was also a retail distributor, was less by 18,152 litres compared to the total quantity lifted (96,404 litres) from April 2008 to October 2008. The books of the distributor showed that the closing balance was not carried forward as opening balance in the ensuing month. Although the misreporting was inherent with the risk of diversion of kerosene to black market, yet the Department did not detect the irregularity and take remedial action.

The deficiencies in the distribution and accounting of kerosene were suggestive of its diversion to black market

The Government stated (December 2009) that necessary instructions would be issued to all wholesale dealers in this regard.

2.1.12 Monitoring and Evaluation

2.1.12.1 Monitoring

The PDS (Control) Order, 2001 provided clear guidelines to the Government for establishing and running an effective monitoring mechanism across all segments of the PDS. This included maintenance of proper records, regular inspections of FPS by the designated authorities, formation of Vigilance Committees and Food Security Committees, periodic system of reporting, linking future allocation of food grains to submission of regular returns and monitoring the functioning of FPS through computer network.

Food Security Committees constituted at the Grama Panchayat level and the Vigilance Committees at each FPS were responsible for the supervision and monitoring of the FPS with power to inspect and check closing stocks, receipt of food grains and their distribution besides checking their basic records. In addition to this, they were also to ensure that the FPS always remained open

during the business hours fixed by the Government and that quality food grains are supplied to the beneficiaries. The monitoring of PDS at all levels was ineffective as detailed under:

Detailed inspection of FPS by the Department in five⁸ out of nine test-checked districts was totally non-existent although a minimum 300 FPS were to be inspected by the Deputy Director concerned.

Though Vigilance Committees were formed in all FPS and Food Security Committees at Grama Panchayat level, their functioning was found to be ineffective as there was no proper maintenance of records/registers as well as fool proof distribution of PDS commodities by the FPS.

Inspection of the FPS in the test-checked districts revealed that quality check of the food grains was not done. Absence of quality checks rendered the quality control mechanism ineffective.

The Government stated (December 2009) that suitable instructions would be issued to the departmental staff to ensure regular inspection of the FPS.

2.1.12.2 Evaluation

The Government had not conducted an evaluation of PDS in the State (May 2009).

2.1.13 Conclusion and Recommendations

2.1.13.1 Identification of beneficiaries

The State policy of identifying the BPL households by excluding the families on the basis of certain socio-economic criteria and subsequent relaxation of these criteria coupled with the decision to issue BPL ration cards on the basis of self declarations by the applicants led to inclusion of a large number of ineligible families in the BPL list. The number of ration cards even exceeded the total number of households in the State. Consequently, the State Government was compelled to buy food grains at higher cost to supply them at subsidised rates.

Recommendation: The State Government should prescribe suitable socio-economic/income criteria to identify and cover only the eligible BPL families under the PDS. Weeding out of ineligible beneficiaries should be carried out on priority in a time bound manner.

⁸ Gulbarga, Hassan, Kolar, Mandya and Tumkur

2.1.13.2 Procurement of PDS commodities

Procurement of insufficient quantities of levy rice by the Department, shortfall in release of levy sugar by some sugar factories and non-lifting of the entire quantities of rice and wheat allotted by Government of India resulted in scaling down the issue of food grains to the beneficiaries which severely affected the poor families in the State.

Recommendation: The State Government should take adequate steps to maximise the procurement of rice produced in the State by enforcing the Levy Order, 1999 and to lift the entire quota of rice and wheat allotted by GOI to ensure adequate food security to the poor.

2.1.13.3 Deficiencies in delivery of PDS commodities

Non-accountal of transit, handling and storage losses, improper documentation of transport of food grains, discrepancies between book balance and ground balance of kerosene with wholesale dealers, award of transport contracts at excessively low rates, mis-reporting of sale transactions, non-issue of receipts by the fair price shops to beneficiaries *etc.*, were strongly indicative of the diversion of the PDS commodities to the black market by wholesale dealers and FPS.

Recommendation: The State Government should ensure that the departmental officers conduct inspections of wholesale godowns and fair price shops regularly as prescribed to prevent irregularities. Computerisation of wholesale godowns and fair price shops should be expedited to ensure proper documentation and reporting of PDS transactions. The working of Vigilance Committees and Food Security Committees should also be made effective to ensure timely delivery of right quantity and quality of commodities to beneficiaries.

Health and Family Welfare Department

2.2 National Rural Health Mission

Executive summary

Government of India (GOI) launched the National Rural Health Mission (NRHM) during April 2005. The main objectives of NRHM are to provide accessible, affordable, effective and reliable health care facilities in the rural areas especially to the poor and vulnerable sections of the population. The Mission was implemented in the State by the Karnataka State Health and Family Welfare Society (State Health Society) under the overall guidance of the State Health Mission. An amount of Rs 1,241.96 crore (Central share: Rs 1,169.23 crore, State share: Rs 72.73 crore) was released for the Mission during 2005-09.

A performance audit of NRHM in the State, conducted between February and May 2009, revealed that the Government increased its spending on public health from Rs 1,001 crore during 2004-05 to Rs 2,042.18 crore during 2008-09. The number of sub-centres (8,143) and public health centres (1,679) in the State was also quite in conformity with the norms prescribed by NRHM. The State had also achieved cent per cent success in total immunisation of children against tuberculosis, diphtheria, pertussis, tetanus and polio under the 'routine immunisation programme'.

The performance audit, however, revealed the following deficiencies:

- The State Health Society did not conduct a cent per cent survey of households and health care facilities to identify the gaps in infrastructure and determine extent of interventions needed under NRHM.
- The community participation in planning, implementation and monitoring of the Mission was not ensured due to delay in setting up the village health and sanitation committees and non-involvement of non-governmental organisations in project implementation and deficient functioning of Arogya Raksha Samithis.
- There was delay in creation and strengthening of infrastructure despite availability of funds. The deficiencies in diagnostic, inpatient and emergency services in the rural health centres compelled the patients to visit district hospitals or private hospitals.
- Delays in appointment of the required medical and para-medical staff to rural health centres affected delivery of proper rural healthcare services.
- The accredited social health activists (ASHA) were yet to be involved at community level to realise the Mission objectives of providing the services of trained female community health workers in rural areas.

2.2.1 Introduction

Government of India (GOI) launched (April 2005) the National Rural Health Mission (NRHM) with the main objective of carrying out necessary architectural corrections in the basic healthcare delivery system. The goal of the Mission is to improve the availability and access to quality health care by people especially those residing in rural areas, the poor, the women and children. The Mission adopts a synergistic approach by relating health to determinants of good health *viz.*, segments of nutrition, safe drinking water, sanitation and hygiene. It also aims at mainstreaming all the Indian Systems⁹ of Medicine to facilitate healthcare. The plan of action includes increasing public expenditure on health, reducing regional imbalances in health infrastructure, pooling resources, integration of organisational structures, optimisation of health man-power, decentralisation and district management of health programmes, community participation and ownership of assets, induction of management and financial personnel into district health system and operationalising the community health centres into functional hospitals to meet Indian Public Health Standards (IPHS) in each block of the country.

2.2.2 Organisational set-up

At the State level, NRHM functions under the overall guidance of the State Health Mission (SHM) headed by the Chief Minister to consider policy matters related to health sector and review progress in implementation of NRHM. The activities under the Mission are to be carried out through the Karnataka State Health and Family Welfare Society (State Health Society), which was formed (May 2005) by integrating all the societies set up for implementation of various disease control programmes. The State Programme Management Support Unit (SPMSU) acts as the Secretariat to the State Health Mission as well as to the State Health Society (SHS) and is headed by a Mission Director. At the district level, there is a District Health Society (DHS) headed by the District Health and Family Welfare Officer. The executive committee of the DHS is headed by the Chief Executive Officer, Zilla Panchayat (CEO, ZP) who is responsible for planning, monitoring and evaluation of project implementation, besides releasing funds to healthcare centres and local bodies/societies.

2.2.3 Audit objectives

The objectives of the performance audit were to examine whether:

- planning was decentralised and need based;
- funds provided for the Mission activities were efficiently utilised;
- implementation of different components of the Mission was effective to improve access of rural people to affordable and effective primary health care; and

⁹ Indian System of Medicine comprising Ayurveda, Unani, Siddha and Homoeopathy systems

- monitoring mechanism ensured timely and effective interventions to realise the Mission goals.

2.2.4 Selection, scope and methodology of Audit

The topic was selected for performance audit in view of its public importance and substantial outlay (Rs 1,065.56 crore) on the project during the last four years.

The performance audit covering the period 2005-09 was conducted during February-May 2009 by test-checking the records of the Secretary to the Government, Health and Family Welfare Department, the Directorate of Health and Family Welfare, the Karnataka State Health and Family Welfare Society, besides test-check of the records of nine District Health Societies (DHS), 27 Community Health Centres (CHCs), 54 Primary Health Centres (PHCs) and 108 Sub-centres (SCs) in selected nine¹⁰ districts in the State (**Appendix-2.7**) by simple random sampling method.

The audit objectives and the methodology of audit were discussed with the Secretary during an entry conference held in March 2009. An exit conference was held (June 2009) with the Secretary to discuss the audit findings and to elicit the response of the Government/Department. The Secretary agreed to examine the findings and take necessary follow-up action.

Audit findings

2.2.5 Financial management

Funds for NRHM were released by GOI to the States through two separate channels *ie.*, through State Finance Department for direction and administration, rural and urban family welfare services, procurement of supplies and services, *etc.*, and directly to the SHS for implementation of the schemes of Routine Immunisation, Information, Education and Communication (IEC), Reproductive and Child Health (RCH), National Disease Control Programmes, *etc.* During the first two years of the Mission period (2005-2012) GOI provided cent *per cent* grants to the States but from the year 2007-08, the States were to contribute 15 *per cent* of the required funds. The States were required to reflect their requirements in a consolidated Programme Implementation Plan (PIP) and funds were provided on the basis of approval of these PIPs by GOI.

The details of funds released by GOI, the matching contribution of the State Government and the expenditure incurred on the Mission during the period 2005-09 are as shown at **Table 2.2**.

¹⁰ Bangalore (Rural), Bidar, Bijapur, Chamarajanagar, Chickmagalur, Dakshina Kannada, Dharwad, Tumkur and Uttara Kannada

Table 2.2 : Release of funds and expenditure under NRHM

(Rupees in crore)

Year	Releases from GOI	Releases from GOK	Total	Expenditure	Balance
2005-06	178.70	Not Applicable	178.70	148.99	29.71
2006-07	278.61	Not Applicable	278.61	195.66	82.95
2007-08	275.86	Nil	275.86	262.77	13.09
2008-09	436.06	72.73	508.79	458.14	50.65
Total	1,169.23	72.73	1,241.96	1,065.56	176.40

Source: State Health Society

2.2.5.1 Unspent balances

The unspent project funds as at the end of 31 March 2009 were Rs 176.40 crore

At the end of 31 March 2009, there was an unspent balance of Rs 176.40 crore with the SHS under the components *viz.*, RCH, NRHM Additionalities¹¹ and Routine Immunisation Programme being the annual maintenance grants, untied funds to Village Health and Sanitation Committees (VHSC), funds for selection of ASHAs and upgradation of healthcare centres as well as those earmarked for improvement to maternal health, information, education and communication activities, family planning, *etc.* Records revealed that Rs 8.14 crore released (July 2005) by GOI towards untied funds to 8,143 SCs in the State (at the rate of Rs 10,000 per SC) had been retained by the SHS up to 2007-08. The SHS did not furnish any reason for the same. Injudicious action of the SHS to retain the funds adversely affected the activities of the SCs and impeded the conduct of sanitation drives, household surveys, *etc.*, out of the untied funds as prescribed under the NRHM Framework.

In the test-checked districts, the unspent balance was Rs 42.84 crore as given at **Table 2.3**.

Table 2.3 : Unspent balance of NRHM funds in test-checked districts

(Rupees in lakh)

District	Opening balance	Funds received	Expenditure	Amount surrendered	Unspent balance
Bangalore (Rural)	95.04	650.40	391.85	37.80	315.79
Tumkur	131.96	1,692.11	1,177.73	96.68	549.66
Bijapur	302.40	1,272.98	708.27	146.12	720.99
Dharwad	110.21	722.18	393.44	--	438.95
Uttara Kannada	149.47	1,046.71	476.55	12.12	707.51
Bidar	94.27	1,084.75	713.31	100.73	364.98
Chamarajnar	162.14	814.49	483.53	87.10	406.00
Chickmagalur	135.12	848.56	512.41	17.40	453.87
Dakshina Kannada	205.98	779.06	570.10	88.55	326.39
Total	1,386.59	8,911.24	5,427.19	586.50	4,284.14

Source: State Health Society

¹¹ All new activities extending beyond the coverage of the existing schemes are covered by NRHM Additionalities.

The test-checked districts had retained project funds of Rs 42.84 crore as of 31 March 2009

Records revealed that failure of the VHSC and the Arogya Raksha Samithis of healthcare centres at each level to draw up action plans, to meet at regular intervals to identify the healthcare needs and to effectively monitor the implementation of the action plans resulted in accumulation of unspent balances and non-realisation of the intended objectives. The Department stated (June 2009) that this was due to lack of awareness of scheme guidelines among the implementing officers and shortage of human resources and other infrastructure. The reply was not factual as the SHS did not take timely action to constitute the committees at various levels and ensure their functioning by providing timely financial resources, guidance and counselling.

2.2.5.2 Delay in transfer of funds

There was a delay of 50 to 396 days in releasing grants to Village Health and Sanitation Committees

The funds released by GOI to the SHS towards corpus grants, untied grants, annual maintenance grants, *etc.*, payable to the healthcare centres and VHSCs were required to be passed on to them without any delay. Records revealed that the DHS of Bidar and Chickmagalur districts released an amount of Rs 1.56 crore received from the SHS, with delays ranging from 50 days to 396 days. The DHS of both the districts attributed (August 2008) the delay to belated opening of the bank accounts and non-existence of District Programme Management Support Units. The fact, however, remained that the delay in transfer of funds resulted in non-conduct of household surveys, delay in disbursement of cash incentives to beneficiaries of Janani Suraksha Yojane¹² and non-setting up of a revolving fund in VHSCs as discussed in succeeding paragraphs.

2.2.5.3 Non/short release of State share of funds

The state Government did not release its share of Rs 41.65 crore to NRHM during 2007-08 and short released funds by Rs.43.50 crore during 2008-09

The State's share of Rs 41.65 crore against the approved project cost of Rs 277.73 crore for the year 2007-08 was not released. For the year 2008-09, the State's share due was Rs 92.92 crore. Against this, the State Government released Rs 72.73 crore only. Besides, it included Rs 23.31 crore for implementation of State schemes namely 'Prasuthi Araiike' and 'Thayi Bhagya' which were not included in the approved PIP for the year. The State's share was thus, effectively Rs 49.42 crore only. The Department contended (June 2009) that these schemes although not included in the PIP were very much a part of the objectives of NRHM. The reply was not justified as the State's share was determined with reference to the project cost only as per the approved PIP.

2.2.5.4 Utilisation certificates

The SHS did not furnish complete details of utilisation certificates (UCs) submitted by it to GOI during the period 2005-09. Test-check of some UCs for specific components of NRHM revealed the following discrepancies:

- SHS issued UCs for an aggregate amount of Rs 21.14 crore during the years 2005-06 (Rs 8.14 crore), 2006-07 (Rs 11.73 crore) and 2007-08 (Rs 1.27 crore) under the component 'NRHM-Additionalities' although

¹² A Scheme to promote institutional deliveries in the State

the society did not spend any amount during 2005-06 and 2006-07 and only Rs 40 lakh was spent during 2007-08.

- SHS issued UCs for an aggregate amount of Rs 4.58 crore during 2006-07 under the component RCH although only Rs 45 lakh had been spent on appointment and training of ASHAs in the State during 2006-07.
- SHS incorrectly included Rs 43 lakh in the UC submitted for the year 2004-05 under the component 'Disease Control Programmes' although this amount was received for the year 2005-06.

The incorrect financial reporting by the SHS to GOI was inherent with the risk of diversion of project funds or even their misappropriation.

2.2.6 Planning

NRHM envisages decentralised planning and implementation arrangement at the village level. However, considering the requirement of extensive capacity building to make villages capable of taking up planning exercise, the Mission did not insist on village plans for the first two years of its tenure (2005-2012) and therefore, Block Health Action Plans formed the basis of District Health Action Plans (DHAPs).

Based on the DHAP, the State Plan had to be prepared by the SHM which was to be submitted for approval to GOI before the beginning of each financial year. NRHM Framework further stipulated that a PIP for the State be prepared annually by the SHS by aggregating DHAPs of each district and got approved by GOI for implementation. For comprehensive planning, a household and facility survey at the level of village, block and district was to be conducted at regular intervals.

2.2.6.1 Non-conducting of household survey

Household survey was not conducted as per NRHM Framework and format

In none of the 7,714 villages of the nine test-checked districts, households were surveyed. The DHAPs were prepared on the basis of the data gathered during the District Level Health Survey (DLHS) conducted by GOI for implementation of RCH programme. The DLHS was based on sample survey of only 1,000-1,500 households in each district and as such could not be as comprehensive and effective as the household survey envisaged in the NRHM Framework. GOI provided untied grants to VHSCs each year to be used, *inter alia*, for conducting household surveys and prescribed that 50 *per cent* of the households should be covered by the year 2007 and 100 *per cent* by the end of the year 2008. However, no action was taken to conduct the household survey as stipulated by GOI. The Secretary stated (June 2009) that since the DLHS survey was in compatibility with the requirements of NRHM, no fresh household survey was conducted. The reply was not justified as the Department, in the absence of hundred *per cent* survey of households could not identify all the gaps in the health determinants such as availability of

drinking water, access to sanitation, data on early childhood development, nutrition, etc., and provide for interventions required under NRHM leading to inadequate planning.

2.2.6.2 Non-conducting of facility survey

Survey of healthcare facilities was not conducted to identify the requirements under NRHM

The NRHM Framework also prescribed formats for conducting survey of existing facilities in the Government healthcare centres of different levels in the State. These formats were comprehensive covering availability of every kind of service, the existing manpower (both critical and supporting manpower), physical infrastructure, equipment, drugs, furniture, quality control, investigative facilities, emergency care, etc. The Department instead of conducting the survey with reference to the NRHM format, carried out the survey of facilities in the formats devised under DLHS-3 which were not as comprehensive as NRHM formats, as these covered only a few parameters such as availability of operation theatres, labour rooms, blood storage facilities and the specialists/trained staff at SCs, PHCs and CHCs. A large number of parameters such as investigative facilities, inpatient services, emergency care, etc., were not covered and as a result, the State could not provide for them in the project implementation plan as commented at paragraphs 2.2.7.2 to 2.2.7.6. Reasons for not conducting survey of facilities on NRHM formats were not forthcoming.

2.2.6.3 Non-preparation of Block plans and Village plans and lack of community participation in planning

There was delay in setting up Village Health and Sanitation Committees in the test-checked districts

Records of the test-checked 27 CHCs, 54 PHCs and 108 SHCs revealed that the block and village plans had not been prepared and consolidated into DHAPs due to undue delay in setting up VHSCs and Planning and Monitoring Committees at village, block and district levels as envisaged in the NRHM Framework. The State Plan was based only on DHAPs which did not incorporate either block level or village level plans thereby defeating the objective of decentralised planning of the Mission. While the VHSCs of the test-checked districts viz., Chickmagalur, Tumkur, and Dharwad were constituted during 2006-07, these were set up in Bidar, Dakshina Kannada, Uttara Kannada, Bangalore (Rural) and Bijapur districts only during 2007-08. In Chamarajanagar district, the VHSCs were constituted only during 2008-09. As at the end of 31 March 2009, there were only 23,026 VHSCs as against the 29,406 VHSCs targeted under NRHM. The Government issued orders to set up Health Monitoring and Planning Committees at various levels only in February 2009. Due to delay in setting up the VHSCs and planning and monitoring committees and non-preparation of village and block plans, the community participation in planning process was virtually non-existent. The objective of the Mission to have need based and community owned action plans as the basis for all future interventions, therefore, could not be achieved.

2.2.6.4 Arogya Raksha Samithis

The functioning of the Arogya Raksha Samithis was not satisfactory to realise the Mission Objectives

Each health care centre of the level of PHC, CHC and District Hospital was required to have in place a working Arogya Raksha Samithi (Rogi Kalyana Samithi) comprising both official and non-official members to review the functioning of healthcare facilities and to recommend further improvements to the healthcare system. Although Arogya Raksha Samithis (ARS) had been constituted at all the healthcare centres up to PHC level in all the nine test-checked districts yet their functioning (2005-09) was not satisfactory as detailed below:

- As per NRHM Framework, the General Body of each healthcare centre (*ie.*, DHS, CHC and PHC) had to meet once in a quarter and the Executive Committee monthly. As against this, no meeting was conducted by 17 CHCs and 19 PHCs during 2005-09. In the remaining test-checked DHS, CHCs and PHCs, the number of meetings held was short by as much as 97 per cent.
- The ARS of 27 CHCs and 51 PHCs did not set up monitoring committees to collect feedback from patients on the quality of the healthcare.
- The public hearings (Jan Sunwai) and the public dialogues (Jan Samwad) were also not conducted by any of the ARS in the test-checked districts as required under the Mission guidelines.

2.2.6.5 Non-involvement of non-governmental organisations

Non-governmental organisations were yet to be involved in project implementation

Non-governmental organisations (NGOs) were identified as critical for the success of NRHM. Efforts were to be made to involve NGOs at all levels of the healthcare delivery system *viz.*, planning, capacity building, delivery of health services, monitoring the project implementation at community level, *etc.* Five per cent of the total financial resources allocated to NRHM was to be earmarked to NGOs as grant-in-aid at district and State levels. The Department was supposed to select one Mother NGO (MNGO) in each district to focus and strengthen the NGO's participation in NRHM.

The SHS did not furnish the records relating to identification and selection of NGOs and release of grant-in-aid to these organisations. In the test-checked districts, although MNGOs had been identified in four districts (Uttara Kannada, Dharwad, Chamarajanagar and Bidar), no grant-in-aid had been released to them. In the remaining five test-checked districts, no MNGO was identified. The SHS stated (June 2009) that 14 MNGOs had been identified for 17 districts and Rupees one lakh each had been released (February 2006) to them to conduct baseline survey in the identified villages. But, due to poor quality of baseline survey by these MNGOs, further release of funds was withheld. Action taken to mobilise the NGOs to pro-actively participate in project implementation was, however, not forthcoming.

2.2.7 Creation and strengthening of infrastructure

The NRHM Framework provided for creation of new infrastructure for health care centres and strengthening the existing ones conforming to Indian Public Health Standards (IPHS)¹³ so as to improve accessibility and quality of health care delivery services. This involved upgradation of 21 District hospitals, 53 Taluk level hospitals and 29 CHCs to IPHS besides renovation and expansion of four CHCs, construction of 85 ANM (Auxillary Nursing Midwives) sub centres and 94 PHCs aggregating to 286 works.

2.2.7.1 Upgradation and construction of healthcare centres

There was undue delay in taking up upgradation/ construction of healthcare centres

The Department took up the upgradation/construction/expansion of 286 healthcare centres during the period February-November 2008 at a cost of Rs 112.51 crore. These were entrusted to different agencies for completion by May-August 2009. Out of these, 48 works had been completed at a cost of Rs 8.48 crore at the end of March 2009 and the total expenditure incurred (including works in progress) was Rs 24.87 crore up to the end of May 2009.

Records revealed that there was undue delay in taking up the upgradation/construction works although funds had been released by GOI consistently during the period 2005-08. The Secretary attributed (June 2009) delay to belated tendering process.

A joint inspection by audit of the health care centres in the test-checked districts (108 SCs, 54 PHCs, 27 CHCs and nine DHs) revealed 63 instances of SCs and PHCs running without a proper building, 23 PHCs without an operation theatre and 36 PHCs without any vehicle (including ambulance) to provide emergency transportation facility to patients.



PHC, Araluguppe (Tumkur District) running without proper building (March 2009)



Untreated bio-medical wastes discarded in Injection Room at CHC, Sirsi (Uttara Kannada District) (March 2009)

One hundred and twenty four SCs/PHCs/CHCs did not have separate utilities for men and women, 59 SCs and PHCs were not provided with labour rooms, 47 SCs and PHCs did not have water supply, 119 SCs/PHCs/CHCs did not have any facility for scientific disposal of bio-medical wastes and 180 SCs/PHCs/CHCs did not have residential quarters for the staff (**Appendix-2.8**).

¹³ IPHS is a novel concept to fix benchmarks of infrastructure including manpower, equipment, drugs, quality assurance through introduction of treatment protocols

The Department stated that it required a lot of funds to upgrade the healthcare centre to IPH standards. The reply was not justified as the Department had not conducted a detailed survey of existing facilities to identify the gaps in healthcare facilities at all levels; taken timely action to utilise the available funds to create the infrastructure; assessed the cost to achieve IPH standards and apprised GOI for further release of funds.

2.2.7.2 Deficiencies in inpatient services

Only 37 out of 54 test-checked PHCs had a bed strength varying from one to six

As per the NRHM Framework, each PHC was to be provided with six beds and CHC with 30 beds for inpatient services. It was, however, observed that in only 37 out of test-checked 54 PHCs, inpatient services were available with bed strength varying from one to six. Similarly, out of the 27 test-checked CHCs, only 23 CHCs had 30 bed strength and in the remaining CHCs it varied from 10 to 25 beds. Consequently, the patients were forced to visit either district hospitals or private hospitals for health care. No reply was received as to reasons for not providing adequate facilities.



Deficiencies in inpatient services at PHC, Hulsoor (Bidar District) (March 2009)

2.2.7.3 Deficiencies in operation theatres

As per the NRHM Framework, operation theatre (OT) in each CHC was to be provided with equipment such as cardiac monitor, ventilator, high pressure steriliser, nitrous oxide cylinder, defibrillator, fumigation apparatus, oxygen cylinder, hydraulic operation table, etc. It was observed during a joint inspection of 27 CHCs that while cardiac monitors were functioning in only three CHCs, the ventilators were working in only five CHCs. The status of the availability and working of the various OT equipment in the CHCs is detailed in **Appendix-2.9**.

2.2.7.4 Lack of labour rooms in PHCs

Eleven out of 54 test-checked PHCs in the audited districts did not have labour rooms. Consequently, the intended objective of increasing institutional deliveries could not be achieved by these PHCs.

2.2.7.5 Deficiencies in diagnostic services

Basic diagnostic services were not available at the test-checked PHCs/CHCs

The NRHM Framework provides for essential laboratory services at PHCs and CHCs. At the PHC level, the service should include laboratory service for routine urine, stool and blood tests, blood grouping, bleeding time and clotting time, diagnosis of reproductive track infections (RTI)/sexually transmitted diseases (STD), sputum test for tuberculosis, blood smear examination for malaria, rapid tests for pregnancy, etc.

It was observed during the test-check of 36 PHCs that routine urine, stool and blood test services were not available in 17 PHCs, sputum test services not in 26 PHCs, blood smear test services for malaria not in four PHCs, diagnostic services for RTI/STD not in 46 PHCs and 33 PHCs did not have blood grouping services. No ultra sound facilities were available in 24 CHCs. The primary health care services could not thus, be effectively delivered at the grassroot level.

2.2.7.6 Deficient emergency services

There were deficiencies in providing emergency health services too, at the test-checked CHCs

In test-checked CHCs, deficiencies in the following services were also noticed:

- emergency obstetric care was not available in 7 CHCs.
- safe abortion facilities were not available.
- no blood storage services were available in 26 CHCs
- no paediatric services were available in 14 CHCs.

Although the above services were to be ensured by the CHCs as per the NRHM Framework, no action was taken to meet the requirements. Thus, the patients were forced to approach district hospitals or private hospitals. The Department cited paucity of funds to provide these services without furnishing details of action taken to secure funds.

Box 2.3

Non-operationalisation of Mobile Medical Units

Under NRHM, one Mobile Medical Unit (MMU) was to be provided in each district to serve unserved/under-served areas with the aim of taking healthcare to the doorstep of the needy people. Such MMUs comprised two components viz., a passenger vehicle to transport the medical and paramedical staff and another unit fitted with essential diagnostic/ operational equipment and laboratory facilities.

Based on PIP of the State for the year 2006-07, GOI released (September 2006) Rs 11.73 crore for purchase of 26 MMUs. The Department purchased (December 2007) only 26 passenger vehicles at a cost of Rs 1.47 crore and Rs 10.26 crore were kept (October 2006) in fixed deposits. The Mission Director (MD) outsourced (February 2009) running of mobile health clinics in the rural areas to NGOs in 12 districts and advanced Rs 1.61 crore to the respective DHS for this purpose. The MD neither obtained the approval of GOI for outsourcing this job nor considered the availability of passenger vehicles already purchased for the purpose. Consequently, the expenditure (Rs 1.47 crore) incurred on passenger vehicles was unproductive and the intended objective of rendering healthcare services in the remote areas could also not be realised. Besides, GOI funds of Rs 8.65 crore remained unutilised for nearly two years.

In a glaring instance, one of the passenger vehicles allotted to District Health and Family Welfare Officer, Bijapur was used for other official purposes and during elections by the Zilla Panchayat in disregard of the Mission requirements.

2.2.8 Human resources management

There was acute shortage of human resources at the test-checked health centres

The NRHM Framework provided that each SC was to be run with two ANMs (female) and a multipurpose worker (MPW-Male). The Mission aimed to ensure two ANMs at 30 *per cent* of the SCs by 2007 and 60 *per cent* by 2008 with the second ANM being appointed on contract basis. While the ANMs were to be paid out of Central grants, the MPWs were to be paid by the State Government. The PHC being the first point of interaction of the rural population with a doctor was to be manned by a medical officer. Besides, one AYUSH¹⁴ doctor was to be appointed on contract basis to each PHC. The CHCs, first referral units for the rural population were to be provided with seven specialist doctors and nine staff nurses, besides support staff such as pharmacists and lab technicians.

The NRHM Framework also provided for appointment of medical and paramedical staff on contract basis so as to fill gaps in human resources for delivery of expected health care services by the SC/PHC/CHC/District Hospitals.

Records of healthcare centres in the test-checked districts revealed shortages of medical/para medical staff;

- There was no General Physician in 16 CHCs and General Surgeon in 12 CHCs.
- There were no Gynaecologists and Obstetricians in 8 CHCs.
- The posts of Paediatrician and Anaesthetist were vacant in 14 CHCs.
- There was no regular ANM in 10 PHCs.
- 27 PHCs did not have the required number of staff nurses.
- The post of Pharmacist was vacant in eight PHCs.
- The post of laboratory technician was vacant in 12 PHCs.
- The post of MPW was vacant in 76 SCs.

No action was taken to fill up the vacancies either through regular recruitment or on contract basis during the period 2005-09. The Department in reply stated (June 2009) that the recruitment was underway to remedy the situation. The delay in appointment of the medical and paramedical staff to the rural health care centres affected delivery of proper rural healthcare services.

Box 2.4

Idle anesthesia machines in CHC

Forty anaesthesia machines (Boyle's apparatus) were procured (January 2007) by the SHS at a cost of Rs 73.63 lakh and supplied to 40 CHCs although there was no sanctioned post of anaesthetist in these CHCs. Consequently, the machines were idling for nearly three years resulting in an unfruitful expenditure of Rs 73.63 lakh.

¹⁴ Ayurveda, Unani, Siddha and Homoeopathy systems of medicine

2.2.8.1 Appointment of Accredited Social Health Activists (ASHA)

The accredited social health activists were not involved at community level to realise the Mission Objectives

The NRHM Framework envisages appointment of a trained female community health worker called ASHA in each village in the ratio of one per thousand population (or less for large isolated habitations). ASHA was expected to act as an interface between the community and the public health system. ASHA would facilitate preparation and implementation of the Village Health Plan under the leadership of the VHSC. She would be trained on pedagogy of public health and given a drug kit containing generic AYUSH and allopathic formulations for common ailments to be dispensed among the rural population at their door step. The NRHM Framework envisaged appointment of 50 *per cent* of the required number of fully trained ASHAs by 2007 and 100 *per cent* by 2008.

Records revealed that GOI released (December 2006) Rs 2.93 crore to the SHS for appointment and training of 39,125 ASHAs in the State. As against the required 39,125, only 12,335 ASHAs had been appointed and trained during 2008-09 at a cost of Rs 45 lakh and the balance Rs 2.48 crore was lying unspent with the SHS. The reasons for undue delay in selection and training of ASHAs were not forthcoming. The Department in reply stated (June 2009) that action would be taken to meet the target during the year 2009-10. The delay in the selection of ASHAs had thus, impeded the pace of project implementation.

2.2.9 Evaluation of Health Indicators

The NRHM Framework prescribed National targets for reducing maternal mortality rate (MMR), infant mortality rate (IMR), total fertility rate (TFR) as well as increasing cure rate of different endemic diseases covered under various National disease control programmes. The States were also required to set similar targets for achieving reduced MMR, IMR and to increase institutional deliveries, routine immunisation of children, *etc.*, by the year 2010.

2.2.9.1 Maternal mortality ratio and Infant mortality ratio

The RCH programme aims at reducing the MMR rate to 90 per lakh deliveries and IMR to 30 per thousand live child births by the year 2010. The status of MMR and IMR in the State as at the end of the year 2008-09 stood at 228 and 50 respectively.

Factors such as ante-natal care, tetanus toxoid immunisation, iron folic acid administration to expectant mothers and institutional deliveries at the healthcare centres were essential to achieve the prescribed reduction in MMR and IMR.

Ante natal care

There was a wide gap in the total number of pregnant women and those who received antenatal care for safe motherhood in the test-checked districts

Ante natal care (ANC) aimed at safe motherhood and provided for registering all pregnant women at the nearest Government healthcare centres before they attained 12 weeks of pregnancy and provide them with four rounds of ante natal checkup.

Records revealed that out of 9.58 lakh pregnant women who were registered for ANC in the test-checked districts, only 4.70 lakh received the prescribed four rounds of ante natal checkup. The Department did not keep track of the remaining registered pregnant women to ensure completion of all the prescribed rounds of checkup and to ensure their safe motherhood.

Tetanus Toxoid immunisation

Under the NRHM Framework, all the pregnant women were to be administered two doses of tetanus toxoid. There was, however, a shortfall in immunising the pregnant women as only 9.60 lakh pregnant women were immunised against a target of 10.56 lakh due to short supply of vaccines by GOI.

Iron folic acid administration

There was shortfall in achieving the targets for immunisation of pregnant women and administering iron tablets to them

All pregnant women were to be administered 90 or more iron folic acid tablets during the course of pregnancy. Although 10.10 lakh pregnant women were registered for iron folic acid (IFA) administration in test-checked districts, the number who actually received the required number of IFA tablets was only 5.02 lakh resulting in 5.08 lakh pregnant women going without IFA tablets although iron deficiency was considered to be the serious cause of maternal deaths. The Department did not ensure that the remaining pregnant women received the required number of IFA tablets essential for safe motherhood.

Institutional deliveries

The SHS did not furnish information regarding the target fixed for institutional deliveries, total institutional deliveries registered in the State during the period 2005-09 and the action taken to achieve the target in case of shortfall. However, in the test-checked districts, the details of targets and achievements for institutional deliveries are as at **Table 2.4**.

Table 2.4: Details of targets and achievements for institutional deliveries

District	No. of pregnant women registered at Government Healthcare Centres	Target for institutional deliveries (2005-09)	Achievement (2005-09)	Domiciliary deliveries	Percentage of institutional deliveries
Bidar	1,54,151	96,947	73,354	38,592	75.66
Bangalore (Rural)	1,21,921	1,03,633	76,438	3,363	73.76
Bijapur	2,09,860	86,271	NF	77,527	NA
Uttara Kannada	90,195	77,840	71,561	8,038	91.93
Chickmagalur	56,081	NF	38,519	5,802	NA
Chamarajanagar*	NF	NF	NF	NF	NA
Dharwad*	1,41,325	NF	74,459	9,095	NA
Dakshina Kannada	75,157	69,108	66,833	2,275	96.70

Source: State Health Society

NF = Not furnished, NA – Not applicable

* Chamarajanagar and Dharwad districts did not furnish the details of targets fixed.

There was a shortfall in the institutional deliveries ranging from 3.30 to 26.24 per cent in the test-checked districts

The targets fixed for institutional deliveries in Bidar, Bangalore (Rural), Bijapur and Uttara Kannada districts were unrealistic in as much as they were less than the number of pregnant women registered in the Government healthcare centres by 13.70 to 58.90 *per cent*. There was a shortfall in institutional deliveries ranging from 3.30 to 26.24 *per cent* in the test-checked districts.

In the absence of operation theatres, labour wards, equipment, specialists in Obstetrics and Gynaecology, Anaesthesia, *etc.*, delay in appointment of ASHA, filling up vacant posts of ANM and constitution of planning and monitoring committees at village level coupled with inadequate coverage for ante-natal care, it was difficult to conclude that the objective of institutional deliveries had been attained in the State.

Box 2.5

Shortfall in disbursement of cash incentives under Janani Suraksha Yojane

The NRHM Framework provides for payment of cash incentives immediately after the delivery of first and second child, at the rate of Rs 500 and Rs 700 for institutional deliveries. Records of test-checked CHCs and DHS of Bidar and Dharwad districts revealed that against 38,186 cases of institutional deliveries involving below poverty line beneficiaries during 2008-09, the Department paid cash incentives in only 34,028 cases and the remaining beneficiaries were denied the benefits on grounds of non-availability of fund and non-production of proper documents. The inaction of the Department was not justified as the cash incentives had to be paid as per Mission Framework within seven days of delivery after verifying the bonafides of the beneficiaries. Failure to take timely action resulted in denial of the benefits.

2.2.9.2 Family planning

The NRHM Framework launched a number of initiatives under family planning (FP) while continuing existing methods to achieve the goal of population stability and reduction in total fertility rate by the year 2012. The FP included terminal method to control total fertility rate and spacing method to improve couple protection ratio. While the terminal method included vasectomy for males and tubectomy (including Laparoscopy) for females, the spacing method included using oral pills, condoms and inserting intrauterine contraceptive devices.

There was a shortfall in achieving family planning targets by 6.8 per cent to 98.77 per cent in the test-checked districts

Records in the test-checked districts revealed that against a target of 1.08 lakh conventional tubectomies during the period 2005-09, the achievement was one lakh indicating a shortfall of 6.8 *per cent*. Under laparoscopic tubectomy, as against a target of 1.87 lakh cases during the period 2005-09, the achievement was only 1.02 lakh indicating a shortfall of 45.46 *per cent*. Under vasectomy, the achievement was only 765 as against a target of 62,020 cases during 2005-09 indicating an acute shortfall of 98.77 *per cent*. Although specific reasons for shortfall were not furnished by the implementing officers, delay in appointment of ASHA, continued vacancies in the post of ANM and non-existence of Planning and Monitoring Committees at village level as well as

non-involvement of NGOs in project implementation were largely responsible for shortfall in achievement of the goals prescribed under family planning.

2.2.9.3 Routine immunisation

The targets under oral polio vaccine and DPT were over achieved during 2005-08

Immunisation of children against six preventable diseases *viz.*, tuberculosis, diphtheria, pertussis, tetanus (DPT), polio and measles was envisaged under the routine immunisation programme. The Department had set annual targets for immunisation against each of these six diseases. In addition, GOI had launched 'pulse polio' programme to eradicate polio and ensure zero transmission by the end of 2008. The details of targets and achievements at the State level during 2005-08 were as at **Table 2.5**.

Table 2.5: Targets and achievements under routine immunisation

	Targets (2005-08)	Achievement (2005-08)*	Excess/shortfall
BCG (Tuberculosis)	32,34,363	33,25,618	(+) 91,255
DPT	21,60,424	21,84,665	(+) 24,241
Oral Polio Vaccine (OPV)	32,34,363	32,69,677	(+) 35,314
Measles	32,34,363	31,22,694	(-) 1,11,669
Pulse Polio (GOI programme)	Targets and achievements not furnished by SHS		

Source: State Health Society

* Details of targets and achievements for 2008-09 were not furnished by the Department

While there was a shortfall in the achievement of targets in respect of measles (3.46 *per cent*), the targets under administration of BCG, Oral Polio Vaccine and DPT were over achieved by 2.82 *per cent*, 1.09 *per cent* and 1.12 *per cent* respectively.

In the test-checked districts, it was observed that the Pulse Polio Programme was a success throughout the period 2005-08 with an achievement ranging from 99.15 *per cent* to 101.52 *per cent*.

2.2.9.4 Administration of Vitamin 'A' solution to children

Shortfall ranging from 7 to 37 *per cent* in administration of Vitamin 'A' to children

The NRHM Framework emphasised administration of Vitamin 'A' solution to all children less than three years of age to protect them against blindness due to vitamin 'A' deficiency. This required administration of first dose of Vitamin 'A' solution at 9 months of age and second dose along with DPT/OPV and subsequent three doses at every six months interval.

Records revealed that during the period July 2005-January 2008, the achievement varied from 63 *per cent* to 93 *per cent*. The shortfall was attributed to migration of labour class parents at the time of administration, inaccessibility of beneficiaries due to rainy seasons, *etc.*. However, no details were available with the implementing officers in support of the reasons for shortfall.

2.2.9.5 National Vector Borne Disease Control Programme

The National Vector Borne Disease Control Programme (NVBDCP) aimed at controlling vector borne diseases such as malaria, filaria, kala azar, dengue, chikungunya, Japanese encephalitis, *etc.*, in endemic areas through close surveillance, controlling mosquito breeding and providing treatment facilities at health centres. The programme stipulated to achieve an annual blood examination rate of 10 *per cent* to detect/diagnose the incidence of vector borne diseases and an annual parasitic incidence of less than 0.5 per thousand population.

Records revealed that in the State the annual blood examination rate was 18.90 *per cent* and 16.8 *per cent* for the years 2005-06 and 2006-07. But the annual parasitic incidence was 1.2 per thousand and 0.9 per thousand for 2005-06 and 2006-07 respectively. The details of achievement during 2007-09 were not furnished by the SHS.

2.2.10 Management Information System

The NRHM Framework envisaged developing a computer based Management Information System (MIS) at each DHS and reporting monthly to the SHS. The computerisation of health care centres up to block level and networking under the Integrated Disease Surveillance Project (a component under NRHM) were necessary for reporting through the MIS. Besides, the Mission envisaged an elaborate system of monitoring the implementation of various programmes at all levels *viz.*, the State Health Society, District Health Society, Block level and Village level Planning and Monitoring Committees. The Mission also provided for a State Programme Management Support Unit (SPMSU), District Programme Management Support Units (DPMSU) and Block Programme Management Support Units to facilitate Management of health care services by professionals and by providing technical support in the fields of accounting, MIS, human resource management, *etc.*

Records revealed:

2.2.10.1 Non-computerisation of CHCs

None of the 27 test-checked CHCs was computerised during the period 2005-09. Reasons for non-computerisation of CHCs were not forthcoming.

2.2.10.2 Non-setting up of PMSUs at Block level and under-staffing of PMSUs at District and State level

PMSUs had not been set up at block level in 27 test-checked CHCs even at the end of March 2009 and the PMSUs at the district and State level were understaffed. Consequently, factual correctness of financial reporting was affected. The Department did not furnish any information on the action taken in the matter.

Computerisation of CHCs and setting up the PMSUs had not been achieved

2.2.11 Conclusion and recommendations

2.2.11.1 Planning

The launching of the National Rural Health Mission without conducting a survey of the households and existing facilities was defective as the Department could not accurately assess future interventions required and fix realistic financial and physical targets. Lack of community participation in preparation of village and block plans for project implementation defeated the objectives of decentralised planning intended to ensure a health system more responsive to the needs of the local community. The functioning of ARSs and the involvement of NGOs were also not effective further impacting the community participation.

Recommendation: The SHS should ensure survey of households and facilities as per NRHM Framework to identify all the gaps in the health care facilities and to include them in the future project implementation plans. Expeditious action should be taken to set up the planning and monitoring committees as well as village health and sanitation committees throughout the State. The functioning of ARSs and involvement of NGOs also needs to be improved.

2.2.11.2 Unspent project funds and defective UCs

There were huge unspent balances under various components of NRHM representing untied funds to VHSCs, funds for upgradation/expansion of healthcare centres, appointment of ASHAs, reduction of maternal and infant mortality, *etc.*, leading to delay in realisation of intended objectives. The incorrect financial reporting by SHS through defective UCs carried the inherent risk of diversion or even misappropriation of funds.

Recommendation: The State Government should provide the VHSCs with untied funds and suitable guidance and counselling for their functioning. Upgradation/expansion of healthcare centres as well as appointment and training of ASHAs should be expedited to create necessary healthcare infrastructure and to provide trained female community health workers in rural areas. The PMSUs should be set up in each block and staffed adequately to ensure correctness of financial reporting by the unit officers.

2.2.11.3 Deficiencies in healthcare services

The deficiencies in diagnostic services, inpatient services, emergency services and lack of labour rooms and operation theatres in healthcare centres at village and block/community level compelled the patients to approach district/private hospitals defeating the objectives of providing accessible and affordable healthcare facilities to the rural poor under NRHM.

Recommendation: A time bound programme should be drawn up to identify the gaps and create basic health infrastructure at all levels to render primary healthcare services especially in rural areas.

2.2.11.4 Shortage of staff and poor health indicators

Shortage of medical and paramedical staff together with lack of essential equipment and buildings for the healthcare centres resulted in denial of primary healthcare to the rural people. Evaluation of health indicators indicated poor achievement in reducing maternal mortality and institutional deliveries.

Recommendation: Expeditious action should be taken to fill the existing vacancies in all the health care centres in a time bound manner. Government should ensure that antenatal care is provided to all expectant mothers to ensure safe motherhood and reduction in infant mortality.

2.2.11.5 Monitoring

Computerisation of healthcare centres upto the block level and networking was yet to be achieved to develop a computer based Management Information System at each DHS.

Recommendation: A time bound programme should be drawn up to commission the MIS at DHS utilising the available financial resources.

The matter was referred to Government in July 2009; reply had not been received (December 2009).

Water Resources Department

2.3 Karanja Project

2.3.1 Introduction

Karanja project is a major irrigation project envisaged to irrigate an *atchkat* of 35,614 hectares¹⁵ (ha) in Bhalki and Bidar taluks. The project comprising an earthen dam, a Right Bank Canal (RBC) of 131 km, a Left Bank Canal (LBC) of 31 km and one Lift Irrigation Scheme (LIS) was administratively approved (November 1969) for Rs 9.90 crore. Subsequently, the project was cleared (August 1992) by the Planning Commission at an estimated cost of Rs 98 crore for completion by March 1997. The project cost was revised (April 1996) to Rs 258.17 crore and further revised to Rs 532 crore, the approval to which was pending with the Government as of March 2009. In the revised estimate, reduction of *atchkat* from 35,614 ha to 29,227 ha was proposed. The expenditure incurred on the project was Rs 481.10 crore as of March 2009.

Records of three divisional offices, one circle office and central office covering the period from 2003-04 to 2008-09 were test-checked and results thereof are brought out in the succeeding paragraphs.

2.3.2 Financial management

The project cost was initially met out of State funds and subsequently a Central Loan Assistance (CLA) of Rs 176.78 crore¹⁶ was received under the Accelerated Irrigation Benefit Programme (AIBP) between 1997-98 and 2003-04 (under normal and fast track) for completing the balance works. The balance works related to construction of main canals, distributaries, sub-distributaries and water courses were to be completed by June 2004.

The details of budget grants, expenditure incurred and unspent balance of CLA each year during the period 2003-09 were as given in **Table 2.6**.

Table 2.6 : Budget grant and expenditure

(Rupees in crore)

Year	CLA available	Budget grant	Works expenditure	Establishment expenditure	Total expenditure	CLA unspent balance
2003-04	86.22	25.00	18.86	5.99	24.85	67.36
2004-05	67.36	61.63	42.26	6.06	48.32	25.10
2005-06	25.10	48.84	16.83	6.12	22.95	8.27
2006-07	8.27	45.70	13.95	6.89	20.84	Nil
2007-08	Nil	11.23	3.39	7.67	11.06	Nil
2008-09	Nil	12.53	2.43	8.36	10.79	Nil
Total		204.93	97.72	41.09	138.81	

Source: Water Resources Department

¹⁵ RBC – 27,520 ha, LBC – 4,047 ha, LIS – 4,047 ha

¹⁶ Rs 77.14 crore under normal track (from 1997-98 to 2001-02) and Rs 99.64 crore under fast track (from 2002-03 to 2003-04)

The estimated cost of balance works was Rs 99.64 crore. Against, CLA of Rs 86.22 crore available, the budget provision made during 2003-04 was Rs 25 crore only. Thus, CLA was not fully made available by the Government for completion of balance works as programmed. Inadequate budget provision and short release of funds in subsequent years resulted in CLA remaining unspent upto the year 2006-07.

The Department while accepting (September 2009) inadequate budget provision for 2003-04, stated that expenditure in subsequent years was less because of short release of funds by the Finance Department.

Incurring of expenditure without obtaining administrative approval

Paragraph 107 of the Karnataka Public Works Departmental Code stipulates that when the project cost exceeds 15 *per cent* of the sanctioned estimate, revised administrative approval should be obtained without waiting for the preparation of a revised estimate. The revised cost of Rs 258.17 crore was approved by Government in April 1996 and accordingly a maximum expenditure of Rs 296.89 crore only could have been incurred. As of March 2009, the total expenditure incurred was Rs 481.10 crore. Thus, incurring of expenditure of Rs 184.21 crore without obtaining administrative approval was irregular.

2.3.3 Cost and time overrun

The construction of the project commenced during 1971-72 had not been completed even after 38 years. The cost of the project had escalated by 53 times from Rs 9.90 crore to Rs 532 crore, out of which an expenditure of Rs 481.70 crore had already been incurred (March 2009).

Field Irrigation Channels (FICs) for 14,692 ha, two aqueducts and tail end distributaries under RBC, rejuvenation of KLIS, Atiwel LIS, KLIS canal for three km and D-1 distributary were yet to be completed as of March 2009.

2.3.4 Potential created and area irrigated

Area not notified for irrigation during kharif season

The project envisaged annual irrigation of 35,614 ha in Rabi, Kharif and bi-seasonal by utilising 7.12 TMC of water. During 1990-2007, the average quantum of water stored in the reservoir was 2.54 TMC with storage ranging from 0.498 TMC to 4.47 TMC. The Water Resource Development Organisation (WRDO), Bangalore assessed (September 2006) total water inflow as 3.87 TMC which did not meet the requirement of 4.38 TMC of water for irrigating rabi crops. The potential created as of March 2000 was 22,793 ha as against the targeted 35,614 ha. The details of area notified for irrigation and area irrigated as per WRD and Revenue Department (RD) are as shown at **Table 2.7**.

Table 2.7: Year-wise details of area notified and area irrigated

Year	Atchkat created	FICs completed	(in hectares)					
			Area notified		Area irrigated as per departmental statistics		Area irrigated as per Revenue Department	
			Kharif	Rabi	Kharif	Rabi	Kharif	Rabi
2004-05	18,192 (up to 31.03.2005)	15,955	Nil	Nil	Nil	Nil	Nil	Nil
2005-06	3,935	1,694	Nil	8,300.00	Nil	2,707.515	Nil	534
2006-07	666	2,263	Nil	6,242.76	Nil	4,289.345	Nil	960
2007-08	0	1,010	Nil	5,600.00	Nil	4,181.542	Nil	1,040
Total	22,793	20,922						

Source: Water Resources Department and Revenue Department

Due to availability of less water no area was notified for irrigation during Kharif season against contemplated area of 26,316 ha in any of the years. The maximum area notified for irrigation during last four years (2004-08) was 8,300 ha and maximum actual area irrigated was 4,290 ha against potential created for 22,793 ha.

Further, there was wide variation in the area stated to be irrigated by the Irrigation Department and figures furnished by RD. The Superintending Engineer stated (April 2009) that the figures furnished by RD were for few crops only and figures given by the Department were as per cropping pattern. However, the reports on area actually irrigated which is to be jointly attested by the Sub-divisional Officer of the Department and the Tahsildar as per paragraph IX (3) of Irrigation Manual were not on record.

2.3.4.1 Benefit cost ratio (BCR)

BCR reduced from 1.9 to 0.26

BCR as per revised project estimate was 1.94. The revised yield of 3.87 TMC of water, as assessed by WRDO in September 2006 was not sufficient even to irrigate rabi crops in 15,352 ha (**Appendix-2.10**). In the absence of Kharif and bi-seasonal irrigation, the BCR worked out to 0.26 (**Appendix-2.11**) affecting the project viability.

2.3.4.2 Injudicious planning of additional works

Planning for additional components costing Rs 51.70 crore was injudicious

In order to achieve the total projected potential of 29,227 ha, proposals were included in the revised estimate (October 2008) on additional components like tail-end distributaries of RBC, D1 distributary of Karanja LIS and Atiwal Lift Irrigation Scheme with a potential of 6,434 ha, at a total cost of Rs 51.70 crore. Against this, Rs 12.25 crore towards first instalment was released (March 2009) under AIBP grant. In view of the reduction in inflow of water into the reservoir, proposals to execute additional works were not feasible and any expenditure thereon may not prove fruitful. The Government stated (September 2009) that only the tail end distributary of RBC would be considered in view of the reduced inflow.

2.3.4.3 Non-functional Karanja Lift Irrigation Scheme

Karanja LIS was completed during 1997-98 with the objective of irrigating 4,047 ha. The up-to-date expenditure on the scheme was Rs 34.47 crore.

However, the LIS could not be put to use as heavy leakages were noticed in the rising main during trial run of the scheme (June 2000).

Delay in rectification works rendered out lay of Rs 34.47 crore largely unfruitful

An audit paragraph highlighting faulty design of rising main leading to infructuous expenditure had appeared in the C&AG's Report 2002-03 (Paragraph 4.1.7). The State Public Accounts Committee (PAC) had also directed the State Government to rectify the defects in the rising main apart from taking action against the officers responsible. However, the defects had not been rectified (March 2009). Hence, the entire expenditure of Rs 34.47 crore remained unfruitful.

The Government had ordered (October 2005) filing of civil suit against seven retired officials besides taking departmental action against one official for recovering the loss of Rs 2.66 crore on this account. Action was yet to be taken in the matter.

The Government stated (September 2009) that the work on rejuvenation of Karanja LIS is programmed for completion during 2009-10. The revised estimate for the work for Rs 5.67 crore is, however, yet to be cleared by the Technical Advisory Committee (September 2009)

Box 2.6

Delay in taking departmental action against officials

Government ordered action against 118 officials, in 25 cases¹⁷, responsible for irregularities in execution of works costing Rs 11.88 crore. However, out of 118 officials, 32 officials have retired from service. Though departmental enquiry against 27 officials in four cases involving Rs 3.49 crore is in progress, in the case of 54 officials involving Rs 4.21 crore, the civil cases/criminal cases/ police complaint is yet to be filed (March 2009). In the remaining cases, no action has been taken. Government stated (September 2009) that action as ordered, is being taken.

Non-recovery of extra cost from defaulting contractors

Provision of agreement concluded with contractor(s) provides that where the contractor fails to execute any part of the work, the extra cost involved in getting the work completed from second agency shall be recovered from the defaulting contractor. In respect of eight works rescinded between January 2006 and July 2007, extra cost of Rs 1.53 crore was not recovered. Government agreed (September 2009) to take action to recover the extra cost in all cases.

2.3.5 Stores and Stock

Stores and stock costing Rs 1.25 crore were lying unutilised for more than six years

The divisional officers are responsible for the custody and protection of surplus stock from deterioration by taking proper precaution to prevent any loss of stores. Audit scrutiny of half yearly register (PWG 15) of stock of Bidar and Bhalki Divisions to end of March 2008 disclosed stock costing Rs 1.75 crore were lying un-utilised since 2003-04. These included high cost

¹⁷ 2000-01 to 2005-06: 24 cases; 2007-08: 01 case

items (Rs 1.25 crore) procured up to September 2003. Further, sanction for reserve stock limit had not been obtained from competent authority for the years 2006-07 to 2008-09 and half yearly stock account for the year 2008-09 had not been maintained. Government stated (September 2009) that action has been initiated by the Chief Engineer to utilise the surplus stock.

2.3.6 Cost control cell

Cost control cell did not function despite directions of PAC

Ministry of Agriculture and Irrigation (November 1978) had directed setting up of a cost control cell for all projects costing more than Rs 30 crore with the objective of identifying the performance of both labour and machineries, preparation and revision of project estimates based on cost indices, preparation of cost curves for canals and review of expenditure on the project annually to assess the project costs. As no cost control cell was created till October 1997, the State PAC in its 2nd report of 11th Assembly (October 2000) directed the Government to set up cost control cell both at the Project level and at the State level. Though, cost control cells were formed in May 2004 both at State and Project level, no review meetings were held. Thus, the objectives of forming cost control cells were not fulfilled. Government agreed (September 2009) to conduct meetings in future.

2.3.7 Conclusion

The project which envisaged to irrigate 35,614 ha of land at a cost of Rs 9.90 crore could not be completed despite revising the cost to Rs 532 crore and even after 38 years of its commencement. The irrigation potential was also revised downwards to 29,227 ha due to drastic reduction in the inflow of water into the reservoir and the maximum area irrigated at the end of March 2009 with an outlay of Rs 481.10 crore was only 1,040 ha. The benefit cost ratio was reduced to 0.26 rendering the project economically unviable. Despite the reduced inflow of water, the Department was contemplating to execute additional works at a cost of about Rs 52 crore to create an additional irrigation potential of 6,434 ha which may not prove fruitful.

2.3.8 Recommendations

- The State Government should reconsider the execution of the additional works in view of reduced availability of water for irrigation.
- Expeditious action should be taken to dispose of the surplus stock to avoid their damage, deterioration or theft.

