



# **CHAPTER-III**

## **Results of Audit of Panchayat Raj Institutions**

## CHAPTER III - RESULTS OF AUDIT

### SECTION 'A'-PERFORMANCE AUDIT

#### RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

#### 3.1 Suvarna Gramodaya Yojana

##### Executive summary

The State Government launched Suvarna Gramodaya Yojana in February 2007 to develop vibrant village communities by adopting an intensive and integrated approach to rural development. The objective of the Scheme was to develop 1,000 villages every year through the concerted efforts of the Government, Non-Governmental Organisations, private sector partners and the village communities. The State Government was to provide ₹one crore to meet the village specific needs under the Scheme and ₹2.29 crore through convergence with other schemes was to be provided for each village. The Rural Development and Panchayat Raj Department allocated Scheme funds in pre-determined percentages for 10 different components. Major focus was given to works related to four components namely Construction of cement concrete roads and asphalted roads with one side drains, Construction of Anganwadis and Samudaya Bhavans and Training. The achievements in the other six components namely Solid Waste Management, Electrification, Information Education and Communication, Graveyard Development, Computer Centre and Solar Lighting were virtually 'nil'.

The village development plans were not comprehensive in terms of information contained in them. The allocation of more than 80 *per cent* only on roads, drains, Samudaya Bhavans and Anganwadis showed that the planning was inadequate for achieving the goal of overall upgradation of the physical environment of selected villages and improvement of the quality of life in the village. Solid Waste Management activities were not given priority and no concrete steps were taken for this in the test-checked villages. There was no convergence of other sector programmes for overall development of the village. There were no parameters and benchmarks of desirable levels to determine when a village would be regarded as a developed village. The Scheme was a failure as the overall development of each village was not achieved. There were irregularities in execution of training activities and payments made to Karnataka Rural Infrastructure Development Limited. The monitoring was deficient as High Level Committee had not met and there was no district level cell.

#### 3.1.1 Introduction

##### 3.1.1.1 Objective and salient features

In order to improve the quality of life in the villages and increase the productive capacity of rural communities, Suvarna Gramodaya Yojana (henceforth referred to as the Scheme) was initiated at the commencement of the Golden Jubilee Celebrations of the formation of the State of Karnataka.

The Scheme was launched in February 2007 and envisaged to cover, every year, 1,000 villages of medium size each consisting about 700 to 750 families.

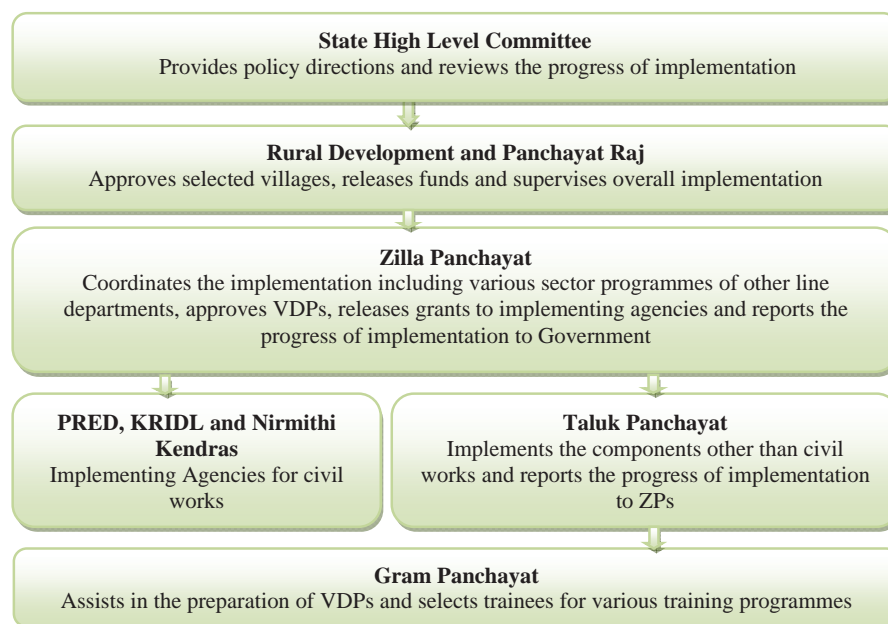
### 3.1.1.2 Salient features of the Scheme

The estimated outlay was ₹3.29 crore for developmental works in a village of which ₹one crore was to be released directly under the Scheme and the balance ₹2.29 crore from the ongoing sector programmes.

- The Scheme was to be implemented on the basis of a detailed Village Development Plan (VDP) prepared for each selected village.
- Concrete roads, development of new village extension with basic infrastructure and sites to meet future requirements, electrification of villages, development of community sites for disposal of solid waste and individual plots for forming manure pits, community facilities with water supply in community halls, schools and Anganwadis were the components to be met out of the Scheme funds provided by the Rural Development and Panchayat Raj (RDPR) Department.
- Other areas such as water supply schemes, development of land based activities like Agriculture, Horticulture, Agro Forestry, Animal Husbandry and Sericulture with priority on land and water conservation *etc.*, were to be funded from other sectors through convergence.
- The State Government was to release amount based on the allocation in the budget to Zilla Panchayat (ZP). ZP, in turn, was to release the amount to the implementing agencies *viz.*, Panchayat Raj Engineering Division (PRED), Karnataka Rural Infrastructure Development Limited (KRIDL) and Taluk Panchayats (TPs).

The organisational chart for implementation of the Scheme is depicted in **Chart 3.1**.

**Chart 3.1: Organisational chart**



### 3.1.2 Audit scope, sample and methodology

The performance audit of the Scheme for the period 2009-14 was conducted through test-check of records (March-September 2014) at RDPR, eight ZPs, 16 TPs and 116 villages as detailed in **Appendix 3.1**.

We conducted joint physical verification (JPV) along with departmental officials of 32 villages where more than 50 *per cent* works stood completed to check the quality of execution of work.

The audit objectives and methodology of the audit were discussed with the Additional Chief Secretary, RDPR during an Entry Conference held in February 2014. The Exit Conference was held on 29 January 2015 to discuss the audit findings.

### 3.1.3 Audit objectives

The main objectives of the performance audit were to ascertain whether:

- design and planning of the Scheme at various levels was effective in ensuring overall development of selected villages.
- funds were adequate, provided in time and utilised economically, efficiently and effectively.
- implementation of the Scheme to achieve the intended objectives was effective and implemented economically, efficiently and effectively.

### 3.1.4 Audit criteria

The sources of the audit criteria in evaluating the performance of the Scheme were:

- Scheme guidelines
- Circulars issued from time to time by the State Government
- Karnataka Transparency in Public Procurements (KTPP) Act and Rules
- Karnataka Panchayat Raj Act and allied Rules
- Karnataka Public Works Code
- Karnataka Financial Code

### Acknowledgement

We acknowledge the cooperation and assistance extended by the State Government, RDPR, Panchayat Raj Institutions (PRIs) and their officials for conducting the performance audit.

## Audit findings

The audit findings arising out of the performance audit are discussed in succeeding paragraphs.

### 3.1.5 Planning

The Scheme was meant to supplement the resources, personnel and processes of the existing development programmes. The Scheme envisaged taking up of additional schemes to meet the village specific development needs and to fill any gaps in development.

Out of 30,896 villages in Karnataka, 5,555 villages had been selected for implementation of the Scheme during 2007-14 in five phases and an amount of ₹3,434.94 crore was allocated as detailed in **Table 3.1**.

**Table 3.1: Details of phase-wise selection of villages**

Phase/Year	Phase I/ 2007	Phase II/ 2009	Phase III/ 2009	Phase IV/ 2011	Phase V/ 2012	Total
Number of villages	1,204	222	1,574	381	2,174	<b>5,555</b>
Number of districts	30	06	30	06	30	<b>30</b>
Total allocation (₹ in crore)	1,000.60	208.20	1,012.05	214.09	1,000.00	<b>3,434.94</b>
Average allocation per village (₹ in crore)	0.83	0.94	0.64	0.56	0.46	<b>0.62</b>

Source: As furnished by RDPR Department

#### 3.1.5.1 Selection of villages

As per the Scheme guidelines, each year 1,000 villages were to be selected for overall development. However, instead of selecting villages annually, villages were selected in five phases during seven year period from 2007-14 as detailed in **Table 3.1**.

The guidelines and circulars issued from time to time had laid down certain conditions for the selection of villages like large population (2,500-8,000) and households of 700-750 based on 2001 Census, proximity to market centres, general accessibility through a good network of roads, potential for development into a growth centre, etc. The Scheme required the District in-charge Minister to select villages on recommendation of the local Member of Legislative Assembly (MLA).

Audit, however, found that the selection process was *ad hoc* as the laid down conditions for selection of villages had not been complied with, indicating lack of sanctity in the selection process. Further, the conditions were being revised from time to time, therefore there was no consistency in the selection process. Audit also came across cases where these conditions had not been complied with. These cases are as under:

- Population and household criteria:** The population criterion for selection of villages was 2,500 to 8,000 which was applicable till 19 January 2009.

The upper limit for population was withdrawn *vide* Government Order dated 21 January 2009.

Out of the 967 villages selected in test-checked districts during 2009-14, there were 927 villages where the population was less than 2,500 and hence did not fall within the selection criterion.

- ii. **Selection of villages on ad hoc basis:** Audit observed that ZPs had not provided list of parameters *viz.*; population, household, connectivity *etc.*, to the local MLA to carry out selection of villages as envisaged under the Scheme. There was no data available regarding accessibility to market place and connectivity of the villages available with the test-checked ZPs. Thus, the selection of villages by MLAs was done without the required inputs. Audit came across 140 villages in three<sup>5</sup> ZPs where the villages selected were not well connected.

The State Government stated (October 2014) that villages were selected on the basis of local requests and assessment of needs. The reply was not acceptable as it was not in accordance with the criteria laid down by the State Government for selection of villages.

### 3.1.5.2 Strategy to develop villages

The district official in-charge of the programme was to engage non-governmental organisations (NGOs) to prepare socio-economic profile of the village based on which funds were required to be allocated for various components. Instead the RDPR allocated (March 2009-October 2013) Scheme funds in pre-determined percentages for 10<sup>6</sup> different components and did not provide any guidance to NGOs and village communities to ensure convergence with schemes being implemented by other departments *viz.*, Agriculture, Animal Husbandry, Horticulture, Housing, Watershed, *etc.*

The Director, Suvarna Gramodaya Yojana accepted (March 2014 and February 2015) that there was no convergence of the Scheme with those implemented by other departments and the Scheme would be replaced by Gram Vikasa Yojana in which guidelines would be modified.

**Recommendation 1: The State Government should select villages for overall development by drawing up a convergence plan of other sector programmes.**

### 3.1.5.3 Excessive focus on infrastructure works

RDPR had prescribed more than 80 *per cent* of the total allocation for Roads and Drains, Samudaya Bhavans and Anganwadis which were also covered under XIII Finance Commission Grants, Integrated Child Development Services, *etc.*, as detailed in **Table 3.2**.

<sup>5</sup> Dharwad (11), Kalaburagi (34) and Kolar (95)

<sup>6</sup> Anganwadi, Computer Centres, Electrification, Graveyard Development, IEC, Public Utility Buildings, Roads and drains, Samudaya Bhavans, Solid Waste Management and Training.

**Table 3.2: Component-wise allocation**

Sl. No.	Item of work	Percentage as per Government Order 02.03.2009	Percentage as per Government Order 29.06.2012	Percentage as per Government Order 12.07.2013	Percentage as per Government Order 30.10.2013
1.	Roads and Drains	60	70	70	67
2.	Samudaya Bhavans	15	15	07	07
3.	Anganwadis	10	10	10	10
4.	Training	06	00	00	00
5.	Solid Waste Management (SWM)	07	03	03	03
6.	Information Education and Communication (IEC)	01	00	00	00
7.	Electrification	01	00	00	00
8.	Solar Street Lights	00	02	02	02
9.	Computer Training Centres	00	00	00	03
10.	Graveyard Development	00	00	08	08
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Government orders

The expenditure in the selected districts showed that the expenditure on Roads and Drains, Samudaya Bhavans and Anganwadis was in fact more than 90 per cent of the Scheme funds, as detailed in Table 3.3 below:

**Table 3.3: Component-wise expenditure in respect of test-checked districts for the period 2006-14**

(₹ in lakh)

District	Roads and drains	Samudaya Bhavan	Angan-wadi	Training	SWM	IEC	Electrification	Total
Bidar	14,126.82	1,305.75	186.63	473.43	85.25	37.19	60.98	<b>16,276.05</b>
Chamarajanagar	3,621.75	383.73	314.77	221.30	0.00	43.71	49.44	<b>4,634.70</b>
Dakshina Kannada	4,477.87	729.94	508.01	115.27	264.80	34.53	53.00	<b>6,183.42</b>
Dharwad	2,910.94	443.19	125.84	350.35	151.28	43.95	37.84	<b>4,063.39</b>
Kalaburagi	11,674.82	2,353.97	1,078.00	459.81	0.00	30.93	0.00	<b>15,597.53</b>
Kolar	4,707.51	464.14	129.25	202.73	136.97	48.33	22.54	<b>5,711.47</b>
Tumakuru	11,004.00	1,083.11	428.57	183.30	0.00	34.16	0.00	<b>12,733.14</b>
Vijayapura	9,010.96	1,435.58	489.48	399.26	90.57	161.62	227.15	<b>11,814.62</b>
<b>Total</b>	<b>61,534.67</b>	<b>8,199.41</b>	<b>3,260.55</b>	<b>2,405.45</b>	<b>728.87</b>	<b>434.42</b>	<b>450.95</b>	<b>77,014.32</b>
<b>Percentage</b>	<b>80</b>	<b>11</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>0.56</b>	<b>0.58</b>	

Source: Information furnished by RDPR Department

The allocation of funds did not match the objective to achieve the development of a village in other areas.

**Recommendation 2: The allocation of funds for various components may be reviewed and funds provided for all components required for overall development.**

#### 3.1.5.4 Village development plan

Paragraph 10 of the Scheme guidelines states that the Scheme should be implemented on the basis of detailed VDPs to be prepared for each village after discussing with the village community. The VDP is the basic document of a village which should exhibit the existing infrastructure, socio-economic profile of the village and the requirements of the village.

The State Government had prescribed the format for preparation of VDP which was to contain the following details of the village:

- area, population, houses, distance from taluk and district, *etc.*
- internal roads, street lights, SWM and individual and community toilets.
- activities related to agriculture, horticulture, forest, *etc.*
- educational institutions such as Anganwadis, primary schools, high schools and colleges.
- training requirements.
- health facilities, community development, *etc.*

***i) Village Development Plan based on incomplete data***

Audit test-checked 116 villages covering eight districts and found that VDP was prepared in all the test-checked villages. However, none of the selected villages in the test-checked ZPs except in Dakshina Kannada prepared the VDPs in the prescribed format. The deficiencies noticed in preparation of VDPs are detailed below:

- Ninety *per cent* of VDPs had data about population, households, roads and drains *etc.* and 50 to 75 *per cent* about agricultural family, IEC activities and toilets. However, data about other components such as library, schools, graveyards and computer centres were not captured.
- VDPs were finalised in 91 villages out of 116 villages without discussing with village community.
- There were delays ranging from one to eight months in approval of VDPs in eight villages of two test-checked ZPs (Chamarajanagara and Tumakuru) during Phases I and V.
- None of the test-checked ZPs had adhered to ‘Council for Advancement of People’s Action and Rural Technology’ (CAPART) guidelines while selecting NGOs.

The State Government stated (February 2015) that action would be taken to have a list of competent NGOs to assist GPs in preparation of VDPs.

***Recommendation 3: The Government should empanel the NGOs as per the CAPART guidelines and fix timeline for preparation and approval of VDPs.***

***ii) Village Development Plan based on incorrect data***

The VDPs were to be prepared based on the existing infrastructure, socio-economic profile of the village and the requirements of the villages. On comparison of VDPs with the village data maintained in respective GPs, it was observed that the statistics of village infrastructure and socio-economic profile



exhibited in the VDPs were not matching in five<sup>7</sup> out of 32 test-checked villages wherein JPV was conducted.

### 3.1.6 Financial Management

#### 3.1.6.1 Financial position of the Scheme

Since the Scheme's inception in 2006-07, ₹2,574.46 crore had been released, of which ₹2,544.75 crore had been incurred. The financial position under the Scheme for the period 2006-14 is given in **Table 3.4**.

**Table 3.4: Year-wise budget allocation, releases and expenditure incurred in the State during the period 2006-14**

(₹ in crore)					
Year	Budget Allocation	Opening Balance	Releases	Available Fund	Expenditure (Percentage to available fund)
2006-09	850.00	0.00	638.00	638.00	577.74 (91)
2009-10	302.00	60.26	299.64	359.90	251.41 (70)
2010-11	402.79	108.49	401.59	510.08	431.07 (85)
2011-12	700.00	79.01	695.36	774.37	445.31 (58)
2012-13	449.14	329.06	331.34	660.40	462.35 (70)
2013-14	209.67	198.05	208.53	406.58	376.87 (93)
<b>Total</b>	<b>2,913.60</b>		<b>2,574.46</b>		<b>2,544.75</b>

Source: Administrative Report 2013-14

#### 3.1.6.2 Funds provided to test-checked districts

As per the Scheme guidelines, each village was to be allocated ₹one crore. It was, however, observed that the releases made in the test-checked villages were not uniform. The releases ranged from ₹3.51 lakh to ₹306.76 lakh and 1,136 villages received less than the required ₹one crore and 230 villages received more than ₹one crore. The district-wise details are given in **Table 3.5** below:

**Table 3.5: Details of funding for villages for all five phases in the test-checked districts**

District	Total villages	Funding (₹ in lakh)				
		0-20	20-50	50-100	100-200	More than 200
Bidar	267	4	111	125	27	-
Chamarajanagara	81	2	11	37	31	-
Dakshina Kannada	65	-	6	34	25	-
Dharwad	49	-	5	18	26	-
Kalaburagi	356	9	166	132	45	4
Kolar	222	27	160	29	6	-
Tumakuru	272	42	125	70	35	-
Vijayapura	54	-	5	18	26	5
<b>Total</b>	<b>1,366</b>	<b>84</b>	<b>589</b>	<b>463</b>	<b>221</b>	<b>9</b>

Source: Records of selected ZPs

<sup>7</sup> Amruthur, Changavara, Thavarekere and Ujjani (ZP, Tumakuru) and Kudlur village (ZP, Chamarajanagara)

The State Government stated (March 2014) that the allocation for the village was ₹2,500 *per capita* and was thus dependent on the population (Census 2001) of the village and also stated (February 2015) that ZPs had been directed to submit the relevant information on all applicable parameters. The reply is not acceptable as the funds required for overall development of the village were dependent not on population, but availability of the existing facilities.

### 3.1.6.3 Delay in release of funds by ZPs

The Scheme guidelines had not prescribed any time limit within which ZPs were to release funds to implementing agencies such as PRED, KRIDL and the TPs. It was observed that two<sup>8</sup> ZPs released ₹37.49 crore after one month of receipt of grant from Government in 33 cases.

The State Government stated (October 2014) that action would be taken to ensure timely release of funds.

### 3.1.6.4 Non-utilisation of funds

The ZP, Dakshina Kannada released (2009) funds for IEC activities and SWM activities to TPs and GPs respectively. All the five<sup>9</sup> TPs and 52 GPs retained ₹3.16 crore for more than five years (March 2014). Chief Executive Officer (CEO), ZP, Dakshina Kannada directed the TPs and GPs to return the unspent amount available with them to ZP account only in April 2014.

The State Government stated (January 2015) that the action would be taken to ensure utilisation of these funds. But no action was taken (September 2014) against the officials for not returning the funds for more than five years.

### 3.1.6.5 Diversion of funds

Audit observed that in three<sup>10</sup> out of the eight test-checked ZPs, ₹1.20 crore related to Anganwadi and Samudaya Bhavan building works was diverted to roads and drains.

## 3.1.7 Programme implementation

The execution of works should be in accordance with Scheme guidelines and applicable rules and regulations. Audit examined the programme implementation with reference to the guidelines. The details of audit observations on the above issues are given in succeeding paragraphs.

<sup>8</sup> Dharwad (27 cases-₹21.87 crore) and Kolar (six cases-₹15.62 crore)

<sup>9</sup> Bantwal, Belthangady, Mangaluru, Puttur and Sullia

<sup>10</sup> Dakshina Kannada, Kolar and Vijayapura

### 3.1.8 Roads and Drains

#### 3.1.8.1 Selection of roads and drains for execution

A mention of roads and drains was made in 116 VDPs. However, none of the VDPs had either the details of the existing roads or the basis on how roads proposed were selected, prioritising them over other roads.

The State Government stated (February 2015) that GPs would be instructed to maintain assets register as prescribed in Karnataka Panchayat Raj (GP Budgeting and Accounting) Rules, 2006.

**Recommendation 4: All road works with details such as name of the road, date of construction, agency, etc., taken up in the last 10 years should be maintained as a road history register to enable proper selection of roads.**

#### 3.1.8.2 Execution of asphalted roads

The handbook for implementation of the Scheme stipulated that cement concrete (CC) roads should be provided as these roads are maintenance-free and have a longer life. In Dakshina Kannada district eight villages executed 59 asphalt roads of 11.39 km at an estimated cost of ₹1.88 crore, instead of CC roads during 2009-11. This needs to be viewed in light of the fact that this district receives heavy rainfall and asphalted roads would deteriorate fast.



**Condition of asphalted road within six months of construction in Aivathoklu village (Dakshina Kannada) (16.07.2014)**

#### 3.1.8.3 Works executed by Karnataka Rural Infrastructure Development Limited

The ZPs were executing road and drain works through PREDs and KRIDL. Out of the 116 test-checked villages, in 80 villages, the works were executed by PRED and in 36 villages, the works were executed by KRIDL.

On a comparison of the cost of works implemented by the two agencies, we found that KRIDL works were costing more. The observations in this regard are as under:

*i) Excess claim of Value Added Tax charges and labour cess by KRIDL*

The Schedule of Rates (SR) is inclusive of all taxes and duties. KRIDL had prepared the estimates for the Scheme works based on SR of the respective zones. However, test-check of estimates of 80 villages revealed that KRIDL had charged one *per cent* labour cess and 10 *per cent* administrative charges, inclusive of five *per cent* value added tax (VAT). Thus, adding VAT again in the estimate amounted to double claim of VAT. This had resulted in excess payment of ₹1.36 crore towards VAT during the period 2012-14.

As per Building and Other Construction Workers Welfare Cess Act, 1996 and directions of the State Government (February 2007), labour cess at one *per cent* of the estimated amount of contract was to be collected from the contractor. KRIDL, the contractor of the work, however, charged ₹93 lakh separately instead of paying from their own funds. This resulted in additional payment of ₹93 lakh during the period 2012-14 to KRIDL.

The Director, Suvarna Gramodaya Yojana stated (October 2014) that the Government had allowed (March 1992) KRIDL to recover the taxes under the Karnataka Sales Tax Act including VAT. Hence, there was no excess provision on VAT in the estimate. The reply was not acceptable as component of VAT was already included in the SR.

The State Government stated (February 2015) that KRIDL would be asked to return the additional tax and cess claimed.

***Recommendation 5: While making payments to KRIDL, duplication of tax and cess may be avoided and previous cases may be reviewed.***

*ii) Vacuum dewatering*

The KRIDL had included an item “Vacuum dewatering with vacuum pump” for CC road works, in Kolar and Tumakuru districts and claimed ₹12.81 lakh during 2012-14. As dewatering was not required for CC road works, inclusion of dewatering item in the estimate was not correct and led to extra expenditure of ₹12.81 lakh.

*iii) Excess expenditure for roads and drains*

A scrutiny of the estimates revealed that KRIDL had included ‘Box type drains’ and ‘U-type reinforced drains’ instead of ‘U-type non-reinforced drains’ as envisaged in the Scheme guidelines. The estimates provided for both Grades II and III metal for the sub-base which was contrary to Indian Road Congress guidelines for rural roads. We also observed that CC pavements for interior roads in six villages were provided in excess of the prescribed specifications. These deviations from the prescribed norms resulted in excess payment of ₹3.65 crore in 105 works executed in 54 test-checked villages (detailed in **Appendix 3.2**).

### **3.1.8.4 Excess payments**

During JPV (May-June 2014), we noticed that in three<sup>11</sup> selected villages, the payment for road works was made for 1,070.84 cum of CC pavements, whereas actual quantity executed was only 845.25 cum. This had resulted in excess payment of ₹10.90 lakh.

### **3.1.8.5 Drains**

JPV showed that drain works were not given the required importance resulting in the following:

- Box type drains were built instead of economical ‘U’ type drains leading to extra cost and less coverage of drains.
- Some of the roads were constructed with drains only on one side.
- Drains were in patches and hence there was no continuous flow of waste water.
- Small drains were built in middle of the roads in seven<sup>12</sup> villages for all kinds of wastes.
- Interlinking of drains was not done in 11<sup>13</sup> villages resulting in blockages and spreading of waste water in villages.

This showed that the execution had not been done properly and not monitored by the executive authorities. This had resulted in unhygienic conditions in the villages besides accumulation of solid and liquid waste in public places.

The State Government stated (October 2014) that the State Quality Monitoring Cell had been requested to inspect such civil works and submit a report. Action would be initiated on receipt of the report.

### **3.1.9 Anganwadis**

Human resources development under the Scheme included the entire range of institutional facilities from the Anganwadis to Higher Secondary schools. The Scheme guidelines envisaged construction of one Anganwadi centre for every 1,000 population.

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<sup>11</sup> Honganur (₹5.98 lakh), Harave (₹2.15 lakh) and Kudlur (₹2.77 lakh) in TP, Chamarajanagara

<sup>12</sup> Devarahippargi, Mulasavalagi and Wandal (Vijayapura); Harwal (Kolar); Hireharakuni and Saunshi (Dharwad); Varavatti (Bidar)

<sup>13</sup> Benchincholi, Changlera and Saigon (Bidar); Gaonwar and Harwal (Kalaburagi); Harave, Kudlur and Yeriur (Chamarajanagara); Aivathoklu and Munnuru (Dakshina Kannada); Yaldur (Kolar)

During JPV of 32 villages, it was observed that Anganwadis were proposed in 24 villages in VDPs, but construction of seven<sup>14</sup> buildings was yet to commence and three<sup>15</sup> buildings were incomplete. Three<sup>16</sup> Anganwadi buildings were found to be inferior in quality with leakages and cracks on walls. In six<sup>17</sup> villages, six Anganwadis were without toilets while five<sup>18</sup> did not have water supply facilities. In five<sup>19</sup> villages, funds meant for Anganwadi were diverted for other civil works.



Poor quality construction of Anganwadi in Haravali village, Kalaburagi district (27.08.2014)

This shows that due importance was not given for the construction of Anganwadis by the executive authorities.

The State Government stated (October 2014) that the discrepancies pointed out would be examined and rectified. The reply was, however, silent about poor conditions and lack of essential facilities in the Anganwadis.

### 3.1.10 Community development

As part of community development activities, the Scheme aimed at creating facilities like Samudaya Bhavans (community halls), playgrounds, libraries and reading rooms which would enable the organisation of various social and cultural activities of the village communities. It was, however, observed that construction of only Samudaya Bhavan was undertaken instead of creating community hall along with other facilities.

A total of 36 Samudaya Bhavans were proposed to be built in 32 villages visited as per VDPs but construction of 12 of them were yet to start, while six were lying incomplete at various stages.

Two buildings were found unnecessary as those were built where already unused Samudaya Bhavans existed. In Bhatambra of Bhalki taluk in Bidar district, four such buildings were found in the same compound, one built under the Scheme. In Amaramudnuru village of Sullia taluk in Dakshina Kannada district, the completed building was used as godown.

<sup>14</sup> Ambesangvi, Saigon and Varavatti (Bidar); Chabbi, Hebsur, Hireharakuni and Saunshi (Dharwad)

<sup>15</sup> Gaonwar (one) in Kalaburagi and Mulasavalagi (two) in Vijayapura

<sup>16</sup> Benchincholi and Changlera (Bidar); Harwal (Kalaburagi)

<sup>17</sup> Benchincholi and Changlera (Bidar); Channasandra and Muduvathi (Kolar); Kolambe (Dakshina Kannada); Mulasavalagi (Vijayapura)

<sup>18</sup> Benchincholi and Changlera (Bidar); Channasandra (Kolar); Mahagaon (Kalaburagi); Mulasavalagi (Vijayapura)

<sup>19</sup> Ambesangvi and Saigon (Bidar); Gaonwar (Kalaburagi); Hebsur and Hireharakuni (Dharwad)

In Aivathoklu village of Dakshina Kannada, Samudaya Bhavan constructed (October 2010) after incurring an expenditure of ₹13.33 lakh was being used as library though the library room constructed under another scheme was lying unused.

In two<sup>20</sup> villages, pillared extensions to temples were built instead of a closed building for the use of all the communities. It was also found that excess allocations were made for Samudaya Bhavans in two villages (Harave and Honganur of TP, Chamarajanagara) whereas the entire fund was diverted for other civil works in another two villages (Hebsur in ZP, Dharwad and Muduvathi in ZP, Kolar).

While admitting the audit findings, the State Government replied (October 2014) that villages did not prefer facilities other than community halls and instructions would be given to executive authorities to complete the work and put them to use. The reply was insufficient as no action was proposed for the violations and construction of buildings that were not necessary.

	
Samudaya Bhavan built on temple extension in Thavarekere village-Tumakuru district (05.09.2014)	Samudaya Bhavan lying incomplete for four years in Mahagaon village-Kalaburagi district (02.09.2014)

***Recommendation 6: Community development as a whole may be focused upon and only buildings that are required be constructed.***

### **3.1.11 Solid Waste Management**

The guidelines, while recognising that one of the most striking features of a typical village in Karnataka was the unhygienic environment within the village site consisting of most of its dwelling houses and other buildings, required that a separate community site be developed for disposal of solid waste away from the dwelling houses. Individual plots may be allotted to households for forming manure pits.

During the review period, RDPR reduced the fund to be earmarked for SWM activities from seven *per cent* in 2009 to three *per cent* in 2012.

#### ***3.1.11.1 Non-prioritisation of Solid Waste Management works***

The Scheme guidelines provided for development of roads and drains to be taken up only after completion of total sanitation and shifting of manure pits

<sup>20</sup> Itagi and Mulasavalagi (Vijayapura)

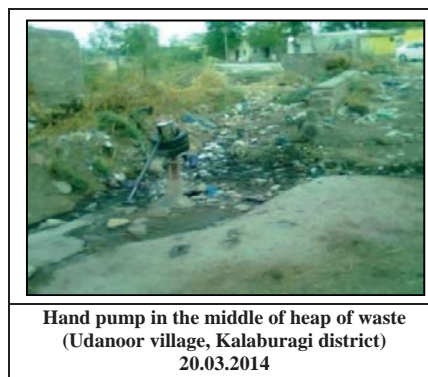
outside the village. However, it was observed that in 116 test-checked villages, road and drain works costing ₹615.35 crore were executed without attending to total sanitation and shifting of manure pits.

Scrutiny also revealed that out of ₹770.14 crore of total expenditure during Phases I to V in 116 villages, only ₹7.29 crore was spent on SWM activities. This was only one *per cent* of the expenditure against the seven *per cent* required to be earmarked (₹53.91 crore) for SWM activities. The remaining funds were diverted for other components. This indicated lack of appreciation of the importance of the said activity.

The State Government stated (October 2014) that shifting of manure pits in all the villages could not be done due to non-availability of land in some villages and higher cost of available land in other villages. It was further stated that construction of toilets had been taken up under other schemes.

### 3.1.11.2 Impractical guidelines on Solid Waste Management

Under SWM, the only provision was for purchase of sites. In the 116 test-checked VDPs, 81 VDPs mentioned purchase of land for manure pits and 59 VDPs mentioned shifting of individual manure pits. It was observed in test-checked villages that land for disposal of waste had not been purchased even in a single village due to non-availability of land.



Hand pump in the middle of heap of waste  
(Udanoor village, Kalaburagi district)  
20.03.2014

During JPV in 32 villages, Audit came across only three<sup>21</sup> cases, where the surroundings of the villages were clean and environment was hygienic. In the remaining villages, heaps of waste was found lying around.

SWM activities require collection, segregation, storage, recycling and reuse with due regard to non-biodegradable waste, plastic waste, electronic waste, construction waste, biomedical waste, *etc.* However, the VDPs did not contain a practical strategy for the villages to manage solid waste. In the test-checked villages, the only SWM activity undertaken was to procure articles related to SWM activities. It is unlikely that a village could get rid of the unhygienic atmosphere, as procurement of land was the only proposed solution and even that could not be organised.

***Recommendation 7: The Government may expand the list of activities beyond purchase of sites for manure pits to manage solid waste in villages.***

### 3.1.11.3 Procurement of articles under Solid Waste Management

Audit observed that expenditure of ₹7.29 crore had been incurred on items such as vehicles, dustbins, wheelbarrows and small cleaning implements

<sup>21</sup> Kinnisadak in Kalaburagi taluk, Aivathoklu and Amaramudnuru in Sullia taluk



though not envisaged in the guidelines. Further, tenders were not invited for procurement of goods worth more than ₹five lakh as stipulated in KTPP Act.

The CEO, ZP stated (August 2014) that TPs were directed to follow the KTPP Act before purchase of materials. The reply is not acceptable as the ZP did not ensure purchase of materials as per the KTPP Act.

During JPV, Audit observed that

- GPs had neither maintained stock registers nor any records to show that the articles procured were received and put to use.
- Dustbins and wheelbarrows were not put to use in any of the villages.
- These equipment costing ₹15.39 lakh were lying idle in five test-checked villages of ZP, Dharwad.
- TPs had neither ensured supply of items nor exercised quality checks.

The State Government stated (February 2015) that GPs would be directed to utilise the materials procured under SWM.

#### **3.1.11.4 Excess payment on purchases**

The TP, Kolar had procured (November 2013) identical dustbins at the rate of ₹975 per bin. It was, however, observed that four TPs had purchased the same size of cement bins at exorbitant rates ranging from ₹4,250 to ₹10,000 during 2011-13. This had resulted in excess payment of ₹56.31 lakh as detailed in **Table 3.6**.

**Table 3.6: Details of excess payment towards dustbins**

Taluk	Quantity (Number)	Rate ₹ per unit	Expenditure (₹ in lakh)	In excess of ₹975 per bin (₹ in lakh)	Date of payment
Hubballi	189	4,814	9.10	7.26	March 2012
	68	4,250	2.89	2.23	March 2012
Kundgol	373	4,814	17.96	14.32	March 2012
	90	4,250	3.83	2.95	March 2012
	80	4,585	3.67	2.89	March 2012
Dharwad	405	4,814	19.50	15.55	March 2012
	218	4,250	9.27	7.14	March 2012
Srinivasapura	44	10,000	4.40	3.97	February-March 2014
<b>Total</b>			<b>70.62</b>	<b>56.31</b>	

Source: Records of selected TPs

The State Government stated (February 2015) that excess payment noticed in audit would be recovered from the officials concerned besides initiating disciplinary proceedings.

#### **3.1.12 Training and creation of employment**

The guidelines, while identifying human resources as one of the most neglected aspects of rural development, stated that training for occupational

skills would be a major activity of the Scheme. It further stated that training in the use of computers and skills required for manufacturing and service sectors should be imparted to the rural youth.

Guidelines also mentioned that unemployment and under-employment are widespread among the rural youth as the land-based activities are unable to employ many of them with adequate remuneration. The audit observations on these issues are given in succeeding paragraphs.

### **3.1.12.1 Non-allocation of fund for all the training programmes**

RDPR initially earmarked six *per cent* of the Scheme fund for training programmes in identified three sectors (computers, production and service), with two *per cent* for each sector. The allocation was, however, totally withdrawn *vide* Government Order dated 29 June 2012, resulting in no allocation for villages of Phase V.

The total expenditure incurred (2009-14) for training in the test-checked districts was ₹24.05 crore. However, all the three sectors were not given equal weightage as the expenditure incurred on service (₹0.89 crore) and production (₹5.35 crore) sectors was less than the expenditure incurred on computer training (₹17.81 crore).

### **3.1.12.2 Non-establishment of computer training centres**

The State Government had allocated three *per cent* for establishment of computer training centre in Phase V of the Scheme (October 2013), but there was no allocation for computer training programmes.

It was, however, observed from the records of the eight test-checked districts that the computer training centres were not included in the VDP and also no initiative was taken to establish computer training centres.

### **3.1.12.3 Irregularities in training**

The following irregularities were noticed in respect of training imparted by various ZPs:

➤ ZP, Dharwad had entrusted (March 2012) the work of imparting training in Fashion Technology to selected beneficiaries of 16 villages in Phase I at an amount of ₹2.10 crore to SJM Institute, Dharwad (Institute) without following KTPP Act. The Institute had imparted training to 4,839 youths of five taluks in a span of 45 days from 17 March 2012 to 30 April 2012. Since the Institute had only six trainers and 25 sewing/designing machines, it was impractical and unrealistic to cover training of 4,839 youths within the said period. The details of trainees and place of training were not furnished by the ZP to Audit. The list of beneficiaries selected and those who attended the training was also not provided to Audit by the test-checked GPs.

➤ ZP, Kalaburagi had paid ₹1.64 crore to Deputy Director, Khadi Gramodyog, Village and Cottage Industries, to conduct computer and 11 other

vocational trainings during April 2008 to July 2010. Audit observed that Khadi Gramodyog Industries did not have the required infrastructure and faculty to do so. ZP, Kalaburagi did not produce to Audit, the details of trainings conducted for 2,497 beneficiaries with the funds given and the details were also not available at test-checked GPs. In the absence of details, the genuineness of the expenditure of ₹1.64 crore could not be verified in Audit.

➤ The Scheme guidelines did not envisage issue of equipment to beneficiaries. However, Audit noticed that the Khadi Village Industries Commission, Chamarajanagar procured (December 2009) 90 sewing machines amounting to ₹3.59 lakh for distribution to beneficiaries. This was irregular.

➤ The details for ₹10 lakh paid to Government Tool Room and Training Centre (GTTC), Kalaburagi for conducting training programmes during 2010-11 were not available at ZP, Kalaburagi.

➤ ZP, Bidar had paid ₹1.88 crore to GTTC, Bidar during January 2012 and March 2013 for imparting training. However, Audit noticed that GTTC had entrusted this to other private firms for which details were not available with the ZP. Further, in the test-checked villages of Saigon and Varavatti, Audit could not establish the identity of the trainees claimed to have attended the programmes. Thus, Audit could not get assurance about the genuineness of ₹1.88 crore spent for training programmes conducted through GTTC.

➤ ZP, Tumakuru released (March 2013) ₹1.13 crore to M/s. KEONICS<sup>22</sup> to conduct computer training to youths of selected villages. KEONICS was to pay stipend of ₹250 to trainees for undergoing training in DTP and TALLY and ₹500 for hardware training respectively out of this fund. However, ZP did not furnish the details of stipend paid to 864 beneficiaries trained in the DTP and TALLY and 1,349 beneficiaries in computer hardware. In the absence of details, Audit could not verify the correctness of payment of stipend to beneficiaries by KEONICS.

The State Government stated (October 2014) that ZPs had been instructed to take up inspection and special audits in such cases and to take disciplinary action against erring officials.

#### ***3.1.12.4 Misappropriation of training fund***

The Executive Officer (EO), TP, Kunigal had pointed out that second division clerk of the TP had misappropriated the training fund of ₹1.11 crore during the period 2009-12. Similarly, it was noticed that EO, TP, Srinivasapura had misappropriated ₹19.91 lakh during 2008-10. The cases were still not finalised (February 2015).

The State Government stated (February 2015) that ZPs were asked to take disciplinary action against those involved in irregularities and that the State Quality Monitors and Karnataka Institute of Public Auditors would be entrusted with the enquiries.

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<sup>22</sup> Karnataka State Electronics Development Corporation Limited

### 3.1.13 Information, Education and Communication activities

The IEC component is very significant in the implementation of the Scheme. Through IEC, villagers get comprehensive information on the importance of village infrastructure for better connectivity, the benefits from proper sanitation for healthy environment, the employment opportunities through various training programmes, the avenues for higher income by improving agricultural practices, the possibilities for other income generating activities, the benefits from assured minimum education up to higher secondary level, the importance of recreational activities, *etc.*

The State Government had allocated one *per cent* of the total allocation for IEC activities. It was noticed that the IEC activities taken up by the five ZPs out of eight test-checked ZPs were limited to street plays, wall paintings and hoardings for which they had spent ₹4.34 crore during 2009-14. However, it was noticed during JPV that none of the villages had wall paintings and hoardings.

The State Government stated (October 2014) that the Department had taken steps for IEC activities with respect to different developmental schemes and a separate IEC cell had been set up. It also stated (February 2015) that GPs would be instructed to improve the awareness activities and more such programmes would be taken up after the approval of High Level Committee.

***Recommendation 8: The Government may undertake the assessment of effectiveness of the IEC activities undertaken that are specific to the Scheme.***

### 3.1.14 Monitoring and Evaluation

The implementation of the Scheme was not expected to succeed without efficient coordination and multi-level monitoring as the involvement of several departments is necessary for converting selected village to 'Suvarna Grama'. Deficiencies noticed in monitoring and evaluation of the Scheme are discussed in succeeding paragraphs.

#### 3.1.14.1 Constitution of High Level Committee

At the State level, a High Level Committee headed by the Chief Minister was to give policy direction, approve overall outlays and review the progress of the programme. It was observed that the Committee had not conducted any meeting during the review period (2009-14), resulting in non-review of the progress in programme implementation during this period.

The State Government accepted (March 2014) the audit observation.

#### 3.1.14.2 Monitoring by the Rural Development and Panchayat Raj Department

The RDPR did not devise any mechanism for periodical reporting by the ZP on implementation of the Scheme.

Due to lack of monitoring there were irregularities in the area of training, diversion of funds, excess expenditure, selection of villages and non-convergence.

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

#### **3.1.14.3 District level cell**

A district level cell with sufficient staff was to be formed to assist CEO, ZP for coordinating and monitoring the implementation of the programme. It was, however, observed that in the eight test-checked districts, district level cell was not formed and CEO, ZP did not coordinate the implementation of the programme with other sector departments.

Though envisaged in the guidelines, the usage of information and communication technologies to monitor the implementation of the Scheme, was completely absent.

The State Government stated (January 2015) that steps would be taken to ensure regular meetings of the officers of the ZPs.

### **3.1.15 Conclusion**

The Scheme did not achieve its stated objectives to improve the quality of life in the villages and increase the productive capacity. As per the guidelines ₹one crore from the Scheme and ₹2.29 crore through convergence with other schemes was to be provided for each village for overall development within one year which had not been done. There were no specific plans to determine when a village would be regarded as a developed village. There was allocation of more than 80 *per cent* of funds towards civil works of roads, drains, Samudaya Bhavans and Anganwadis and inadequate allocation to other components needed to address other required areas for improving the quality of life of the village. Although areas like SWM were mentioned in the Scheme, no concrete steps were taken towards the same in any of the test-checked villages.

There were delays in funding, non-convergence of works of other departments and non-utilisation of available funds by the implementing agencies. The quantum of funding for the Scheme was not uniform across villages. There were no coordinated efforts by the ZPs to develop the villages with the help of NGOs, Private Sector Partners and Village Communities. Instead implementation of the Scheme was entrusted to KRIDL and PRED, which focused mainly on civil works.

There were also irregularities in the execution of road and drain works and training activities due to ineffective system of monitoring and periodical reporting.

## 3.2 Implementation of Total Sanitation Campaign/Nirmal Bharat Abhiyan

### Executive summary

Government of India launched the Total Sanitation Campaign (renamed as Nirmal Bharat Abhiyan in 2012) to accelerate sanitation coverage in rural areas and achieve the vision of Nirmal Bharat by 2022 with all Gram Panchayats in the Country attaining 'Nirmal' status.

The performance audit of the Scheme covering the period 2009-14 showed that the Scheme was deprived of the institutional support critical for planning its implementation. The envisaged bottom-up approach in planning was missing as no inputs were taken from the Gram Panchayats while preparing the Annual Implementation Plans. The Scheme was implemented in all Gram Panchayats of the State, instead of following the guidelines laid down for progressively covering the units for saturation.

The key component of the Scheme—Information, Education and Communication was not implemented effectively and there was shortfall in utilisation of funds under this component. The achievements of targets for construction of individual household latrines were inconsistent with the data of two surveys (2004-05 and 2012-13) and hence did not present a true picture. During joint physical verification, Audit observed cases of irregular/excess payment of incentives to beneficiaries, low priority to community sanitary complexes, substandard quality in construction of institutional toilets, *etc.* Financial management was not adequate as instances of delays in transfer of funds, deficiencies in maintenance of accounts, inadmissible expenditure, diversion of funds and other financial irregularities were observed.

The objective of strengthening transparency, accountability and grievance redressal was defeated as the Gram Panchayats had failed to ensure public participation, consultation and consent in the implementation of the Scheme.

### 3.2.1 Introduction

Government of India (GoI) launched the Total Sanitation Campaign (TSC) in 1999 for sustainable reforms in the rural sanitation sector. TSC was renamed as "Nirmal Bharat Abhiyan" (NBA) in 2012 with emphasis on accelerating sanitation coverage in rural areas through renewed strategies and saturation approach.

The main objectives of TSC/NBA are:

- Coverage of all rural Below Poverty Line (BPL)/Above Poverty Line (APL<sup>23</sup>) households by 2012 (extended to 2022 in 2011) by incentivising construction of toilets;

<sup>23</sup> NBA guidelines (2012) provided for coverage of SCs/STs, small and marginal farmers, landless labourers with homestead, physically handicapped and women-headed households belonging to APL.

- Motivating the communities and Panchayat Raj Institutions (PRIs) to promote sustainable sanitation facilities through awareness creation and health education;
- Provision of toilets in schools not covered under Sarva Shiksha Abhiyan (March 2008) and Anganwadis (March 2009) (extended to 2013 in 2011);
- Encouraging cost effective and ecologically safe and sustainable sanitation by setting up Rural Sanitary Marts (RSMs)/Production Centres (PCs);
- Developing community managed environmental sanitation systems focussing on Solid and Liquid Waste Management (SLWM).

### **3.2.2 Organisational structure**

Rural Development and Panchayat Raj (RDPR) Department at the State level is the nodal department for implementation of the TSC/NBA (henceforth referred to as the Scheme). State Water and Sanitation Mission (SWSM) is the nodal agency for implementation of the Scheme. Additional Chief Secretary to Government, RDPR Department, is the Chairman of SWSM and is responsible for providing policy guidance and overall supervision. Analogous to the SWSM at the State level, District Water and Sanitation Mission (DWSM) headed by the Chief Executive Officer (CEO) of the Zilla Panchayat (ZP) is responsible for focussing on this mandate for the district in particular. Block Resource Centre (BRC) and Village Water and Sanitation Committee (VWSC) are responsible for providing support in terms of motivation, mobilisation, implementation and supervision of the Scheme at the taluk and village levels respectively.

### **3.2.3 Audit approach**

#### **3.2.3.1 Audit objectives**

The objectives of the performance audit were to assess whether:

- The planning and monitoring of the implementation of the Scheme at different levels was adequate and effective and was aimed towards achievement of objectives of the Scheme;
- The system of selection of beneficiary for payment of incentive was transparent;
- The construction and upgradation of infrastructure under various components of the Scheme was in compliance with the financial and quality parameters set out in the Scheme guidelines; and
- The Information, Education and Communication (IEC) strategy under the Scheme was effective in generation of demand for services through community mobilisation.

### 3.2.3.2 Audit criteria

The sources of audit criteria adopted for the performance audit were as under:

- TSC guidelines (2007, 2010 and 2011) and NBA guidelines (2012) issued by GoI; notifications and circulars issued by Ministry of Drinking Water and Sanitation;
- Guidelines for engagement of *Swachchhata Doot/Prerak* (Motivator) and IEC activities;
- State Government orders relating to implementation of the Scheme and
- Provisions of Karnataka Financial Code (KFC).

### 3.2.3.3 Audit scope and methodology

The performance audit was conducted during June-September 2014 covering the period 2009-14. Audit test-checked the records at SWSM, eight out of 30 ZPs, 16 Taluk Panchayats (TPs) out of 61 TPs under selected ZPs and 129 Gram Panchayats (GPs) (25 per cent of total GPs in selected taluks as detailed in **Appendix 3.3**). Further, Audit interviewed 1,224 beneficiaries in 126 GPs along with joint inspection of Individual Household latrines (IHHLs) for their feedback about the implementation of the Scheme and awareness of the hygiene and sanitation practices. Audit also conducted joint physical verification of five school toilets, eight Anganwadi toilets and two Community Sanitary Complexes (CSCs) constructed during 2009-14 under the Scheme.

Entry Conference was held on 29 May 2014 with the Additional Chief Secretary, RDPR Department to discuss the objectives and methodology of the performance audit. Exit Conference on the draft audit report was held on 29 January 2015 with the Additional Chief Secretary, RDPR Department. The views of the State Government emanating from the Exit Conference and replies have been duly incorporated in the report.

### Acknowledgement

We acknowledge the cooperation and assistance extended by the State Government, PRIs and their officials for conducting the performance audit.

### 3.2.4 Funding pattern

The Scheme is a centrally sponsored scheme with cost sharing pattern between the Central and the State Governments and a portion coming in through beneficiary/community contribution. Key components of the Scheme along with their percentage share of total allocation and funding pattern for each sub-component are given in **Table 3.7**.



**Table 3.7: Component-wise funding pattern under the Scheme**

Component	Percentage allocation of the total project outlay		Funding pattern (in percentage)		
			Central	State	Beneficiary contribution
IEC and start-up activity including motivational awareness and educative campaigns, advocacy, etc.	Up to 15%		80	20	0
Alternative Delivery Mechanism (PCs/ RSMs)	Up to 5% (subject to a maximum of ₹35 lakh per district for PCs/RSMs and additional ₹50 lakh as revolving fund for group lending activity) (2011)		80	20	0
Revolving Fund	Up to 5% (2012)		80	20	0
IHHLs	Actual amount required for full coverage	2010	60	28	12
		2011	63	28	9
		2012	₹3200	₹1400 <sup>24</sup>	₹900
CSCs	Actual amount required for full coverage		60	30	10
Institutional toilets including school and Anganwadi sanitation	Actual amount required for full coverage		70	30	0
Administrative charges, including training, staff, support services, monitoring and evaluation, etc.	Less than 5% (2011)		80	20	0
	Up to 4% (2012)		80	20	0
SLWM (Capital cost)	Up to 10% (2011)		60	20	20
	Actual amount as per SLWM project cost within limits permitted (2012)		70	30	0

Source: TSC guidelines (2010 and 2011) and NBA guidelines (2012)

GoI releases funds to SWSM in two instalments on the basis of proposed annual plans. SWSM releases central grants along with matching grant to DWSMs within 15 days of receipt and the latter in turn release funds to GPs, which are the primary units for implementation of the Scheme.

### Audit findings

The audit findings are discussed in the succeeding paragraphs.

### 3.2.5 Financial and physical performance

#### 3.2.5.1 Financial performance

Details of funds received and expenditure incurred during the period 2009-14 in respect of all the districts are given in **Table 3.8**.

<sup>24</sup> As the State Governments are allowed the flexibility to provide higher incentive for a household toilet from their own funds, the Government of Karnataka provided ₹1,500 under NBA.

**Table 3.8: Details of consolidated receipt and expenditure for the State during 2009-14**

(₹ in crore)

Year	Opening Balance (OB)	Receipts					Total funds available	Expenditure (%)	Closing Balance (CB)
		Central share	State share	Interest	Other	Total receipts			
2009-10	33.65	21.82	12.04	1.15	3.19	38.20	71.85	39.97 (56)	31.88
2010-11	31.88	44.59	24.83	2.66	4.92	77.00	108.88	72.67 (67)	36.21
2011-12	36.21	65.83	17.50	4.32	1.30	88.95	125.16	63.31 (51)	61.85
2012-13	61.85	127.07	34.61	6.69	12.76	181.13	242.98	96.68 (40)	146.30
2013-14	146.30	141.93	16.21	8.46	3.43	170.03	316.33	170.52 (54)	145.81

Source: Figures as exhibited in the consolidated Utilisation Certificates

Note: As there were discrepancies in exhibition of OB/CB figures during the years, Audit worked out the OB/CB figures based on the receipts and expenditure figures.

It could be seen that the utilisation of funds during 2009-14 ranged from 40 to 67 per cent. Audit also observed that the figures exhibited in the consolidated Utilisation Certificates (UCs) varied with the figures provided by SWSM. GoI had instructed (May 2014) the State Government to reconcile the financial transactions/statements. However, this was pending (February 2015) since 1999.

The financial details as exhibited in the respective Chartered Accountant's (CA) reports of the test-checked districts are indicated in **Appendix 3.4**. Though the overall expenditure during 2009-14 in the test-checked ZPs ranged between 44 and 70 per cent of the total available funds, there were a few instances where ZPs could not utilise even 25 per cent of the available funds during a year (e.g. Mandya in 2012-13, Tumakuru in 2009-10 and Uttara Kannada in 2011-12 and 2012-13).

### 3.2.5.2 Physical performance

A survey (*Sarva Kutumba Sameekshe*) was conducted (2004-05) for identifying the BPL families in the State. The next survey was conducted in 2012-13 (baseline survey). The status regarding total number of households and the number of households having access to toilets is detailed in **Table 3.9** below:

**Table 3.9: Data from Sarva Kutumba Sameekshe and baseline survey**

Survey	Total number of rural households in lakh	Number of households with toilets in lakh (Percentage)	Number of households without toilets in lakh (Percentage)
<i>Sarva Kutumba Sameekshe</i> (2004-05)	71.23	16.38 (23)	54.85 (77)
Baseline survey (2012-13)	85.14	30.15 (35)	54.99 (65)

Source: *Sarva Kutumba Sameekshe* and baseline survey

As per the information furnished by SWSM, 17.92 lakh IHHLs were constructed during the period 2005-09. The targets *vis-à-vis* achievements under the Scheme during the review period (2009-14) in the State, as furnished by SWSM, are given in **Table 3.10** below:

**Table 3.10: Component-wise targets and achievements under the Scheme in the State (2009-14)**

		2009-10	2010-11	2011-12	2012-13	2013-14
IHHLs for BPL (in lakh)	Target	6.01	8.31	6.44	2.85	3.05
	Achievement	4.85	4.35	1.91	2.03	3.64
IHHLs for APL (in lakh)	Target	8.78	9.89	6.40	2.72	1.82
	Achievement	6.02	3.75	2.24	0.93	1.42
Total IHHLs (in lakh)	Target	14.79	18.20	12.84	5.57	4.87
	Achievement	10.87	8.10	4.15	2.96	5.06
CSCs (in number)	Target	112	0	0	251	533
	Achievement	112	126	121	131	88
School toilets (in number)	Target	740	2,102	4,890	3,573	2,453
	Achievement	740	4,719	1,062	1,758	1,483
Anganwadi toilets (in number)	Target	616	154	4,331	3,658	3,495
	Achievement	616	3,025	1,046	687	1,416
SLWM (in number)	Target	8	0	0	1,428	393
	Achievement	8	86	195	75	100
RSMs/PCs (in number)	Target	0	0	0	69	0
	Achievement	1	0	0	2	0

Source: As furnished by SWSM

The above table indicates that 26.08 lakh IHHLs were constructed during the period 2009-13. Considering the construction of 17.92 lakh IHHLs during 2005-09, a total of 44.00 lakh IHHLs were thus reportedly constructed in the two survey periods (2005-13). However, this figure of achievement furnished by SWSM is questionable as the data of two surveys indicated an increase of only 13.77 lakh in the number of households having toilets during the same period (**Table 3.9**). Thus, the achievement of targets did not represent a correct picture and indicated an inflated claim.

The achievements of coverage of school and Anganwadi toilets also could not be relied upon as there were inconsistencies in the data furnished by the test-checked ZPs.

While accepting the discrepancies in reporting, the State Government stated (January 2015) that concurrent social audit was being conducted from 2013-14 onwards to tackle the problem of incorrect reporting. The reply was not appropriate as there was no internal control mechanism in place to ensure correctness of reporting.

***Recommendation 1: The SWSM may expedite the reconciliation of financial statements and establish an accurate reporting mechanism for its financial and physical achievements.***

### **3.2.6 Planning**

#### **3.2.6.1 Institutional mechanism**

The Scheme guidelines envisaged establishment of a four-tier implementation mechanism to plan, implement and monitor the Scheme at State, ZP, TP and GP levels. However, it was seen that the Scheme was deprived of the

envisaged institutional support at all levels, which was critical for effective implementation and supervision of the Scheme as detailed below:

➤ **State level**

As per the Scheme guidelines, the SWSM should supervise the implementation of the Scheme and include Secretaries in-charge of Public Health Engineering Department (PHED), RDPR Department, Finance, Health, Education, Women and Child Development, *etc.*, as members to ensure convergence mechanism.

It was observed that the SWSM constituted (September 2009) for implementation of the National Rural Drinking Water Programme (NRDWP) was assigned with the responsibility of implementing TSC but it did not include the Principal Secretary/Secretary of the Departments of Education, Women and Child Development as members.

➤ **ZP, TP and GP level**

The DWSM was required to plan and implement the Scheme with appropriate IEC strategies and convergence mechanism with other line departments. BRC was to serve as an extended delivery arm of the DWSM in terms of software support and act as a link between DWSM and GPs/VWSCs. The VWSCs were to play a crucial role in the comprehensive and saturation approach to Nirmal Grams.

It was, however, observed that DWSM was not constituted in seven<sup>25</sup> out of the eight test-checked districts. Even in ZP, Belagavi, DWSM was constituted only during 2013-14 and it did not meet till the end of 2013-14. BRCs were not constituted in any of the test-checked 16 taluks and VWSCs were constituted only in 15<sup>26</sup> out of 129 test-checked GPs. Even in these 15 GPs, their functioning was not effective as they had met only once/thrice during 2009-14.

None of the test-checked ZPs/GPs made efforts to implement other components like Anganwadi toilets/school toilets/SLWM works through convergence and dovetailing of funds from other resources either for construction or maintenance of facilities created under the Scheme.

Thus, the institutional mechanism in place was not adequate and the State Government failed to devise suitable convergence mechanism for implementation of the Scheme.

The State Government stated (February 2015) that action had been taken to create a separate Rural Department of Drinking Water and Sanitation to

<sup>25</sup> Chikkaballapur, Chitradurga, Davanagere, Mandya, Raichur, Tumakuru and Uttara Kannada

<sup>26</sup> Avaradi, Devalapur, Kenganur, Naganur, Neginhal, Nichanaki and Vakkund (TP, Bailhongal); Akkatanagerahal, Gujanal, Madaval and Hunashyala P.G (TP, Gokak); Arur and Doddamarali (TP, Chikkaballapur); Mukthenhalli (TP, Honnali) and Rajanahalli (TP, Harihara)

exclusively monitor and implement NBA and involve line departments concerned in implementation of the Scheme. It was also stated that action had been taken to constitute DWSMs and VWSCs. It was further stated that BRCs were established and were engaged through service providers that were trained to look after water quality issues and motivate households to construct and use toilets. The reply regarding constitution of BRCs was not acceptable as all the test-checked TPs had stated that no BRCs were constituted.

***Recommendation 2: DWSMs, BRCs and VWSCs should be made to provide institutional support in terms of motivation, mobilisation, implementation and supervision of the Scheme.***

### **3.2.6.2 Annual Implementation Plan**

According to the Scheme guidelines, the implementing units were required to prepare an Annual Implementation Plan (AIP) each year. The main objective of the AIPs was to provide a definite direction to the programme for creation of Nirmal Grams. The AIPs were to be prepared at the GP level following the saturation approach highlighting comprehensive sanitation and water coverage on the basis of identification of GPs that can be made 'Nirmal' during the year/in the coming years. These GP plans were to be consolidated into block, district and State AIP. The finalised State AIPs were to be forwarded to the Central Government within a fortnight of the discussions in the Plan Approval Committee.

However, it was noticed that none of the 129 test-checked GPs in eight districts had prepared the AIPs in any of the four years from 2010-11 to 2013-14. Consequently, the envisaged bottom-up approach was not adopted.

Further, instead of identification of GPs that can be made 'Nirmal' during the year/coming years, the Scheme was implemented in all the GPs without prioritising them based on their sanitation status.

The SWSM admitted (November 2014) that the Scheme was implemented in all GPs in the State and a separate list of GPs for saturation had not been prepared. It was also accepted that the State AIP did not include inputs from GPs/blocks. Thus, the Scheme was implemented in the State in a routine manner without regard to stipulations of the Scheme guidelines and AIPs were ineffective in creating Nirmal Grams.

***Recommendation 3: The SWSM may prioritise GPs and follow the saturation and bottom-up approach while drawing the AIPs.***

## **3.2.7 Programme implementation**

### **3.2.7.1 Information, Education and Communication (IEC)**

IEC activities are important components of the Scheme aimed at creating demand for sanitary facilities in rural areas for households, schools, Anganwadis and CSCs through behavioural change. These activities are to be carried out continuously and should encompass all tiers of governance (State,

ZP, TP and GP). Each project district is required to prepare a detailed IEC Annual Action Plan by February of the preceding financial year, with defined strategies to reach all sections of the community.

Audit findings on IEC are as below:

➤ ***Allocation and utilisation of funds for IEC***

ZPs could utilise up to 15 per cent of the total project cost on IEC campaign. Audit observed that five<sup>27</sup> test-checked ZPs had either failed to undertake IEC activities on a yearly basis or spent very less amount on IEC campaign, exception being ZP, Raichur which had incurred 37 per cent (2012-13) and 56 per cent (2013-14) of the total funds received on IEC activities. It was observed that none of the test-checked ZPs had prepared a detailed Annual Action Plan for IEC activities.

➤ ***Non-appointment of Swachchhata Doots/Messengers***

Recognising the significance of interpersonal communication through door to door contact for attaining the programme goals and to strengthen communication machinery at the village level with participatory social mobilisation, the guidelines provided for engagement of village level motivators called 'Swachchhata Doots' (Sanitation Messengers) under IEC activities. It was observed in audit that *Swachchhata Doots* were not appointed in any of the 129 test-checked GPs.

In addition, field functionaries like Bharat Nirman volunteers, Anganwadi workers (AWWs), school teachers, etc., were also to be engaged/involved at the village level for demand creation and taking up behaviour change communication. None of the test-checked GPs engaged these volunteers at the village level.

The State Government while accepting the fact, stated (January 2015) that GP functionaries would be motivated to work as *Swachchhatha Doots* to encourage villagers in implementation of the Scheme.

➤ ***IEC training***

The Scheme envisaged imparting training in hygiene education to at least one teacher in each school and to AWWs so as to train the children through interesting activities and community projects.

No training was imparted to school teachers/AWWs in ZPs, Belagavi Chikkaballapur and Tumakuru. Though five<sup>28</sup> other ZPs replied that they had imparted training to school teachers/AWWs during 2009-14, documentary evidence in support of the claims were not furnished to Audit. As such, Audit could not ensure genuineness of the training programmes arranged by these

<sup>27</sup> Belagavi, Chikkaballapur, Davanagere, Raichur and Uttara Kannada. Three ZPs (Chitradurga, Mandya and Tumakuru) did not furnish the records related to IEC activities.

<sup>28</sup> Chitradurga, Davanagere, Mandya, Raichur and Uttara Kannada

ZPs on hygiene education. Training programmes for school teachers/AWWs were not conducted in any of the 129 test-checked GPs.

Thus, IEC activities were not given adequate attention which was reflected in the beneficiary survey wherein 82 *per cent* of the beneficiaries informed that safe sanitation practices and their positive impact on health, *etc.*, were not explained to them. Twenty six *per cent* of the beneficiaries stated that sufficient information about the Scheme was not given to them.

***Recommendation 4: The ZPs may ensure that IEC activities are carried out continuously on safe sanitation practices and the details of the Scheme.***

### ***3.2.7.2 Construction of Individual Household Latrines***

As per Scheme guidelines, construction of household toilet is to be undertaken by the beneficiary household itself and on its completion and use, cash incentive is provided under the Scheme. The amount of incentive was revised from ₹2,200 (August 2008) to ₹4,700 (April 2012). In addition, NBA guidelines envisaged an amount of ₹4,500 to each beneficiary under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).

Audit findings pertaining to IHHLs in test-checked units are discussed below:

#### ***➤ Construction of toilets by contractors***

Since the identified beneficiaries were to arrange for construction of toilets themselves, the Scheme guidelines prohibited engagement of contractors. However, three GPs (Ranganathapura and Yeraballi of ZP, Chitradurga and Chikadadakatte of ZP, Davanagere) flouted the norms and paid (2009-13) ₹27.75 lakh to contractors for construction of IHHLs.

Further, in GP, Yeraballi, a committee constituted (March 2014) by the State Government reported misappropriation of Scheme funds reflected in non-construction of toilets by contractor, sub-standard work, *etc.*

The State Government stated (February 2015) that action would be taken against those officials of GPs, Ranganathapura and Yeraballi (ZP, Chitradurga) who had flouted the norms. The reply was silent about GP, Chikadadakatte (ZP, Davanagere). Regarding misappropriation in GP, Yeraballi, it was stated that criminal case had been lodged against the Panchayat Development Officer (PDO) and the President of the GP and decision was awaited (February 2015).

#### ***➤ Purchase of materials***

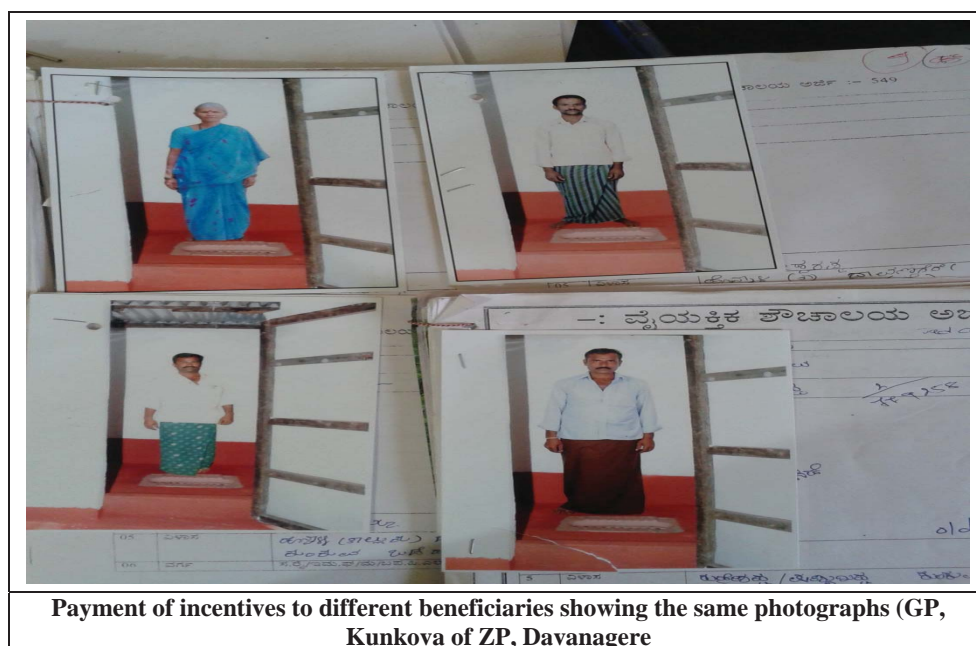
The Scheme guidelines did not provide for purchase of materials by implementing authorities as the identified beneficiaries were to arrange for construction of toilets themselves. However, 101 GPs in ZP, Tumakuru had procured (2009-10) materials, required for construction of toilets, at a total cost of ₹4.02 crore. Based on the complaint from the elected representatives of the district regarding alleged misappropriation of funds/stock, an enquiry

was conducted (March 2012) by CEO, ZP, Tumakuru and materials worth ₹36.40 lakh were found short/missing in the GPs.

The State Government stated (February 2015) that materials were procured through District Supply and Marketing Society (DSMS) to expedite the progress. The reply was not tenable as the procurement even from DSMS was not permissible under the Scheme. The reply was silent about the action initiated on the basis of the outcome of the enquiry.

➤ **Payment on morphed/fictitious photographs**

As per the State Government's instructions, the beneficiaries were required to bring on record a photograph of the duly completed toilet. In two test-checked GPs (Kunkova in ZP, Davanagere and Swandenahalli in ZP, Tumakuru), payment of ₹70,200<sup>29</sup> was made to 17 beneficiaries bringing on record photographs which were fake/morphed and fictitious. Photographs given below clearly suggest this infraction.



The State Government stated (February 2015) that show cause notices were issued to the officials concerned and action would be taken after investigation.

➤ **Payment made for incomplete toilets**

Joint physical inspection with GP authorities showed that 27 beneficiaries in 18 GPs of four<sup>30</sup> test-checked ZPs were paid (2009-14) incentive (aggregating ₹1.10 lakh) even though the toilets were not constructed/ completed by the beneficiaries.

<sup>29</sup> GP, Kunkova of ZP, Davanagere (eight cases-₹37,600) and GP, Swandenahalli of ZP, Tumakuru (nine cases-₹32,600)

<sup>30</sup> Belagavi (nine GPs-15 beneficiaries), Chitradurga (six GPs-nine beneficiaries), Davanagere (one GP-one beneficiary) and Tumakuru (two GPs-two beneficiaries)



The State Government stated (February 2015) that CEOs of the districts concerned would be directed to investigate and take action to recover the money.

➤ **Payments made for existing toilets**

As per norms, payment of incentive was to be made only for the sanitary latrines newly constructed by the beneficiaries. However, it was noticed during beneficiary survey that 56 beneficiaries in 22 GPs of six<sup>31</sup> test-checked ZPs were paid (2009-14) incentive of ₹1.81 lakh for existing toilets.

The State Government stated (February 2015) that CEOs of the districts concerned would be directed to conduct social audit and take action to recover the money.

➤ **Doubtful and ineligible payments**

In respect of 11 beneficiaries in eight<sup>32</sup> test-checked GPs, it was observed that a total incentive of ₹45,600 was paid to households whose claim of BPL status was doubtful, as observed during joint physical verification. This is evident from the fact that the GPs did not maintain the required documentary evidence (ration card, caste certificate, etc.) in support of these claims.



Photographs showing the houses where BPL status was doubtful (GPs, Annehal-07.08.2014 and Alagawadi-04.04.2014 of ZP, Chitradurga)

It was also seen that six beneficiaries in six<sup>33</sup> test-checked GPs were paid (2009-14) a sum of ₹29,132 for the second IHHL and hence were not eligible.

The State Government stated (February 2015) that CEOs were directed to verify the survey list, ascertain the eligibility and recover the incentive, if beneficiaries were found ineligible.

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<sup>31</sup> Chikkaballapur (seven GPs), Chitradurga (four GPs), Davanagere (two GPs), Mandya (three GPs), Raichur (two GPs) and Uttara Kannada (four GPs)

<sup>32</sup> Alagavadi, Annehal and Kalagere (Chitradurga); Gopagondanahalli, Kumbalur, K Bevanahalli, Nandigavi and Palavanahalli (Davanagere)

<sup>33</sup> Kenganur (Belagavi); Doddamarali and Manchanabele (Chikkaballapur); Honnali and Thimmarajanahalli (Tumakuru); Mavinkurve (Uttara Kannada)

➤ ***Non-utilisation of toilets***

During beneficiary survey, 42 beneficiaries in 26 test-checked GPs of five<sup>34</sup> ZPs stated that constructed toilets were not being used by them for the reasons that space was being used for stacking the household stores or due to unwillingness of the members of the family to use toilets.



Toilet being used for stacking materials in GP, K R Halli of ZP, Chitradurga (21.08.2014) and GP, Kumbalur of ZP, Davanagere (28.06.2014)

The State Government stated (February 2015) that action would be taken to create awareness through IEC activities to use toilets.

Evidently, the objective of the Scheme was defeated and open defecation continued even after incurring expenditure under the Scheme. Even Census 2011 data had pointed out that 68 *per cent* of the rural households in the State were resorting to open defecation.

➤ ***Release of Scheme funds to Rajiv Gandhi Rural Housing Corporation Limited***

As per the guidelines, all houses constructed under Indira Awas Yojana and other State rural housing schemes were also eligible for incentive under the Scheme. In Karnataka, Rajiv Gandhi Rural Housing Corporation Limited (RGRHCL) is the nodal agency for implementation of housing schemes.

During verification of records at test-checked ZPs, it was noticed that three<sup>35</sup> ZPs had released a total amount of ₹2.55 crore to RGRHCL during 2013-14 for providing incentive to housing beneficiaries to construct IHHLs. However, the RGRHCL did not render any account for the details of houses targeted, completed and assistance provided to beneficiaries. Besides, UCs for the funds utilised and remaining with the RGRHCL were not obtained and placed on record in any of the ZPs.

The State Government stated (February 2015) that information had been sought from RGRHCL regarding utilisation of funds.

<sup>34</sup> Belagavi (nine GPs-11 beneficiaries), Chitradurga (six GPs-nine beneficiaries), Davanagere (two GPs-two beneficiaries), Tumakuru (eight GPs-18 beneficiaries) and Uttara Kannada (one GP-two beneficiaries)

<sup>35</sup> Chikkaballapur (₹0.89 crore), Davanagere (₹1.12 crore) and Mandya (₹0.54 crore)

***Recommendation 5: The GPs may ensure thorough verification for construction and usage of IHHLs before releasing incentives to prevent instances of ineligible/excess payments.***

### **3.2.7.3 Construction of Community Sanitary Complexes**

Construction of CSC was an integral component of the Scheme, which was to be provided when there was lack of space for construction of IHHLs in the village and the community took up the responsibility of their operation and maintenance. The CSCs were to be set up in a place acceptable and accessible to all. The maximum unit cost prescribed was ₹2.00 lakh per CSC which was to be shared among GoI, State Government and local community in the ratio of 60:30:10.

#### **➤ Proposal and achievement**

The demand for construction of CSCs in a particular GP was required to be assessed as per guidelines. However, the test-checked GPs neither conducted proper surveys nor collected information regarding the availability of space for construction of IHHLs and thus, failed to consider the demand for CSCs.

It was seen that though the test-checked ZPs proposed 1,023 CSCs during the period 2009-14, only 233 CSCs (23 *per cent*) were constructed.

It was also seen that none of the test-checked GPs had made provision for maintenance of CSCs or convergence/utilisation of funds from other schemes for maintenance as per the Scheme Guidelines. The GPs did not collect any user charges to bear the cleaning and maintenance cost of CSCs.

The State Government stated (February 2015) that CEOs would be directed to identify the space to construct CSCs.

#### **➤ Non-provision of CSCs**

A survey was conducted in Gundlugurki village under GP, Manchanabele (having 226 families) and in 12 villages under GP, Posettihalli (having 454 families) of ZP, Chikkaballapur. It was reported that individual toilets could not be constructed due to difficulty in digging of pits as the area was covered by rocks and sufficient space was not available for constructing toilets. Audit, however, observed that the GP authorities did not report the matter to the ZP. As a result, no CSC was constructed in these villages and all the families in these localities resorted to open defecation.

The State Government accepted the observation and stated (February 2015) the terrain of Gundlugurki village was rocky and three places had been identified for construction of CSCs. It was further stated that efforts would be made to construct IHHLs in Gungirlahalli village of GP, Posettihalli as it is located in the mountain.

➤ **Joint physical verification of CSCs**

Joint physical verification of CSCs constructed in two test-checked ZPs (Belagavi and Tumakuru) showed the following:

Construction of a CSC was taken up at Hanumagiri village under GP, Beladara of ZP, Tumakuru, for which a payment of ₹1.98 lakh was made to the contractor (March 2013). Joint verification (23 May 2014) of the CSC disclosed that the construction was substandard and it was in dilapidated condition. The contractor abandoned the work in October 2012. Even after 20 months (June 2014), no action has been taken by the GP against the contractor and to resume/complete the work. This had resulted in wasteful expenditure of ₹1.98 lakh.

GP, Balobal in TP, Gokak of ZP, Belagavi incurred (2012-13) an expenditure of ₹1.75 lakh on CSC. However, the CSC was abandoned (January 2013) without commissioning. Joint verification (26 August 2014) disclosed that the CSC constructed was not approachable by public as it was surrounded by thick shrubs. Thus, the expenditure incurred was rendered wasteful.



The State Government stated (February 2015) that CEO, Tumakuru would be directed to ensure completion of CSC for public use. The reply was silent about the action initiated against the contractor for substandard and incomplete work. The reply was also silent about wasteful expenditure incurred in GP, Balobal.

#### **3.2.7.4 School toilets**

The Scheme envisaged construction of toilets in all types of schools, *i.e.* primary, higher primary, secondary and higher secondary schools. More emphasis was on construction of toilets for girls in schools and separate toilets were to be constructed for boys and girls in all co-educational schools. The details of schools, either Government or private, were to be collected periodically under the baseline survey.

➤ **Irregularities in construction of school toilets**

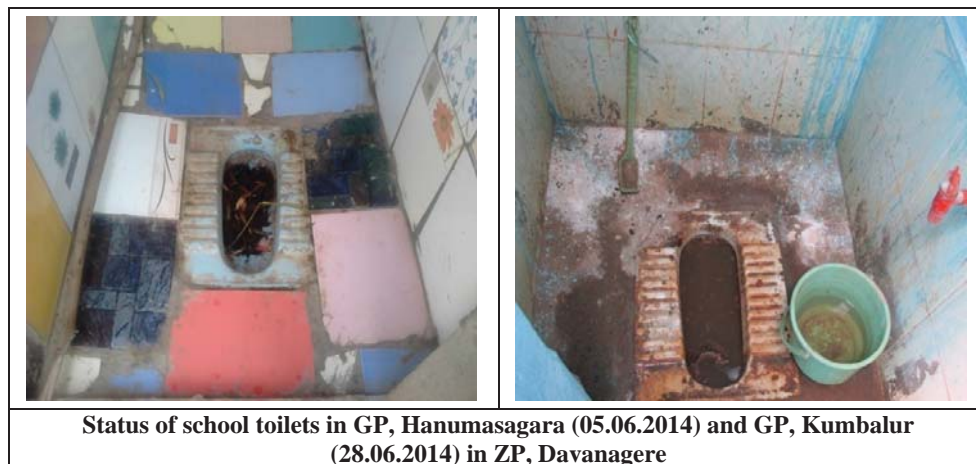
Audit observed from the bank pass sheets of the following four test-checked GPs under ZP, Davanagere that funds were released for construction of school toilets during 2011-12. The findings of physical verification (June 2014) of these units are given in **Table 3.11**.

**Table 3.11: Findings of physical verifications of school toilets**

School/Year/Amount/GP	Remarks
Government Primary School, M Thanda/2011-12/₹35,000/GP, Hanumasagara	No records/UCs were available with GP. The toilet construction was substandard and doors were not fitted. The toilet was clogged/shabby and was in unusable condition. The school students were resorting to open urination/defecation, as admitted by school authorities.
Government Primary School, Mussenal/2011-12/₹35,000/GP, Palavanahalli	No records/UCs were available with GP. The toilet constructed under the Scheme was substandard. The toilet was shabby and was in unusable condition. There was no water and electricity connection for the toilet. The granite partition slabs fixed in urinals were broken into several pieces. The sanitary and pipe fittings were broken. The school students were resorting to open urination/ defecation, as admitted by school authorities. Though the construction was done under grants released by GP under NBA, the name board indicated construction through grants released by ZP, Davanagere.
Government Primary School, Chikahalivana/2011-12/₹35,000/GP, Yakkanahalli	No records/UCs were available with GP. The toilet shown to joint inspection team appeared to be an old construction and part of existing toilet constructed earlier during 2004-05 under Sarva Shiksha Abhiyan. Hence, the new construction was doubtful.
Government Primary School, Nelahonne/2011-12/₹35,000/GP, Kumbalur	No records/UCs were available with GP. The toilet was clogged and was in a very unhygienic condition. There were no signs of digging soak pits for both the toilets and the outlet pipes were left open to road side drain, where there was water logging for a long period, exposing the school children to health hazards. Scheme logo was not painted on either of the toilets.

Source: Audit memos and reply thereon

Illustrative photographs taken during inspection are depicted below:



Thus, sanctioning toilets to these schools without proper investigation of existing infrastructure and non-monitoring by authorities resulted in wasteful expenditure of ₹1.40 lakh, besides defeating the objective of providing improved hygiene facilities to school children.

The State Government stated (February 2015) that instructions had been issued to Block Education Officers (BEOs) to maintain cleanliness in school toilets and show cause notice were issued to officials concerned.

### 3.2.7.5 Anganwadi toilets

In order to inculcate the habit of using toilets in children from the very early age, Anganwadis were envisaged as a platform for behavioural change in children. For this purpose, each Anganwadi was to be provided with a baby friendly toilet. The unit cost for each Anganwadi toilet, which was ₹5,000 during 2009, was enhanced with every revision in guidelines and since April 2012 unit cost was fixed at ₹8,000. Additional expenses would be met by the State Government/Panchayats through convergence from other scheme funds. The district and panchayat implementing agencies were to ensure proper coordination with Department of Education and Health and other partners in order to fulfil the objective of providing a safe, healthy learning environment to all children.

#### ➤ Irregularities in construction of Anganwadi toilets

Physical verification of three Anganwadi toilets constructed (2009-14) in ZP, Davanagere are given in **Table 3.12**.

**Table 3.12: Findings of physical verifications of Anganwadi toilets**

District	Village	Remarks
Davanagere	Palavanahalli - I	The toilet constructed was not fitted with door and window.
	Palavanahalli - II	Toilet was already in existence as an integral part of the Anganwadi Kendra constructed during 2010-11 and was thus inadmissible under TSC. There was no water and electricity facility for the toilet. The logo/name of the Scheme was not painted on the toilet.
	Mussenal	Toilet was already in existence since 2005-06. The construction was substandard and toilet was not in usable condition.

Source: Physical verification

Thus, an amount of ₹11,000 was claimed fraudulently against the two existing Anganwadi toilets in Palavanahalli II and Mussenal as listed above. Failure to ascertain the status prior to sanctioning/release of funds and non-monitoring the implementation of the Scheme facilitated these fraudulent claims.

The State Government stated (February 2015) that directions would be issued to Child Development Project Officer to take suitable action to rectify the irregularities.

### 3.2.7.6 Rural Sanitary Marts (RSMs) and Production Centres (PCs)

The Scheme guidelines envisaged setting up RSMs/PCs to deal in materials, hardware and designs required for construction of sanitary latrines, soakage and compost pits, vermi composting, washing platforms, certified domestic water filters and other hygiene accessories required. The RSMs/PCs could be opened and operated by Self Help Groups (SHGs)/women organisations/Panchayats/Non-Governmental Organisations (NGOs), etc. Support of private entrepreneurs would also be taken for ensuring an effective

supply chain. DWSM should have a Memorandum of Understanding (MoU) with the RSMs/PCs along with a system of joint monitoring evolved to ensure that the RSMs and PCs are on track.

➤ **Financial assistance towards establishment of RSMs**

Audit observed that 11 agencies/SHGs/NGOs in two test-checked ZPs were given loan amounting to ₹11.38 lakh<sup>36</sup> towards establishment of RSMs during 2010-13 but none of those agencies/SHGs/NGOs (except three in Mandya) established the units. Besides, in disregard of the guidelines, the ZPs did not enter into MoU with any of these agencies/SHGs/NGOs prior to extension of assistance.

The Scheme guidelines also prescribed that the financial assistance provided for establishment of RSM was to be recovered in 12-18 months. However, an amount of ₹11.38 lakh was outstanding with the agencies/SHGs/NGOs without being recovered. Audit also noticed that an amount aggregating ₹10.75 lakh advanced prior to 2009-10 was also not recovered (March 2014).

In ZP, Chitradurga, Audit observed that funds amounting to ₹21.00 lakh were advanced to Nirmithi Kendra, Chitradurga during December 2005 for establishment of RSM/PC. The Nirmithi Kendra, instead of refunding the amount to ZP on its failure to utilise the amount, submitted (June 2006) UC for ₹12.00 lakh but did not furnish the details of expenditure or documentary evidence for opening/ functioning of RSM/PCs. ZP, Chitradurga did not initiate action to recover the entire amount even after eight years, extending undue benefit to the Nirmithi Kendra. Moreover, the objective of establishment of RSMs could not be achieved.

The State Government stated (February 2015) that the CEO had been directed to recover the money and Nirmithi Kendra had been instructed to furnish the details of expenditure. It was further stated that RSMs established by three agencies in Mandya were working regularly and one agency refunded the amount. The reply was silent about remaining five cases in Mandya and two in Davanagere.

**3.2.7.7 Solid and Liquid Waste Management (SLWM)**

Under this component, activities like compost pits, vermi composting, common and individual biogas plants, low cost drainage, soakage channels/pits, reuse of waste water and system for collection, segregation and disposal of household garbage, etc., were to be taken up. Projects were to be approved by State Scheme Sanctioning Committee (SSSC). The initial sharing pattern of 60:20:20 between Central, State and Community was revised under NBA to 70:30 between Central and State Governments.

Out of the eight test-checked districts, while five<sup>37</sup> ZPs did not attempt to take up SLWM activities in a project mode during the period 2009-14, the other

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<sup>36</sup> Davanagere (two agencies-₹1.75 lakh) and Mandya (nine agencies-₹9.63 lakh)

<sup>37</sup> Chikkaballapur, Chitradurga, Davanagere, Mandya and Tumakuru

three ZPs (Belagavi, Raichur and Uttara Kannada) released an aggregated amount of ₹2.00 crore during 2012-14 towards SLWM activities.

However, SLWM activities were not taken up under the jurisdiction of any of the GPs. While GP, Gokarna under ZP, Uttara Kannada refunded (January 2014) a sum of ₹11.73 lakh to ZP (out of ₹20 lakh), the balance released to GPs/Panchayat Raj Engineering Divisions was lying idle without being utilised even as of August 2014.

As such, SLWM activities were not implemented in any of the eight test-checked ZPs. Further, even the details of approval obtained by SSSC for taking up SLWM activities under these GPs were not available on record.

In the absence of SLWM units, it was observed during the beneficiary survey that 10 beneficiaries in eight<sup>38</sup> test-checked GPs resorted to manual scavenging of their soak pits. At the State level, 2,052 cases were reported in the Census 2011 where night soil was being removed by human beings in various rural areas of the State. The Government did not offer any remarks on these issues (February 2015).

***Recommendation 6: The ZPs may put in place strategies for operation and maintenance of institutional/community toilets and the solid and liquid waste management facilities created.***

### **3.2.8 Financial management**

#### **3.2.8.1 Delay in release of funds**

As prescribed in the Scheme guidelines, the SWSM was required to release the Central grants with the matching State share to the district implementing agencies within 15 days of receipt of Central grants.

Audit, however, observed that:

- The SWSM had released (2009-14) the Central grants to test-checked ZPs without its matching share or released it with delays ranging between 21 and 61 days. In one year (2010-11), the SWSM had released (February 2011) the first instalment of Central share after a delay of 162 days. The matching share of the second instalment received during March 2011 was released (January 2013) to ZP, Belagavi after a delay of 612 days.
- During the period 2010-14, the second instalments of the Central share were received at the fag end of the year and corresponding release of the State share was extended to the subsequent year. In the year 2009-10, SWSM had not released its matching share against the second instalment of Central share.

<sup>38</sup> Kondanahalli (one), Manchanabele (one), Mastenahalli (one) and Upparpet (one) GPs in Chikkaballapur; Aralukuppe (one) and K. Honnalagere (three) GPs in Mandya; Doddamarali (one), Kasarakod (one) GP in Uttara Kannada



The district implementing agencies were required to transfer the funds in instalments to the lower levels. It was seen that the ZPs did not comply with the stipulation of guidelines for release funds on instalment basis.

The State Government accepted the audit observation and stated (February 2015) that action would be taken to release funds in time.

#### **3.2.8.2 Maintenance of cash book**

Article 329 of the KFC prescribes the procedures for maintenance of cash book. Audit noticed the following deficiencies at the test-checked GPs:

- Non/partial maintenance of cash books for the period under review (seven GPs).
- Instead of writing the cash book as and when the transaction occurs, cash books were written based on the transactions appearing in bank pass books/sheets (17 GPs).
- Instances of booking expenditure without recording the reasons/name of the beneficiaries on the payment side (four GPs).
- Cash books were not maintained in the prescribed format and were not attested by the competent authorities (76 GPs).
- Non-reconciliation of accounts with bank figures (76 GPs).

The State Government stated (February 2015) that instructions would be issued to all PRIs to maintain the cash book in the prescribed format and enter the transactions as and when they occur. It was also stated that PRIs would be instructed to do monthly reconciliation properly.

#### **3.2.8.3 Utilisation Certificate at the State level**

Audit observed that the SWSM was resorting to two sets of certification of accounts by CA, one for the consolidated accounts of all the project districts and another for the transactions of the SWSM separately.

It was seen that the SWSM had not included State level expenditure of ₹2.23 crore in the UCs (2009-13) submitted to the GoI, which resulted in incorrect reporting of expenditure.

The State Government accepted the audit observation and stated (February 2015) that the omission had been rectified at the instance of Audit and UC for the year 2013-14 included the expenditure incurred at the State level.

#### **3.2.8.4 Administrative charges**

As per the Scheme guidelines, the implementing agencies could utilise up to five *per cent* (reduced to four *per cent* from 2012 onwards) of the total outlay on the Scheme towards administrative expenses. The administrative charges

include expenditure on salary of temporary staff deployed for the execution of the Scheme, support services, fuel charges, vehicle hire charges, stationery, monitoring and evaluation of the Scheme. It prohibits purchase of vehicles, office equipment, cell phones and expenses for gift and donations, *etc.*

Audit, however, noticed that SWSM and four test-checked ZPs/TPs had incurred (2009-14) an expenditure of ₹13.21 lakh<sup>39</sup> towards prohibited items such as, purchase of furniture, television, laptops, gift articles, *etc.*

The State Government stated (February 2015) that action would be taken to recover the expenditure incurred by the districts on inadmissible items. Regarding administrative charges incurred by SWSM, it was stated that GoI had not released money under support activity of NRDWP. Hence, the interest accrued on TSC grants was utilised to pay phone bills, remunerations, *etc.*, and care would be taken to avoid such instances. The reply was not acceptable as the interest accrued on TSC grants formed part of the Scheme funds and its utilisation for NRDWP was contrary to the Scheme guidelines.

### 3.2.8.5 Diversion of funds

Audit observed instances of diversion of Scheme funds for other purposes during the years 2010-13 amounting to ₹11.85 lakh. These are detailed in **Table 3.13** below:

**Table 3.13: Details of instances of diversion of funds**

Name of the ZP/GP	Amount (₹ in lakh)	Period	Purpose for which amount was diverted	Government reply (February 2015)
ZP, Tumakuru	5.25	2012-13	IEC funds for printing of estimates/ measurement books, <i>etc.</i>	(No reply)
ZP, Uttara Kannada	4.00	2011-12	MGNREGS works (GP, Banknal)	Amount was transferred to MGNREGS account which had been expended and hence, could not be refunded to NBA account.
GP, Chikadadakatte (ZP, Davanagere)	1.50	2011-12	To GP Fund account	(No reply)
ZP, Uttara Kannada	0.49	2011-12	To GP Fund account (GP, Belambur)	Amount was transferred to Nidhi 1 account which had been expended and could not be refunded to NBA account.
ZP, Uttara Kannada	0.36	2010-11	To GP Fund account (GP, Joida)	Expenditure incurred for staff salary and would be refunded to NBA account.
ZP, Uttara Kannada	0.25	2011-12	To GP Fund for payment of staff salary (GP, Chigalli)	Amount refunded to NBA account in 2014-15. (However, no documentary evidence was enclosed to substantiate it.)
<b>Total</b>	<b>11.85</b>			

Source: Information collected from the above units

The reply is not acceptable as accountability needs to be fixed in cases where the amounts could not be refunded to the NBA account. Also diversion of funds itself is irregular.

<sup>39</sup> SWSM (₹7.87 lakh); TP, Chitradurga (₹0.93 lakh); ZP, Raichur (₹0.75 lakh); ZP, Tumakuru (₹2.90 lakh) and ZP, Uttara Kannada (₹0.76 lakh)

### 3.2.8.6 Drawal of funds without any recorded reasons

In six<sup>40</sup> test-checked GPs, Audit observed that funds aggregating ₹11.60 lakh were drawn (2009-14) without any specific/recorded reasons or authority. However, no action had been taken against the PDO/Secretary of the GPs concerned for financial irregularity.

The State Government stated (February 2015) that action would be taken after conducting investigation.

### 3.2.8.7 Excess payment

On verification of bank pass sheet of GP, Janukonda (ZP, Chitradurga), it was observed that against admissible amount of ₹4,700 for construction of IHHLs, ₹14,500 each was given to 10 beneficiaries and ₹24,500 was paid to one beneficiary during 2012-13. Thus, against the admissible payment of ₹51,700, in these 11 cases, the GP made a payment of ₹1,69,500, resulting in excess payment of ₹1,17,800.

The State Government stated (February 2015) that CEO would be directed to ascertain the reasons for excess payment and initiate action against officials concerned.

### 3.2.8.8 Drawal of funds on self cheques

As per the provisions of KFC, drawal of funds on self cheque was not permitted. However, on verification of bank pass sheet pertaining to Scheme accounts in the GPs, Audit observed the following cases (detailed in **Table 3.14**) of drawal of funds on self cheques, which were fraught with the risk of misuse of funds.

**Table 3.14: Details of instance of drawal of funds on self cheques**

Name of the GP	Taluk	Period	No. of occasions	Total amount (in Rupees)	Government reply (February 2015)
Kokkanur	Harihara	2010-12	43	1,29,000	CEO would be directed to conduct investigation and recover the amounts drawn on self cheques.
Rajanahalli		2011-12	4	12,000	
Yelehole		2013-14	1	4,700	
K Bevanahalli		2011-13	7	21,000	
Aralakuppe	Pandavapura	2010-13	3	1,02,267	Enquiry initiated by the ZP and concerned PDO was suspended.
Narayanapura		2010-11	1	15,000	
Janukonda	Chitradurga	2012-13	1	4,500	Show cause notice issued to the official concerned and action would be taken after investigation.
<b>Total</b>				<b>2,88,467</b>	

Source: Bank pass sheets of GPs

<sup>40</sup> Chikadadakatte (₹0.08 lakh), Kunkova (₹3.94 lakh), Palavanahalli (₹0.26 lakh) and T Gopagondanahalli (₹2.40 lakh) of ZP, Davanagere; Gowdanahalli (₹2.50 lakh) and Kunikere (₹2.42 lakh) of ZP, Chitradurga

### 3.2.8.9 *Payment of incentive through cheques instead of direct transfer*

All the beneficiaries were required to have accounts in any bank/post office and the incentive under the Scheme was to be transferred directly into the beneficiaries' accounts. However, Audit observed in 50 test-checked GPs of four<sup>41</sup> selected ZPs that payments were made to beneficiaries through bearer cheques instead of direct transfer of funds to bank accounts. In the absence of any safeguards, Audit could not ensure that resources reached the end user properly.

The State Government stated (February 2015) that strict instructions had been issued to all the PDOs to remit incentive to the bank account of the respective beneficiary through Real Time Gross Settlement (RTGS)/account payee cheque.

### 3.2.8.10 *Investment in fixed deposits*

Audit observed that the SWSM had irregularly invested (March 2012) an amount of ₹2.11 crore, meant for onward release to implementing agencies, in fixed deposits with a nationalised bank for 90 days. The funds along with the interest of ₹5.53 lakh were credited back (July 2012) to the Scheme account.

### 3.2.8.11 *Non-establishment of revolving fund*

The Scheme guidelines envisaged creation of a revolving fund<sup>42</sup> through 80:20 sharing between GoI and State Government for release of funds to cooperative societies or SHGs whose credit worthiness is established. This fund could be accessed by APL households which are not eligible for incentives under the Scheme. However, none of the test-checked ZPs had established the envisaged revolving fund.

The State Government stated (February 2015) that action would be taken as per the guidelines of Swachh Bharat Mission (SBM).

## 3.2.9 **Monitoring**

### 3.2.9.1 *Inspection*

The Scheme guidelines envisaged regular inspections by senior State and District level officers to verify progress of implementation at grassroots level and ensure that the execution of works was in accordance with the prescribed procedures and specifications.

None of the ZPs had put in place a mechanism for periodical inspection of progress of implementation at grassroots level. As such, the implementing authorities failed to analyse and mitigate the reasons for shortfall in achieving the objectives of the Scheme.

<sup>41</sup> Belagavi (19 GPs), Chitradurga (seven GPs), Davanagere (seven GPs) and Tumakuru (17 GPs)

<sup>42</sup> five per cent of the district project outlay subject to a sum of up to ₹50 lakh

The State Government stated (January 2015) that though inspections were conducted and implementation reviewed at block, district and State levels, the proceedings were not recorded. In the absence of documentary evidence of inspection/monitoring, Audit could not ensure the correctness of the reply furnished.

### **3.2.9.2 Constitution of Review Mission and Panel of Experts**

The Scheme guidelines stipulated constitution of a State Review Mission headed by a Joint Secretary level officer and comprising at least three members from other linked departments like Rural Development, Women and Child Development, Panchayat Raj, Human Resource Development, *etc.*, and independent representatives from reputed organisations in the field of sanitation. Similarly, it was required to put in place a Panel of Experts at the State/district level for conducting reviews periodically to enable mitigating the deficiencies pointed out by the panel or to share the best practices with other States/districts.

The State Government, however, had not constituted either the envisaged State Review Mission or a Panel of Experts. None of the test-checked ZPs had also constituted such team of experts. Thus, the implementation of the Scheme was not monitored/reviewed during the period 2009-14.

The State Government stated (February 2015) that action would be taken to constitute State Review Mission and Panel of Experts.

### **3.2.9.3 Swachchhata Diwas and Gram Swachchhata Sabha**

The Scheme guidelines provided a central role to social audits as a means of continuous and comprehensive public vigilance. For this, each GP was required to have *Swachchhata Diwas* (Sanitation Day) every month and convene periodic assemblies of *Gram Swachchhata Sabha* (Village Sanitation Assembly) once in every six month.

However, none of the 129 test-checked GPs had either observed the *Swachchhata Diwas* or convened *Gram Swachchhata Sabha* during the period 2009-14. Further, no complaints had been registered during the period 2009-14 as the envisaged grievance redressal mechanism did not exist either at the State level or PRI levels. As a result, the GPs failed to ensure public participation, consultation and consent, thereby defeating the objective of strengthening transparency, accountability and grievance redressal in the implementation of the Scheme.

***Recommendation 7: The GPs may employ social audit as an effective means to ensure public participation and strengthen transparency and accountability in the implementation of the Scheme.***

### **3.2.10 Conclusion**

The Scheme was deprived of the envisaged institutional support at all levels and the State Government had failed to devise suitable convergence

mechanism for the implementation of the Scheme. The envisaged bottom-up approach in planning was not followed and the Scheme was implemented in all the Gram Panchayats without adopting the saturation approach.

Shortfall in utilisation of funds for Information, Education and Communication activities, non-appointment of *Swachchhata Doots*, non-involvement of volunteers and deficiencies in training programmes pointed to inadequate implementation of the awareness campaign.

The achievements of targets for individual household latrines were inflated and did not present the true picture as these were inconsistent with the data of two surveys (2004-05 and 2012-13). During joint physical verification, Audit observed cases of irregular/excess payment of incentives to beneficiaries, low priority to community sanitary complexes, substandard quality in construction of institutional toilets, *etc.*

Financial management was not adequate as instances of delays in transfer of funds, deficiencies in maintenance of accounts, inadmissible expenditure, diversion of funds and other financial irregularities were observed. Review Missions and Panel of Experts had not been constituted in the State or Districts. This adversely impacted the monitoring of the Scheme.

The Gram Panchayats neither observed *Swachchhata Diwas* nor convened *Gram Swachchhata Sabha* during the period 2009-14. Consequently, they failed to ensure public participation, consultation and consent which defeated the objective of strengthening transparency, accountability and grievance redressal in the implementation of the Scheme.

## SECTION 'B' – COMPLIANCE AUDIT

### RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

#### 3.3 Own revenue of Gram Panchayats

##### 3.3.1 Introduction

In the State of Karnataka, the Gram Panchayats (GPs) function as institutions of self government. They are responsible for the preparation of plans and implementation of schemes for economic development and social justice.

The powers to levy and collect various kinds of taxes/duties in rural areas are delegated to GPs under Section 199 of Karnataka Panchayat Raj Act, 1993 (Act), Karnataka Panchayat Raj (Gram Panchayats Taxes and Fees) Rules, 1994 (KPR Rules, 1994) and Karnataka Panchayat Raj (Gram Panchayats Budgeting and Accounting) Rules, 2006 (KPR Rules, 2006).

The audit was conducted by test-checking the records of 80 GPs for the period 2009-10 to 2013-14 with the objective of checking compliance with the procedure on levy and collection of property tax and receipt of share of royalty from sand mining. The names of selected GPs are given in **Appendix 3.5**.

The audit findings arising out of the compliance audit are discussed in succeeding paragraphs.

##### 3.3.2 Levy and collection of property tax

As per Section 199 of the Act, every GP shall, in such manner and subject to such exemptions as may be prescribed and not exceeding the maximum rate specified in Schedule-IV, levy tax upon buildings and lands which are not subject to agricultural assessment within the limits of the Panchayat area. The details of demand, collection and balance of 80 test-checked GPs during the period 2009-14 are given in **Table 3.15**.

**Table 3.15: Details of year-wise Demand, Collection and Balance of property tax in test-checked GPs for the period 2009-14**

Particulars	(₹ in crore)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Balance	5.09	6.07	6.63	6.75	11.23
Demand	5.96	6.49	7.68	12.53	13.14
Total due	11.05	12.56	14.31	19.28	24.37
Collection	4.98	5.93	7.56	8.05	8.92
Closing Balance	6.07	6.63	6.75	11.23	15.45

Source: Records of test-checked GPs

Note: The balance includes arrears in collection of previous years.

### 3.3.2.1 *Properties not assessed to tax*

Under Rule 7 of the KPR Rules, 1994, the Secretary of the GP, after publication of resolution for levy of tax, has to prepare an assessment list relating to the buildings and lands in the Panchayat area with the details of serial number, name of the owner, Annual Letting Value and amount of tax assessed. On the basis of assessment lists prepared, the assessments shall be entered in the Demand, Collection and Balance (DCB) register in Form 11 (Rule 30 of KPR Rules, 2006).

- i) Scrutiny of DCB registers for the period 2009-14 in the test-checked GPs revealed that the demand was not commensurate with the number of properties in these GPs. This was evident from the following:
  - In respect of eight GPs, the demand raised for the years 2012-13 and 2013-14 remained constant in spite of increase in the number of properties during those years and even though there was no reduction in the rates of property tax.
  - In respect of eight GPs, the tax demanded during 2012-13 was less than the demand of 2011-12, though the number of properties increased during 2012-13 and there was no reduction in the rates of property tax.

Details are given in **Appendix 3.6**.

- ii) During test-check of records relating to levy and assessment of property tax in three GPs, Audit observed that in respect of 1,764 properties, tax was not collected even though these properties have been included in the assessment list of building and lands (Form 9) of the concerned GPs. This resulted in non-collection of property tax to the tune of ₹3.30<sup>43</sup> crore.
- iii) As per Rule 6(b) of KPR Rules, 1994, buildings/lands belonging to Central/State Government used for residential and commercial purposes were not exempted from levy of tax.

Audit observed that in GP, Shirwad, the properties of Central/State owned companies had not been assessed, resulting in loss of revenue to the tune of ₹0.05 crore.

In reply, the GPs agreed to take suitable action to assess and collect property tax. During the Exit Conference (February 2015), the Secretary, Rural Development and Panchayat Raj (RDPR) Department replied that this would be looked into.

### 3.3.2.2 *Loss of revenue due to incorrect agreement*

Section 202 of the Act stipulates that if any owner of industry or factory established in any Panchayat area provides sanitary and other amenities for the buildings and the land used for the industry, or for staff quarters or for any other purposes, the GP shall receive an amount annually as may be agreed

<sup>43</sup> GP, Jigani (₹1.74 crore); GP, Ballur (₹1.22 crore) and GP, Shirwad (₹0.34 crore)



upon between the GP and the owner of such industry/factory in lieu of the taxes, rates or fees so payable under the Act in respect of such buildings or lands.

Scrutiny of records in GP, Jigani of Anekal taluk, revealed that the GP President had entered into a Memorandum of Understanding (MoU) with the President of Jigani Industrialists Association. As per the MoU, the industries enlisted with the Jigani Industrialists Association were liable to pay the tax on buildings and land at rates lesser than the rates approved by the General Body (GB) of the GP in respect of other similar properties under the jurisdiction of the GP as detailed in **Table 3.16** below:

**Table 3.16: Details of rates of property tax in GP, Jigani**

Period	Rates as per agreement		Rates approved by GB	
	Building	Land	Building	Land
2009-2011	0.50	0.05	0.80	0.50
2011-2014	0.65	0.10	1.00	0.80

Source: Records of test-checked GPs

As civic amenities in the Jigani industrial area were provided by the Karnataka Industrial Area Development Board, Bengaluru, the MoU entered with the Jigani Industrialists Association was not correct. Also, the MoU was violative of the provisions, as an agreement can be entered into only with the owner of an industry/factory after ensuring its eligibility and not with an association of industries/factories *en masse*.

Audit observed that the tax rate agreed upon was much lesser than the tax rate fixed from time to time for even residential properties in the GP. This discriminated the status of assessee (industries/factories) for payment of tax into two categories under the jurisdiction of the GP, which resulted in loss of revenue of ₹3.06 crore as given below:

	(Amount in ₹)
Amount of tax including cess as per GB approved rates	3,88,24,952
Amount of tax collected as per the agreement	82,01,727
Difference	3,06,23,225

During the Exit Conference (February 2015), the Secretary, RDPR Department stated that this would be reviewed as, *prima facie*, this was in contravention of the provisions of the Act.

### 3.3.3 Other issues

#### 3.3.3.1 Loss of revenue due to non-revision of rent

As per Rule 16 of GP (Budgeting and Accounting) Rules, 2006, the revenue of a GP shall also consist of income through land/building owned by the GP.

Scrutiny of records pertaining to 45 rental agreements, in GP, Attibele of ZP, Bengaluru (Urban), revealed that as per the agreement entered into between

the GP and individuals, the monthly rent shall be increased by five *per cent* over the existing rent once in every three years and also the agreements shall be valid for a period of five years. Audit noticed that action was not taken either to renew the agreements or to revise the rent periodically, which had resulted in loss of revenue to the tune of ₹7.42 lakh as of March 2014.

During the Exit Conference (February 2015), the Secretary, RDPR Department informed that this issue would be looked into.

### **3.3.3.2 *Non-issue of demand notice and non-levy of penalty in respect of defaulters***

As per Section 200 of the Act, when any tax, cess, fee, *etc.*, becomes due, the GPs shall issue a bill for the due amount to the assessee indicating the date on or before which the amount shall be paid. If the assessee fails to pay the amount due by the specified date, the GP has to issue a notice of demand to the defaulter. Further, if the defaulted assessee fails to pay tax/fee within 30 days of serving the notice of demand, a penalty of 10 *per cent* of the amount due and the notice issuing fee shall be levied on the defaulters.

Audit noticed that the test-checked GPs failed to issue the demand notices due to which property tax amounting to ₹15.45 crore could not be collected. Also, the penalty for failure to pay property tax had not been levied.

During the Exit Conference (February 2015), the Secretary, RDPR Department accepted that GPs do not issue demand notice and collect penalties as pointed out by Audit. However, the State Government should have taken necessary action to ensure that the GPs collected the due amount of property tax along with penalty. As such, Government needs to devise ways and means so as to ensure realisation of property tax in a timely manner.

## **3.3.4 Share of royalty**

### **3.3.4.1 *Short transfer of revenue share collected towards sand mining to concerned GPs***

As per Rule 21 (e) of Karnataka Minor Minerals Concession Rules, 1994, the State Government was required to transfer 50 *per cent* (25 *per cent* from 2011 onwards vide Government Order dated 02 July 2011) of royalty collected towards sand mining to the concerned GPs in which the sand quarry was located. The royalty was collected by the Mines and Geology Department up to 2010-11 and thereafter by the Public Works Department (PWD).

Audit verified the sharing of such revenue in the eight test-checked districts with the PWD and Department of Mines and Geology and found that in four<sup>44</sup> test-checked districts complete share of royalty had not been transferred to the GPs, resulting in short transfer of royalty to the extent of ₹16.34 crore during

<sup>44</sup> Davanagere (₹4.82 crore), Gadag (₹9.65 crore), Kodagu (₹0.87 crore) and Koppal (₹1.00 crore)

the period 2011-14. The reason for short transfer of royalty amount was not furnished to Audit.

During the Exit Conference (February 2015), the Secretary, RDPR Department accepted that this issue was not pursued and will be done shortly based on audit observations.

### **3.3.5 Conclusion**

The collection of property tax by the GPs was ineffective as the arrears were mounting year after year. Property assessment list was not reliable as there were discrepancies in the number of properties and corresponding demand raised. Levy of non-tax revenue in test-checked GPs was found to be poor, depriving the GPs of their legitimate revenue.

### 3.4 Information Technology audit of “Pancha Tantra”

#### 3.4.1 Introduction

The Government of Karnataka (GoK) introduced an ‘accrual basis, double entry accounting system’ in Gram Panchayats (GPs) in accordance with the Karnataka Panchayat Raj (Gram Panchayats Budgeting and Accounting) Rules, 2006<sup>45</sup> (henceforth referred to as B&A Rules). National Informatics Centre (NIC), on the request of the Rural Development and Panchayat Raj (RDPR) Department, developed a web-based application with 3-tier architecture called “Pancha Tantra” for implementing the double entry accounting system in GPs as well as for meeting the basic requirements of the GPs. Pancha Tantra had been developed during the year 2009-10 and entry of data started from 2010-11. Pancha Tantra was implemented in all 5,629 GPs, 176 Taluk Panchayats (TPs) and 30 Zilla Panchayats (ZPs) since 2012-13.

TPs and ZPs were given access to Pancha Tantra to monitor the activities of the GP by viewing various reports such as Demand, Collection and Balance (DCB) reports, financial statements, asset reports and beneficiary reports on the system. Pancha Tantra also contained a fund releasing module which was to be used by the ZP to enter the details of fund released to GPs.

The officials and the public could access various reports through the “Pancha Mitra” link in Pancha Tantra.

The database of the application is hosted on a central server available in the NIC office at Koramangala, Bengaluru. The software has been developed using Microsoft SQL Server 2008 as back-end and Microsoft Dot Net technology as front-end tool.

##### 3.4.1.1 Features of Pancha Tantra

The Pancha Tantra was developed as a comprehensive application to meet the basic requirements of the GPs. It facilitated maintaining the double entry accounting system while carrying out the regular functionalities/activities such as, maintaining individual’s details of properties, water connections, *etc.* This system was stated to be developed, keeping in mind the understanding and knowledge of the Panchayat staff in performing the operations on the computer system. The rules and regulations defined in the Panchayat Act were incorporated while designing the Pancha Tantra application. Pancha Tantra has 10<sup>46</sup> modules and under each module various functionalities are provided.

The details of hardware, software and internet availability in the GPs were captured in Pancha Tantra. It was found that all GPs had implemented Pancha

<sup>45</sup> The Rules came into effect from 01.04.2007.

<sup>46</sup> Modules are: 1. Masters, 2. Demands, 3. Services, 4. Receipts, 5. Payments, 6. Reports, 7. Works, 8. Samanya Mahithi (General information), 9. Others (includes details such as Gram Sabha proceedings, change of user account password, *etc.*) and 10. Monthly or Annual statements

Tantra and had internet connectivity and power backup. The database has provisions to enter data either in Kannada or in English.

Pancha Tantra was also linked with certain other Information Technology (IT) applications such as “E-Swattu” and “Work soft”. E-Swattu was designed by the RDPR Department for issuing Form-9<sup>47</sup> and Form-11<sup>48</sup> which were essential instruments for property tax collection. All conversions of land, additions of properties were to be carried out through E-Swattu. Work soft was an application to enable the GP, ZP, TP, Karnataka Rural Road Development Agency (KRRDA) and Karnataka Rural Infrastructure Development Limited (KRIDL) to enter details of all the works undertaken in the GP’s jurisdiction. On completion, the work would get assetised.

### **3.4.2 Audit objective**

The Audit objective was to ascertain the following:

- whether adequate application controls existed to ensure integrity, availability and completeness of data.
- whether the application facilitated maintaining double entry accounting system and necessary business rules were incorporated.
- whether the application enabled GPs to carry out the regular functionalities/activities in an effective manner.

### **3.4.3 Audit scope and methodology**

The IT audit of Pancha Tantra was conducted by examining the application in the 80 test-checked GPs out of 5,629 GPs, 16 TPs out of 176 TPs and eight ZPs out of 30 ZPs (**Appendix 3.7**) for the period 2010 to 2014. Audit also analysed the database<sup>49</sup> to examine the system design and deficiencies, if any, with emphasis on integrity, availability and completeness of the data. The master data and data captured on the income side of the accounts relating to property tax and water charges were examined in detail.

### **Audit findings**

The audit findings are discussed in the succeeding paragraphs.

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<sup>47</sup> Form-9 is the list of non-agricultural properties in the jurisdiction of GP (Rule 28 of B&A Rules).

<sup>48</sup> Form-11 is the register of demand, collection and balance in respect of non-agricultural properties maintained by GP as per Rule 30 of B&A Rules.

<sup>49</sup> The database contained data of all GPs as on 15.10.2014.

### 3.4.4 Application controls

#### 3.4.4.1 Input Controls and Audit trail

Audit observed that there was a single user identification number (ID) for entering/updating and revising the data in each GP. Thus, after data had been entered or updated by the Data Entry Operator, there was no system whereby it could be ensured that the Panchayat Development Officer (PDO) of the GP certified the correctness of the data entered. It was observed that there were deficiencies in the quality of data entered, which have been brought out in succeeding paragraphs.

The State Government replied (March 2015) that entries into Pancha Tantra were being made by the operator under the directions of the PDO who subsequently verified it manually through printouts and critical entries were verified and approved with fingerprint authentication and that wherever required, input controls and audit trails were built in. The State Government, however, agreed to re-examine the process to build in PDO approval for data uploading and to strengthen the input controls and record the audit trails.

The fact remains that in an IT environment it is imperative that all users accessing the system have unique passwords and rights for knowing as to who entered the data and made changes thereon, thereby also ensuring an effective audit trail. Thus, the State Government, while re-examining the existing process, needs to ensure that each user accessing the system has a separate ID so that the data entered/updated/revised may be linked to the user who has done the same. Also, the user ID of PDO/Secretary should be kept confidential as the final authorisation has to come from him/her.

#### 3.4.4.2 Data entry in Master Tables

Audit examined the following masters in detail *i.e.* Property, Water connection, GP assets and Beneficiary details. The audit findings are as under:

- **Property Master**

The property master essentially enabled a GP to enter all details relating to various properties under its jurisdiction. Audit analysed the property master which had 6,05,31,461 records containing 30<sup>50</sup> fields including “Name of the owner”, “property number”, “address”, *etc.*

The following observations were made.

- All 5,629 GPs had entries in the property master. During test-check for the year 2013-14, Audit observed that the number of properties entered in

<sup>50</sup> 30 fields are: Auto generated Fields: gp code, village code, property\_id, property\_unique\_id, assessment\_year Non-Mandatory Fields: owner\_name, address, property\_no, survey\_no, house\_no, area, m\_unit, dimension, ward\_no, mobile\_no, circle\_code, rr\_no, toilet\_fac, north\_dir, south\_dir, east\_dir, west\_dir, ins\_dt, upd\_dt, location\_code, uniq\_old, trn\_date, trn\_type, trn\_status, ip\_no

Pancha Tantra did not match with the manual records maintained by GPs for the year 2013-14. For example, in GP, Menasagi of Gadag district, the number of properties as per manual records was 1,501 while as per Pancha Tantra the number of properties was 395.

- Important fields of owner name and property number were not mandatory. The owner name and property number was blank (in 1,596 cases) and contained invalid data like '0', '-', etc., (in 4,27,368 cases) in eight test-checked districts. Incomplete data entry would lead to generation of unrealistic reports.

The State Government stated (March 2015) that action has been initiated to correct and update all the properties in the Pancha Tantra. Further the State Government also stated that action will be initiated to make property number and owner's name mandatory.

- **Water Connection Master**

The details of water connections were being entered in Pancha Tantra under two heads *i.e.* monthly and annually. The water connection master captured details of property ID, GP code, village code, ward number, financial year, owner name, meter number, tap number and usage type all of which were mandatory.

Audit noticed that out of 5,629 GPs, only 2,018 GPs (36 *per cent*) had entered the details of water connections. Further, in 1,036 GPs, there were less than 10 number of water connections entered in the water connection master. Out of 80 test-checked GPs, 17 GPs were falling in the above list of 1,036 and it was found from the available records that the number of individual connections was much higher, averaging at 697 water connections per GP. The details are in **Appendix 3.8**.

The State Government stated (March 2015) that they are closely monitoring the collection of taxes of the GPs during this year using Pancha Tantra and accordingly GPs have been instructed to update collection and demand under water connection tax.

- **GP Assets Master**

As per Rule 69 of B&A Rules, every GP shall maintain asset register for both movable and immovable properties in the prescribed formats.

Pancha Tantra, being an accounting software, necessitates the capturing of all the assets of the GPs so that the balance sheet of the GP is correct.

Audit analysed the assets master table pertaining to movable and immovable assets owned by the GP. The table had fields for the GPs to enter the details of its assets such as scheme ID, asset class, asset name, asset address, asset description, completion date, value on completion, current value, etc.

The following observations were made:

- It was noticed that 5,379 GPs (96 *per cent*) had updated/entered the data for assets. The remaining 250 GPs had not entered any details in the table.
- Audit also observed that assets created under MGNREGS were not being captured in the GP assets.
- The assets master did not contain fields to capture the type of asset *i.e.* movable or immovable and acquisition value.

The non-entry of assets would lead to understatement of the assets in the balance sheet of these GPs. The State Government stated (March 2015) that the instructions had been issued to the GPs to update the assets data into Pancha Tantra. It was also stated that the assets created under MGNREGS will be pulled and linked into Pancha Tantra system shortly and that provisions will be made to capture the type of assets and acquisition value in Pancha Tantra.

#### • Beneficiary Details Master

Audit examined the master table of beneficiaries which captured their details<sup>51</sup>, *inter alia*, name, address, bank account number, scheme name, *etc.* There was provision to capture unique identification through Aadhaar number and Ration card number. The following observations were made:

- Fields such as Aadhaar number and Ration card number were blank.
- There were 11,19,581 number of records for the bank account number. It was not unique in 9,82,467 records and blank in 1,62,076 records and contained invalid data such as 0, \*, #, ?, / in 8,20,391 records. The absence of validation controls resulted in entry of invalid data. It was also noticed that the bank account number field had not been made mandatory.
- There was no common beneficiary database having details of different schemes which an individual has benefitted from.

The State Government informed (March 2015) that the process of beneficiary identification and finalisation is being improved and the system is being implemented for bio-gas and Nirmal Bharat Abhiyan Schemes. It was also stated that in the new beneficiary management system, account numbers are being captured.

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<sup>51</sup> data captured is GP code, Village code, Beneficiary identification number, Beneficiary name, Beneficiary's father's name, Beneficiary address, Beneficiary phone number, Beneficiary bank, Beneficiary's bank branch, Beneficiary's bank account number, Caste status, Mobile number, Ration card, Job card number, Circle code, Aadhaar code and Property number



### **3.4.5 Mapping of Business Rules**

#### **3.4.5.1 Provisions relating to Budget**

One of the major functions of a GP is to prepare budget and get the approval of the General Body (GB) before commencement of the financial year (Rule 11 of (B&A) Rules. As per Rule 15 of (B&A) Rules, every GP shall maintain a budget control register so that no expenditure is incurred without budget provision and the expenditure so incurred does not exceed the budget provision.

Audit noticed that there was no provision for capturing budget details in the absence of which the GPs will not be in a position to exercise control over expenditure as against budget provisions.

The State Government accepted the audit observation and stated (March 2015) that provision is being made to enter and generate budget through Pancha Tantra and also to capture the approved details of the same.

The provision to capture the budget details would bring greater financial discipline and transparency.

#### **3.4.5.2 Auto generation of demand notice and penalty notice in case of non-payment of tax**

The system of tax collection was such that the bill collector collected the taxes from the assessee and issued a manual receipt. The details in the receipt were entered in the day book and in Pancha Tantra. Pancha Tantra thus, reflected the total current demand of property tax, water charges and all other taxes and charges only based on the data entered by the GP. The following was observed:

- Pancha Tantra neither captured the rate of tax nor provided for auto calculation of the tax to be demanded from the assessees.
- In the test-checked 80 GPs, the current demand for property tax was zero in 29,680 numbers of records, out of which in 10,597 numbers of records, the opening balance was not equal to zero clearly indicating that these were not exempted properties.
- Pancha Tantra did not have any provision to auto generate demand<sup>52</sup> notices and penalty notices and capture the date of issue of such notices which might have helped the GPs in recovering the outstanding dues and penalties and increasing their revenue.

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<sup>52</sup> Section 200 (4) of Karnataka Panchayat Raj Act, 1993 requires that if the tax, rate, fee for which a notice of demand has been served is not paid within 30 days from the date of such service, the GPs may recover the amount due along with a penalty in the prescribed manner.

Capturing rates of taxes and fees and auto calculation of the tax and non-tax liability would bring about greater transparency and ease of work in the tax and non-tax administration.

The State Government accepted (March 2015) the observations and stated that provision for auto-calculation will be explored and issue of demand notices in case of non-payment of tax will be made in the next version.

### **3.4.6 Generation of accrual accounts in double entry system**

The rules for double entry are given in Chapter XI-Rules 101 to 111 of B&A Rules. These rules are for Book keeping, Accounting on accrual basis, Books of accounts (Cash book, Journal book and General ledger), Monthly accounts, Half-yearly accounts, Annual accounts, preparation of Trial balance, preparation and revision of Opening balance sheet, reports regarding defalcations or losses and investigation, *etc.*

#### **3.4.6.1 Omissions in certification of Accounts**

It was observed that test-checked GPs had generated only Income and Expenditure Statement and Balance Sheet through Pancha Tantra and had not generated Receipt and Payment account though there was provision for the same. Further, the Receipt and Payment account was not available for view by the public.

The State Government accepted (March 2015) the audit observation and stated that Receipt and Payment statement had not been provided in public domain as it was felt that it was not an important statement. It was further stated that it would be made available in the public portal. The reply, however, did not address the issue of the GPs not generating the Receipts and Payment account itself.

Out of the 80 test-checked GPs, in five<sup>53</sup> GPs only, Pancha Tantra generated accounts were approved by respective GB. Subsequently, these accounts were certified by primary auditor. However, in these GPs, income from property tax and water charges as per manual records did not agree with the figures in the Pancha Tantra generated accounts (as detailed in **Appendix 3.9**). Evidently, all entries have not been made in the computer system and the primary auditors should not have relied on them for certification.

#### **3.4.6.2 Balances in Income and Expenditure Statement not tallying with collections in DCB**

As per General Principles and Procedure of Double Entry Accounting System Rules 101 and 102 of B&A Rules, income which is earned or when the right to receive it is established, is to be taken as income on accrual basis and all collections in respect of accrued income shall be credited to the 'Receivables account', as and when they are received. The balance outstanding in the

<sup>53</sup> Devapura, Doddagatta, G N Kere, Kanchipura and Kangavalli (ZP, Chitradurga)

Receivables account shall be reflected in the Balance Sheet as Income-Receiveable. The following was observed:

Audit examined the collection of Street light charges, Tax on building, Tax on land, Water rate – General and Water rate – Special for the year 2013-14 from the DCB register in Pancha Tantra, in the 80 test-checked GPs and found that the income shown in the Income and Expenditure Statement was not matching with the collection shown in DCB Register in Pancha Tantra (Illustrative cases are given in **Appendix 3.10**).

The State Government accepted the audit observation and stated (March 2015) that the variations was mainly due to offline data entry work since the department had not gone for online system because of connectivity and power supply issues. However, it has taken measures to get the entries in Pancha Tantra corrected and matched with the manual entries. It was also stated that the mismatch in the DCB would be corrected during the current year.

#### ***3.4.6.3 Closing balances of DCB not being carried forward properly***

Audit examined the DCB registers in Pancha Tantra comparing the closing balance of 2012-13 with the opening balance of 2013-14 from the DCB register for Street light charges, Tax on building, Tax on land, Water rate – General and Water rate – Special. In 65 GPs out of the 80 test-checked GPs, the closing balance of 2012-13 did not match with the opening balance of 2013-14. For example, in the case of Attibele GP, the closing balance for Street light charges as per DCB register of 2012-13 in Pancha Tantra was ₹4,90,080 whereas the opening balance for 2013-14 was only ₹1,86,890. Illustrative cases are given in **Appendix 3.11**.

The State Government stated (March 2015) that provision for correction of opening balance has been provided to the GPs to correct the mistakes made in data entry. Hence, it might have been modified by the GPs. The reply is not tenable as calculation of closing balance and the consequent carry forwarding of the same as opening balance for the next year is purely a system issue. Any manual interference in this may lead to serious negative implications on the accounts generated through Pancha Tantra.

#### ***3.4.6.4 Outstanding cess liability not reflected properly in the Balance Sheet***

As per the instructions (May 2005) of the State Government, a cess towards providing adequate health, education, improved library facilities and rehabilitation of beggars aggregating 34 *per cent* on the property tax collected by the GP had to be collected and remitted to the authorities concerned after deducting 10 *per cent* of the total cess collected towards collection charges.

The cess amount entered by the GPs was reflected in the liability side in the Balance Sheet in Pancha Tantra. It was seen that liability did not include the outstanding cess amount which had been retained by the GPs as seen in the 80 test-checked GPs. In fact, in 18 cases, the cess figure was even 'nil'. For

example, in GP Hitnal, Koppal district, the total outstanding cess was ₹8,81,584 while the figure in the balance sheet was only ₹39,428. These cess figures also did not match with the day book collection registers. The details are in **Appendix 3.12**.

As the cess figures had not been captured properly, the liabilities to this extent were understated in the Balance Sheet.

The State Government stated (March 2015) that corrective measures would be taken to reflect the outstanding cess liabilities in the balance sheet.

#### **3.4.6.5 Depreciation**

As per Rule 110 (3) of B&A Rules, depreciation shall be provided on all fixed assets either on Written Down Value (WDV) or Straight Line Method (SLM) and ZPs have the power to determine the method and rate of depreciation. The Pancha Tantra software however, only enabled the WDV method. Hence the system should have provided for the GPs to select either one of the methods instead of hard coding only one method.

In a sample of the test-checked GPs for the year 2013-14, which had been uploaded in Pancha Tantra, it was observed that depreciation had not been charged in the Annual accounts in any of the test-checked GPs, even in those cases where the assets should have been charged depreciation.

The State Government stated (March 2015) that this point was being cross-checked by NIC with the concerned auditors of the test-checked GPs.

#### **3.4.6.6 Fund releasing module not being used**

The fund releasing module was available to the Chief Accounts Officer/Accounts Officer of the ZP to enter the fund releasing details. The fund releasing module was, however, not being used.

In reply, the State Government stated (March 2015) that there is a different system which is being used to calculate and transfer the funds under XIII Finance Commission Grants directly to the GPs through NEFT/RTGS which will be extended to all the Schemes for fund transfers in the coming years.

It is necessary to provide complete details of funds released to a GP in Pancha Tantra which is also available for public viewing so that expenditure incurred there against can be monitored.

### **3.4.7 Conclusion**

The Pancha Tantra application is a positive step towards enabling GPs to capture various data and transactions and also to generate its accounts which can also be viewed by the general public.

The IT audit of Pancha Tantra, however, showed that the system did not provide for proper verification of data due to weak input controls as only a

single user ID was provided for multiple users. There were design defects resulting in discrepancies in the generated accounts making them unreliable. In some cases business rules had not been mapped properly. Also, there was no provision for capturing the budget of the GP in Pancha Tantra. Processes such as auto calculation of tax and generation of demand notices to enhance transparency in tax and non-tax administration and ease of work were not provided in Pancha Tantra. There were deficiencies in the data entry including capturing of legacy data such as outstanding cess, property and water connection data, *etc.*, being captured. Audit's examination of the Annual accounts particularly with respect to the incomes showed that the accounts were not being generated properly in Pancha Tantra.

It is felt that if this system is periodically reviewed and need-based changes are made, Pancha Tantra will go a long way in improving governance at the GP level.

#### **3.4.8 Recommendations**

- Adequate input controls and validation checks may be introduced to ensure completeness and correctness of data including legacy data entered into the system.
- The discrepancies in double entry accounting system should be eliminated to improve reliability of financial statements generated through it.
- Provisions may be incorporated to enhance its functions related to auto calculation of tax and budget preparation.

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**DEPARTMENT OF YOUTH EMPOWERMENT AND  
SPORTS**

**3.5 Submission of false utilisation certificates**

**The Assistant Director submitted false utilisation certificates for ₹68.40 lakh released for constructing taluk sports stadium at Manvi, Raichur district even though the stadium had not been constructed.**

The provisions of General Financial Rules, 2005 stipulate that an institution or organisation receiving grants should furnish a certificate of actual utilisation of the grants received within 12 months of the closure of the financial year.

The Commissioner, Department of Youth Services and Sports (DYSS) had instructed (November 2005) the Deputy Commissioner, Raichur to identify eight acres of land in each taluk and submit proposals for constructing 400 metre track stadia. The expenditure was to be met out of Twelfth Finance Commission grants. For this purpose, 5.4 acres of land belonging to Pre-University College had been identified (January 2006) in Manvi taluk. The Government accorded (December 2008) administrative approval for construction of stadium at an estimated cost of ₹68.40 lakh. Joint Director, Youth Services, DYSS, Bengaluru released (February and August 2009) funds to the Assistant Director, DYSS, Raichur (AD) subject to, *inter alia*, the following conditions:

- Utilisation Certificates (UCs) for having utilised the amount and progress reports were to be furnished in the prescribed formats.
- If the amount was not utilised, the same was to be refunded to the Government.
- AD was to submit monthly progress report along with photographs to the Commissioner, DYSS.
- The work was to be executed as per the provisions of Karnataka Transparency Act and Rules.

It was initially proposed to execute the work through Public Works Department, Raichur (PWD). However, the work was withdrawn from PWD on grounds of anticipated delay in tendering procedure and entrusted (October 2009) to Nirmithi Kendra. The work was to be completed by January 2010. Direct entrustment of work to Nirmithi Kendra without competitive bidding contravened the conditions stipulated in release orders.

It was seen that 5.4 acres of land identified in January 2006 was not sufficient for constructing 400 metre track stadium. The AD requested (February-September 2013) Tahsildar, Manvi on several occasions to identify another piece of land. The land was yet to be identified (June 2014).

As a result of non-availability of suitable land, the work did not commence. The appropriate action, as per the release orders, would have been to intimate

the competent authority of non-availability of land and remit the grant amounting to ₹68.40 lakh back to the Government account. However, the AD submitted (July 2009 and January 2010) false UCs stating that the grants of ₹68.40 lakh had been utilised though it remained unutilised in a savings bank account. The Commissioner, DYSS also did not insist upon the submission of monthly progress reports and photographs to monitor completion of work and failed to ensure the correctness of UCs submitted by the AD. This resulted in incorrect reporting as well as parking of funds outside the Government account for more than five years. As of June 2014, the funds kept in the bank account with interest accrued thereon, amounted to ₹81.11 lakh. Responsibility needs to be fixed on the officers concerned for submission of false UCs.

The State Government accepted (October 2014) the audit observation and stated that action would be taken to get the entire amount along with interest remitted to the Government account and disciplinary action would be initiated against the officers concerned.

## **RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT**

### **3.6 Unfruitful expenditure on incomplete road works**

**Two road works were undertaken without ensuring availability of land due to which the objective of providing better rural inter-connectivity could not be achieved despite incurring an expenditure of ₹46.73 lakh.**

Codal provisions<sup>54</sup> require taking up of projects after ensuring availability of required land and conducting proper surveys so that the project could be completed within the stipulated time to realise the intended benefits. Further, the guidelines under Forest (Conservation) Act, 1980 issued (October 1992) by Ministry of Environment and Forests, Government of India mandate that in case of a project involving forest and non-forest land, work should not be commenced on non-forest land till approval of the Central Government for release of forest land under the Act has been given.

With an objective of improving rural inter-connectivity, two<sup>55</sup> Executive Engineers (EEs) took up (2010-11) improvements to road works under Rural Infrastructure Development Fund financed by National Bank for Agriculture and Rural Development (NABARD). However, the EEs did not ensure the availability of land before commencing the works. As a result, the works remained incomplete and the objective of providing better inter-connectivity could not be achieved despite incurring an expenditure of ₹46.73 lakh as detailed below:

The EE, Panchayat Raj Engineering Division (PRED), Bengaluru Rural took up improvements to road from NH-4 to Agalakuppe Krishnapura cross via Halenijagal, Veerabhadreshwara temple road (chainage 0.00 to 3.00 km) in Nelamangala taluk. The Government approved (March 2010) the road project

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<sup>54</sup> Paragraph 209 of Karnataka Public Works Departmental Code

<sup>55</sup> Executive Engineer, Panchayat Raj Engineering Division, Bengaluru Rural and Executive Engineer, Project Division, Mandya

at a cost of ₹69 lakh and the Chief Engineer, Panchayat Raj Engineering Department accorded the technical sanction during April 2010. The work was awarded (June 2010) to a contractor with the stipulation of completing it within six months. The project road involved forest land from chainage 1.10 to 3.00 km. However, the EE did not initiate action to secure the release of forest land required for the work and commenced the work on non-forest land. The Forest Department objected (August 2010) to the execution of work on forest land. The contractor completed (March 2012) the improvements to road from chainage 0.00 to 1.10 km at a cost of ₹29.05 lakh and could not proceed further. The work was abandoned (April 2012) on 'as is where is' basis.

Similarly, the EE, Project Division, Mandya took up the work of improvements to road from Shivara colony to T-06 (chainage 0.00 to 2.17 km) in Mandya taluk at an estimated cost of ₹58.76 lakh. The work was administratively approved and technically sanctioned during October 2010 and July 2011 respectively. The work was awarded (September 2011) to a contractor with the stipulation to complete it by September 2012. After asphaltting the road from chainage 0.00 to 0.75 km, the work was stopped by the farmers as the stretch of the road from chainage 0.76 to 2.17 km was passing through their irrigated agricultural land. The work was abandoned at that stage and the final bill of ₹17.68 lakh was paid during June 2013.

The State Government stated (August and September 2014) that the works were abandoned due to non-availability of land and in respect of work in PRED, Bengaluru Rural, it was known only at the time of execution that part of the road belonged to forest department. It was, however, contended that the expenditure incurred on these partly completed roads would not be unfruitful.

The fact, however, remains that the expenditure incurred on these partly completed roads was not justifiable as the works were taken up without proper surveys and the EEs had failed to identify the private agricultural/forest land required for the works. As a result, improvements to roads could not be completed for the entire length and better connectivity could not be provided, as envisaged.

### **3.7 Unfruitful outlay on incomplete road works**

**Failure to ensure completion of two road works even after three years from the stipulated dates of completion rendered the expenditure of ₹24 lakh unfruitful. This included payment of ₹8.87 lakh to the contractor for the work not done.**

As per codal provisions<sup>56</sup>, the Executive Engineer (EE) is responsible for watching the progress of expenditure under each sub-head of work. In case, the contractor stops the work midway and fails to complete it despite repeated reminders, the EE should enforce penal clauses of the contract agreement and take prompt action to ensure completion of balance items of work.

<sup>56</sup> Paragraphs 41 (vi), 167 and 186 of Karnataka Public Works Departmental Code



The Panchayat Raj Engineering Division, Koppal (PRED) took up (2009-10) the works to improve two<sup>57</sup> roads. The works were administratively approved and technically sanctioned during March 2010 and May 2010 respectively. These works with an estimated cost of ₹74 lakh were entrusted (October and December 2010) to the lowest bidder (Shri B S Malipatil) for completion by March 2011.

Audit scrutiny revealed (February 2013) that the contractor abandoned the works after completing the metalling work partially. A sum of ₹24 lakh was paid to him during March 2011. The reasons for stopping the works were not forthcoming from the records made available to Audit. It was seen that except issuing notices to the contractor, PRED did not initiate prompt action to ensure completion of these works. As a result, these works remained incomplete (August 2014) even after a lapse of three years after the stipulated dates of completion.

At the instance of Audit, the Chief Engineer, Panchayat Raj Engineering Department, Bangalore (CE) inspected (May 2014) these works. The CE held the EE responsible for not ensuring completion of these works and failure to enforce penal clauses against the contractor for abandoning the works midway.

It was also noticed that the EE had informed (August 2014) the Superintending Engineer, Ballari Circle that final measurements of these works were taken during July 2014 and differences were found between the amounts paid to the contractor and the work done (detailed in **Table 3.17** below).

**Table 3.17: Details of amounts paid to the contractor and work done as per measurements taken during July 2014**

(₹ in lakh)				
Name of the work	Estimated cost	Payment for work done as per measurements taken during July 2014	Amount paid (March 2011) as per Running Account Bills	Difference
Improvement to road from Matarangi to Shakhapur (0.00-2.50 km)	34.00	6.53	7.86	1.33
Improvements to road from Salabhavi to Hulegudda (0.00-3.00 km)	40.00	8.60	16.14	7.54
<b>Total</b>	<b>74.00</b>	<b>15.13</b>	<b>24.00</b>	<b>8.87</b>

Source: Correspondence in works' files and Running Account Bills

Thus, the failure of the EE in ensuring the completion of these works resulted in unfruitful outlay of ₹24 lakh, besides non-achievement of the intended objective of providing better connectivity to the identified villages. This included a sum of ₹8.87 lakh paid in excess to the contractor.

<sup>57</sup> (i) Improvement to road from Salabhavi to Hulegudda (0.00-3.00 km)  
(ii) Improvement to road from Matarangi to Shakhapur (0.00-2.50 km)

The CE accepted (March 2015) the audit observation. However, the reply was silent about the action initiated against the officers concerned.

The matter was referred to the State Government in May 2013, reply was awaited (March 2015).