Chapter-IV

Monitoring

Paragraph 19 of the Scheme guidelines envisaged multi-level monitoring of the Scheme *i.e.,* at DLC, DMA and UDD levels. Audit observed (August to December 2021) that there were deficiencies in internal controls and monitoring which rendered progress reports/MIS unreliable and also led to lack of transparency in tendering process, inadmissible/unwarranted expenditure, *etc.*, under the Scheme. Detailed observations are brought out in the succeeding paragraphs.

4.1 Meetings at DMA/Government level

Scheme guidelines mandated that DMA should monitor Scheme implementation every month and UDD should review it once in three months.

Against 84 meetings to be held at DMA during 2014-15 to 2020-21, DMA held 25 meetings. Details of the meetings held at UDD were called for; information was not furnished to Audit (April 2022).

The State Government stated (April 2022) that monthly meetings had been conducted and reviewed regularly by DMA and UDD. The reply is contrary to the information furnished earlier wherein it was stated that DMA had held only 25 meetings during the period from 2014-15 to 2020-21 against the mandatory 84 meetings.

4.2 District-level Committee Meetings

DLC headed by the District in-charge Minister, was to hold meetings once in two months to monitor the Scheme implementation.

Audit observed (August to December 2021) that against the mandated 42 meetings (once in two months) during the period from 2014-15 to 2020-21, DLCs in test-checked four CCs did not conduct any meeting to monitor the implementation of Scheme. As a result, the envisaged monitoring at the district level was absent which adversely affected the implementation of Scheme.

The State Government replied (April 2022) that instructions would be issued to the DCs to review the progress of the Scheme in the Karnataka Development Programme meetings.

4.3 Deficiencies in quality inspection reports of Project Management Consultants

As per Paragraph 12 of the Scheme guidelines, PMCs were to inspect/supervise the works along with CC Engineers, monitor the progress of works and submit reports to CC, DC and DMA. Further, DMA was to ensure quality execution of works through quality inspection reports submitted by PMCs.

An amount of ₹ 3.21 crore was paid (November 2021) to the PMCs in the test-checked four CCs. Scrutiny (August-December 2021) showed that there were discrepancies in the reports submitted by PMCs, rendering them unreliable for ensuring the quality of 42 (81 *per cent*) out of 52 packages test-checked in four CCs. Expenditure incurred on these 42 packages amounted to ₹ 47.37 crore. Illustrative cases were as follows:

i) Dates and quantities of works executed were not mentioned;

ii) Quality of the works was not certified;

iii) Dates of taking samples, locations, *etc.*, were not mentioned;

iv) In respect of Package 26 (Tumakuru), PMC certified (September 2017) that all the five works were executed though only two works had been completed and three works could not be taken up due to non-availability of work front. Its report (September 2015) included sample testing of mix design for SDBC (Grade-II) at site but this item was not executed;

v) Variations in bill submission dates as per PMC reports when compared with MBs, *etc*.

CC-wise details are given in **Appendix 4.1**.

The State Government stated (April 2022) that notices would be issued to officers concerned and PMCs for further action.

4.4 Discrepancies in Financial progress reports

Karnataka Budget Manual mandated that each disbursing officer should maintain a register of expenditure under each detailed head of account and submit monthly statement of expenditure containing the numbers and dates of treasury vouchers to the controlling officers (Paragraphs 236 and 239). The subordinate officers should also maintain register of expenditure (Paragraph 243). Provisions of KMABR (Rule 79 and 87) stipulated that CC should keep an account for every work undertaken and maintain fixed asset registers comprising land, buildings and all other infrastructure, immovable and movable properties.

As per the Scheme guidelines, works were to be undertaken by CCs and releases/payments were to be made through DCs of respective districts. DCs were to monitor the grants through District Urban Development Cells (DUDCs).

Audit observed (August to December 2021) in test-checked CCs that there were following financial irregularities:

i) DCs/DUDCs (except Mysuru) did not maintain any register of expenditure under the Scheme containing voucher-wise/work-wise details. DMA also did not insist on maintenance and submission of such details.

ii) DUDC, Ballari did not have any record related to implementation of the Scheme.

iii) CCs neither maintained register of expenditure nor kept the account for works undertaken.

iv) CCs did not maintain any asset register under the Scheme.

v) Since the funds were not routed through CCs, assets created under the Scheme were not taken to the books of accounts (certified accounts) of CCs.

vi) UCs were submitted to DMA at regular intervals, but these were not supported with work-wise details. As a result, there were mismatches in UCs when compared with work-wise progress reports.

vii) In respect of Ballari CC, ₹ 5.50 crore released under the Scheme was utilised as per UCs and there was nil balance in the SBI account. This was incorrect and misleading as the amount of interest earned (₹ 0.44 crore) and closing balance of ₹ 0.42 crore (March 2021) were not intimated/included in UCs.

viii) Estimated cost in progress report was indicated work-wise whereas expenditure was exhibited for the whole package. Also, in cases where final expenditure of a package exceeded the estimated cost, balance amount was met out of other grants/funds and such excess expenditure was not exhibited in the progress reports. Hence, work-wise expenditure was not ascertainable and comparison of expenditure with estimated cost was not feasible.

ix) There was no congruence in respect of Scheme expenditure (March 2021) exhibited in records maintained at various offices, evidencing absence of reconciliation as detailed in **Table 4.1**.

Table 4.1: Variations in expenditure of test-checked CCs

(₹ in crore)

Source	Ballari	Mysuru	Tumakuru	Vijayapura
DMA	76.03	82.80	97.74	95.38
MIS	53.58	83.11	97.82	81.87
DUDCs	Not available	84.26	97.81	95.51
Progress reports of CCs	75.17	83.90	97.68	96.43
Bank and treasury records	75.26	Not available	98.89	Not available
UCs	75.17	82.80	97.77	95.38

Source: Information furnished by DMA and test-checked CCs/DUDCs

x) The Scheme guidelines was silent about accounting and utilisation of interest earned in loan account. As of March 2021, interest amount in loan account aggregated ₹ 6.67 crore (₹ 6.61 crore in sweep account and ₹ 0.06 crore in SB account), for which neither UDD nor DMA had issued any instructions. Audit also observed that there was a difference of ₹ 0.16 crore in amount of loan utilised (March 2021) as per DMA (₹ 432.90 crore) when compared with the Canara Bank data (₹ 432.74 crore).

The State Government replied (April 2022) that requisite registers would be maintained and MIS would be upgraded in future. The reply did not address the audit observations about mismatches in Scheme expenditure as per various records, submission of incorrect UCs, assets created but not taken to books of accounts and accounting/utilisation of interest earned in loan account.

4.5 Deficiencies in Management Information System

Scrutiny of records (August to December 2021) showed that there was no specific Management Information System (MIS) for the Scheme. Instead, a common application of Karnataka Municipal Data Society (KMDS) used for monitoring ULB schemes, was utilised for this Scheme as well.

Audit observed that there were following lacunae which rendered MIS unreliable for monitoring and ensuring efficiency/effectiveness in fund utilisation under the Scheme:

i) There was no system to tally MIS data with the data available at CCs and to validate it. There was also no mechanism of sample verification to ensure correctness of data reported by CCs.

ii) MIS could provide the progress as on date, but it did not have provision for year-wise reports. There was no option for generating customised reports for various category of users and provide audit trail of all transactions processed and maintained.

The State Government stated (April 2022) that instruction would be issued to KMDS and DUDCs for effective monitoring.

4.6 Internal control

Neither the UDD/DMA nor test-checked CCs had established internal audit mechanism to oversee the implementation of the Scheme.

The State Government stated (April 2022) that internal audit wing was already established at CC level and a separate wing would be established at UDD/DMA level. However, Audit observed that no internal audit wing was functioning in the four test-checked CCs. Thus, there was no mechanism to apply certain preliminary checks to the Scheme records and suggest corrective action, wherever necessary.

4.7 Absence of impact assessment and non-disbursal of incentive for good performance

As per Paragraph 25 of the Scheme guidelines, incentive would be given to CCs for good quality work and timely completion of works under the Scheme. In this regard, DMA was to recommend the names of CCs every financial year and the amount was to be paid out of SFC (incentive) grants. The guidelines also stipulated that after the completion of assigned project period of three years (2014-15 to 2016-17), Hon'ble Chief Minister would confer award to three best CCs.

Majority of the works taken up under the Scheme were disaggregated and below the prescribed financial limit of ₹ 50 lakh, hence assessment of the holistic development of the urban infrastructure was not feasible. Audit observed (August to December 2021) that the Government/DMA/CC also did not conduct any impact assessment of the Scheme. They did not identify any minimum threshold measure for city's growth expected to be achieved by works to be taken up under the Scheme and prescribe any methodology to assess the utilisation of assets created. As a result, the Government did not have reliable data for making decisions regarding improvements/course corrections to be made to the Scheme and to incentivise good performing CCs. Consequently, no incentive amount had been given to any CC during the period from 2014-15 to 2020-21. Evidently, the envisaged objective of recognising good performance was not achieved.

The State Government stated (April 2022) that impact assessment would be conducted in future. The Government's reply is non-committal since it does not specify the period within which impact assessment would be conducted.

Conclusion

Monitoring was deficient as shortfalls were noticed in the stipulated review meetings to be conducted by DLC and at DMA/Government level.

Discrepancies were noticed in quality inspection reports submitted by PMCs such as variation in dates/quantity of works executed, non-certification of the quality of works inspected, *etc*.

Financial reporting was also deficient due to discrepancies such as improper accounting, non-maintenance of records and inconsistencies in expenditure exhibited in various sources due to non-reconciliation.

MIS of the Scheme was not reliable due to data inconsistencies. The internal audit was not functional in test-checked CCs and DMA.

The Government/ DMA did not conduct impact assessment of the Scheme by identifying measurable indices and also did not incentivise good performing CCs as prescribed in the Scheme guidelines.

Recommendations

- ***The monitoring mechanism should be strengthened by instituting robust reporting through quality inspection reports, establishing reliable MIS, constituting internal audit and conducting prescribed review meetings at various levels.***
- ***The Government should identify measurable indices for assessing the performance of CCs and conduct impact assessment of the Scheme.***

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