

## CHAPTER II

### RESULTS OF AUDIT

#### SECTION 'A' - PERFORMANCE AUDITS

##### DEPARTMENT OF HOUSING

#### 2.1 Indira Awaas Yojana

##### Executive summary

Indira Awaas Yojana is a flagship scheme of the Ministry of Rural Development, Government of India for meeting the housing needs of the rural population. The Department of Housing, Government of Karnataka had entrusted the implementation of this Scheme to Rajiv Gandhi Rural Housing Corporation Limited.

A performance audit of the Scheme for the period 2008-13 showed that only 3.43 lakh houses could be completed against the target of 6.64 lakh houses. Out of 5.74 lakh beneficiaries selected, 3.05 lakh (53 *per cent*) belonged to Scheduled Caste/Scheduled Tribe categories and minorities were 0.75 lakh (13 *per cent*), which was less than the stipulated targets of 60 and 15 *per cent* respectively.

Out of available funds of ₹2,457.12 crore, a sum of ₹2,158.67 crore (88 *per cent*) was utilised during 2008-13. Financial management was deficient as reconciliation was not done between cash book and bank balances. There were instances of loss of central assistance, delay in certifying the accounts and payments made to non-Indira Awaas Yojana beneficiaries. The entire fund of ₹215.81 crore, released under Homestead scheme, remained unfruitful as sites developed under the Scheme after incurring an expenditure of ₹121.38 crore were not distributed to the beneficiaries.

A permanent waiting list, as required, was not prepared. In 298 cases benefits had been extended to ineligible beneficiaries. The joint inspection of beneficiaries pointed out 76 cases of beneficiaries owning large houses and 89 beneficiaries using the assistance for constructing extensions to existing houses, indicating that these beneficiaries were not eligible under the Scheme.

Information, Education and Communication activities were not conducted and beneficiaries did not receive any technical assistance though stipulated in the guidelines. Efforts were not made to facilitate the beneficiaries in getting basic amenities through convergence of programmes. Monitoring of the implementation of the Scheme was not adequate.

The Information Technology audit showed that there were instances of invalid, incomplete and blank data indicating poor input controls and rendering data unsuitable for decision making process. The password control policy, audit trails, disaster recovery and business continuity plan were also absent. There was lack of transparency as the data was not accessible to the beneficiaries.

## **2.1.1 Introduction**

### **2.1.1.1 Background**

Indira Awaas Yojana (IAY), the flagship scheme of the Ministry of Rural Development (MORD) for meeting the housing needs of the rural population, was launched in May 1985 as a sub-scheme of Jawahar Rozgar Yojana. It is being implemented as an independent scheme since 1 January 1996. IAY aims at helping rural people below the poverty-line (BPL) in construction of dwelling units and upgradation of existing unserviceable kutcha houses by providing assistance in the form of grant. From 1995-96, the IAY benefits have been extended to widows or next-of-kin of defence personnel killed in action. Benefits have also been extended to ex-servicemen and retired members of the paramilitary forces as long as they fulfill the normal eligibility conditions of the Scheme. Three *per cent* of funds are reserved for the disabled BPL persons in rural areas. Since 2006-07, 15 *per cent* IAY funds are also being earmarked for BPL persons belonging to minority communities.

### **2.1.1.2 Salient features of the Scheme**

The salient features of the Scheme are as under:

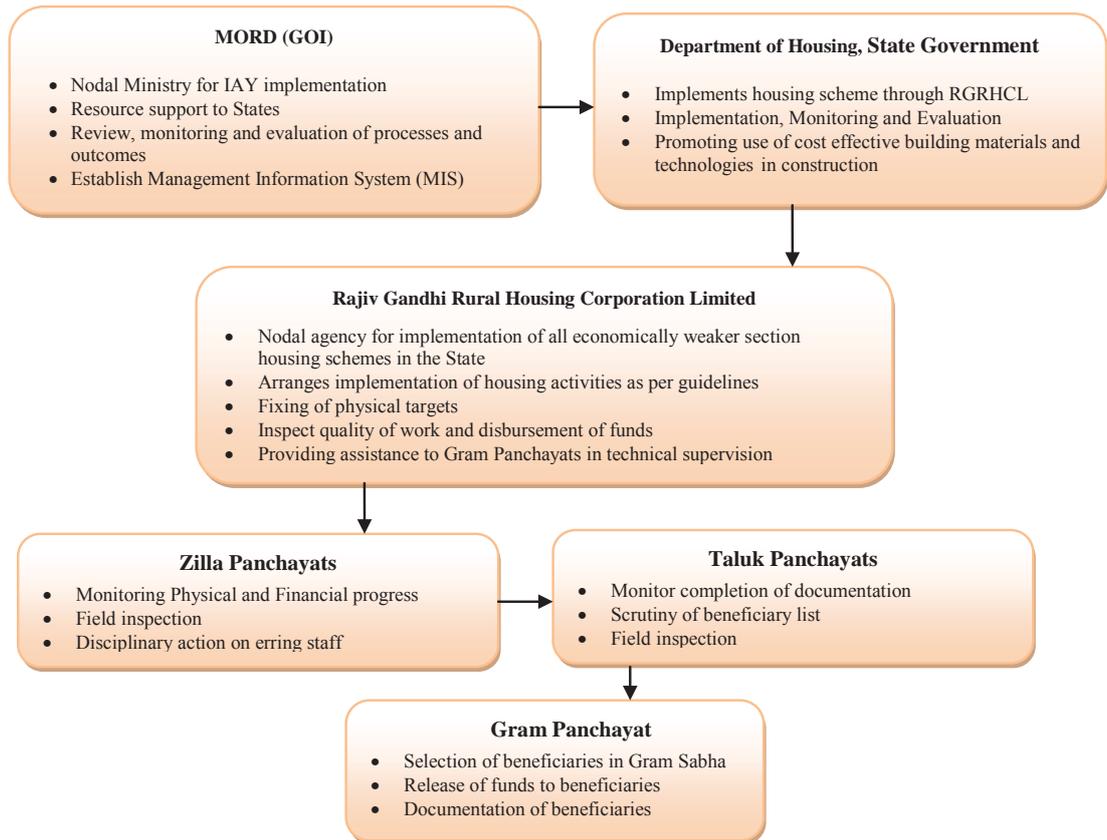
- It is a centrally sponsored scheme funded on cost-sharing basis between the Government of India (GOI) and the State Government in the ratio of 75:25;
- At least 60 *per cent* of the total IAY funds and physical targets should be utilised for construction/upgradation of dwelling units for Scheduled Caste (SC)/Scheduled Tribe (ST) BPL households and a maximum 40 *per cent* for non-SC/ST BPL rural households;
- The responsibility of proper construction of the house would be on the beneficiaries themselves;
- Allotment of dwelling units should be in the name of female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife;
- The ceiling on grant of assistance per unit cost under the IAY for construction of a new house and upgradation of an unserviceable kutcha house is fixed by GOI and revised periodically;
- In addition to the assistance provided under the IAY, an IAY beneficiary can avail of loan up to ₹20,000 from financial institutions per housing unit under Differential rate of Interest (DRI) Scheme at an interest rate of four *per cent* per annum.

## **2.1.2 Organisational structure**

The Department of Housing, Government of Karnataka is responsible for implementation of the Scheme through the Panchayat Raj Institutions (PRIs)

in Karnataka. The department has entrusted the implementation of this Scheme to Rajiv Gandhi Rural Housing Corporation Limited (RGRHCL), a Corporation established under the Companies Act. It is the nodal agency for implementation of all economically weaker section housing schemes in the State. The RGRHCL is to ensure proper implementation of the Scheme. The organisational structure for the implementation of the Scheme is depicted in **Chart 2.1**.

**Chart 2.1: Organisational structure**



### 2.1.3 Audit scope, sample and methodology

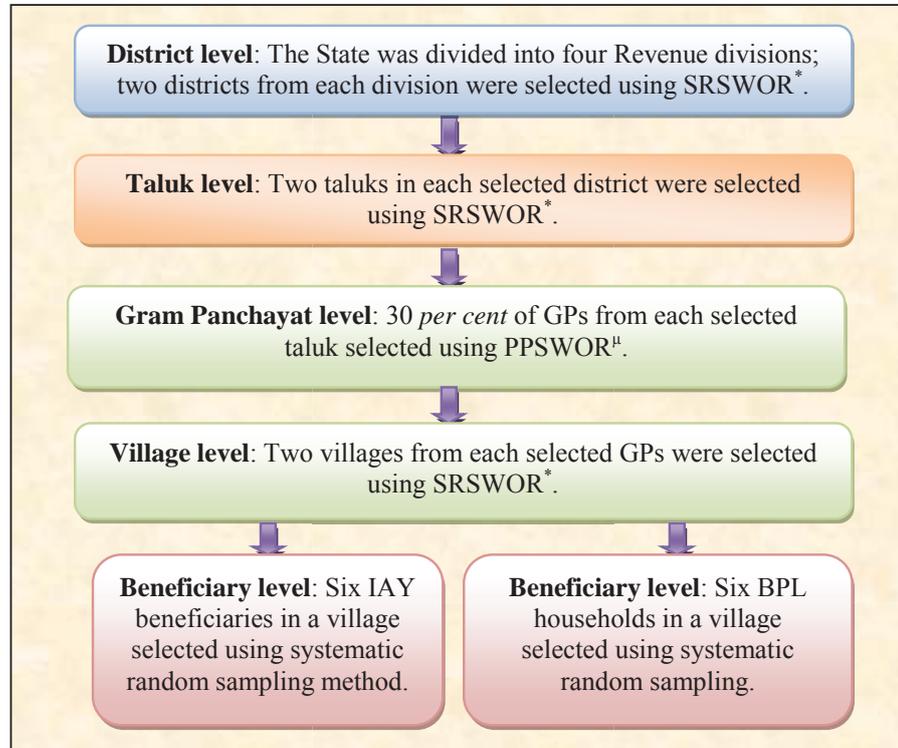
A performance audit of all housing schemes, including IAY, was conducted during 2002 and the findings were included in the Audit Report (Zilla Panchayats) 2002. Major findings of the audit included loss of central assistance, absence of reliable data, inadmissible expenditure and shortcomings in selection of beneficiaries. The Report is yet to be discussed by the Public Accounts Committee (January 2014).

The current performance audit of IAY for the period 2008-13 was conducted through test-check of records (April-September 2013) at RGRHCL, eight<sup>16</sup> Zilla Panchayats (ZPs), 16 Taluk Panchayats (TPs) and 119 Gram Panchayats (GPs) as detailed in **Appendix 2.1**.

<sup>16</sup> Chikamagalur, Chitradurga, Dharwar, Gadag, Gulbarga, Koppal, Mandya and Ramanagara

The sample was selected using 'stratified multi stage sampling design' *i.e.*, selection was at district, taluk, GP, village and beneficiary level. The sampling plan used is shown in **Chart 2.2**.

**Chart 2.2: Sampling Plan**



\* SRSWOR: Simple Random Sampling without Replacement

<sup>μ</sup> PPSWOR: Probability Proportional to Size without Replacement

The performance audit commenced with an Entry Conference held on 7 May 2013 with the Principal Secretary, Department of Housing, wherein audit methodology, scope, objectives and criteria were discussed. The Exit Conference was held with the Principal Secretary, Department of Housing on 19 November 2013.

#### **2.1.4 Audit objectives**

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

- the allocation and the release of funds were made in an adequate and timely manner and that these were utilised economically and efficiently in accordance with the Scheme provisions;
- the physical performance in terms of number of units constructed and upgraded was as planned and targeted and that the constructions corresponded to the quality and financial parameters set out in the Scheme guidelines;
- the systems and procedures in place for identification and selection of the beneficiaries and the processes for allotment, construction and

upgradation of dwelling units were adequate and conformed to the Scheme provisions;

- the convergence of the IAY activities with other programmes, as envisaged, was effectively achieved and ensured availability of a complete functional dwelling unit; and
- the mechanism in place for monitoring and evaluation of the outcomes of the Scheme was adequate and effective.

#### **2.1.5 Audit criteria**

The main sources of audit criteria for the performance audit were:

- Guidelines of IAY issued (2004, 2010 and 2012) by the MORD;
- Outcome budget of the MORD;
- Circulars/instructions issued by the MORD; and
- Periodical reports/returns prescribed by MORD and the State Government.

#### **Acknowledgement**

Audit acknowledges the cooperation and assistance extended by the State Government, RGRHCL, PRIs and their officials for conducting the performance audit.

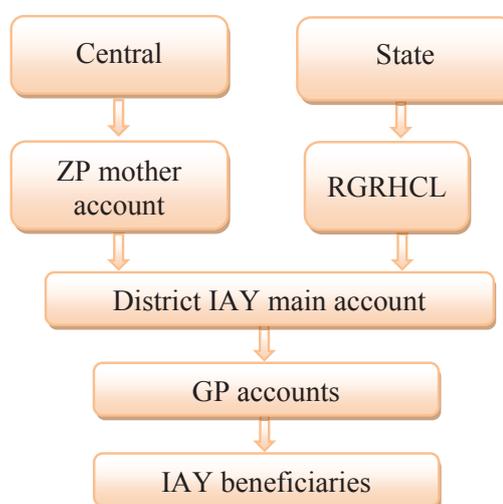
#### **Audit findings**

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

#### **2.1.6 Financial management**

As per the Scheme guidelines, central assistance under IAY should be allocated among the States/Union Territories (UTs) giving 75 per cent weightage to rural housing shortage as per the latest census data and 25 per cent weightage to number of people below poverty line. Similarly, inter-district allocation within a State/UT should be made by giving 75 per cent weightage to housing shortage and 25 per cent weightage to rural SC/ST population of the concerned districts. The targets for the blocks within a district and the village panchayats within the blocks are to be decided on the same principles.

IAY funds are operated by the ZP at the district level. Central assistance is released every year to the ZPs, in two instalments. The fund flow of the Scheme is depicted in **Chart 2.3**.

**Chart 2.3: Fund flow of the Scheme****2.1.6.1 Utilisation of funds**

As per the information furnished by the RGRHCL, the financial position under the Scheme for the period 2008-13 was as shown in **Table 2.1**.

**Table 2.1: Financial position of IAY**

(₹ in crore)

Financial Year	Available funds					Expenditure	Closing Balance	Percentage of expenditure
	Opening Balance	Grants received		Interest	Total			
		Centre	State					
2008-09	133.24	309.90	107.03	5.25	555.42	206.08	349.34	37
2009-10	349.34	294.29	149.31	8.03	800.97	532.51	268.46	66
2010-11	268.46	334.31	160.97	11.88	775.62	304.62	471.00	39
2011-12	471.00	248.96	110.00	11.55	841.51	317.30	524.21	38
2012-13	524.21	276.64	220.34	75.42	1,096.61	798.16	298.45	73

Source: RGRHCL

It could be seen from the above that though sufficient funds were available, the expenditure incurred was less than 50 per cent during 2008-09, 2010-11 and 2011-12. This shows the tardy implementation of the Scheme.

The financial position of the test-checked ZPs for the period 2008-13 is detailed in **Appendix 2.2**. It was seen that none of the test-checked ZPs had utilised the available funds fully. The expenditure was less than 50 per cent during 2008-09 and 2010-11 in all the test-checked ZPs with exception of Gulbarga where the expenditure was 53 per cent during 2010-11.

The State Government stated (January 2014) that due to release of second instalment of the allocated amount by GOI during the end of the years, the ZPs could not spend the amount within the same year. Further, during 2010-11 and 2011-12, the expenditure was very less due to merger of IAY with State sponsored schemes. The reply was not acceptable as the process of identification of beneficiaries could have been completed in anticipation of

receipt of funds and released to the identified beneficiaries as soon as the funds were received from GOI. Further, the previous years' balances were also available for disbursement to identified beneficiaries.

#### **2.1.6.2 Loss of central assistance**

The ZPs are to send their proposal for release of second instalment complete in all respects latest by 31 December every year to GOI.

To maintain financial discipline, a mandatory deduction on account of late submission of proposal by the ZP was imposed by GOI, depending upon the date of receipt of complete proposal for release of second instalment.

On a scrutiny of release orders for the second instalment, Audit observed that an amount of ₹30.90 crore was deducted from 15 ZPs during the financial year 2011-12 for late submission of their proposals as detailed in **Appendix 2.3**.

The State Government stated (January 2014) that ZPs did not spend the amount due to non-selection of beneficiaries in the year 2010-11.

#### **2.1.6.3 Non-transfer of interest amounting to ₹39.25 lakh**

The IAY funds are to be kept in a Nationalised/Scheduled/Cooperative bank or a Post Office in an exclusive and separate savings bank account of the ZP. The interest earned on the savings bank account of the IAY funds is to be treated as part of the IAY resources.

However, in the five<sup>17</sup> test-checked ZPs, interest of ₹39.25 lakh earned (approximately four *per cent* per annum) due to delay in transfer of funds from ZP mother accounts to IAY bank accounts during 2008-13, was not transferred to IAY accounts.

The State Government attributed (January 2014) the delay to the late receipt of release orders by the ZPs and transfer of officials in ZPs. The reply was not acceptable as the amount should have been transferred to IAY accounts as soon as the funds were received from GOI.

#### **2.1.6.4 Loss of interest due to keeping the amount in current account**

The Scheme guidelines stipulate that IAY funds are to be maintained in a separate savings bank account. It was, however, seen that IAY and Homestead scheme funds of ₹36.19 crore released (2008-12) by the State Government to 11<sup>18</sup> ZPs had been kept in current accounts instead of savings bank accounts, resulting in loss of interest of ₹2.51 crore (@ four *per cent* per annum).

<sup>17</sup> Chikamagalur, Chitradurga, Gadag, Mandya and Ramanagara

<sup>18</sup> Bagalkote, Belgaum, Bidar, Bijapur, Dharwar, Gadag, Gulbarga, Haveri, Koppal, Raichur and Uttara Kannada

The State Government accepted (January 2014) it was an oversight that these accounts were opened as current accounts and instructed the banks to convert the same to savings bank accounts.

#### **2.1.6.5 Delay in release of State share**

The State Government is to release its share to the ZP within one month after the release of central assistance and the copy of the same should be endorsed to MORD. However, it was observed that the State Government had delayed the release of funds by 18 to 110 days (in one case the delay was 237 days) during the period 2008-13 as detailed in **Appendix 2.4**.

The State Government attributed (January 2014) the delay to late receipt of GOI sanctions by the ZPs up to one month. The reply was not acceptable as the delay in some cases was more than 30 days and there were delays even after receipt of GOI orders.

#### **2.1.6.6 Delay in certifying the accounts**

The Scheme accounts were to be approved by the General Body of the ZPs by 30 June of the ensuing financial year and the audited accounts submitted to the GOI before 30 September. It was observed that the Chartered Accountants (CAs) in six<sup>19</sup> test-checked ZPs had certified the accounts with delays ranging from one to five months during the period 2008-13. Further, it was seen in all the eight test-checked ZPs that the accounts had not been approved by the General Body in time.

The State Government accepted (January 2014) the delay in certifying the accounts and stated that GPs would be suitably instructed.

#### **2.1.6.7 Incorrect depiction of figures in the Annual Accounts**

In the 13 test-checked GPs of Chikamagalur and Gadag ZPs, differences were observed between the figures depicted in the Annual Accounts certified by CAs and those of cash books of the GPs for the period 2008-13 as detailed in **Appendix 2.5**. This had resulted in incorrect reporting of figures in the Annual Accounts.

The State Government accepted (January 2014) the incorrect depiction of figures in the Annual Accounts and stated that it would be rectified in 2013-14 Accounts.

#### **2.1.6.8 Non-reconciliation of balances**

Audit observed that none of the test-checked GPs had reconciled the cash book figures with those of Bank figures and most of the GPs had not updated the cash book. Audit scrutiny in 28 test-checked GPs of three ZPs showed that there were differences between the cash book and bank pass book balances as detailed in **Appendix 2.6**. Thus, Audit could not assess the correctness of the figures adopted in the Annual Accounts.

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<sup>19</sup> Chitradurga, Gadag, Gulbarga, Koppal, Mandya and Ramanagara

The State Government, while accepting the audit findings, had stated (January 2014) that the department had introduced direct cash transfer system to overcome the lacunae in the system.

The CA of RGRHCL had also pointed out in his Audit Report (2011-12) that the internal control on disbursements of the Government grants for the specified projects in respect of the rural schemes, where the funds were disbursed through the joint bank accounts operated by GPs, were found to be inadequate and was a major internal weakness.

The State Government stated (January 2014) that from 2013-14, the Department had introduced Global Positioning System (GPS) based progress monitoring through online direct release of funds to the beneficiary account which automatically took care of internal control mechanism.

#### **2.1.6.9 Drawal of amount through self cheques**

Audit scrutiny showed that a sum of ₹2.14 lakh in two<sup>20</sup> GPs in Gulbarga ZP and ₹0.10 lakh in Harokoppa GP in Ramanagara ZP had been drawn (May 2008-March 2011) on self cheques instead of crediting the same to beneficiaries' accounts. In the absence of disbursement details, beneficiaries' acknowledgements, etc., Audit could not ascertain whether the amounts were actually disbursed to beneficiaries or not.

The State Government stated (January 2014) that action would be initiated after verification.

#### **2.1.6.10 Payment made to non-IAY beneficiaries**

The Panchayat Development Officers (PDOs) of Harokoppa and Sogala GPs of Channapatna taluk, Ramanagara ZP had issued (2008-13) cheques amounting to ₹2.15 crore to IAY beneficiaries having savings bank accounts at Vyvasaya Seva Sahakari Sangha Niyamitha Bank, Sogala. However, it was seen from the passbook of GPs that cheques amounting to ₹28.93 lakh were credited to the account of Post Master, Channapatna instead of beneficiaries. On cross verification with the Post Office, it was observed that an amount of ₹9.10 lakh relating to 38 IAY beneficiaries had been credited to the accounts of four individuals who were not IAY beneficiaries. For the remaining amount of ₹19.83 lakh, details are awaited from the Post Master (January 2014). Thus, credit of amounts to eligible beneficiaries was doubtful and these transactions were fraught with the risk of misappropriation.

The State Government stated (January 2014) that the issue would be investigated and action would be taken.

#### **2.1.6.11 Payment of excess amount**

In Anoor and Uoodagi GPs of Gulbarga ZP, the concerned PDOs had paid assistance in excess of the unit cost of ₹35,000 and ₹40,000 to six

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<sup>20</sup> Bhairamadagi and Uoodagi

beneficiaries during the years 2008-09 and 2009-10 respectively. This resulted in an excess payment of ₹28,000.

The State Government stated (January 2014) that action would be initiated after receipt of detailed report from GPs.

## 2.1.7 Physical performance

### 2.1.7.1 Targets and achievements

GP-wise targets are fixed each financial year by RGRHCL and conveyed to GPs through the respective ZP. During the review period, a total of 6,63,644 houses were targeted for construction by the State Government whereas only 5,74,148 beneficiaries had been selected and 3,43,150 houses had been completed. The reason for shortfall in selecting the beneficiaries was not furnished. The year-wise details are shown in **Table 2.2**.

**Table 2.2: Details of physical progress as on 31 March 2013**

Series Year	Target fixed by GOI	No. of houses targeted by the State Government	No. of beneficiaries selected	No. of houses completed (Percentage)	Incomplete houses (Percentage)
2008-09	74,023	1,48,046	1,34,884	1,11,174 (82)	23,710 (18)
2009-10	1,43,311	1,85,288	1,62,184	1,23,465 (76)	38,719 (24)
2010-11	99,055	No fresh target fixed by State Government			
2011-12	96,760	1,85,297	1,52,620	86,098 (56)	66,522 (44)
2012-13	1,07,210	1,45,013	1,24,460	22,413 (18)	1,02,047 (82)
<b>Total</b>	<b>5,20,359</b>	<b>6,63,644</b>	<b>5,74,148</b>	<b>3,43,150 (60)</b>	<b>2,30,998 (40)</b>

Source: RGRHCL

Though GOI had fixed a target of 99,055 houses for the year 2010-11, the State Government did not fix any fresh target. However, as per information furnished to GOI, backlog of the previous years was treated as target and 95,311 houses were completed during 2010-11. The completion of houses during 2008-13 was 60 per cent. Thus, the fixation of targets was not realistic.

The details of houses targeted and completed (as on 31 March 2013) during the years 2008-09 to 2012-13 in the test-checked ZPs are shown in **Appendix 2.7**. It was seen that 11 to 38 per cent of the houses pertaining to years 2008-09 and 2009-10 remained incomplete even after a lapse of four years. The percentage of completion of houses in the test-checked ZPs during 2008-13 was 60. Though sufficient funds were available, non-completion of houses deprived the beneficiaries of housing facilities. The State Government stated (January 2014) that the unit cost was not sufficient for the poor people to construct houses and they were unable to mobilise additional funds. The reply is to be seen in light of the fact that RGRHCL had not taken any action to get them DRI loans from banks.

### 2.1.7.2 Unfruitful expenditure on incomplete houses

According to a circular issued by the State Government, funds are to be provided progressively to beneficiaries after completion of each stage, *i.e.* ₹7,500 on completion of foundation, ₹10,000 on completion up to lintel level and ₹10,000 for roof level completion and final release of ₹7,500 on completion.

Even allowing two years for completion of the houses, as stipulated in the guidelines, 19,050 and 31,591 houses sanctioned in the state during the year 2008-09 and 2009-10, respectively, were under different stages of construction. The delay in completion rendered the expenditure of ₹45.76 crore incurred on these houses largely unfruitful. The details are shown in **Table 2.3**.

**Table 2.3: Details of houses under different stages of construction (as on 31 March 2013)**

Series Year	No. of beneficiaries selected	Construction status				Expenditure incurred (₹ in crore)		
		Foundation	Lintel	Roof	Total	Foundation	Lintel	Roof
2008-09	1,34,884	7,563	4,674	6,813	19,050	5.67	4.67	6.81
2009-10	1,62,184	11,928	8,652	11,011	31,591	8.95	8.65	11.01
<b>Total</b>		<b>19,491</b>	<b>13,326</b>	<b>17,824</b>	<b>50,641</b>	<b>14.62</b>	<b>13.32</b>	<b>17.82</b>

Source: RGRHCL

The State Government stated (January 2014) that IAY was a beneficiary oriented scheme and it was being implemented for the poorest of the poor. In present market condition it was not practically possible for the beneficiary to construct a house within the assistance provided by the Government.

The reply was not acceptable as the State Government had not taken any action to help the beneficiaries to construct the houses by getting assistance from Banks and by converging IAY with other schemes.

### 2.1.8 Selection of beneficiaries

#### 2.1.8.1 Non-adherence to norms

The IAY guidelines envisage a prioritisation of beneficiaries as under:

- (i) Freed bonded labourers;
- (ii) SC/ST households, SC/ST households who are victims of atrocities, SC/ST households headed by widows and unmarried women, SC/ST households affected by flood, natural calamities like earthquake, cyclone and man-made calamities like riot, other SC/ST households;
- (iii) Families/widows of personnel from defence services/paramilitary forces killed in action;
- (iv) Non-SC/ST BPL households; and

- (v) Ex-servicemen and retired members of the paramilitary forces.

In addition to the above, three *per cent* of the fund was reserved for the disabled BPL persons in rural areas and 15 *per cent* for BPL persons belonging to minority communities.

The selection of the beneficiaries is subject to the condition that the households of all the above categories except (iii) are BPL.

Audit scrutiny in the test-checked GPs showed that the GPs had not maintained any records either about prioritising beneficiaries or about efforts made to give preference to them.

#### **2.1.8.2 Non-preparation of a permanent waitlist**

As per the guidelines, permanent IAY waitlists should be prepared on the basis of BPL lists in the order of seniority in the list. The GPs may draw out the shelterless families from the BPL list strictly in the order of ranking in the list. The permanent IAY waitlists so prepared are to be displayed at a prominent place either in the GP office or in any other suitable place in the village. The lists are also to be put on the website by the concerned ZPs.

It was observed that none of the test-checked GPs had prepared the permanent IAY waitlist. Therefore, Audit could not assess whether the GPs had selected the shelterless families from the BPL list strictly in the order of ranking in the list.

The State Government stated (January 2014) that the RGRHCL had issued various circulars and instructions to all the implementing officers to prepare permanent list. The reply was not acceptable as none of the test-checked GPs had prepared the list.

#### **2.1.8.3 Selection of beneficiaries by the Gram Sabhas**

As per the guidelines, the Gram Sabha is required to select the beneficiaries. The Gram Sabhas were to be attended by a Government servant who was a nominee of the Government and the selection made by the Gram Sabha was final. The list of selected beneficiaries was to be sent to the ZPs and TPs for their information.

The following are the audit observations in this regard:

- (i) Out of 119 test-checked GPs, 7,212 beneficiaries in 57 GPs were selected without Gram Sabha resolutions.
- (ii) In four<sup>21</sup> test-checked GPs, the selection of 243 beneficiaries was done in Samanya Sabha instead of Gram Sabha.
- (iii) The Gram Sabhas were selecting the beneficiaries without the presence of nominee of the Deputy Commissioner (DC) of the district.

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<sup>21</sup> Adavisompur, Asundi, Binkadakatti and Lakkundi (Gadag ZP)

- (iv) In many cases, the resolution copies of GPs did not contain the signatures and names of the Gram Sabha members who had attended the Gram Sabha meetings.

The State Government stated (January 2014) that one Government Officer had been nominated for more than one GP. It was not possible for the nominated Officer to attend all the Gram Sabhas as more than one GP were holding Gram Sabha on the same day and they were also attending to various other important works. Further, the PDO/Secretary who was a Government official was attending the Gram Sabha without fail. The reply was not acceptable as the Government servant nominated by DC was to attend Gram Sabha meetings.

#### **2.1.8.4 Selection of ineligible beneficiaries**

Audit test-checked 6,063 beneficiaries' files in the 119 test-checked GPs and observed 298 cases of ineligible beneficiaries as detailed below:

##### **➤ Selection of beneficiaries who already owned property**

Audit came across 288 cases in 23 GPs of Chikamagalur, Gulbarga, Mandya and Ramanagara ZPs where benefits had been extended to families who already owned a house.

##### **➤ Selection of beneficiaries who had availed benefits under previous housing schemes**

There was no mechanism to ensure that a selected beneficiary was not previously selected under IAY or any other housing schemes. It was seen that an assistance of ₹2.55 lakh was given twice under IAY to six beneficiaries in five<sup>22</sup> test-checked GPs. In Manchanayakanahally GP of Ramanagara ZP, one beneficiary got assistance both under IAY (₹0.35 lakh) and Ambedkar Housing Scheme (₹0.25 lakh).

##### **➤ Selection of retired Government personnel and kins of retired Government personnel**

In two test-checked GPs (Doddagangavadi and Kenchanakuppe) of Ramanagara ZP, two retired Government employees and the widow of a Government servant were given assistance of ₹1.05 lakh under IAY though their annual incomes were more than the income limit of ₹32,000, prescribed for BPL families. The assistance given to non-BPL families was irregular.

The State Government accepted it and stated (January 2014) that action would be initiated against the ineligible beneficiaries and concerned official.

<sup>22</sup> Nemmaru (Chikamagalur ZP), Hirenarthi and Yeliwala (Dharwar ZP), Marlanhalli (Koppal ZP) and Harokoppa (Ramanagara ZP)

### 2.1.8.5 Selection of SC/ST families and minorities

As per the guidelines, a separate list of SC/ST families in the order of their ranks is to be derived from the larger IAY list so that the process of allotment of 60 per cent of houses under the Scheme is facilitated. Thus, at any given time, there would be two IAY waitlists for reference, one for SC/ST families and the other for non-SC/ST families. The guidelines also stipulate that 15 per cent of the target shall be allocated to eligible minorities.

However, no such separate lists were prepared. In fact, as per the data obtained from RGRHCL, it was seen that the percentage of allotment of houses to SC/ST families and minorities during 2008-13 was less than 60 per cent and 15 per cent respectively as detailed in **Table 2.4**.

**Table 2.4: Details of category-wise selection of beneficiaries**

Year	No. of beneficiaries selected	Category-wise selection				Percentage of selection		
		SC	ST	GEN	MIN	SC/ST	GEN	MIN
2008-09	1,34,884	48,395	24,078	47,316	15,095	54	35	11
2009-10	1,62,184	55,055	27,246	57,065	22,818	51	35	14
2010-11	No target fixed							
2011-12	1,52,620	59,766	26,605	45,088	21,161	57	29	14
2012-13	1,24,460	43,620	20,667	43,787	16,386	52	35	13
<b>Total</b>	<b>5,74,148</b>	<b>2,06,836</b>	<b>98,596</b>	<b>1,93,256</b>	<b>75,460</b>	<b>53</b>	<b>34</b>	<b>13</b>

Source: RGRHCL

The selection of beneficiaries under SC/ST and minorities in the test-checked ZPs was also less than the stipulated target of 60 per cent and 15 per cent respectively as detailed in **Appendix 2.8**.

### 2.1.9 Selection of beneficiaries under Homestead Scheme

Homestead scheme was launched (24 August 2009) for the purpose of allotting sites to rural BPL households having neither agricultural land nor home site. The beneficiaries were to be selected only from the permanent IAY waitlists as per their ranking in the list. Under the scheme, financial assistance of ₹10,000 per beneficiary or actual, whichever was less, was to be provided for purchase/acquisition of a homestead site of an area around 100-250 square metre (sq mt). The land was required to be either in the name of the female member or jointly owned by the wife and the husband (in that order). Funding was to be shared by Centre and State in the ratio of 50:50.

An amount of ₹215.81 crore was released during 2009-10 and 2010-11 under this scheme, out of which ₹121.38 crore, as per Utilisation Certificate (UC), was utilised (March 2012) for the development of 31,971 Homestead sites. However, the sites developed were not distributed to the beneficiaries as per the UCs furnished up to 2011-12. The UCs for 2012-13 had not been furnished (November 2013). This resulted in unfruitful expenditure of ₹121.38 crore and locking up of the remaining ₹94.43 crore.

It was also observed that Chikamagalur (₹2.17 crore) and Dharwar (₹2.00 crore) ZPs had diverted ₹4.17 crore during 2010-11 to urban housing schemes and flood victims instead of rural BPL households not having sites.

### **2.1.10 Construction of house**

#### **2.1.10.1 Involvement of beneficiaries in construction**

As per guidelines, the beneficiaries should be involved in the construction of the house. For this purpose, the beneficiaries may make their own arrangements for procurement of construction material, engage skilled workmen and also contribute family labour. The beneficiaries will have complete freedom as to the manner of construction of the house. The responsibility for the proper construction of the house will be on the beneficiaries themselves.

During joint physical verification, beneficiaries confirmed that the houses were constructed by themselves. However, Audit scrutiny showed that an amount of ₹38.83 lakh, in four<sup>23</sup> GPs of Koppal ZP, was paid (2008-10) to Junior Engineers (JEs) but records of the houses having been constructed and handed over to the beneficiaries were not made available to Audit. Further, the names of the beneficiaries were recorded neither in the Khatha register nor in the Demand, Collection and Balance register. The PDOs stated (August 2013) that the JEs had not submitted any documents. Thus, the possibility of misuse of the amount of ₹38.83 lakh could not be ruled out.

The State Government stated (January 2014) that a detailed enquiry would be conducted and action would be initiated based on the enquiry report.

#### **2.1.10.2 Technical supervision**

As per the Scheme guidelines, technical supervision should be provided for construction of an IAY house. Foundation laying and lintel level are critical stages for maintaining the quality of the house. Therefore, technical supervision should be provided at least at these two stages.

It was seen that no such technical supervision was provided to beneficiaries by PRIs at any stage of construction.

The State Government stated (January 2014) that GOI had not allocated any separate grants for developing appropriate technology and capacity building at the grass-roots level in order to provide affordable houses to the rural poor. The reply cannot be accepted as the State Government should have mobilised either their own funds or from Government of India to develop technology and capacity building as per the Scheme guidelines.

<sup>23</sup> Karadona, Marlanhalli, Sangapura and Yeradona GPs (Gangavathi taluk)

### **2.1.11 Information, Education and Communication activities**

As per guidelines, Information, Education and Communication (IEC) material on Total Sanitation Campaign (TSC) was to be included in IAY publicity material.

Audit observed in the test-checked ZPs and GPs that no IEC activities were undertaken and no publicity materials in regard to IAY were published. Audit came across only 189 out of 1,258 beneficiaries surveyed who had been given assistance under TSC and water supply schemes. None of the test-checked GPs had undertaken any exercise to create awareness of convergence programmes among the beneficiaries.

### **2.1.12 Convergence with other schemes**

As per the Scheme guidelines, there should be convergence with:

- TSC for providing sanitary latrines;
- Rajiv Gandhi Grameena Vidyuthikarana Yojana to ensure free electricity connections to IAY houses;
- National Rural Water Supply Programme to provide every rural person with adequate water for drinking, cooking and other domestic basic needs on sustainable basis;
- Life Insurance Corporation of India has insurance policies called Janashree Bima for rural BPL families and Aam Aadmi Bima for the benefit of rural landless families. The District Rural Development Agencies (DRDAs) are to furnish the particulars of all the willing IAY beneficiaries every month to the respective nodal agency which is implementing the Janashree Bima and Aam Aadmi Bima in the ZP so that all willing IAY beneficiaries derive the benefits available under these insurance policies.

In addition to the above convergence of schemes, efforts may also be made to ensure that a jobless IAY beneficiary gets a job card under National Rural Employment Guarantee Act, 2005 (NREGA) and Self Help Group (SHG) membership under Swarnajayanti Gram Swarozgar Yojana. The State/District Administration and PRIs are expected to facilitate provision of all basic amenities for an IAY house.

Audit findings in this regard are detailed below.

#### **2.1.12.1 Absence of convergence activities**

Although IAY guidelines stipulated that beneficiaries should be provided with basic amenities in convergence with other schemes, no orders were issued by the State Government to extend the above programmes to IAY beneficiaries. As a result, implementation of the Scheme could not ensure provision of basic facilities to the beneficiaries.

Audit observed during joint physical verification of 1,258 houses that 821 houses (65 per cent) were without sanitary latrines, 784 houses (62 per cent) were without smokeless chulhas and 382 houses (30 per cent) were without electricity. Further, only 440 houses (35 per cent) had piped water supply and the remaining houses had water supply from other sources. The ZPs and GPs did not produce any records evidencing their efforts to facilitate IAY beneficiaries in getting these basic amenities through convergence of programmes.

The State Government stated (January 2014) that instructions had been issued for convergence of TSC with IAY from 2013-14. Similar steps need to be taken for other schemes as well.

### 2.1.13 Maintenance of records

Documentation is vital for scheme monitoring and the success of implementation of any scheme depends upon the proper maintenance of records relating to the scheme. Audit observed the following discrepancies in maintenance of records:

#### 2.1.13.1 Incomplete documentation in beneficiaries' files

The GPs maintain a separate file for each beneficiary. The file is required to contain various documents such as application, khatha extract, income certificate, caste certificate, work order, agreement, mortgage deed, payment details and the stage-wise photographs.

Test-check of 6,063 files showed instances of non-maintenance of records as detailed in **Table 2.5**.

**Table 2.5: Details of documents not kept in beneficiaries' files**

ZP	Total number of beneficiaries	No. of beneficiaries' files test-checked	Details of documents not kept on record							
			Application	Khatha Extract	Income Certificate	Caste Certificate	Agreement	Photos	Work order	Mortgage deed
Chikamagalur	699	657	101	140	127	73	186	38	187	426
Chitradurga	1,788	1,200	20	165	37	37	3	85	44	45
Dharwar	1,636	485	30	63	60	55	44	43	50	63
Gadag	1,270	758	37	358	213	123	202	29	231	325
Gulbarga	1,433	696	269	368	436	349	426	325	384	228
Koppal	4,677	1,196	154	221	191	193	160	124	164	175
Mandya	829	580	10	32	51	51	38	135	58	0
Ramanagara	801	491	29	0	52	36	0	169	29	12
<b>Total</b>	<b>13,133</b>	<b>6,063</b>	<b>650</b>	<b>1,347</b>	<b>1,167</b>	<b>917</b>	<b>1,059</b>	<b>948</b>	<b>1,147</b>	<b>1,274</b>

Source: Selected beneficiaries' files in the test-checked GPs

It was also observed that most of the applications were incomplete. The details such as BPL number, bank account number, etc., had neither been recorded nor had the applications been signed by the beneficiaries and by the PDOs/Secretary of the GPs. In the absence of these documents, Audit could not ascertain whether the houses were allotted to eligible BPL

beneficiaries and the ownership of the houses vested with the female or male member of the beneficiary household.

The State Government stated (January 2014) that all the required documents had been obtained in most of the cases but were not properly filed due to work pressure and negligence.

#### **2.1.14 Points noticed in Information Technology (IT) Audit of IAY**

RGRHCL had developed (2005-06) a beneficiary database for online monitoring of the progress of the housing schemes including IAY. This was referred to as Rajiv Gandhi Housing Online Monitoring System (RGHOMS). RGRHCL was not using the web-based local language enabled MIS program 'AWAASSoft' developed by the MORD.

The software has been developed using Microsoft Structured Query Language (SQL) Server (Back end) and Microsoft Dot Net Technology (Front end).

The housing data of allotments made under IAY during 2008-13<sup>24</sup> of eight<sup>25</sup> out of 30 ZPs were analysed (April to August 2013) using Computer Assisted Auditing Tool *i.e.* Interactive Data Extraction and Analysis (IDEA) software. Besides, the existence and adequacy of general IT controls in the organisation were also assessed in Audit.

##### **2.1.14.1 No provision to capture permanent IAY waitlist number**

The database did not have provisions to capture the permanent IAY waitlist number of the beneficiary. Thus, it was not possible to cross verify whether the beneficiaries were selected on the basis of seniority in BPL list.

##### **2.1.14.2 BPL number not captured in the database**

Analysis of data showed that BPL numbers in respect of 57,101 (33 *per cent*) out of 1,74,451 cases in the test-checked ZPs were either blank or zero.

Evidently, the "BPL Number" field was not a mandatory field and the system was allowing the GPs to enter any data as the BPL number.

In the absence of the data capturing the actual BPL number, it was not clear how RGRHCL was monitoring the selection of beneficiaries for the Scheme and ensuring that it was reaching the intended beneficiaries.

The State Government stated (January 2014) that BPL numbers were not captured as the new beneficiaries did not have BPL numbers. The absence of BPL number would render the data incomplete and monitoring would be ineffective in checking the instances of ineligible beneficiaries.

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<sup>24</sup> RGRHCL provided the data in April 2013

<sup>25</sup> Chitradurga, Chikamagalur, Dharwar, Gadag, Gulbarga, Koppal, Mandya and Ramanagara

### 2.1.14.3 GP resolution date

The fields related to GP resolution are resolution number, date and time. Audit observed that during 2008-09 to 2012-13, GP resolution date fields entered by the GPs were not valid as it was either “0”, blank or contained one or two digit numbers. There were 75,253 cases in the eight test-checked ZPs where resolution dates were either “0” or blank. Thus, it was not clear as to how RGRHCL was ensuring that the beneficiaries had been selected through a valid process in the Gram Sabha.

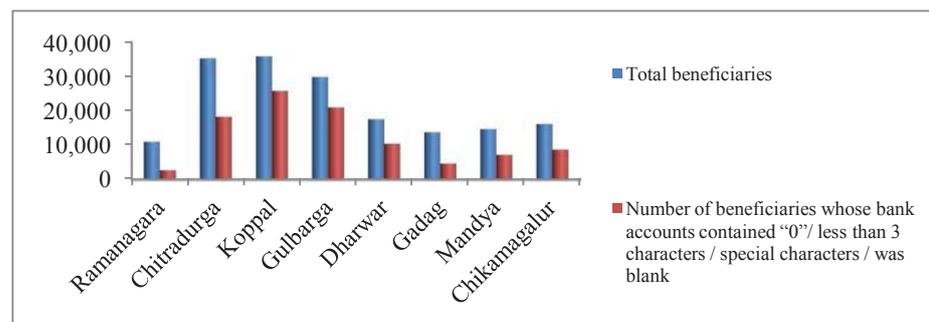
The State Government stated (January 2014) that GP resolution number and date were filled for those beneficiaries who had been selected under Gram Sabha. For the rest of them, these two columns would be null and this indicated the bifurcation between number of houseless/site-less families and selected beneficiaries. However, this would be rectified. The reply was not acceptable as the data captured in the system is only of selected beneficiaries under the Scheme and resolution date should therefore have been entered in that field in all cases.

### 2.1.14.4 Invalid bank account and payment data

As per the Scheme guidelines, payments to beneficiaries are to be made through crossed cheques, necessitating the beneficiary to have an account with a bank or post office.

Audit observed that bank account numbers in 99,168 (57 per cent) out of 1,74,451 cases were invalid as these had been left blank, contained “0”/less than three characters, *etc.* The details are depicted in **Chart 2.4** below.

**Chart 2.4: Number of beneficiaries without valid bank account**



In addition, the data table also had provision for capture of branch code and bank account status. These columns were also mostly left blank or contained invalid data such as two digit numbers, alpha numeric data, *etc.* The fields related to payment in respect of each instalment are cheque number, date, time and amount. It was found that the fields for cheque date and time were not being entered. This indicated that input controls were poor, affecting the quality of the data.

#### **2.1.14.5 Incomplete data on status of construction of house**

As per the Scheme guidelines, the payment to the beneficiary is to be made on staggered basis with respect to status of construction of house. In Karnataka, it is to be paid in four instalments. There is a provision in the database to enter the various stages of construction viz., foundation, lintel, roof and completed. This is an important control for a beneficiary being eligible for next instalment.

Audit observed in 1,816 cases that all four instalments had been paid although the details regarding the status of construction of the house were incomplete or had not been filled at all. Evidently, the Scheme criteria were not adhered to and the application did not debar entries regarding payment without the status of construction.

RGRHCL had reported to the GOI that 4,71,776 houses had been completed. However, considering that the data were not being updated properly, there was risk of inaccurate data being reported to the GOI.

#### **➤ Linkage of payment with construction**

It was also seen that there were 13,591 cases of allotments made during 2008-11 where only the first instalment had been paid which implied that the houses were still lying incomplete. Audit further checked the corresponding status of construction of the houses and found that in 4,319 cases (including 1,748 houses completed) the status of construction as recorded in the database merited payment of subsequent instalments. RGRHCL needs to review these cases to ascertain reasons for incomplete houses or whether it is a case of denial of payment to the beneficiary.

#### **2.1.14.6 Data on convergence not being captured**

Analysis of the data showed that there was provision to state 'Yes' or 'No' about the availability of water, sanitary latrines, chulha, biogas, electric connection, etc. However, these fields were mostly left blank, depriving RGRHCL of the ability to monitor convergence with other schemes.

It may be noted that RGRHCL had stated in its progress reports to GOI that 28,569 convergences had taken place during 2008-09. However, it was not clear as to how this was worked out as almost no data were being captured in this regard and no MIS report was generated from the system.

The State Government stated (January 2014) that details of convergence were captured only for IAY and for other state sponsored housing schemes these details were not captured. The reply was not acceptable as Audit noticed that the convergence details in regard to IAY were also not captured.

#### **2.1.14.7 No provision to capture assistance amount**

The database did not have any provision to capture the eligible assistance amount at the time of the selection of beneficiary. Incorporation of such a provision would ensure that no excess amounts are paid to the beneficiaries.

Audit compared the annual eligible assistance with the actual payments made to the IAY beneficiaries. It was observed that there were 3,507 beneficiaries who had received (2008-13) more than the eligible assistance. The excess worked out to ₹8.00 crore.

#### **2.1.14.8 Site and hut details not entered in the database**

The database had the provision to capture site details and details of size of huts, income of beneficiary, occupation, TP approval date, etc. These details would help in improved monitoring and corroborate the BPL status of the beneficiary.

Audit observed that these were not being entered uniformly. Moreover, during field audit and joint physical verification, Audit came across cases wherein the beneficiary, already owning houses, had used assistance to build extensions to existing houses which rendered the beneficiary as doubtful. Had this data been entered, such cases could have been detected on a review of the database. The other fields in the database which contained blank or invalid data are detailed in **Appendix 2.9**.

Thus, the objective of database for progress updation and release of funds to the beneficiaries was affected adversely as data in critical fields like TP's approval date, income, photograph, voter ID, etc., were not being entered.

#### **2.1.14.9 No provision to capture reason for allotment of houses to male members**

Allotment of dwelling units is to be in the name of the female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife. However, if there is no eligible female member in the family available/alive, house can be allotted to the male member of the deserving BPL family.

Audit test-checked the data to ascertain the number of male beneficiaries who had been allotted a house under the Scheme. The year-wise details are as under.

**Table 2.6: Number of male members allotted a house**

Year	Total number of beneficiaries selected as per Beneficiaries Tables	No. of male beneficiaries	Male members (Percentage)
2008-09	33,836	1,322	3.91
2009-10	45,135	1,564	3.47
2011-12	59,267	2,139	3.61
2012-13	36,213	1,212	3.35

Source: RGRHCL

While Audit accepts that under circumstances specified in the guidelines, there is no express bar on a male being allotted house under IAY, the fact remains that the database did not have any provision to capture the reason and reduce

the risk that Scheme guidelines were not being followed. These would have enabled the Management in better decision making and policy interventions.

#### **2.1.14.10 Inadequate logical access controls**

It was observed that GPs were not aware of any password control policies. RGRHCL had also not framed any such policies or issued directions to the GPs in this regard. Audit also observed that the tables did not contain fields for audit trail *i.e.* to capture date and user id when updations were carried out. Thus, there was a risk that unauthorised users will have access to the data particularly at the time of selection of beneficiaries and updating of payment details, affecting the integrity and reliability of the data.

#### **2.1.14.11 No access of the data to citizens or beneficiaries**

A beneficiary is someone who is entitled, under IAY, to receive financial aid to construct/upgrade unserviceable 'kutchra' houses.

The web-based application however has no provision for the beneficiary to check for his/her selection, transfer of funds to his accounts or lodge complaint and trace its subsequent response. Similarly, the database is also not accessible to other citizens. Thus, there is lack of transparency as citizens cannot view the reports or latest developments in the Scheme or lodge complaints.

These facilities for the empowerment of the beneficiary and citizens and promotion of e-governance are available in the 'AWAASSoft' developed by MORD.

### **2.1.15 Findings of Joint Inspection**

Audit, along with the departmental staff, conducted a survey of 1,258 beneficiaries in the test-checked 119 GPs to assess their perception and experience of the Scheme and to evaluate the construction of the house under the Scheme. Audit findings on the joint inspection are detailed below.

#### **2.1.15.1 Construction of large houses**

As per the Scheme guidelines, the plinth area of the houses should not be less than 20 sq mt and as per the State Government sanction order given to the beneficiary it should not be more than 38 sq mt.

In 38 test-checked GPs, Audit came across 76 cases of large houses having built-up area in the range of 70 to 120 sq mt. The approximate amount spent on constructing these houses could be at least more than ₹5.00 lakh, which indicated that the beneficiaries did not belong to BPL families. Some of the photographs below, taken during joint inspection, underscore the infraction:



IAY house in Melapura GP, Mandya (16 May 2013) IAY house in Kodamballi GP, Ramanagara (28 June 2013)

**2.1.15.2 Assistance used for construction of extension of houses**

As per guidelines, assistance under IAY should be extended to the shelterless BPL households.

In 47 test-checked GPs, Audit observed that in 89 cases extensions to existing houses owned by the beneficiaries were constructed. The assistance provided to these beneficiaries was in gross violation of the Scheme guidelines.



**2.1.15.3 Houses used for non-dwelling purpose**

The houses constructed out of IAY assistance are to be utilised for human habitation. Audit came across 44 cases in 31 test-checked GPs where IAY benefits had been utilised for non-dwelling purpose viz., cattle shed, godown, brick factory, grocery shop, vehicle shed, hotel, etc.

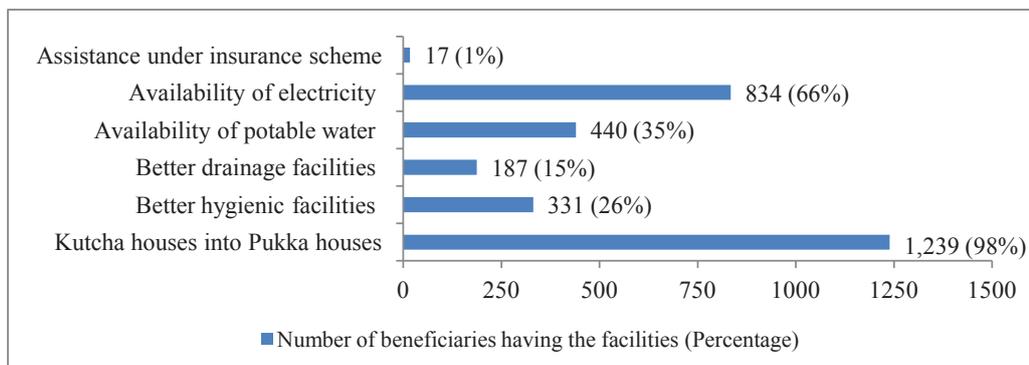


IAY benefits used for hotel - Lakshamma w/o Obblegouda, Mugulavalli GP, Chikamagalur (20 May 2013)

#### 2.1.15.4 Impact assessment

The impact of IAY as ascertained during joint physical verification of 1,258 beneficiaries is depicted in **Chart 2.5**.

**Chart 2.5: Impact of IAY**



In 98 *per cent* of the cases, the beneficiaries stated that the Scheme had made a positive impact in converting kutcha houses into pukka houses. However, only 15 and 26 *per cent* of the beneficiaries agreed that there was an impact with regard to availability of better drainage and hygienic facilities respectively. Only 35 *per cent* of the beneficiaries reported having access to potable water.

#### 2.1.16 Monitoring and Evaluation

##### 2.1.16.1 Monitoring and Evaluation Framework

As per the Scheme guidelines, officers dealing with the IAY at the State headquarters should visit districts regularly and ascertain through field visits whether the Scheme is being implemented satisfactorily and whether construction of houses is in accordance with the prescribed procedure. Similarly, officers at the district and block levels must closely monitor the implementation of IAY through visits to work sites. A schedule of inspection which prescribes a minimum number of field visits for each supervisory level functionary from the State level to the block level should be drawn up and strictly adhered to.

It was seen that no schedule of inspection was prescribed by the State Government and field inspections were not conducted in the test-checked ZPs and TPs.

The State Government stated (January 2014) that RGRHCL was conducting the review meetings and field inspections at district/taluk/GP level on regular basis. The reply was not acceptable as no documentary evidences were made available to Audit either at RGRHCL or in the test-checked ZPs to substantiate this. Further, as per the CA's report for the year 2011-12, inspection reports were available only for two GPs out of 5,628 GPs in the State.

### 2.1.16.2 State level Monitoring and Evaluation

The Principal Secretary, Housing Department monitored the implementation of all housing schemes including IAY through Monthly Programme Implementation Calendar (MPIC). RGRHCL used RGHOMS for monitoring the progress of IAY. As stated earlier, there were instances of invalid, incomplete and blank data indicating poor input controls and rendering data unsuitable for decision making process.

### 2.1.16.3 Vigilance and Monitoring Committee

The State Level Vigilance and Monitoring Committees (SLVMC) are to meet once in a quarter for monitoring the implementation of the programmes. A representative or nominee of the MORD should invariably be invited to participate in the meetings of the Committee.

The details of number of SLVMC meetings held during 2008-13 in the State are shown in **Table 2.7**.

**Table 2.7: Details of number of SLVMC meetings**

Year	No. of SLVMC meetings to be held	No. of SLVMC meetings held	No. of meetings in which representative of MORD was present
2008-09	4	2	Not attended
2009-10	4	-	-
2010-11	4	3	2
2011-12	4	1	1
2012-13	4	1	1

Source: As furnished by the RDPR Department

It could be seen from the above table that meetings were not held regularly during 2008-13.

### 2.1.16.4 Transparency and Accountability

As per guidelines, the PRIs should disclose the information about the permanent IAY waitlist, beneficiaries selected, transfer of funds to their accounts, distribution of funds block-wise/GP-wise, houses taken up at block level, etc. The SLVMC suggested in the meeting held on 11 December 2008 to upload these details in the departmental website also. However, Audit observed that these details were not available in the test-checked PRIs.

It was also observed that RGHOMS did not have any provision for the beneficiaries to check for their selection, transfer of funds to their accounts, lodge complaints and trace redressal of the same. Thus, there was absence of grievance redressal mechanism and lack of transparency as citizens could not view the reports or the latest developments in the Scheme. These facilities for the empowerment of the beneficiary and promotion of e-governance, available in the 'AWAASSoft' developed by MORD, should be provided in RGHOMS as well.

### **2.1.17 Conclusion**

The performance audit of the Scheme for the period 2008-13 showed that only 3.43 lakh houses could be completed against the target of 6.64 lakh houses. Out of 5.74 lakh beneficiaries selected, 3.05 lakh (53 *per cent*) belonged to SC/ST categories and minorities were 0.75 lakh (13 *per cent*), which was less than the stipulated targets of 60 and 15 *per cent* respectively.

Financial management was deficient as reconciliation was not done between cash book and bank pass book. There were instances of loss of central assistance, delay in certifying the accounts and payments made to non-IAY beneficiaries. The entire fund corpus of ₹215.81 crore released under Homestead scheme remained unfruitful as sites developed under the Scheme after incurring an expenditure of ₹121.38 crore were not distributed to the beneficiaries.

A permanent waiting list, as required, was not prepared. Benefits had been extended to ineligible beneficiaries. The joint inspection of beneficiaries brought out cases of beneficiaries owning large houses and beneficiaries using the assistance for constructing extensions to existing houses, indicating that these beneficiaries were not eligible under the Scheme.

IEC activities were not conducted, and beneficiaries did not receive any technical assistance though stipulated in the guidelines. Efforts were not made to facilitate the beneficiaries in getting basic amenities through convergence of programmes. Monitoring of the implementation of the Scheme was not adequate.

The IT audit showed that data entry in several essential fields was extremely poor. Some of these fields were particularly critical for identification of the beneficiary, monitoring and evaluation of the Scheme namely the BPL number and bank account details. The degree of invalid, incomplete and blank data indicated weak input controls in the application design and lack of awareness of the users.

Moreover, certain important fields such as the BPL family number, eligible assistance amount and permanent IAY waiting list had not been incorporated at all. No access had been given to citizens and beneficiaries, thus reducing transparency of the Scheme.

The password control policy, audit trails and disaster recovery and business continuity plan were also absent.

The deficiencies in the database reduced the confidence in the accuracy of the data and impacted effective monitoring.

### **2.1.18 Recommendations**

- There is a need to evolve an effective system of tracking fund movements between the GPs and beneficiaries and reconciliation should be carried out regularly by RGRHCL with PRIs.

- The selection process of beneficiaries should be strictly as per the Scheme guidelines.
- Record maintenance needs to be strengthened and insisted upon at the GP level.
- IEC activities should be stepped up for greater beneficiary awareness.
- The State Government should draw up a schedule of inspection at all levels prescribing minimum number of field visits.
- Monitoring mechanism should be strengthened to ensure timely completion of houses and adherence to quality in construction.
- Norms for periodic review of data quality should be prescribed so as to enable initiation of timely action.
- RGRHCL needs to incorporate proper audit trail in the system.
- Beneficiary status and performance reports should be accessible for public viewing to ensure greater transparency.
- User Manuals should be prepared and adequate training provided to the users so as to equip them to handle all the beneficiary applications efficiently, minimising incorrect data entry and processing.
- RGRHCL should ensure that all necessary fields are incorporated in the system design particularly those that are available on the 'AWAASSoft'.
- Software may be designed to include appropriate MIS reports to facilitate monitoring.

**RURAL DEVELOPMENT AND PANCHAYAT RAJ  
DEPARTMENT**

**2.2 Implementation of Backward Regions Grant Fund Programme**

**Executive summary**

The Government of India had launched (February 2007) Backward Regions Grant Fund Programme to redress regional imbalances in development and to provide financial resources for supplementing and converging existing developmental inflow into identified districts. In Karnataka, six districts were covered under the Programme.

Performance Audit of the Programme showed that Perspective Plan had not been prepared in Raichur district and guidelines for *inter se* allocation of funds within the Panchayat Raj Institutions and Urban Local Bodies considering district-specific backwardness indicators had not been prepared. Financial management was deficient as evidenced by loss of central assistance, delays in release of funds, *etc.* There were instances of lack of transparency in tendering and contract management. Training for capacity building as stipulated in the guidelines had not been imparted adequately. Monitoring was not adequate and evaluation of the training programme had not been done.

**2.2.1 Introduction**

Government of India (GOI) had launched (February 2007) Backward Regions Grant Fund (BRGF) Programme (henceforth referred to as the Programme) for development of backward areas and to provide resources for supplementing and converging existing development inflows to selected backward districts. The objective was to mitigate the regional imbalances and speed up the development, thereby contributing towards poverty alleviation. The Programme was fully funded by GOI and is being implemented in six<sup>26</sup> identified districts of Karnataka.

**2.2.2 Organisational structure**

The Programme was implemented in the State under the overall supervision of Principal Secretary, Rural Development and Panchayat Raj (RDPR) Department through Chief Executive Officers (CEOs) of Zilla Panchayats (ZPs), Executive Officers of Taluk Panchayats (TPs), Panchayat Development Officers of Gram Panchayats (GPs), Chief Officers of Urban Local Bodies (ULBs) and other implementing agencies. A High Powered Committee (HPC) under the chairmanship of the Chief Secretary was constituted (March 2007) at the State level for approving, managing, monitoring and evaluating the works proposed by the District Planning Committees (DPCs).

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<sup>26</sup> Bidar, Chitradurga, Davanagere, Gulbarga, Raichur and Yadgir (bifurcated from Gulbarga)

### 2.2.3 Audit objectives

The main objectives of the Performance Audit of the BRGF Programme were to assess the adequacy and effectiveness of:

- planning and institutional arrangements;
- financial management;
- the implementation mechanism to achieve the intended objectives; and
- the monitoring mechanism and evaluation processes.

### 2.2.4 Audit criteria

The sources for audit criteria were:

- Guidelines of the Programme and instructions issued by GOI and State Government;
- General Financial Rules, 2005 and Karnataka Financial Code (KFC);
- Karnataka Transparency in Public Procurements Act, 1999 (KTPP Act) and Rules, 2000.

### 2.2.5 Scope of audit and methodology

Performance Audit of the BRGF Programme for the period 2007-13 was conducted (May-September 2013) by test-check of records at RDPR Department, Abdul Nazir Saab State Institute of Rural Development, Mysore (ANSSIRD), three ZPs, six TPs, 48 GPs, six ULBs and 10 other implementing agencies (detailed in **Appendix 2.10**). The units (except ZP, Davanagere) were selected using '*probability proportional to size without replacement method*' with size measure as expenditure. The ZP, Davanagere was selected at the request of the State Government. The audit objectives, scope and methodology were discussed with the Principal Secretary, RDPR Department during an Entry Conference held in May 2013. An Exit Conference was held with the Additional Chief Secretary to Government of Karnataka, RDPR Department in February 2014 to explain the audit findings, which were generally accepted by the Department.

### Acknowledgement

Audit acknowledges the cooperation and assistance extended by the State Government and the audited entities in conducting the performance audit.

### 2.2.6 Financial management

The Ministry of Panchayati Raj, GOI releases funds to the State Government (Finance Department). The funds are, in turn, released to the implementing agencies through RDPR Department. The Programme consists of two funding

windows, namely, Capability Building Fund (CBF) and Development Fund. CBF was to be utilised primarily to build capacity in planning, implementation, monitoring and improving accountability and transparency. Development Fund was to be used to fill up critical gaps in integrated development, identified through the participative planning processes.

### 2.2.6.1 Financial position

During the period 2007-13, GOI had released ₹514.65 crore to the State Government, out of which an amount of ₹502.10 crore was utilised. However, no expenditure was incurred during 2007-08 despite the availability of ₹96.49 crore. Subsequently, GOI did not release ₹108.34 crore allocated for the year 2008-09, depriving the State Government of Central assistance. The details are indicated in **Table 2.8**.

The financial position of the test-checked districts is detailed in **Appendix 2.11**.

**Table 2.8: Receipt and utilisation of funds under BRGF during 2007-13**

(₹ in crore)

Year	Capability Building Fund			Development Fund			Total			Unspent balance
	A	R	E	A	R	E	A	R	E	
2007-08	5.00	10.00*	Nil	103.34	86.49	Nil	108.34	96.49	Nil	
2008-09	5.00	Nil	10.00	103.34	Nil	86.49	108.34	Nil	96.49	
2009-10	5.00	8.39	8.39	103.34	102.54	102.54	108.34	110.93	110.93	
2010-11	5.00	5.00	5.00	103.34	103.17	103.17	108.34	108.17	108.17	
2011-12	5.00	2.69	2.69	113.91	94.83	62.50	118.91	97.52	65.19	
2012-13	5.00	3.50	0.46	113.91	98.04	120.86	118.91	101.54	121.32	
<b>Total</b>	<b>30.00</b>	<b>29.58</b>	<b>26.54</b>	<b>641.18</b>	<b>485.07</b>	<b>475.56</b>	<b>671.18</b>	<b>514.65</b>	<b>502.10</b>	<b>12.55</b>

Source: RDPR Department      A: Allocation      R: Releases      E: Expenditure

\* There was excess over allocation as funds earmarked for 2006-07 were released during 2007-08.

The State Government stated (March 2014) that funds could not be utilised as they were released late and action plans prepared in October/November 2007 were approved by GOI in February 2008. However, this deprived the State of funds to the tune of ₹108.34 crore allocated for the year 2008-09.

### 2.2.6.2 Incorrect reporting of expenditure

Utilisation Certificates (UCs) are to depict the actual utilisation of funds so that there is correct reporting of expenditure. Contrary to this, two implementing agencies (ANSSIRD and TP, Manvi) had submitted UCs treating the advances of ₹4.80 crore paid (2010-12) to other agencies<sup>27</sup> as expenditure, although these amounts had not been utilised (March 2013).

The State Government stated (March 2014) that instructions had been issued to submit UCs for the amount utilised.

<sup>27</sup> (i) ANSSIRD (2010-11) - advances to Karnataka Rural Infrastructure Development Limited (₹4.00 crore) and State Institute for Urban Development (₹0.50 crore);  
(ii) TP, Manvi (2011-12) - advance paid to Nirmithi Kendra (₹0.30 crore)

### 2.2.6.3 *Delay in release of fund*

As per the State Government orders, the ZPs were to transfer the Programme funds to Implementing Officers (IOs) within 15 days of the amount being released by the State Government, failing which they were liable to pay interest at Reserve Bank of India (RBI) rate.

Audit observed that ZP, Raichur had transferred (2007-12) ₹7.49 crore to IOs with delays ranging from 22 to 93 days in five cases, 254 to 368 days in 14 cases and 537 days in one case. It had, however, not transferred the applicable interest amounting to ₹28.62 lakh to the IOs.

The State Government accepted the audit observation and stated (March 2014) that action would be taken to transfer funds through Real Time Gross Settlement (RTGS) to IOs at State level from 2014-15 which would prevent such delays in future.

### 2.2.6.4 *Maintenance of multiple bank accounts*

As per the State Government order (May 2000), only one bank account should be maintained for each scheme. Further, Paragraph 4.8 of the Programme guidelines provided for maintaining a separate account either in a nationalised bank or in a post office. However, Audit observed that ZP, Raichur and Deputy Commissioner (DC), Chitradurga had maintained multiple<sup>28</sup> bank accounts, including one which was not in a nationalised bank<sup>29</sup>.

It was also seen that DC, Chitradurga had not exhibited the transactions pertaining to one<sup>30</sup> bank account in BRGF cash book during the period September 2008 to December 2012. This resulted in understatement of receipts and expenditure to the extent of ₹13.23 lakh and ₹13.18 lakh respectively. Thus, maintenance of multiple bank accounts not only contravened the Programme guidelines but was also fraught with the risk of misuse of Programme funds.

The State Government stated (March 2014) that multiple bank accounts had been closed and a single bank account was being maintained. However, the reply was silent about operation of bank account in the cooperative bank.

## 2.2.7 **Planning and Institutional arrangements**

### 2.2.7.1 *Preparation of Perspective Plan*

As per the Programme guidelines, a well-conceived participatory Perspective Plan for 2007-12 in each district was required to be prepared on the basis of a diagnostic study of its backwardness including a baseline survey. This plan was to integrate multiple programmes in operation in the district concerned and, therefore, address backwardness through a combination of resources that would flow to the district.

<sup>28</sup> DC, Chitradurga (four accounts) and ZP, Raichur (six accounts)

<sup>29</sup> Raichur District Central Cooperative Bank Ltd.

<sup>30</sup> State Bank of Mysore-A/c.No.64029222426

Audit observed that out of three test-checked districts, no Perspective Plan was prepared for Raichur district and, thus, the critical gaps in the district were not identified. The State Government stated (March 2014) that suitable instructions would be issued to the district.

In the remaining two districts, the Comprehensive District Development Plans (CDDPs) for the period 2007-12 were prepared after identifying the priority areas for the districts. The common priority areas in these two CDDPs were providing basic infrastructure facilities in Scheduled Caste (SC)/Scheduled Tribe (ST) colonies, viable, sustained and dignified employment opportunities for SC/ST population, improving facilities in Primary Health Centres, providing adequate fodder and animal care facilities, providing alternate commercial activities for small and marginal farmers, providing female literacy, *etc.*

#### **2.2.7.2 Annual Action Plans**

The Annual Action Plans (AAPs) should be in line with the Perspective Plan. In all the three test-checked districts, AAPs were prepared and duly approved by DPCs. In the case of Raichur, which did not have a Perspective Plan, it was not possible to ascertain whether the AAPs adequately addressed the priority areas. In Davanagere and Chitradurga districts, it was observed that viable, sustained and dignified employment opportunities for SC/ST population, providing adequate fodder and animal care facilities, providing alternate commercial activities for small and marginal farmers, providing information and training to small farmers, providing female literacy, *etc.*, were not reflected in the AAPs. Audit also observed that works/activities, as detailed below, had been executed beyond those included in the approved AAPs, which was indicative of deficiencies in the planning process.

- Twenty nine<sup>31</sup> implementing agencies in the test-checked districts had incurred (2008-12) an amount of ₹1.98 crore on 55 activities/works not included in the AAPs.
- Five<sup>32</sup> implementing agencies in the test-checked districts had procured (2008-12) materials costing ₹1.92 crore in excess of the quantities specified in the AAPs.

The State Government stated (March 2014) that as the approval of the ZP members was obtained and due to the urgency of the situation and the works not being covered in other schemes, these works were not included in the AAPs. However, the reply was not acceptable as execution of works which were not in the approved AAPs defeated the very objective of planned execution.

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<sup>31</sup> four implementing agencies in Chitradurga (12 cases), 17 implementing agencies in Davanagere (32 cases) and eight implementing agencies in Raichur (11 cases)

<sup>32</sup> one in Chitradurga, three in Davanagere and one in Raichur

### 2.2.7.3 Institutional arrangements

The Programme guidelines stipulated providing specific staff to GPs *i.e.* a trained community level person to provide knowledge inputs to the community on agriculture, water management, livestock management, *etc.*, and one barefoot engineer<sup>33</sup> to enhance local engineering capacity. Similarly, at taluk level one Panchayat Resource Centre (PRC) was to be set-up with one engineer for preparation of estimate and monitoring quality of execution, an accountant and a social specialist to conduct participatory planning by mobilising villagers to attend Gram Sabha. However, the State Government had not provided the required technical support to any of the six TPs and 48 GPs test-checked (September 2013).

The State Government accepted (March 2014) the need to consider outsourcing but also felt that there had been savings as the Programme had been implemented with their own staff. However, the reply was not totally acceptable as the objective was not to generate savings but to strengthen local capacity which was not achieved as was confirmed in all the 48 test-checked GPs.

### 2.2.7.4 Non-issue of guidelines for allocation of funds

The Programme guidelines required the State Government to issue guidelines for *inter se* allocation of the Programme funds to different levels of Panchayat Raj Institutions (PRIs) and ULBs considering the backwardness index or level of development and addressing specific district-wise priorities. However, such guidelines had not been issued.

The State Government stated (March 2014) that action would be taken to issue guidelines.

## 2.2.8 Development funds

During 2007-13, GOI released ₹485.07 crore under Development Fund for addressing critical gaps in integrated development, identified through the participative planning process in the BRGF districts. Of this, ₹475.56 crore was utilised as of March 2013. Irregularities observed during review of utilisation of the Fund are detailed below.

### 2.2.8.1 Diversion of funds

Contrary to the Programme guidelines, an amount of ₹32.30 lakh was irregularly diverted (2008-12) by eight implementing agencies for construction of steps to temple, payment of travelling allowance and honorarium to participants for participating in meetings, conducting coaching class, *etc.*

The State Government stated (March 2014) that the DPCs had approved the works and the objective of the Programme was to supplement and converge

<sup>33</sup> Engineer trained in minor engineering repairs such as electricity repair, repair of hand pump, repair of agricultural pump sets, *etc.*

the existing schemes. The reply was not acceptable as such works were not permitted under the Programme guidelines.

#### **2.2.8.2 Expenditure towards exposure visits**

National Capability Building (NCB) framework for Panchayat Raj elected representatives and functionaries specifies visits to identified beacon Panchayats through a transparent and independent process. Study visits to other beacon Panchayats can be organised so as to promote exposure to best practices and replicate models of development and good governance. However, 10<sup>34</sup> implementing agencies in two test-checked districts had organised study visits incurring an expenditure of ₹39.62 lakh for elected representatives and staff to Sharjah, Dubai, towns and cities in North India/Karnataka instead of beacon Panchayats. In none of these cases, tour notes and study reports were available on record.

The State Government stated (March 2014) that exposure visits were being undertaken as part of the training programme but the reply was silent about the above cases pointed out by Audit.

Audit is of the opinion that such visits should be undertaken only if they have a direct impact on the implementation of the Programme.

### **2.2.9 Tendering process**

The discrepancies and irregularities in the tendering process are given in the succeeding paragraphs.

#### **2.2.9.1 Non-compliance with KTPP Act**

- Provisions of KTPP Act stipulate that where the value of the goods or services to be procured by a local authority exceeds ₹1.00 lakh, tenders have to be necessarily invited. However, in 11 cases, four<sup>35</sup> implementing agencies had procured goods in excess of ₹1.00 lakh (Total ₹34.58 lakh) without inviting tenders. The denial of the benefit of competitive rates could not be ruled out.
- As per the guidelines issued (December 2002) by the State Government, fresh tenders are to be invited when less than three tenders are received for a work. Contrary to this, DC, Chitradurga had accepted single tenders in eight cases for works costing ₹41.42 lakh in the first call itself.
- In another four cases of three<sup>36</sup> test-checked implementing agencies, the tender forms were made available only for a short duration ranging from one to three days and not till the notified dates of closure of issue of tender forms.

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<sup>34</sup> eight implementing agencies in Davanagere and two implementing agencies in Raichur

<sup>35</sup> GP, Bhogavati (one case); GP, Hirekotnekal (one case); TP, Davanagere (eight cases) and TP, Manvi (one case)

<sup>36</sup> Panchayat Raj Engineering Division (PRED), Raichur (two cases); TP, Davanagere (one case) and ZP, Chitradurga (one case)

The State Government stated (March 2014) that instructions would be issued to follow the KTPP Act strictly in calling for tenders.

### **2.2.10 Execution of works and procurement of goods and services**

The basic objective of the Programme was to execute development works in backward areas, which were either not executed under other developmental activities or were essential to bridge the gaps in critical areas. In the three test-checked ZPs, out of the total 1,655 sanctioned works, 1,045 works were completed, 436 works were incomplete and 174 works had not started due to non-availability of land (during 2008-13). Reasons for non-completion of 436 works were not on record (as on March 2013). Audit observed the following deficiencies in execution of works.

#### **2.2.10.1 Non-recovery of liquidated damages**

Tender conditions provide for recovery of liquidated damages from the contractors for delayed completion of works. However, Audit observed in the two test-checked districts that liquidated damages amounting to ₹19.59 lakh had not been recovered in nine<sup>37</sup> test-checked cases during the period 2008-12, though there were delays in completion of these works.

The State Government stated (March 2014) that extension for completion of works in Chitradurga district was given on the oral request of the supplier. The reply was not acceptable as this was not in accordance with the agreement and the extension was not recorded. The reply was silent about non-recovery of liquidated damages in Raichur district.

#### **2.2.10.2 Unfruitful expenditure**

A work of construction of ST girls' dormitory building at Gurugunta village in Lingasugar taluk of Raichur district was entrusted (September 2009) to a contractor for ₹75.60 lakh, with a stipulation to complete the work within nine months (including monsoon). However, the work had not been completed even after a lapse of three years due to non-receipt of matching grant of ₹30.07 lakh from the Social Welfare Department. This rendered the expenditure of ₹57.81 lakh incurred (as on March 2013) on the work unfruitful.

The State Government stated (March 2014) that the Social Welfare Department had agreed to release the matching grant.

#### **2.2.10.3 Unfruitful expenditure on procurement**

Audit observed that three implementing agencies had purchased equipment costing ₹87.40 lakh. It was, however, seen that these equipment items were not put to use for the reasons as detailed in **Table 2.9**, rendering the entire expenditure unfruitful.

<sup>37</sup> City Municipal Council (CMC), Raichur (three cases); PRED, Raichur (one case) and DC, Chitradurga (five cases)

**Table 2.9: Details of unfruitful expenditure incurred on procurement**

Name of the Implementing Agency	Name of the item purchased (Number)	Remarks
DC, Chitradurga	Trailer mounted jetting machines for cleaning drains (four) costing ₹28.88 lakh procured in April 2010 for ULBs.	Machines lying idle as there were no underground drainage systems
	Audio and visual equipment items for training halls costing ₹6.94 lakh procured in November 2008 for ULBs.	Not put to use as training halls not constructed in ULBs
ZP, Chitradurga	JCB 3DX Backhoe Loaders (two) costing ₹42.44 lakh procured in June 2010 for PRED, Chitradurga.	Machines not put to use as there was no demand from contractors
CMC, Raichur	Bio-metric instruments for monitoring attendance (eight) in the office of CMC, Raichur costing ₹9.14 lakh procured in November 2010/May 2011.	Not commissioned and manual attendance system being followed

Source: As furnished by the Implementing Agencies

The State Government stated (March 2014) that JCB 3DX Backhoe Loaders procured by ZP, Chitradurga and bio-metric instruments procured for CMC, Raichur were lying idle and that steps would be taken to use them after repairs, but they did not agree that the other two equipment items procured by DC, Chitradurga were kept idle. However, this is not factually correct as the ULBs concerned had accepted (July 2013) that there was no requirement and hence these were not used.

#### 2.2.10.4 Wasteful expenditure

DPC, Chitradurga had approved (November 2007) a project to establish very small aperture terminal (VSAT) connectivity for video/audio conferencing, voice over internet protocol (VOIP) and data transfer services among all GPs, TPs and ZP of Chitradurga district. The State Government, while releasing the funds, had instructed (September 2008) to obtain technical guidance from e-Governance Department before implementing the project.

The ZP, Chitradurga had released (February 2009) ₹0.85 crore to 185 GPs for providing infrastructure for e-connectivity. The ZP entered into (May 2009) an agreement with Karnataka State Electronics Development Corporation Limited (KEONICS) for creation of communication and data network design, network bandwidth of 128 kbps in 192 centres (ZP, TPs and GPs). The ZP paid (May 2009 and January 2010) ₹0.72 crore to KEONICS and ₹2.53 crore to six<sup>38</sup> agencies for procuring accessories such as Multi-point control units, computers, printers, projectors, etc. However, the equipment items procured by the ZP were lying idle.

<sup>38</sup> M/s. Tasktel Technologies, Bangalore (₹0.52 crore);  
M/s. Siddarth Infotech and M/s. Nclose Technologies, Mangalore (₹1.94 crore);  
M/s. S.G. Enterprises, M/s. Guru Vaibhav Enterprises and District Supply and Marketing Society, Chitradurga (₹0.07 crore)

It was seen that the ZP had not obtained the technical guidance from e-Governance Department and commenced the project without ensuring its feasibility. Third party (M/s.SJM Institute of Technology, Chitradurga) for reviewing the report on Hybrid connectivity for voice data, video and internet across all GPs, TPs and ZP was appointed only in November 2010. The third party had pointed out (February 2011) that against the required bandwidth of 512 kbps for VSAT connectivity, bandwidth of 128 kbps was installed by the ZP and no infrastructure facilities were available at GPs and TPs. It was also stated that computer literacy of the operators was poor.



The State Government stated (March 2014) that arbitration petition had been filed against the General Manager, KEONICS and also that the connectivity work had been stopped.

Thus, the objective of establishing VSAT connectivity could not be achieved, rendering the entire expenditure of ₹4.10 crore wasteful.

### **2.2.11 Activities taken up under Capability building component**

Capability building funds were to be used to facilitate participatory planning, decision making, implementation and monitoring of different schemes for better governance and service delivery. Under this, training was to be provided to elected representatives and officials of PRIs and ULBs. Providing telephone and e-connectivity, establishing accounting and auditing system, establishment and maintenance of training help lines, *etc.*, were other important components. Under this component, GOI had released ₹29.58 crore during 2007-13, out of which ₹26.54 crore was utilised, leaving a balance of ₹3.04 crore (March 2013).

The following irregularities were observed during the review of implementation of various activities under the Capability building component.

#### **2.2.11.1 Training to elected representatives and staff of PRIs**

During 2007-13, 137 training programmes were conducted for 92,516 elected representatives and staff (82 *per cent*) against the target of 1,12,916. However, exclusive training on maintenance of accounts, use of online service, preparation and forwarding of UCs, *etc.*, were not imparted.

The State Government stated (March 2014) that such trainings were being provided under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and in future would be provided under BRGF also.

### 2.2.11.2 *Payments not supported by details*

In the following cases, the holding of workshops and trainings were not supported by details.

- Town Municipal Council (TMC), Harapanahalli had entrusted the exhibition on child labour, women development, *etc.*, to Sapna Educational Society for ₹17.50 lakh during April 2010. Administrative approval was accorded by CEO, ZP Davanagere on 16 April 2010 for conducting 75 workshops and 100 exhibitions. However, within a span of three days, the agency had completed all the programmes (175) and payment of ₹17.45 lakh was made on 24 April 2010. No details of personnel who had attended the workshops and exhibitions were provided to Audit. The State Government stated (March 2014) that these details were available with Sapna Educational Society. However, such details should have been available with the TMC and conducting 175 workshops/exhibitions in the TMC locality in just three days appears doubtful.
- Four<sup>39</sup> implementing agencies had arranged (2007-12) training programmes for unemployed youths in driving, beautician's course, tailoring, computer and embroidery. Payments of ₹6.56 crore were made to the agencies without obtaining the details such as, candidates' applications, place of training, details of examinations and issue of certificates, evaluation reports, copies of driving licences issued, signed attendance, details of infrastructure facilities available, *etc.* As a result, the correctness of the amount of ₹6.56 crore could not be assessed. It was assured that details would be provided during the Exit Conference (February 2014); however, the same were not provided. The State Government stated (March 2014) that these details were available with the agencies who had provided the training. However, the reply was not acceptable as in the absence of such details with the implementing agencies, the genuineness of the expenditure was doubtful.

### 2.2.11.3 *Non-creation of helpline centres*

As per the Programme guidelines, helpline centres in BRGF districts and at the State level were to be set up to provide a speedy channel of clarification and information to trained persons and to link help seekers. It was observed that such centres were set up neither in any of the test-checked districts nor at the State level.

The State Government stated (March 2014) that action had been taken to provide manpower to the existing helpline under MGNREGS for this Programme.

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<sup>39</sup> ZP, Chitradurga (₹2.39 crore); ZP, Davanagere (₹3.77 crore); TP, Davanagere (₹0.08 crore) and TMC, Harapanahalli (₹0.32 crore)

## 2.2.12 Monitoring and Evaluation

### 2.2.12.1 Inspection of works and quality check

The Programme guidelines provided for preparing a schedule for inspection of BRGF works and instituting a Quality Monitoring System (QMS) for maintaining the quality of works. The working of QMS was to be regularly reviewed by the HPC. However, it was seen that no such QMS system had been introduced in the State (September 2013). Further, it was observed that though financial audit was conducted in all the three test-checked districts, physical verification of works had not been conducted.

The State Government stated (March 2014) that instructions would be issued to conduct physical verification on a regular basis and also stated that the State and District Quality Monitors appointed to inspect all works of the departments would be asked to inspect BRGF works in future.

### 2.2.12.2 Peer Review of Panchayats not conducted

Paragraph 4.13 of the Programme guidelines provided for conducting peer reviews of progress by GPs and TPs and such peer review reports were to be reviewed at the district level by Review Committees. However, neither such reviews were conducted in any of the 48 test-checked GPs nor Review Committees were constituted by DPCs in the three test-checked districts.

The State Government stated (March 2014) that action would be taken to conduct peer review of Panchayats in future.

### 2.2.12.3 Social Audit and vigilance at grass-roots level

As per the Programme guidelines, the State Government was required to issue guidelines on Social Audit of works by Gram or Ward Sabhas in rural areas and Area Sabhas and Ward Committees in urban areas. However, in none of the 48 test-checked GPs, Social Audit of BRGF works was undertaken (September 2013).

In this regard, the State Government explained (March 2014) that *Jamabandis*<sup>40</sup> were being conducted in accordance with the Karnataka Panchayat Raj (*Jamabandi*) Rules, 2004, wherein all the works taken up by the GPs would be reviewed in public gathering and the works taken up under BRGF would also be reviewed in this *Jamabandi*. Therefore, the State Government has decided that there would be no separate Social Audit to review BRGF works. Audit is of the view that while the State Government may not feel the need to have a separate Social Audit of BRGF works, it must at least ensure that works are reviewed in the *Jamabandis*.

<sup>40</sup> Congregation of people for effective implementation of Rural Development Programmes and to ensure people participation, transparency, information to public and grievance redressal by Taluk Panchayats

#### **2.2.12.4 Evaluation**

The Programme guidelines emphasised on monitoring and evaluation of training, especially during 2009-12. However, no such evaluation on outcome of the training and impact on planning, implementation and monitoring at PRIs and ULBs levels were undertaken. Further, in none of the three test-checked districts, the DPCs had conducted an impact assessment of the Programme (September 2013).

#### **2.2.12.5 Non-maintenance of database**

As per the Programme guidelines, the Nodal Department should maintain a computerised database which could contain details of UCs submitted by implementing agencies of all Panchayats in BRGF districts. However, Audit scrutiny showed that no such database had been maintained by RDPR Department.

The State Government stated (March 2014) that action would be taken to issue instructions to maintain computerised database in respect of BRGF works.

#### **2.2.13 Conclusion**

Perspective Plans were prepared in two of the three test-checked districts. However, the works taken up annually did not entirely address the priority areas outlined in the Perspective Plans. The guidelines for *inter se* allocation of funds within the PRIs and ULBs considering district-specific backwardness indicators had not been prepared. Central assistance of ₹108.34 crore was lost due to non-utilisation of funds during 2007-08. There were delays in transferring funds to the implementing agencies. Implementation of the Programme suffered due to lack of institutional arrangement and absence of technical support. Although 1,045 works were completed, Audit came across instances of non-compliances with tender conditions, KTPP Act, etc. Training for capacity building had not been imparted adequately and genuineness of expenditure incurred on training could not be assessed in the absence of requisite details. Monitoring was not adequate as Social Audit had not been conducted and evaluation of the training programme had not been done.

#### **2.2.14 Recommendations**

- Institutional arrangements and professional support may be provided on priority within a definite timeframe.
- Funds released by GOI may be transferred directly into the bank accounts of PRIs and ULBs concerned to avoid delays in transfer of funds.
- Government should conduct Social Audit of BRGF works as per guidelines.
- Government should ensure proper monitoring and evaluation at various levels for effective implementation of the Programme and utilisation of the funds within the stipulated time frame.

## SECTION 'B' - COMPLIANCE AUDIT

### DEPARTMENT OF WOMEN AND CHILD DEVELOPMENT

#### 2.3 Implementation of Bhagyalakshmi Scheme

##### 2.3.1 Introduction

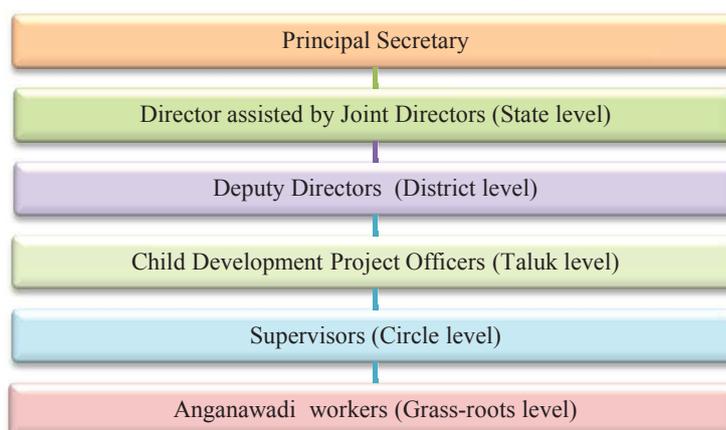
Bhagyalakshmi Scheme (Scheme) was launched by the Government of Karnataka during 2006-07 for Below Poverty Line (BPL)<sup>41</sup> families. The objective of the Scheme was to empower the girl child by way of financial assistance and benefits under the Scheme were limited to two girls in each BPL family.

Under the Scheme, the State Government is to deposit a fixed sum in the name of the girl child with Life Insurance Corporation of India (LIC). The maturity amount *i.e.* the deposit and the accrued interest is to be made available to the beneficiary girl child when she attains 18 years of age. The amount of deposit was initially fixed at ₹10,000 each for first and second girl child from 1 April 2006 to 31 July 2008. This was subsequently increased to ₹19,300 and ₹18,350 for the first and second girl child respectively from August 2008 onwards.

The Scheme also provides for certain interim payments such as, scholarships (each year) up to standard XII and insurance coverage to parent/guardian of the beneficiary, subject to fulfilment of eligibility criteria specified in the guidelines.

##### 2.3.2 Organisational structure

Department of Women and Child Development (Department), headed by the Principal Secretary, was designated (October 2006) as the nodal department to implement the Scheme. The organisational structure for implementation of the Scheme is as shown below.



<sup>41</sup> Annual income limit fixed by Government of Karnataka for BPL eligibility was ₹17,000 in urban areas and ₹12,000 in rural areas.

### **2.3.3 Audit scope and methodology**

The audit of the implementation of the Scheme was conducted (April-September 2013) covering the period 2006-12<sup>42</sup> by test-check of records of the Director, Women and Child Development Department (hereinafter referred to as the Director), six<sup>43</sup> Deputy Directors (DDs) and 12<sup>44</sup> Child Development Project Officers (CDPOs), selected by using simple random sampling method. Audit scrutinised 7,303 applications (five *per cent*) out of 1,40,206 applications received in the test-checked CDPOs. Besides, Audit also analysed the data<sup>45</sup> in respect of 12 test-checked CDPOs to ascertain the accuracy and reliability of the information forming the basis of the decision making process. The audit findings are discussed in succeeding paragraphs.

### **2.3.4 Financial management**

The Scheme was announced in the budget 2006-07 and allocated ₹234 crore. In order to draw and utilise the grant, a Trust named 'Bhagyalakshmi Trust' chaired by the Principal Secretary, Finance Department was created in March 2007, pending identification of fund manager. The State Government had appointed (July 2007) LIC as the fund manager through Memorandum of Understanding (MOU). LIC was to provide a long term investment vehicle called pooled account into which the fund as earmarked in the budget was to be deposited by the State Government, based on the estimated number of girl children likely to be born in a quarter. The funds so deposited into the pooled account would earn interest at the rates declared by LIC.

Out of ₹1,859.81 crore drawn by the Trust (₹166 crore) and the Department (₹1,693.81 crore) during the period from 2006-07 to 2011-12, an amount of ₹1,857.44 crore was deposited with LIC in 61 instalments and ₹2.37 crore was spent towards administrative charges, advertisement charges, *etc.* Audit findings with regard to financial management are discussed in succeeding paragraphs.

#### **2.3.4.1 Fund management through 'Bhagyalakshmi Trust'**

It was seen that though LIC had been appointed as the fund manager during July 2007, the Trust was dissolved only in November 2012. Further, the Trust had not framed rules for management of funds, though stipulated in the Trust deed. In the absence of any rules, the Trust had parked (August 2007-April 2009) Scheme funds aggregating ₹93.04 crore in fixed deposits/savings account instead of depositing the same with LIC. This resulted in potential loss of interest to the extent of ₹36.70 lakh as the interest rates declared by LIC were higher than the rates offered in fixed deposits/savings account.

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<sup>42</sup> 2012-13 was not considered as the enrolment under the Scheme was allowed up to one year of the birth of the girl child.

<sup>43</sup> Bangalore Urban, Bellary, Davanagere, Haveri, Mangalore and Mysore

<sup>44</sup> Bangalore Central and Sumangali Sevashram (Bangalore Urban), Bellary Urban and Hospet (Bellary), Davanagere and Jagalur (Davanagere), Haveri and Ranebennur (Haveri), Mangalore Rural and Puttur (Mangalore), Mysore Rural and Nanjangud (Mysore)

<sup>45</sup> Database backup provided by National Informatics Centre (NIC)

#### **2.3.4.2 Details of fund/amount transferred to LIC**

The database did not have the provision to capture the amounts transferred to LIC, certificate number issued by LIC, probable maturity amount payable to the girl child, details of cancellation of bonds in cases of ineligibility/child death, *etc.* This rendered the data incomplete as the financial status of the Scheme was not being captured.

The Director accepted (December 2013) the audit observation and stated that action would be taken to maintain online the status of funds transferred to LIC.

#### **2.3.4.3 Delays in release of funds to LIC**

As per the MOU, certificates issued to the girl children provided for payment of specified maturity amount to the beneficiary. The maturity amount was worked out considering that the funds would be deposited in advance and would remain invested till the beneficiary completes 18 years.

Audit observed that the payments relating to girl children born during 2007-11 were made (December 2008-January 2013) to LIC with delays ranging from 5 to 17 months in 20 instalments and 26 months in one instalment (excluding the period of one year stipulated for enrolment of the girl child under the Scheme). The delay in release of funds to LIC would result in short realisation of maturity value.

The Scheme also provides for 50 *per cent* of premium of parental insurance under Janashree Bima Yojana from the interest earned in the pooled account. It was seen that LIC had rejected (2008-12) insurance claims relating to parental deaths in 500 cases on the grounds of non-receipt of funds from the Government against those beneficiaries' accounts. Though the beneficiaries were enrolled under the Scheme within the due date prescribed, consequent on delay in providing the required amount to the LIC, the very objective of providing social security to the beneficiary in the event of death of a parent was defeated.

The Director stated (December 2013) that the matter had been brought to the notice of the Government and insurance claims would be settled wherever the records were in order.

#### **2.3.4.4 Wrong calculation of interest**

A sum of ₹744.70 crore was deposited with LIC during the year 2012-13. Scrutiny of calculation sheet showed that interest amount (on ₹744.70 crore) credited to the pool account had been wrongly calculated as ₹44.61 crore instead of ₹44.97 crore. This resulted in short credit of interest of ₹0.36 crore.

The Director stated (December 2013) that it would be recalculated and action would be taken accordingly.

### **2.3.5 Enrolment of the girl child**

As per the conditions laid down by the Government, parents of the girl child from a BPL family are required to make an application to their jurisdictional Anganawadi worker. Along with the application, they are required to enclose documents *viz.*, birth certificate, permanent BPL card, income certificate, domicile certificate, *etc.* It was also stipulated that families having more than three children would not be given assistance and benefits, if already extended, would be withdrawn.

The deficiencies noticed in enrolment of girl children are detailed in succeeding paragraphs.

#### **2.3.5.1 Incomplete data entries**

Analysis of the data showed that though 1,40,206 beneficiaries had been enrolled in the 12 test-checked CDPOs, data entry was done only in respect of 1,03,300 beneficiaries. The failure to process all the applications online created a backlog and the database was incomplete for monitoring the implementation of the Scheme.

The Director accepted (December 2013) the audit observation and attributed the backlog in entries to lack of infrastructure and shortage of staff. It was further stated that instructions had been issued to CDPOs/DDs to complete backlog entries at the earliest.

#### **2.3.5.2 Inconsistency in establishing BPL criteria**

At the time of inception of the Scheme (October 2006), it was compulsory to furnish a copy of the permanent BPL card issued by Department of Food and Civil Supplies (F&CS). Later the Department allowed (June 2007) acceptance of income certificates *in lieu of* BPL cards in cases where issue of permanent BPL cards were pending. However, the Government reviewed (March 2011) this decision of accepting income certificates as the enrolment of 84 *per cent* of total girl child population (during 2009-10) was not realistic and instructed that both permanent BPL card and income certificate were compulsory.

The criterion was again changed during September 2011 and only permanent BPL cards were accepted from 2011-12 onwards. After the insistence on the permanent BPL card, it was observed that enrolment had drastically reduced to 1,76,336 beneficiaries in the year 2011-12 from an average of 2,95,279 (2006-11).

Audit observed in 10<sup>46</sup> out of 12 test-checked CDPOs that 29,901 children had been enrolled on the basis of temporary BPL ration cards during the period 2006-11, contravening the Scheme guidelines. CDPO, Bangalore Urban had not furnished the details of children enrolled on the basis of

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<sup>46</sup> Bellary Urban, Haveri, Hospet, Jagalur, Mangalore Rural, Mysore Rural, Nanjangud, Puttur, Ranebennur and Sumangali Sevashram

temporary ration cards and there were no such cases in Davanagere CDPO. On cross verification of records in four<sup>47</sup> CDPOs by Audit with the online data of Department of F&CS, 118 temporary cards were found to have been confirmed later as Above Poverty Line (APL) by the F&CS Department. The possibility of similar cases in other CDPOs could not be ruled out. Thus, indecisiveness in establishing BPL criteria led to enrolment of ineligible beneficiaries. The undue benefit could have been avoided had CDPOs cross verified these with the data of F&CS Department.

Analysis of data also showed that 3,832 beneficiaries having temporary BPL cards had been enrolled (2006-12) under the Scheme. Further, BPL numbers in respect of 75,221 cases were either blank or zero, rendering data unsuitable for checking cases of enrolment of ineligible beneficiaries.

Even after Government had reiterated (September 2011) that only permanent BPL cards were to be accepted, 137 girl children were enrolled in three test-checked CDPOs (Bangalore Central, Hospet and Nanjangud) on the basis of temporary BPL cards during 2011-12.

Further, audit scrutiny of 7,303 applications showed that there were discrepancies in 146 income certificates *viz.*, income certificate with nil income (20 cases), income certificate in the name of the child (six cases), amount in the income certificate tampered with (seven cases), income certificate pertained to mother's family (113 cases).

The Director stated (December 2013) that action had been taken to cancel the bonds issued to APL families and those who had submitted temporary cards.

### **2.3.5.3 Enrolment of ineligible girl child**

Out of 7,303 applications test-checked it was observed that 1,050 ineligible girl children (14 *per cent*) had been enrolled under the Scheme as detailed below.

- There were 620 applicants who had been enrolled under the Scheme though APL cards had been enclosed to their applications;
- There were 200 families having more than three children. It was also seen that 10 test-checked CDPOs were themselves aware of 670 such cases where families had more than three children; however, action had not been taken to withdraw the assistance already extended;
- There were 188 families whose annual income was more than the prescribed limit for BPL families; and
- There were 42 cases where BPL card belonging to the Mother's parents was accepted for enrolment.

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<sup>47</sup> Bellary Urban (27), Hospet (69), Ranebennur (17) and Sumangali Sevashram (5)

Analysis of the data showed that the database contained 121 cases where income of the families was more than ₹17,000, evidencing that ineligible beneficiaries had been provided assistance under the Scheme. Income certificate numbers in 71,586 cases had not been entered. There were 159 cases where income certificate numbers were same but incomes were different, rendering the data unreliable. Further, 24 girl children belonging to families having more than three children had been enrolled under the Scheme. It was also seen that though there were 5,370 families with three children, only 167 families (three *per cent*) had undergone family planning operation. This indicated that the provisions of the Scheme guidelines were not insisted upon.

The Director stated (December 2013) that letters had been addressed to the concerned DDs to take action as per the audit observation.

#### **2.3.5.4 Non-enclosing of terminal family planning certificates**

As per the Scheme guidelines, parents of the beneficiary girl child should not have more than three children, including the beneficiary child. In case where there were three children at the time of enrolment, the parents should undergo terminal family planning operation and a family planning certificate to that effect should be enclosed along with the application.

It was, however, observed in 462 out of 7,303 cases that though the parents were having three children, family planning certificates were not enclosed along with the applications.

The Director stated (December 2013) that action would be taken to collect the family planning certificates.

### **2.3.6 Irregularities in processing and scrutiny of applications**

#### **2.3.6.1 Inadequacy in verification of application**

Audit observed that applications were not verified properly by the departmental officers and there were discrepancies as detailed below.

- Applications not signed by CDPOs (177) and DDs (178);
- Applications not dated by applicants (496), Anganawadi workers (513), Supervisors (513), CDPOs (522) and DDs (150); and
- Dates of application and scrutiny by Anganawadi workers, Supervisors, CDPOs were same (770). This is not possible as these officials function at different locations.

This showed that applications were not scrutinised thoroughly before processing.

The Director stated (December 2013) that it was only a procedural lapse. This reply cannot be accepted as the signatures and dates were essential to provide

an assurance that applications of only eligible beneficiaries were being processed.

### 2.3.6.2 Regularising delays in processing applications

Though 48,130 applications (during 2006-10) were received in time, they were not processed and sent to LIC due to administrative/technical reasons. The State Government decided (October 2012) to regularise these delayed applications and instructed that suitable action be taken against the officials responsible.

Accordingly, the State Government paid/adjusted (October 2012 and January 2013) ₹78.68 crore to LIC for regularising 48,130 applications. Further, as maturity value should be same for all the applications of that year, an additional amount of ₹25.40 crore was paid to LIC towards interest. However, out of 48,130 applications, the Government had forwarded only 46,583 names to LIC leaving a balance of 1,547 names not intimated for issue of certificates (June 2013). Thus, delay in processing the applications resulted in avoidable payment of interest of ₹25.40 crore and locking up of ₹3.24 crore in respect of 1,547 names not intimated. Further, there was no documentary evidence in support of action initiated by the Department against the erring officials.

The Director stated (December 2013) that applications could not be processed in time due to non-availability of exclusive staff and infrastructure for the Scheme and lack of computer knowledge amongst the field staff. The reply was not acceptable as the Department had not given due priority to processing of applications.

### 2.3.6.3 Discrepancies in birth certificates

Audit came across 708 out of 7,303 cases wherein there were discrepancies in the birth certificates as detailed in **Table 2.10** below.

**Table 2.10: Details of discrepancies in birth certificates**

Discrepancies	No. of cases
Date of birth tampered with (2006-07)	66
Birth certificate without child's name	510
Name of the child was written by pen on the photo copy of the birth certificate	125
Sex of the child was mentioned as 'male'	4
Application date is before the date of birth of the child	3
<b>Total</b>	<b>708</b>

Source: Compiled by Audit after scrutinising applications

It could be seen from the above that the birth certificates were not properly scrutinised and applications were processed in a routine manner, resulting in enrolment of ineligible beneficiaries.

The Director stated (December 2013) that the concerned DDs had been asked to examine these issues. It was further stated that the Scheme guidelines did not insist upon the child's name on the birth certificate. The reply was not acceptable as the declaration by the Supervisor (Format III of the Scheme guidelines) mandated verification of the name of the beneficiary on the birth certificate.

#### **2.3.6.4 Non-adherence to time frame requirement**

The Department had prescribed time limit to process the applications at each stage, *i.e.*, Anganawadi worker to Supervisor (one month), CDPO (15 days), Deputy Director (30 days) and Director (15 days).

Analysis of data showed that there were median delays of 72 days at CDPO level, 123 days at DD level and 154 days at Director level in processing the applications, evidencing that prescribed time limits were not adhered to. These delays would subsequently affect the maturity amount receivable by the beneficiary.

The Director accepted (December 2013) the audit observation and attributed the delays to lack of infrastructure, non-availability of computer and exclusive trained staff for the implementation of the Scheme.

#### **2.3.7 Issuance of certificate**

The approved applications along with required funds are forwarded to LIC for issue of certificates. On receipt of certificates from LIC, the Department should verify the correctness of the entries printed in the certificates and the same should be handed over to the beneficiaries.

##### **2.3.7.1 Calculation of projected maturity value**

As per the MOU, the beneficiary girl child will be entitled to the scholarship amounts under Shiksha Sahayog Yojana<sup>48</sup> (SSY) if she completes standard IX, X, XI and XII. This will be in addition to the projected maturity value of the Scheme. Audit scrutiny of calculation sheet of projected maturity value showed that the scholarship amount payable under SSY was included as a deposit while working out the maturity value. This was not in order since the beneficiary under the Scheme is required to study up to standard VIII only in order to be eligible. The fact that she continues/discontinues to study further should not affect the maturity value entitled under the Scheme. Thus, the inclusion of scholarship amount resulted in inflated maturity value as detailed in **Table 2.11**.

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<sup>48</sup> SSY is a social security scheme for providing economic support for educational purposes to the children of parents covered under Janashree Bima Yojana

**Table 2.11: Details of inflated maturity value**

(Amount in ₹)

Particulars	Amount deposited per child	Projected maturity amount payable as per MOU	Actual maturity value worked out by Audit
Girl child born during 2006-07	10,850	34,751	31,811
Girl child born during 2007-08 (1 <sup>st</sup> child)	10,000	34,165	31,224
Girl child born during 2007-08 (2 <sup>nd</sup> child)	10,000	40,918	37,925
Girl child born during 2008-09 (born after 1 August 2008) - 1 <sup>st</sup> child	19,300	1,00,097	90,249
Girl child born during 2008-09 (born after 1 August 2008) - 2 <sup>nd</sup> child	18,350	1,00,052	90,204

Source: MOU and calculation sheet furnished by LIC

Further, the beneficiaries may not have been aware of the additional benefits of scholarships available under SSY as these were neither disclosed in the certificates nor given wide publicity.

The Director stated (December 2013) that action had been taken to give wider publicity about scholarship benefit.

### 2.3.7.2 *Incorrect issue of certificates to first and second child*

The Scheme envisages that the mother or guardian of the beneficiary would be enrolled in Janashree Bima Yojana and Group Term Life Insurance scheme to get insurance benefit. The insurance premium, up to July 2008, was deducted out of the interest earned in the account of first beneficiary child and subsequently the State Government included (August 2008 onwards) the insurance premium in the deposit amount of the first child<sup>49</sup>. This necessitated that the fact of the girl child being first or second beneficiary should be clearly mentioned in the application form. Audit, however, observed that the application form was deficient as there was no column for mentioning the order of the beneficiary under the Scheme. This also resulted in incorrect projection of maturity value and the deficiencies observed in the records of 12 test-checked CDPOs are detailed below.

- 991 second beneficiaries in 12 test-checked CDPOs were issued certificates (up to July 2008), which stated the projected value applicable to the first beneficiary girl child. This would result in payment of lower maturity value consequent on deduction of parental insurance premium.
- 113 second beneficiaries in eight test-checked CDPOs were enrolled as first beneficiaries (August 2008 onwards). This resulted in excess deposit of ₹1.07 lakh<sup>50</sup>.
- 1,071 first beneficiaries in nine test-checked CDPOs were wrongly mentioned (2006-12) as second beneficiaries. As a result, parental insurance premium would not be recovered, depriving the beneficiaries

<sup>49</sup> From August 2008 onwards deposit amounts were ₹19,300 for 1<sup>st</sup> child and ₹18,350 for 2<sup>nd</sup> child

<sup>50</sup> ₹950 (₹19,300 - ₹18,350) x 113 = ₹1,07,350

of parental insurance as well as scholarship benefits. This is evident as the LIC had already rejected claims of five beneficiaries due to non-recovery of parental insurance premium.

The Director stated (December 2013) that action had been initiated to rectify the omissions.

#### **2.3.7.3 Difference in maturity value**

As per the MOU, a sum of ₹10,850 was to be deposited for girl child born during 2006-07 and the maturity amount payable was ₹34,751. However, Audit observed that LIC had issued certificates with the maturity value as ₹31,072 to 64,112 beneficiaries born during 2006-07. This was because the Government had deposited ₹10,000 instead of ₹10,850 in respect of these beneficiaries. This not only created disparity among the beneficiaries born in the same year but could, in the future, lead to legal problems at the time of making payments.

The Director stated (December 2013) that suitable action would be taken to rectify the maturity value.

#### **2.3.7.4 Difference in date of birth of the child**

Audit scrutiny of applications in offices of three<sup>51</sup> test-checked CDPOs showed that in 93 cases, the date of birth of a child, as recorded in LIC certificate, differed from that on the birth certificate. Due to difference in dates of birth, the children would be deprived of the actual maturity value on completion of 18 years. It is pertinent to mention here that two beneficiaries, though born after August 2008 and eligible to get ₹1,00,097, would only get ₹34,165 as they had been issued LIC certificates with dates of birth prior to August 2008<sup>52</sup>. In another six<sup>53</sup> cases, the Government had deposited excess amount of ₹55,800 (₹9,300 x 6) and beneficiaries would get ₹1,00,097 instead of ₹34,165.

#### **2.3.7.5 Safeguards to ensure continuing eligibility of the girl child**

The following conditions are to be fulfilled by beneficiary girl child for claiming the deposit amount from LIC on completion of 18 years.

- the beneficiary should be immunised up to the age of 16 years as per the immunisation schedule given by the Health Department.
- the beneficiary should not be engaged in child labour.

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<sup>51</sup> Bangalore Central (87), Mangalore Rural (five) and Nanjangud (one)

<sup>52</sup> Deposit amounts and maturity values had been revised with effect from 1 August 2008 as detailed in Table 2.11 (*Paragraph 2.3.7.1*)

<sup>53</sup> Beneficiaries born prior to August 2008 but dates of birth as recorded in LIC certificates were after August 2008

- the beneficiary should attend Anganawadi centre/pre-school until she attains the age of six and continue school education up to minimum of VIII standard in Government recognised school.
- the beneficiary should not get married before attaining the age of 18 years.
- beneficiary's parent should undergo terminal family planning operation (maximum three children) and a certificate to that effect should be furnished.

The beneficiary database maintained in the Department contains columns/fields which enable it to track the continuing eligibility of the beneficiary girl child. However, Audit observed that out of 1.03 lakh beneficiaries, immunisation details of only 0.13 lakh beneficiaries (13 *per cent*) had been captured.

Further, though there were 71,727 children in the age group of three to six, only 5,066 children (seven *per cent*) had been enrolled in Anganawadi centres. Out of 10,182 children more than six years old, only 928 children (nine *per cent*) had been enrolled in schools. It could, therefore, be seen that though the above details were mandatory, these were either not updated or norms were not being followed.

The Director stated (December 2013) that action would be taken to make the follow up entries.

### **2.3.8 Denial of Scheme benefits**

#### **2.3.8.1 Denial of insurance benefits**

As stated earlier, parent/guardian of beneficiary is provided insurance coverage (₹42,500 for natural death and ₹1,00,000 for accidental death)<sup>54</sup> under Janashree Bima Yojana and Group Insurance. In this connection, LIC had prescribed (June 2008) a list of documents required to settle death claims. On the demise of the insured parent, the second parent/guardian should be insured.

It was observed that 6,224 insured parents had expired during the period 2006-13 in the State. However, in none of these cases, the second parent/guardian had been nominated for insurance coverage. This resulted in denial of insurance coverage to the second parent/guardian and scholarship benefits to the beneficiary under SSY.

The Director accepted (December 2013) the audit observation and stated that action had been initiated to nominate the surviving second parent/guardian after getting the information from the field offices.

<sup>54</sup> ₹30,000 for natural death and ₹75,000 for accidental death as per modified rates (with effect from 1 August 2008)

It was also observed that 301 accidental death claims in the State were settled by LIC as natural death claims for want of documents which were not prescribed earlier such as, original certificate, police charge sheet, etc. The Department also did not challenge the necessity of documents called for by LIC. As a result, families of the deceased were deprived of eligible insurance benefits, which was higher in the case of accidental death.

The Director stated (December 2013) that instructions had been issued to DDs to furnish the required documents for the settlement of accidental death claims.

### **2.3.8.2 Non-payment of scholarship to beneficiary students**

As per the MOU, the girl children were eligible for a scholarship amount of ₹300 per annum up to standard III. However, Audit observed that though 2,246 beneficiaries (out of 7,303 beneficiaries) born during 2006-07 and 2007-08 would have completed standard I or II, not even a single child had been paid the scholarship amount. The database also showed that none of the 928 children, who had attended school, had been sanctioned scholarship.

### **2.3.8.3 Delay in furnishing information regarding death of beneficiary**

In case of death of the beneficiary, the information is to be passed on to LIC by the concerned DD/CDPO along with the LIC certificate and a copy of death certificate. Subsequently, LIC is to refund the deposited amount and interest accrued thereon to the State Government. Scrutiny of records of six<sup>55</sup> test-checked CDPOs showed that information regarding death of 236 beneficiaries was submitted to LIC with delays ranging between less than a year and extending beyond four<sup>56</sup> years. Two CDPOs (Ranebennur-55 and Sumangali Sevashram-23) had not sent information about the death of 78 beneficiaries relating to the period 2007-13. The details were not furnished in respect of the other four CDPOs.

## **2.3.9 Monitoring**

### **2.3.9.1 Formation and functioning of Task Force at taluk level**

The Government had instructed (March 2007) the Department to form a Task Force at each taluk level comprising the Tahsildar (as President) to monitor the effective implementation of the Scheme and coordinate with other specified departments to ensure that all eligible children are enrolled under the Scheme.

Out of 12 test-checked CDPOs, Task Force had not been formed in one CDPO (Bellary Urban). Though Task Force had been formed in six CDPOs, meetings had not been conducted monthly, as envisaged. The number of meetings conducted during 2007-13 in these CDPOs ranged from nil to

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<sup>55</sup> Bangalore Central (38), Hospet (14), Mangalore Rural (five), Mysore Rural (57), Nanjangud (119) and Puttur (three)

<sup>56</sup> Less than one year (59 cases), one to two years (79 cases), two to three years (58 cases), three to four years (26 cases) and more than four years (14 cases)

eight<sup>57</sup>. The remaining five<sup>58</sup> CDPOs had not furnished the information. Thus, the Department did not monitor the functioning of Task Force.

### 2.3.9.2 Formation of Coordinating Committees

As per the MOU, Coordinating Committees consisting of representatives of LIC and the Department were to be set up at State, district and taluk level as detailed in **Table 2.12** to review the implementation of the Scheme.

**Table 2.12: Details of formation of Coordinating Committees**

Level	Members of Committees
State level	Divisional Manager (Pension & Group scheme), Bangalore from LIC and the Director, Department of Women and Child Development
District level	District Branch Manager of LIC and Deputy/Assistant Director
Taluk level	Nodal Officers of LIC and CDPO

Source: MOU

However, Coordinating Committees had not been formed in three test-checked CDPOs (Mangalore Rural, Mysore Rural and Sumangali Sevashram). Further, there was no documentary evidence in support of having formed such Coordinating Committees in other nine test-checked CDPOs.

The Director stated (December 2013) that regular meetings were conducted with LIC at State level to sort out the issues relating to the Scheme and district level officers also attended the meetings. The reply was not acceptable as the terms and conditions of MOU were not adhered to.

### 2.3.9.3 Non-reconciliation of departmental figures with that of LIC

LIC should carry out periodical reconciliation of financial data/figures, beneficiaries' enrolment, double certificates, cases of parental and beneficiaries' deaths, settlement of insurance claims, etc., with the Department and submit a report to the Government.

There were no records to suggest that reconciliation, as envisaged above, had been carried out. LIC stated (October 2013) that statement of remittances and utilisation certificates of the funds were being provided to the Department. However, the reply was silent about reconciliation.

It was also seen that 6,224 parents and 7,708 beneficiaries had expired (July 2013) in the State. However, LIC continued to recover insurance premium in respect of these cases in a routine manner, which resulted in excess recovery of ₹75.42 lakh. The Department also failed to notice the excess recovery which may be due to non-reconciliation of data with LIC.

The Director stated (December 2013) that reconciliation was carried out with LIC on regular basis. The reply was not acceptable as there were no records to suggest that reconciliation was done.

<sup>57</sup> Bangalore Central (six), Mangalore (four), Mysore Rural (four), Nanjangud (eight), Puttur (seven) and Sumangali Sevashram (nil)

<sup>58</sup> Davanagere, Haveri, Hospet, Jagalur and Ranebennur

#### **2.3.9.4 Improper maintenance of applications in field offices**

The Scheme was spread over a period of 18 years for each beneficiary and hence required safe custody of related documents. However, Audit observed that in eight<sup>59</sup> test-checked CDPOs, all applications were kept in gunny bags and dumped in a room. Such conditions of custody of documents are fraught with risk as any loss of application would lead to legal complications at a later stage.

The Director accepted (December 2013) the audit observation and stated that instructions had been given to all district officers to maintain the applications in a systematic manner.

#### **2.3.9.5 Discrepancies in maintenance of records**

As per the Scheme guidelines, the Anganawadi worker is required to maintain a separate record for each beneficiary to ensure compliance with the following conditions:

- The child should attend either Anganawadi or any other educational institution recognised by the Government.
- The child should get immunised from birth to 16 years of age. A certificate issued by medical authority for having immunised the child should be collected by the Department.

However, scrutiny of 422 beneficiaries' records in six<sup>60</sup> Anganawadi centres showed the following shortcomings:

- While 19 (five *per cent*) children attended Anganawadi only for six months, 22 (five *per cent*) and 15 (four *per cent*) children attended Anganawadi only for one and two years respectively.
- 215 (51 *per cent*) children had not attended Anganawadi centre. The details of these children having attended other pre-schools recognised by Government were also not available.
- In respect of 186 (44 *per cent*) children, no documentation regarding immunisation was available.

The Director stated (December 2013) that instructions had been issued to DDs to maintain the records properly.

#### **2.3.9.6 Non-tracking of children**

As per the provision of the Scheme, after enrolment of the girl child under the Scheme, it is the responsibility of the Department to monitor the progress of the beneficiary up to six years.

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<sup>59</sup> Bangalore Central, Bellary Urban, Davanagere, Haveri, Hospet, Jagalur, Mysore Rural and Ranebennur

<sup>60</sup> Bangalore Central, Bellary Urban, Davanagere, Mysore Rural, Nanjangud and Sumangali Sevashram

On a review of records in eight out of 12 test-checked CDPOs, Audit observed that though 1,06,652 children had been enrolled under the Scheme, the Department was not aware of the whereabouts of 7,814<sup>61</sup> children (seven per cent). Further, 974 certificates were not distributed by six<sup>62</sup> CDPOs. This not only contravened the Scheme guidelines but also fulfilment of primary objective of empowering the girl child could not be ensured.

The Director stated (December 2013) that action had been taken to link the Scheme software with Education Department's software (*Hejje Guruthu*) and instructions had been issued to DDs to trace 7,814 children.

### 2.3.10 Conclusion

In order for the beneficiary girl child to be eligible at the age of eighteen, the Scheme has laid down too many terms and conditions which are not capable of being tracked on a continuous basis. This is because the data is not being updated periodically and fields relating to financial data are altogether missing in the database. Hence, the Scheme as envisaged is bound to have lots of lacunae in implementation such as delays and deficiencies in processing applications and inclusion of ineligible beneficiaries. Further, a Scheme that is difficult for the parents/beneficiaries to comprehend fully since the department has not undertaken adequate awareness programs will only leave the parents knocking on various doors-(BPL certificate, birth certificate, income certificate, immunisation certificate, attendance in Anganawadi, attendance in school, family planning certificates, death certificate of parent/child, change in conditions/benefits for higher class studies, etc.) and thus encourage red tapism.

### 2.3.11 Recommendations

- The unique identity of each beneficiary to be established to ensure that the beneficiary is extended the benefits of the Scheme only once.
- 'Aadhaar' authentication for tracking beneficiaries and making payments may be considered.
- Stronger Information Technology (IT) system integrated with LIC databases should be put in place that is with validations regarding correct premiums, discharge of policies and payment of maturity value/scholarship.
- Increase awareness about the terms and conditions of the Scheme and its benefits through focused and widespread Information, Education and Communication (IEC) campaign.

<sup>61</sup> Bangalore Central (1,074), Bellary Urban (130), Davanagere (2,668), Hospet (137), Mysore Rural (1,620), Nanjangud (62), Puttur (13) and Sumangali Sevashram (2,110)

<sup>62</sup> Bangalore Central (722), Bellary Urban (38), Haveri (65), Hospet (133), Mysore Rural (eight) and Sumangali Sevashram (eight)

**DEPARTMENT OF AGRICULTURE, DEPARTMENT OF ANIMAL HUSBANDRY & VETERINARY SERVICES AND WATERSHED DEVELOPMENT DEPARTMENT**

**2.4 Implementation of Rashtriya Krishi Vikas Yojana**

**2.4.1 Introduction**

Rashtriya Krishi Vikas Yojana (RKVY) (henceforth referred to as the Scheme) was launched in May 2007 with the aim of achieving four *per cent* annual growth in agricultural sector during the XI plan period (2007-12) by ensuring holistic development of agriculture and allied sectors. It is a State plan scheme to incentivise states to draw plans for their agriculture sector more comprehensively, taking agro-climatic conditions, natural resource issues and technology into account, and integrating livestock, poultry and fisheries more fully. The eligibility for assistance under the Scheme would depend upon the amount provided in the State Plan budgets for agriculture and allied sectors, over and above the base line percentage expenditure incurred by the State Governments on agriculture and allied sectors.

The Department of Agriculture is the nodal department for implementation of the Scheme in the State. The RKVY cell, headed by a Project Coordinator, was established during September 2011 to oversee the implementation of the Scheme. There is also a State Level Sanctioning Committee<sup>63</sup> (SLSC) responsible for sanctioning the projects and reviewing the implementation of the Scheme. During the XI plan period, SLSC had approved 296 projects spread across 19 sectors.

**2.4.2 Audit scope and methodology**

Audit of 'Implementation of RKVY' was conducted during April to August 2013 by test-checking 15 out of 135 projects in five<sup>64</sup> sectors. For this purpose, records of 15 district level officers; University of Agricultural Sciences (UAS), Bangalore; UAS, Dharwar and University of Horticultural Sciences (UHS), Bagalkote were test-checked. Besides, 330 beneficiaries were surveyed and 21 project locations were jointly inspected during audit. The audit findings are discussed in succeeding paragraphs.

**2.4.3 Financial management**

**2.4.3.1** The pattern of funding under the Scheme is 100 *per cent* Central grant. The State Government receives funds from Government of India (GOI) through treasury. On receipt of credit confirmation from GOI, the State Government issues orders to the implementing departments/agencies to utilise these funds for the approved projects.

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<sup>63</sup> SLSC comprises Chief Secretary of the State as Chairman and Secretaries of all related departments of the State Government, *etc.*

<sup>64</sup> Agriculture mechanisation, Agricultural research, Animal husbandry, Micro/Minor irrigation and Organic farming

Against the releases (2007-13) of ₹2,307.52 crore under the Scheme, the expenditure incurred was ₹2,082.59 crore (90 per cent). The details of funds received and utilised during 2007-13 under the test-checked sectors and projects are given in **Table 2.13**.

**Table 2.13: Details of funds received and utilised under test-checked sectors and projects**

(₹ in crore)

Sector	No. of projects approved	No. of projects test-checked (Percentage)	Project cost		Releases		Expenditure	
			All projects in the Sector	Test-checked projects (Percentage)	All projects in the Sector	Test-checked projects (Percentage)	All projects in the Sector	Test-checked projects (Percentage)
Agriculture Mechanisation	15	2 (13)	343.61	90.00 (26)	345.72	112.89 (33)	336.68	106.61 (32)
Agricultural Research	68	5 (7)	260.45	127.50 (49)	162.13	45.53 (28)	136.16	21.11 (16)
Animal Husbandry	43	4 (9)	252.91	44.89 (18)	264.87	40.81 (15)	165.04	26.94 (16)
Micro/Minor Irrigation	2	2 (100)	92.00	92.00 (100)	55.00	55.00 (100)	55.00	55.00 (100)
Organic Farming	7	2 (29)	138.40	65.00 (47)	93.45	20.05 (21)	50.91	19.69 (39)
<b>Total</b>	<b>135</b>	<b>15 (11)</b>	<b>1,087.37</b>	<b>419.39 (39)</b>	<b>921.17</b>	<b>274.28 (30)</b>	<b>743.79</b>	<b>229.35 (31)</b>

Source: As furnished by the department

It could be seen that there was short release of funds *vis-à-vis* the project costs ranging from ₹37 crore to ₹98.32 crore in respect of three<sup>65</sup> sectors. However, the reasons for short release of funds were not furnished to Audit. There was excess release of funds under Animal Husbandry and Agriculture Mechanisation sectors. This was mainly due to re-appropriation of funds from other sectors. Funds to the extent of 84 per cent had been utilised in the test-checked 15 projects. The shortfall in utilisation under two sectors (Agricultural Research and Animal Husbandry) was mainly on account of non-executing of all the components envisaged in the project reports.

Audit observed that the State Government had not formulated any conditions for release of funds to the implementing agencies.

#### 2.4.3.2 Incorrect reporting of expenditure

The provisions of General Financial Rules, 2005 stipulate that an institution or organisation receiving the grants should furnish a certificate of actual utilisation of the grants received within 12 months of the closure of the financial year. The Scheme guidelines stipulated that the Utilisation Certificates (UCs) should disclose whether the specified, quantified and qualitative targets were reached against the funds utilised. They should also contain an output-based performance. Audit, however, observed that the implementing departments/agencies furnished UCs to the nodal department/RKVY Cell for the entire amount received by them even before their utilisation. RKVY Cell had also treated the UCs furnished by the implementing departments/agencies as expenditure and submitted the UCs to

<sup>65</sup> Agricultural Research, Micro/Minor Irrigation and Organic Farming

the Department of Agriculture and Cooperation (DAC), GOI, in a routine manner without ascertaining the actual utilisation of funds.

The Institute for Social and Economic Change, Bangalore (ISEC); Directors of Research, UAS, Bangalore and Dharwar had also submitted UCs for ₹211.46 crore received during 2007-13, despite the fact that only a sum of ₹137.11 crore<sup>66</sup> had been actually spent and the balance of ₹74.35 crore was lying in bank accounts (June 2013). The Vice-Chancellor of UAS, Dharwar stated (July 2013) that UCs had been submitted for funds released and not for the actual expenditure incurred.

The State Government stated (April 2014) that UCs were furnished to GOI on the basis of actual funds drawn from treasury. This indicated that UCs were submitted based on drawal of funds and not on the basis of their utilisation.

#### **2.4.3.3 Non-maintenance of a separate bank account and Cash Book**

The State Government had issued (May 2000) instructions that the implementing agencies should maintain a separate Cash Book and bank account for each scheme. It was, however, seen that none of the implementing officers had either maintained a separate Cash Book or operated a separate bank account for the Scheme. The Scheme funds were routed through general accounts contrary to the instructions.

The State Government accepted (April 2014) the audit observations and stated that separate accounts would be maintained in future.

#### **2.4.3.4 Parking of Scheme funds**

Codal provisions stipulate that money should not be drawn from the treasury unless it is required for immediate disbursement. It is also not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

It was seen that the Scheme funds to the extent of ₹186.75 crore<sup>67</sup> were deposited (April 2008 to March 2012) in fixed deposits, evidencing that funds drawn were not required for immediate disbursement. It was also observed that the Deputy Directors of Animal Husbandry and Veterinary Services, Bangalore (Urban) and Dharwar had not utilised ₹55 lakh received during 2008-10 even after three to five years (October 2013). The possibility of drawing funds to avoid lapse of budget grants could not be ruled out. The Executive Engineer, Estate Section, UAS, Bangalore accepted (August 2013) the audit observation.

The State Government stated (April 2014) that RKVY was a new project for the Universities of Agriculture, therefore, funds were drawn and kept in fixed

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<sup>66</sup> ISEC: Receipts-₹3.55 crore, Expenditure-₹0.80 crore;  
UAS, Bangalore: Receipts- ₹146.30 crore, Expenditure-₹100.99 crore;  
UAS, Dharwar: Receipts- ₹61.61 crore, Expenditure-₹35.32 crore

<sup>67</sup> ₹171 crore by Mission Director, State Agriculture Management Agency (April 2008-October 2009) for 1 to 3 months, ₹13 crore by Executive Engineer, Estate Section, UAS, Bangalore (July-August 2008) for six months and ₹2.75 crore by ISEC since March 2012.

deposits to avoid lapse of grant. The reply was not acceptable as the codal provisions were not adhered to.

#### **2.4.3.5 Loss of interest due to deposit of funds in current account**

Audit scrutiny of records in three Universities (UAS, Bangalore; UAS, Dharwar and UHS, Bagalkote) showed that the Scheme funds were operated through current bank accounts instead of savings bank account, resulting in potential loss of interest of ₹7.08 crore<sup>68</sup>.

The Comptroller, UAS, Bangalore attributed (September 2013) deposit of funds in current account to oversight. The Director of Research, UHS, Bagalkote stated (July 2013) that the University was newly established then and funds were deposited in current account. The Director of Research, UAS, Dharwar also stated (July 2013) that the Scheme funds were credited to current account instead of savings bank account.

The State Government accepted (April 2014) the audit observations.

#### **2.4.3.6 Drawal of funds on Abstract Contingent bills**

Codal provisions stipulate that all the Heads of Offices authorised to draw Abstract Contingent (AC) bills should forward their Non-payable Detailed Contingent (NDC) bills to their countersigning officers before the close of the first week following the month to which the bills relate. It was, however, seen that the NDC bills in UAS, Bangalore and Dharwar were submitted (2011-13) with delays ranging from 1 to 5 months (₹1.90 crore) and 6 to 11 months (₹22.97 crore).

The Assistant Comptroller of UAS, Bangalore stated (August 2013) that grants were released at the fag end of the year, necessitating drawal of funds to avoid lapse of grants. The reply was not acceptable as drawal of funds to prevent lapse of budget grants was not permissible and AC bills were required to be drawn for meeting emergent requirements.

The State Government stated (April 2014) that drawing of AC bills for overseas purchase of equipment was inevitable as Store Purchase Officer (SPO) had to make advance payments. The reply is not acceptable as AC bills were drawn not only by SPO but also by other Drawing and Disbursing Officers of the Universities for reasons that lacked such justification.

### **2.4.4 Planning**

The Scheme guidelines require that each district should formulate district agriculture plan (DAP) by including resources available from other existing schemes. The DAP would present the financial requirement and the sources of financing the agriculture development plan in a comprehensive way. Each state was required to prepare a State Agricultural Plan (SAP) by integrating all DAPs to present the vision for agriculture and allied sectors.

<sup>68</sup> ₹3.90 crore in UAS, Bangalore (2008-13); ₹2.06 crore in UAS, Dharwar (2011-13) and ₹1.12 crore in UHS, Bagalkote (2009-13)

An amount of ₹2.30 crore was earmarked by GOI for preparation of DAPs and SAP. The nodal department entrusted (October 2007) the work of preparation of SAP for the State and DAPs for all the districts to ISEC. The ISEC had prepared DAPs (October 2007-June 2009) for all the districts and SAP was prepared during June 2009. Audit findings related to planning process are discussed in succeeding paragraphs.

#### **2.4.4.1 Deficiencies in agricultural plans**

The planning process of the Scheme seeks to encourage convergence with existing schemes of State/GOI and coordination with various departments. It is also stipulated that DAP should integrate multiple programmes which are in operation in the district concerned. It was seen that the DAPs and the SAP were not comprehensive due to the following deficiencies:

- Convergence with other programmes and departments was not factored in while preparing DAPs. The Director, ISEC accepted (August 2013) the audit observation and stated that convergence could not be attempted due to paucity of time and lack of expertise at district level. The Coordinator, RKVY Cell, Department of Agriculture also admitted (August 2013) that convergence plans from other departments had not been prepared.

The State Government stated (April 2014) that the work of preparation of DAPs and SAP was completed successfully by ISEC. However, the reply did not explain the reasons for their non-convergence with other programmes.

- The Scheme guidelines also stipulated that projects proposed should be consistent with DAPs and SAP. It was, however, seen that a few projects approved by SLSC during August 2009 had not originated from DAPs or SAP. After approval of these projects, ISEC had intimated (November 2009) the Government for revising the DAPs and the SAP so as to include these projects. The details such as number and names of such projects were not available on record.

The State Government stated (April 2014) that the projects were presented to the SLSC by the respective departments in consultation with the district level officers. However, the reason for these projects not originating from DAPs or SAP was not explained.

- No study on agro-climatic condition, availability of technology and natural resources available in the State was conducted before preparation of DAPs and SAP, though stipulated in the Scheme guidelines. The Project Coordinator, RKVY Cell stated (September 2013) that UAS, Bangalore had conducted a study during 1984-85 under National Agriculture Research Project. The reply was not acceptable as a study conducted two decades ago would not be relevant unless updated. Moreover, DAPs and the SAP prepared by ISEC did not have any reference to the study conducted in 1984-85.

The State Government stated (April 2014) that no study was conducted before preparation of DAPs and SAP.

#### **2.4.4.2 Non-categorisation of Stream I and II**

According to the Scheme guidelines, grants for each State would be provided in two separate Streams. Stream-I projects are specific projects for which at least 75 per cent of the allocation should be utilised. Stream-II projects are ongoing State sector projects for which not more than 25 per cent of the allocated funds should be utilised.

Audit observed that four projects, namely, Karnataka Seed Mission, Karnataka Farm Mechanisation, Organic farming and Agro-processing were incorrectly categorised under Stream-I, though these were ongoing State sector schemes. As a result of incorrect categorisation, excess allocation of funds to the extent of ₹491.68 crore was made to these projects during the period 2007-13.

The State Government stated (April 2014) that the funds for Stream-I and Stream-II projects were proposed together for approval in SLSC. The reply was silent about utilisation of more than 25 per cent of the allocated funds for Stream-II projects.

#### **2.4.4.3 Non-preparation of shelf of projects**

As per the Scheme guidelines, districts were required to prepare a shelf of projects, for proposing to the SLSC under Stream-I. Audit observed that shelf of projects was not prepared by the district level officers in the test-checked districts. Non-preparation of shelf of projects denied the opportunity of prioritising the projects to be taken up. Further, no records were available to assess that the project proposals were scrutinised by the nodal department before submitting them to the SLSC.

The Project Coordinator, RKVY Cell stated (September 2013) that technical scrutiny of the projects submitted by different departments/institutions could not be undertaken by them due to large volume of work and shortage of manpower.

### **Implementation of projects**

Sector-wise findings of test-checked projects are detailed in succeeding paragraphs.

#### **2.4.5 Agriculture Mechanisation**

The sector aims to support farmers with timely subsidy to own farm machinery and equipment excluding tractors, besides establishment of at least one Custom Hire Centre (CHC) in each taluk from where farmers can hire equipment and implements, establishment of service centres, agro-processing centres, etc.

Fifteen projects were approved by the SLSC during 2007-13, of which 11 projects were completed, three were under progress and one project was not commenced (March 2013). Reasons for delays in completion of the projects were not furnished to Audit. The implementation of two projects on farm mechanisation (approved during September 2008 and April 2011) was test-checked in 10<sup>69</sup> taluks of five districts. An expenditure of ₹10.80 crore had been incurred against the releases of ₹11.42 crore in the test-checked districts.

#### **2.4.5.1 Procedural lapses in procurement and distribution**

Raitha Sampark Kendras<sup>70</sup> (RSKs) ascertain the requirements of farmers and forward the consolidated requirements to Assistant Directors of Agriculture (ADAs) for placing indents with the suppliers. ADAs receive the equipment and distribute them to the beneficiaries after verifying payment of their contributions.

Audit observed deviations from the prescribed procedure in receipt and distribution of equipment to farmers, as detailed below:

- Funds amounting to ₹13.20 lakh were drawn in advance (March 2010-February 2013) from the treasury towards the subsidy amount to be released to the distributor without ensuring receipt of farmers' contribution to the cost (20 cases). The ADA, Gundlupet stated (July 2013) that funds were drawn from treasury in advance to avoid lapse of grants.

The State Government stated (April 2014) that subsidy amount would be released only after receipt of farmers' contributions. The reply was contrary to the codal provisions which prohibited drawal of funds in advance to prevent loss of grants.

- Government share of ₹8.34 lakh out of the Scheme funds had been released (March 2010-March 2013) to the distributor even prior to receipt (May 2010-June 2013) of stock (14 bills) in two taluks (Koppal and Gangavathi).

The State Government stated (April 2014) that instructions had been issued to taluks for submitting information regarding release of grants to the distributors prior to the receipt of stock.

- In four<sup>71</sup> taluks of three districts, it was also seen that 148 equipment items costing ₹30.06 lakh were procured (September 2010-May 2013) and retained in stock without ascertaining requirement from farmers (August 2013). The ADA of Gundlupet stated (July 2013) that the stock

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<sup>69</sup> Bangalore North and Bangalore South (Bangalore Urban district), Chamarajanagara and Gundlupet (Chamarajanagara district), Dharwar and Kundgol (Dharwar district), Kolar and Srinivasapura (Kolar district) and Gangavathi and Koppal (Koppal district)

<sup>70</sup> Farmer facilitation centre

<sup>71</sup> Chamarajanagar and Gundlupet (Chamarajanagar), Dharwar (Dharwar), and Gangavathi (Koppal)

would be replaced or issued when the requirement arose. Other taluks<sup>72</sup> ADAs attributed (August-September 2013) these to oversight, instructions of Joint Directors of Agriculture (JDAs), etc., and stated that action would be taken to issue the stock as early as possible.

The State Government accepted (April 2014) the audit observation and stated that equipment items were procured in anticipation of the requirements during *kharif* season.

- Receipt and distribution of stock could not be correlated due to incorrect maintenance of records in all the test-checked taluks.

The State Government stated (April 2014) that instructions had been given to all the staff regarding record keeping and maintenance. It was further stated that reminders would also be issued.

- ADAs of five<sup>73</sup> test-checked taluks failed to ensure distribution of equipment to the farmers within one month of their application, though stipulated. ADAs attributed (July-August 2013) it to delay in release of funds.

The State Government, while accepting the audit observation, stated (April 2014) that equipment would be supplied to the applicants on 'first come basis' and availability of funds. The reply is not acceptable as this was in violation of the project guidelines.

#### **2.4.5.2 Purchase of non-permissible equipment**

As per the Scheme guidelines, purchase and distribution of tractors to farmers at subsidised rates was not permitted. Audit observed that Government subsidy of ₹19.40 crore was incurred on purchase and distribution of 3,193 tractors during the years 2008-10. The Director of Agriculture, Bangalore stated (July 2013) that even though the Scheme guidelines prohibited such purchases, the Detailed Project Report (DPR) included purchase of tractors under the project. The JDAs of test-checked districts stated (June-August 2013) that tractors were supplied to the farmers at subsidised rate on the basis of instructions of the Director of Agriculture, Bangalore.

The State Government stated (April 2014) that though tractors were not covered under subsidy programme, these were procured as part of innovative schemes. The reply is not acceptable as tractors had been purchased under Agriculture Mechanisation, which was violative of the Scheme guidelines.

#### **2.4.5.3 Non-establishment of Custom Hire Centres**

Though the DPR envisaged allocation of ₹14.64 crore for establishment of CHCs spread over four years (2008-12), action plans prepared by the State made an allocation of ₹86.75 crore for two years (2008-10). It was, however, seen that CHCs were not established in the State, depriving the needs of small

<sup>72</sup> Chamarajanagar, Dharwar and Gangavathi

<sup>73</sup> Bangalore (North), Dharwar, Gangavathi, Kolar and Kundgol

and marginal farmers for farm equipment. The Deputy Director of Agriculture, Field Trials, Bangalore stated (August 2013) that no beneficiary came forward to avail the benefit. This evidenced that the DPR was prepared without any need-analysis.

#### 2.4.5.4 Findings of beneficiary survey

Audit conducted (July-August 2013) beneficiary survey involving 100 beneficiaries in the five test-checked districts. None of the beneficiaries expressed dissatisfaction about the equipment supplied under the test-checked projects.

### 2.4.6 Agricultural Research

The SLSC had approved 68 projects during 2007-13 under this Sector to be implemented by the Universities of Bagalkote, Bangalore, Dharwar, Raichur, and Shimoga. Out of the 68 approved projects, 17 projects were completed and 51 projects were under progress as on March 2013. Five projects were selected by Audit for test-check.

#### 2.4.6.1 Status of the test-checked projects

The details of project costs, funds released and utilised under the test-checked projects are given in **Table 2.14**.

**Table 2.14: Financial details of the test-checked projects**

(₹ in crore)

Name of the project (Date of approval)	Project cost	Releases	Expenditure (Percentage)	Remarks
Strengthening of transfer of technology, UAS, Bangalore and Dharwar (November 2007)	100.00	20.18	13.77 (68)	Only 20 per cent of the project cost was released due to which the envisaged components could not be achieved. Even the funds released were not absorbed fully and shortfall in manpower was not tackled even after five years of project implementation. Funds were also diverted for other purposes as stated in <b>Paragraph 2.4.6.3</b> .
Climate change and contingent crop planning, Bangalore (January 2010)	0.50	0.35	0.25 (71)	Even the released amount was not fully utilised. The project was further limited to six hoblis <sup>74</sup> of Tumkur district without extending the benefit of the project to the entire State of Karnataka as envisaged in the original DPR. The project was not completed due to limited allotment of funds and not providing communication systems by Agriculture Department.
Promotion of integrated farming system, Dharwar (April 2011)	11.00	11.00	4.51 (41)	Even 50 per cent of the funds released were not utilised. This was mainly due to delay in appointment of village level facilitators and technical supervisors who were required to demonstrate the project implementation at field.
E-pest surveillance and advisory services against pests and diseases in selected crops, Dharwar (April 2011)	1.00	1.00	0.45 (45)	The DPR included coordination with National Centre for Integrated Pest Management for web-based platform for data entry of scouting, analysis and issue of advisories, which was not initiated even though funds were released during August 2011. Tenders for development of software were also not processed yet.
Promotion of integrated farming system, Bagalkote (April 2011)	13.00	13.00	2.13 (16)	Only 16 per cent of the funds released were utilised as of March 2013. As a result, the envisaged components of the project were not carried out. SLSC in its seventh meeting opined (April 2011) that implementation of the project in 25,000 hectares by each University was difficult due to non-availability of manpower. Evidently, the DPR prepared was not realistic.

Source: As furnished by the department

<sup>74</sup> Cluster of villages in a taluk

The State Government stated (April 2014) that the shortfall in achievement was due to prevailing drought conditions and delay in release of funds. It was further stated that targets would be covered effectively in due course.

#### 2.4.6.2 Idle equipment

UAS, Dharwar had procured (September 2008) seven kiosks<sup>75</sup> costing ₹8.68 lakh and had installed them in two project locations. Joint inspection of these kiosks showed (June-August 2013) that three kiosks were not in working condition due to non-maintenance/repairs. Audit also verified (August 2013) four kiosks installed (September 2009) in two project locations by UAS, Bangalore and found that two kiosks were not put to use since two years due to non-upgradation of software, thereby depriving the farmers easy access to information on agriculture activities, benefits, etc.



The following equipment items procured by UAS, Dharwar also remained idle for more than four years of their purchase due to non-availability of training hall as detailed in **Table 2.15**.

**Table 2.15: Details of idle equipment**

Name of the equipment	Date of purchase	Numbers held in stock and cost of each equipment	Total cost (in Rupees)	Number of months for which equipment kept idle (as of May 2013)
Electric stabiliser	27.08.2008	10 x ₹2,453	24,530	57
Hitachi LCD-Projector	09.09.2008	1 x ₹40,788	40,788	56
A-3 Size Printer	02.12.2008	2 x ₹56,242	1,12,484	53
Photo Copier Toshiba	24.04.2008	1 x ₹55,120	55,120	61
<b>Total</b>			<b>2,32,922</b>	

Source: Information furnished by the department and compiled by Audit

Similarly, at VC Farm, Mandya, Linear Laminator linked with Epson Ultra chrome printer worth ₹5.99 lakh procured during January 2009 was not put to use. The department stated (August 2013) that the printer could not be put to use due to high cost of cartridge.

#### 2.4.6.3 Diversion of funds

The Comptroller, UAS, Bangalore had diverted ₹6.21 crore out of ₹9.00 crore released for the project on strengthening of transfer of technology during the period 2008-11 for various other purposes such as construction of buildings, renovations to buildings, repairs to buildings, electrical fittings, sanitary

<sup>75</sup> An instrument for providing information to farmers on agriculture activities, schemes, agriculture benefits, etc.

fittings, etc. Audit observed that these amounts were utilised for purposes other than the objectives envisaged for the project.

The State Government stated (April 2014) that these works were taken up and executed to create better facilities under the project. The reply was not acceptable as the expenditure incurred was not related to the project and was, therefore, inadmissible.

#### **2.4.6.4 Irregular purchase**

The Director of Research, UAS, Dharwar had procured (November 2010) nine air conditioners costing ₹2.59 lakh even though such procurements were not envisaged in the DPRs. The Vice-Chancellor, UAS, Dharwar accepted (July 2013) the point and stated that the need for air conditioners was felt at a later stage. However, approval of SLSC for the purchase was not furnished to Audit (September 2013).

#### **2.4.6.5 Findings of beneficiary survey**

##### **➤ Promotion of integrated farming systems**

Out of 20 beneficiaries surveyed (July-August 2013), 16 beneficiaries expressed satisfaction about the inputs supplied under the project on promotion of integrated farming systems. However, four beneficiaries stated that inputs supplied were not utilised due to drought conditions.

##### **➤ E-pest surveillance and advisory services against pest and diseases in selected crops**

Out of 10 farmers surveyed (July-August 2013) in two villages in Dharwar district (Garag and Aminbhavi), six farmers stated that they were not aware about the project being implemented in their village and the quantum of benefits available under the project. The remaining four farmers expressed satisfaction about the benefits obtained from the project.

### **2.4.7 Animal Husbandry**

The SLSC had approved 43 projects (costing ₹252.91 crore) up to the period 2012-13 under this sector. Of the projects approved, 20 projects were completed and 23 projects were under progress. Against the release of ₹264.87 crore, the expenditure incurred was ₹165.04 crore (62 per cent). The shortfall in achievement of financial target was due to non-completion of infrastructure facilities and non-execution of all the envisaged components of the projects as detailed in succeeding paragraphs. Audit test-checked four projects costing ₹44.89 crore. The findings are detailed below.

#### **2.4.7.1 Intensifying of Animal Health and Extension Services**

The project was approved by SLSC during September 2008 at a project cost of ₹24.92 crore. Against the project cost, ₹21.44 crore was released, of which ₹10.67 crore was spent. The project, *inter alia*, envisaged purchase of

vehicles for mobile veterinary clinics, procurement of equipment, establishment of 4,224 travises<sup>76</sup> for all the 176 taluks of the State for providing timely treatment to animals at the villages.

➤ ***Non-procurement of mobile vans***

Scrutiny showed that instead of 176 vehicles, the Director of Animal Husbandry and Veterinary Services, Bangalore had procured (February 2009) only 50 six-seater Mahindra Bolero jeeps (28 *per cent*) and provided to 50 taluks at a cost of ₹2.32 crore. Even the envisaged additions and modifications to the vehicles were not provided. It was also seen in three<sup>77</sup> test-checked taluks that apart from treatment and extension services, the vehicles were utilised for administrative purposes and given out for use by other departments. This restricted the envisaged facilities such as veterinary diagnostics, preventive, breeding, therapeutic services to livestock at the door step of the farmers in villages and led to non-achievement of the project objectives.

The State Government stated (April 2014) that SLSC had decided not to purchase new vehicles. However, the reply did not specify the reason for providing jeeps against mobile vans and for using them for purposes other than providing veterinary services.

➤ ***Incomplete works***

Against the release (2008-12) of ₹4.50 crore to 147 taluks towards additions or alterations of buildings, only ₹3.53 crore (73 *per cent*) was utilised in 110 taluks, resulting in locking up of ₹97 lakh.

The State Government stated (April 2014) that the remaining funds would be utilised.

Joint inspection (June-August 2013) of four veterinary hospitals also showed that additions and alterations to these hospital buildings were incomplete. On ascertaining the reasons, the department stated that the delay was due to change of locations, locking up of funds with executing agencies, *etc.*

The State Government stated (April 2014) that necessary instructions had been given to the Deputy Directors of Animal Husbandry department to complete additions and alterations to the buildings and avoid locking up of funds.

➤ ***Diversion of funds to activities not included in Project Reports***

Out of the ₹21.44 crore received (2008-11), the Department of Animal Husbandry and Veterinary Services had diverted (June 2012) ₹4.00 crore to

<sup>76</sup> As per DPR, travises are necessary to restrain animals for examination, treatment and artificial insemination. These are to be fixed in villages where mobile veterinary clinic is visiting on a specified day and time of the week.

<sup>77</sup> Bangalore South, Chamarajanagara and Gangavathi

the Deputy Directors of 24 districts towards implementation of commercial dairy development scheme, though this was not included in the DPR. Release of funds towards activities not included in the DPR was irregular and could not be justified in audit.

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

➤ **Findings of beneficiary survey**

Fifty beneficiaries, whose livestock were vaccinated under the project, stated (June-August 2013) that their livestock were vaccinated and there were no complaints.

**2.4.7.2 Augmenting of vaccine production (Two projects)**

The SLSC had approved two projects during September 2008 and April 2010 at a cost of ₹15.47 crore and ₹50 lakh respectively. The main components of the project were to supply livestock vaccines to the farmers of the State to achieve herd immunity against the disease with coverage up to 80 per cent from the existing level of 35 per cent (2007-08), modification of the laboratory at the Institute of Animal Health and Veterinary Biologicals, Bangalore (IAH&VB) to Good Manufacturing Practices (GMP) standards.

- Audit observed that the achievement of administering vaccination has not reached the target of 80 per cent even after completion of XI Five Year Plan period (2007-12). Except for Pestes des Petits Ruminants (PPR) vaccination, no significant improvement was seen from the levels that existed during 2007-08 as detailed in **Table 2.16** below.

**Table 2.16: Comparison of coverage of vaccination of animal population in the State**

Disease	(in percentage)	
	2007-08	2011-12
Anthrax	0.68	0.97
PPR	38.54	85.52
Enterotoxaemia	43.89	41.29

Source: As furnished by the department

The State Government stated (April 2014) that all vaccines could not be administered due to shortfall in manpower.

- The work of modification of the Rabies and PPR laboratory was entrusted (May 2011) to a contractor for a tendered cost of ₹44.78 lakh. Mobilisation advance of ₹13.43 lakh was also paid to the contractor against the bank guarantee which expired during August 2011. However, the work was not commenced (September 2013), leading to undue benefit to the contractor. The Director stated (June 2013) that the work would be commenced as early as possible.

➤ **Non-compliance with Good Manufacturing Practices standards**

The IAH&VB was brought under (2007-08) the GMP standards which, *inter alia*, stipulated modification in building and civil works, latest manufacturing process, assuring the quality of finished product, *etc.*

Records showed that the vaccine manufacturing units of IAH&VB did not comply with the GMP standards even after being intimated (December 2008) by the Deputy Drug Controller. It was also seen that though the Institute had received an amount of ₹9.00 crore during 2009-10 and 2010-11 towards renovation and up-gradation of existing facility, the funds were not utilised.

As a result of non-fulfilment of the conditions/standards of GMP, the licence expiring during December 2012 had not been renewed and vaccine production had to be stopped from January 2013. However, as seen during joint inspection (October 2013), the department continued manufacturing vaccines without obtaining a valid licence in violation of the Drugs and Cosmetic Act and with the risk of administering non-approved vaccines to livestock.



Vaccines being manufactured without a valid licence (19.10.2013)

Audit also visited (June–August 2013) five laboratories in the premises of IAH&VB and found that none of the laboratories were compliant with GMP standards.

➤ **Idle equipment**

Audit observed that even though the works of modifications of five laboratories were not commenced, the department had placed the order (April 2010) for procurement of 22 equipment items worth ₹10.65 crore. Out of these, six equipment items (costing ₹5.06 crore) were not put to use due to delay in modifying laboratories to GMP standards. The project remained incomplete even as of August 2013.

**Idle equipment procured out of the Scheme funds - IAH & VB, Hebbal, Bangalore (19 October 2013)**

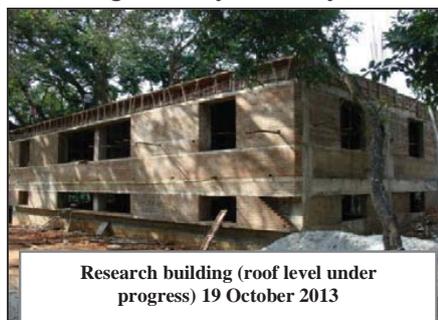


The State Government accepted (April 2014) the audit observation and stated that laboratories could not be modified due to delay in finalisation of tenders.

#### **2.4.7.3 Centre for development of vaccine and diagnostics**

The SLSC had approved the project (July 2009) at a cost of ₹11 crore. The project, *inter alia*, envisaged construction of a research centre which was estimated at ₹3.20 crore. However, the GOI released ₹4.00 crore during 2009-11, of which ₹1.80 crore was released (March 2010) to Public Works Department (PWD) for construction of the research centre.

The Commissioner, Department of Agriculture, however, instructed (August 2010) the Director to withhold the project and divert the money for other project. Accordingly, PWD was asked to return the amount. PWD expressed (September 2010) their inability to return the money and continued the civil works. Finally, the permission to continue the work was given in July 2012 after which PWD recommenced the work, leading to delay of two years. As of October 2013, the physical progress of the building had reached roof level. Thus, indecisiveness of the implementing officers led to the research centre remaining incomplete even after three years. Non-completion of the building also resulted in non-execution of other components such as developing diagnostic antigens and rapid kits for newer diseases, rapid and confirmatory diagnosis of existing diseases, improvement of existing vaccines, development of new generation vaccines, development of thermo stable vaccines, *etc.*



The State Government accepted (April 2014) the delay and stated that the work would be completed in a couple of months. However, the reply did not explain the reasons for withholding the project after entrusting it to PWD.

### **2.4.8 Micro/Minor Irrigation**

Under this sector only two projects of *Suvarna Krishi Honda* (farm ponds) were proposed with the objective of developing rain fed farming systems in and outside watershed areas/integrated development of watershed areas, providing assistance for development of land, conserving and improving ground water table by storing rain water, *etc.*

#### **2.4.8.1 Absence of need-based analysis**

The SLSC had approved (November 2007) the project at a cost of ₹250 crore spread over a period of five years. Though it was an ongoing State sector project, the Commissioner, Watershed Development Department, Bangalore had proposed the project for the years 2007-08 and 2008-09 (costing ₹92 crore) under Stream-I, which was in contravention of the Scheme guidelines.

The project cost was revised to ₹55 crore on the basis of progress of works and release of funds (2007-09). As a result, out of 90,817 farm ponds proposed for construction, only 56,380 (62 per cent) farm ponds were completed (March 2013). In five<sup>78</sup> test-checked districts, 6,129 (54 per cent) farm ponds were constructed against the target of 11,272 farm ponds. Against a financial target of ₹11.05 crore for these two projects (2007-08 and 2008-09) in the five test-checked districts, ₹5.92 crore (54 per cent) had been utilised. The project was not implemented after 2009-10 onwards due to non-release of sufficient funds as envisaged. Thus, the planning and selection of the project was driven more by the perceived availability of funds and less by a need-based analysis.

The State Government stated (April 2014) that due to shortfall in release of funds, the programme could not be carried out as envisaged. However, the reply did not explain the reasons for short release of funds.

#### **2.4.8.2 Irregular selection of beneficiaries**

As per the DPR, 40 per cent of the beneficiaries under the project were to be selected from Scheduled Castes (SC)/Scheduled Tribes (ST) category. It was, however, seen that out of total 6,129 beneficiaries selected in the five test-checked districts, only 1,289 beneficiaries (21 per cent) belonged to the SC/ST category.

The State Government stated (April 2014) that benefits were provided to willing farmers belonging to SC/ST category. This indicated that the DPR was prepared without observing the laid down guidelines.

The DPR also stipulated that the beneficiaries should be selected out of only small farmers and marginal farmers. However, in four<sup>79</sup> taluks of two test-checked districts, 93 big farmers were selected during 2008-09 and extended benefit of ₹8.99 lakh under the Scheme, which was inadmissible. The District Watershed Development Officer (DWDO), Dharwar accepted (July 2013) the audit observations and stated that deviations had taken place which would be avoided in future.

The State Government stated (April 2014) that no big farmer was selected in Koppal district. However, the evidence gathered by Audit indicated that big farmers were indeed selected under the project.

#### **2.4.8.3 Findings of joint verification**

- Audit conducted joint physical verification (July-August 2013) of farm ponds of 90 beneficiaries in the five test-checked districts and observed that 47 farm ponds were not maintained by these beneficiaries after availing the benefits. Due to non-maintenance of the farm ponds, accumulation of silt, dumping of waste, damage of farm ponds segments, etc., were observed by Audit. As a result, neither water could

<sup>78</sup> Bangalore (Urban), Chamarajanagara, Dharwar, Kolar, and Koppal

<sup>79</sup> Alnavar, and Aminbhavi (Dharwar district), Koppal and Gangavathi (Koppal district)

be stored in these farm ponds nor full benefit of investment of ₹4.61 lakh could be derived. Planting of horticultural and forestry plants alongside the farm ponds were also not carried out by the beneficiaries, though envisaged.

The State Government accepted the audit observation and stated (April 2014) that silting up of farm ponds in black soil was inevitable as black soil was more prone to erosion. It was further stated that farmers had been advised to desilt the farm ponds.

- The DPR stipulated that the unit cost for each pond was to be ₹9,800 which included earth work excavations; inlet-cum-outlet with boulders; silt trap (₹9,500) and planting of horticulture and forestry plants (₹300). Audit verified vouchers and measurement books (MB) in 526 cases of Dharwar district and found that the department had executed only earthwork excavation. The beneficiaries had given undertakings to complete the remaining items of work. However, on physical verification of farm ponds of 20 beneficiaries, it was observed that the remaining items of work were not executed (September 2013) in all these cases. As a result, the works did not yield desired results under the project. The possibility of works remaining incomplete in more cases also could not be ruled out. The DWDO, Dharwar accepted (July 2013) the audit observation and stated that funds were insufficient to meet the expenditure on construction of farm ponds.

The State Government stated (April 2014) that remaining items of work were not executed as the beneficiaries were small and marginal farmers who were unable to spend a sum of ₹5,000. The reply suggests a weakness in the Scheme as the weakest section of farmers who should in fact be the ones to benefit are unable to avail the benefits of the Scheme.

- In order to assess the utility of farm ponds constructed, each beneficiary had to be issued a farmer card wherein all the details such as water stored, ground water table, etc., had to be recorded. Physical verification showed that the farm pond owners were not issued farmer cards. As a result, the utility of these ponds, the output in the nearby bore wells, etc., could not be assessed by Audit.

#### **2.4.9 Organic farming/Bio-fertiliser**

The SLSC had approved seven projects on organic farming during the period 2007-13, of which four projects were completed and three projects were under progress. Out of seven projects, two projects were selected for test-check.

##### **2.4.9.1 Research Institute on Organic farming (RIOF)**

The objective of the project was to develop and promote suitable bio-fertilisers, bio-pesticides, promote capacity building for organic farming stakeholders, mitigate problems in organic farming sector, etc. A building with infrastructure facilities (costing ₹2.35 crore) for implementing these components was also proposed in the UAS, Bangalore campus. The proposed

building under RIOF had been completed (September 2009) after incurring an expenditure of ₹2.08 crore. Audit observed on physical verification (24 August 2013) of the building that a portion of the building was occupied by implementing officers of other projects<sup>80</sup>.

Though the SLSC had approved the project (November 2007) with a project period of five years at a cost of ₹50 crore, only a sum of ₹5.05 crore (10 per cent) was released (2007-11). Reason for shortfall in release was not furnished to Audit.

The Coordinator and Nodal Officer, RIOF, UAS, Bangalore stated (August 2013) that all the envisaged components of the project could not be undertaken due to reduction in release of funds, resulting in non-achievement of the objectives.

#### **2.4.9.2 Organic farming – On-site activities**

The project costing ₹15 crore was approved by SLSC during April 2011, with a project period of three years. The project aimed at production of quality and safe agricultural products which contain no chemical residue by practising eco-friendly production methods and farming systems that restore and maintain soil fertility. The project was implemented in all 176 taluks of the State and an amount of ₹14.65 crore was spent as of March 2013.

The implementation of project was test-checked in five<sup>81</sup> districts. Out of ₹1.53 crore released (October 2011-March 2012), an amount of ₹1.45 crore was spent (March 2013). The shortfall in utilisation was on account of non-certification of the products as organic and non-establishment of market link for organic products. However, the target of bringing 2,200 hectares of land under organic farming in the test-checked districts had been achieved.

The State Government accepted (April 2014) the findings and stated that maximum emphasis was given for certification of organic farms and establishment of market links for organic products during the year 2013-14.

#### **2.4.9.3 Findings of beneficiary survey**

Audit conducted (June-August 2013) survey of 50 farmers in the test-checked districts, which showed the following:

- Sixteen farmers were not provided competitive prices for the organic products grown;
- Eighteen farmers stated that low yield in organic farming was due to deteriorated soil health;
- Ten farmers expressed difficulties in practising organic farming due to lack of labour force; and

<sup>80</sup> Project Investigators of Bio-fuel Research, All India Coordinated Research Project (AICRP) on Agro-forestry, etc.

<sup>81</sup> Bangalore (Urban), Chamarajanagara, Dharwar, Kolar, and Koppal

- Forty five farmers stated that no marketing link and certification of the organic produce was provided either by the non-governmental organisations (NGOs) or by the department.

The ADAs of all the test-checked taluks expressed (June-August 2013) the apprehension that the farmers might revert to inorganic methods of cultivation due to non-provision of market link to sell organic products grown by them. The Deputy Director, Organic farming cell also stated (August 2013) that suitable proposals for market development for organic products were not received in order to ensure continuation of organic farming by the beneficiaries.

The State Government stated (April 2014) that organic farming activities were labour intensive and yields would improve by the third year of organic conversion. It was further stated that certification of organic farms and establishment of market linkages was done in 2013-14.

#### **2.4.10 Monitoring of the Scheme**

##### **2.4.10.1 Monitoring and evaluation by SLSC**

The SLSC, formed in November 2007, was to meet once a quarter to review the implementation of the Scheme. However, the SLSC had met only nine times against the stipulated 22 meetings during 2007-13. Audit also observed that SLSC had not ensured categorisation of projects as Stream-I and II while approving projects under the Scheme as detailed in *Paragraph 2.4.4.2*.

The State Government accepted (April 2014) the audit observation and stated that only limited number of meetings had been conducted.

##### **2.4.10.2 Submission of progress reports and returns to DAC**

Audit requested (August 2013) for the copies of progress reports and returns under the Scheme furnished to DAC for verification. The Project Coordinator stated (September 2013) that the information regarding financial and physical progress had been updated on the web-based RKVY Database and Management Information System (RDMIS) from the year 2009-10. Audit observed lacunae in updating data in RDMIS as detailed below.

- The Deputy Director, RKVY Cell is authorised to enter the data, effect corrections, modify the data already uploaded with the consultation and approval by GOI. However, there was no provision for validation of data by any superior officer of the nodal department. Thus, there was no monitoring and verification of data by the departmental officials.
- Though the website was operational only from 2009-10, the identification numbers of all the projects sanctioned for the prior period were shown as commenced from 2010-11, which was incorrect.

The State Government stated (April 2014) that identification numbers were self generated in the RDMIS software and restricted to one year

period. This indicates that there is a lacuna in the application which needs to be modified.

- The status of four completed projects was shown as “ongoing” and the status of the one abandoned project was shown as completed. Even the status of the two projects was shown as “completed” without incurring any expenditure. Further, there were differences between the data uploaded in RDMIS and information available with the implementing agencies.

The State Government stated (April 2014) that project-wise physical and financial progress had been updated in RDMIS. The reply is not acceptable as the discrepancies persisted in RDMIS as verified by Audit (April 2014).

- The units of measurement of physical targets and the achievements in four projects were either not mentioned or different from actual measurable units.
- Physical targets indicated in six projects could not be related to the project objectives. Achievements of five projects shown in RDMIS were inter-changed and did not pertain to the particular projects.

As a result of the above discrepancies, the integrity and reliability of data uploaded in RDMIS could not be relied upon, rendering the data unsuitable for decision making process.

#### **2.4.10.3 Non-conducting of statutory and internal audit of the Scheme**

According to the Scheme guidelines, the nodal department should ensure preparation of project-wise accounts by the implementing agencies, which should be subjected to the normal process of statutory audit. General Financial Rules, 2005 also provided for internal audit by the implementing department. Audit observed that internal audit of the projects under the Scheme was not taken up by any of the test-checked implementing departments, and statutory audit of the projects implemented by the Department of Agriculture was not conducted.

#### **2.4.10.4 Non-maintenance of Assets Register**

As per the Scheme guidelines, the nodal department is to ensure that the assets created under the projects should be maintained and assets that are no longer required should be redeployed to other needy places. Audit observed that assets register was not maintained either by the nodal department or by the implementing agencies/departments to monitor usage of assets created under the Scheme.

The State Government stated (April 2014) that instructions had been issued to maintain Asset register.

#### **2.4.10.5 Evaluation of the Scheme**

The GOI had entrusted (July 2013) ISEC, Bangalore to evaluate the Scheme implemented during XI Five Year Plan period. The evaluation was under progress and, as a result, the objective of maximising returns to the farmers in Agriculture and allied sectors during XI plan period was yet to be assessed (September 2013).

#### **2.4.11 Conclusion**

- Financial management was deficient as evidenced by incorrect reporting of expenditure, diversion of funds, parking of funds in fixed deposits, idle equipment, *etc.*
- Agricultural plans were prepared without conducting any study on the existing resources. The projects approved did not consider any convergence with other ongoing schemes.
- The objectives of the test-checked projects were not achieved due to non-execution of all the envisaged components, deviations from the project guidelines, shortfall in manpower, *etc.*
- There were differences between the data uploaded in RDMIS and information available with the implementing agencies. Erroneous entries had been made in the RDMIS and there was no system of monitoring this data by RKVY Cell. As a result, the RDMIS data on physical and financial performance of the Scheme was not reliable, rendering the data unsuitable for decision making process.

#### **2.4.12 Recommendations**

- The department needs to evolve a system to track the expenditure incurred by implementing departments/agencies. The State Government needs to review the projects where funds were parked in fixed deposits and lying unutilised for more than six months.
- Concerted efforts should be made to ensure convergence of RKVY with ongoing schemes.
- Monitoring should be strengthened to ensure achievement of objectives envisaged. The nodal department should be vigilant in uploading data in RDMIS to avoid misrepresentation of facts and its usage thereafter.

**RURAL DEVELOPMENT AND PANCHAYAT RAJ  
DEPARTMENT**

**2.5 Unproductive investment on a water supply scheme**

**The Zilla Panchayat, Bellary took up a water supply scheme to Kudithini village in Bellary taluk which remained non-functional as the water could not be stored in the impounding reservoir due to seepage. This resulted in unproductive investment of ₹6.14 crore, besides depriving the targeted population of drinking water supply.**

With the objective of providing drinking water supply to Kudithini village in Bellary taluk (Bellary district), the Chief Executive Officer (CEO) of Zilla Panchayat (ZP), Bellary had accorded (December 2003) administrative approval to a community-based water supply scheme under Sector Reforms Programme.

The work estimated to cost ₹3.02 crore was entrusted (December 2003) to Karnataka Rural Infrastructure Development Limited<sup>82</sup> (KRIDL) with stipulation to complete the same by December 2006. However, KRIDL could complete only 70 per cent of the work within the stipulated period after incurring an expenditure of ₹2.22 crore. As a result, the CEO, ZP, Bellary withdrew the work from KRIDL and entrusted (December 2006) the remaining civil works costing ₹2.39 crore to the Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Bellary. The balance works, *inter alia*, included construction of raw water sump, pump house, laying pipelines and spreading black cotton (BC) soil blanket in the impounding reservoir (IR). The PRED, Bellary completed the works in October 2010 after incurring an expenditure of ₹2.26 crore.

The Chief Engineer, Panchayat Raj Engineering Department (CE) who inspected (November 2010) the works observed that water stored in the IR had been getting drained through seepages and the BC soil blanket of 20 centimetre (cm) had not been laid uniformly. The Superintending Engineering, PRED Circle, Bellary visited (February 2011) the site with a consultant who observed that the IR had been founded on the foreshore of an existing minor irrigation tank and the bed of IR was pervious. The consultant recommended either flooding the tank bed for one more rainy season and observing its behaviour or spreading a BC soil blanket over the tank bed up to a depth of 80 cm. Thereafter, the CEO, ZP, Bellary entrusted (April 2011) the work of providing the BC soil blanket to KRIDL at an estimated cost of ₹2.75 crore. KRIDL incurred (August 2011) an expenditure of ₹1.66 crore to complete the work. However, even after spreading the BC soil blanket up to a depth of 80 cm, water could not be stored in the IR due to seepage. The CE opined (May 2011) that the IR had not been constructed on a suitable site and suggestions of technical experts or geologists could have been taken before taking up the work. The BC soil blanket work executed by KRIDL was inspected (November 2011) by another consultant who confirmed the presence of pervious strata below the IR bed and recommended for

<sup>82</sup> Formerly Karnataka Land Army Corporation (KLAC)

sandwiching a plastic membrane between clay layers laid on the IR bed to plug the seepage.

The State Government, while accepting the fact, stated (November 2013) that the State Level Empowered Committee had approved (April 2013) the revised estimate of ₹8.74 crore for carrying out the work of geo-membranes. It was further stated that all efforts made by PRED and KRIDL to store water in the IR went in vain due to wrong selection of site and directions had been issued to ZP, Bellary to fix responsibility on the concerned implementing officers for this lapse.

Thus, the investment of ₹6.14 crore so far made, which was more than twice the estimated cost, was rendered unproductive, due to improper selection of site for constructing the IR and failure to conduct permeability test before taking up the work. These lapses deprived the targeted population of drinking water supply for more than nine years.

## **2.6 Unfruitful expenditure on water purification systems**

**Failure of the Executive Engineer, Panchayat Raj Engineering Division, Chitradurga to include liability clause in the agreements and take action to repair Stand Alone Water Purification Systems resulted in unfruitful expenditure of ₹26.84 lakh, besides denial of safe drinking water to students.**

The Government of India (GOI) had introduced (November 2008) 'Jalmani' Scheme (Scheme), a 100 *per cent* centrally sponsored scheme, to install Stand Alone Water Purification System (SAWPS) in selected rural schools. The Scheme was to be implemented by the State Government or institutions nominated by the State Government. The Scheme guidelines, *inter alia*, stipulated that Operation and Maintenance (O&M) of SAWPS would be the responsibility of manufacturers and suppliers till the life time of these systems, which should not be less than five years. The guidelines also stipulated to incorporate a suitable protocol of O&M while awarding the contract to the selected manufacturers or suppliers and impose product liability insurance so that the manufacturers or suppliers could be held accountable for lack of maintenance or any lacunae in the system.

The State Government identified 9,479 rural schools in Karnataka for the implementation of the Scheme during the year 2010-11, for which the GOI released (March 2010) ₹7.08 crore. The State Government had instructed Panchayat Raj Engineering Divisions (PRED) to procure SAWPS from nine agencies empanelled (September 2009) at the State level.

The Executive Engineer (EE), PRED, Chitradurga entered into agreements (October-December 2010) with three agencies for supply and installation of 511 SAWPS (one unit per school) including maintenance of the units for five years. The agencies supplied (2010-11) these SAWPS costing ₹43.11 lakh<sup>83</sup> to 511 schools. A sum of ₹32.33 lakh (75 *per cent* of the total cost of

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<sup>83</sup> ₹9,650 (unit cost) x 431 = ₹41,59,150; ₹1,900 (unit cost) x 80 = ₹1,52,000

₹43.11 lakh) was paid (March-October 2011) to these agencies. It was, however, seen that product liability clause had not been included in the agreements to guard against failure to provide agreed services by the agencies, as stipulated in the Scheme guidelines.

Information compiled from the reports (November 2012) of Block Education Officers of all the six taluks of Chitradurga district showed that 299 out of 511 SAWPS costing ₹26.84 lakh had become defunct within a year of installation.

Though the EE, PRED, Chitradurga had directed (November-December 2011) these agencies to repair the defunct units, this had not been done. In the absence of the product liability clause in the agreements, the EE, PRED, Chitradurga could not initiate action against the defaulting agencies. Instead, the EE proposed (December 2011) to Chief Executive Officer, Zilla Panchayat, Chitradurga to repair the defunct units with the remaining amount of ₹10.78 lakh due to these agencies. However, none of these units had been repaired or replaced (May 2013). It was also seen that one of the agencies, M/s. Magic Water RO System, Bangalore, was not empanelled by the State Government. Therefore, procurement of 145 units (80 units in Holalkere and 65 units in Hosadurga) from this agency was irregular.

Thus, failure of the EE, PRED, Chitradurga to include the product liability clause in the agreements to hold the agencies accountable for lack of maintenance and initiate action to repair SAWPS resulted in unfruitful expenditure of ₹26.84 lakh, besides denial of safe drinking water to the children studying in these 299 schools.

The State Government stated (November 2013) that SAWPS had been repaired at a cost of ₹1.34 lakh through a local service provider. It was also stated that action had been initiated (September 2013) to blacklist these three agencies. The reply was not acceptable as SAWPS had been repaired only in three taluks (Challakere, Hiriyyur and Holalkere) and not in the remaining three taluks (Chitradurga, Hosadurga and Molkalmuru). Further, quality test reports after repairing SAWPS in three taluks had not been furnished. As a result, availability of potable water to school children could not be assessed in audit. Responsibility should be fixed for failure to include the product liability clause which led to unfruitful expenditure.

## **2.7 Wasteful expenditure on construction of a deck slab bridge**

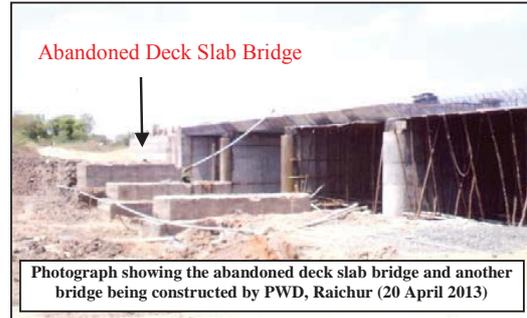
**Failure of the Executive Engineer, Panchayat Raj Engineering Division, Raichur to complete the construction of a deck slab bridge resulted in wasteful expenditure of ₹20.45 lakh. The EE also failed to ensure safe custody of materials which resulted in loss of ₹9.96 lakh.**

The Deputy Commissioner (DC), Raichur had approved (February 2008) the work of construction of a deck slab bridge to connect two villages (Hirekudalgi and Khanapur) of Devdurga taluk, Raichur district at an estimated cost of ₹50 lakh (₹40 lakh from Flood Relief fund and ₹10 lakh from Member of Legislative Assembly fund). The Chief Engineer, Panchayat

Raj Engineering Department, Bangalore (CE) accorded the technical sanction during April 2008.

Audit scrutiny (February 2010 and August 2012) showed that the work was taken up (2007-08) departmentally and the Executive Engineer (EE), Panchayat Raj Engineering Division (PRED), Raichur had entrusted the work to a contractor without calling for tenders. The EE, PRED, Raichur charged materials costing ₹26.17 lakh<sup>84</sup> to this work. The work was abandoned (September 2008) after executing the work up to plinth level and incurring an expenditure of ₹20.45 lakh which included ₹6.01 lakh<sup>85</sup> towards cost of materials utilised. The reason for stopping the work was not forthcoming from the records made available to Audit. Further, the EE did not ensure safe custody of materials and claimed that the balance quantity of cement (4,425 bags) costing ₹9.96 lakh was washed away in floods. However, there was no documentary evidence in support of this claim as the material at site (MAS) account was not maintained. As a result, the genuineness of the claim that the material was washed away could not be assessed in audit.

During January 2011, the State Government approved the work of construction of bridge at the same place under National Bank for Agriculture and Rural Development assistance at an estimated cost of ₹97 lakh. The Executive Engineer, Public Works department (PWD), Raichur took up this work by the side of abandoned deck slab bridge and entrusted (August 2012) the same to a contractor for ₹1.04 crore (tendered cost ₹94.47 lakh). The work was completed and submission of Project Completion Report was pending (August 2013).



The failure of EE, PRED, Raichur in completing the work taken up departmentally resulted in wasteful expenditure of ₹20.45 lakh on abandoned work and consequential escalation of cost of work from ₹50 lakh to ₹104 lakh. The EE also failed to ensure safe custody of materials which resulted in loss of ₹9.96 lakh.

Audit scrutiny also showed that the DC, Raichur had written (July 2010) to the CE to verify the quality of work done and initiate disciplinary action against the erring officials. The CE, in turn, had requested (September 2010) the Principal Secretary to Government of Karnataka, Rural Development and Panchayat Raj Department for permission to initiate action against the concerned officials. However, no action has been taken in this regard till date (August 2013).

<sup>84</sup> Cement: 5,779 bags costing ₹13.13 lakh and Steel: 28 metric tons costing ₹13.04 lakh

<sup>85</sup> Cement: 1,354 bags costing ₹3.17 lakh and Steel: 6.089 metric tons costing ₹2.84 lakh

The State Government stated (August 2013) that the work was stopped due to heavy floods (2008-09) and tenders were not called for as the nature of the work was urgent. It was also stated that materials were issued (March-November 2008) directly to the Section Officer concerned and contended that only 2,425 cement bags (costing ₹5.67 lakh) were washed away. The reply was not acceptable as stock and issue register showed that 2,000 cement bags (costing ₹4.12 lakh) were issued to the Section Officer earlier during March 2007, which had not been accounted for. Moreover, the urgent nature of the work could not be justified in Audit as connectivity to the two villages was provided only after a lapse of five years.