Report of the
Comptroller and Auditor General of India
on
Economic Sector

for the year ended March 2015

Government of Karnataka
Report No. 2 of the year 2016

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PREFACE

1. This Report for the year ended March 2015 has been prepared for submission to the Governor of Karnataka under Article 151 of the Constitution of India for being laid in the State legislature.

2. The Report contains findings of Performance Audit on "Promotion and Development of Tourism in Karnataka" and significant results of the Compliance Audit of the Departments of the Government of Karnataka under the Economic Services, including Departments of Commerce & Industries, Forest, Ecology & Environment, Public Works, Ports & Inland Water Transport, Revenue and Water Resources (Minor Irrigation). However, Department of Agriculture and allied activities, Food Security – Public Distribution System/Civil Supplies, Rural Development & Panchayat Raj are excluded and covered in the Report on the General and Social Services.

3. The instances mentioned in this Report are among those, which came to notice in the course of test audit for the year 2014-15 as well as those which came to notice in earlier years, but could not be reported in previous Audit Reports.

4. The Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Chapter 1

Introduction

Chapter 1

Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from the Performance Audit of selected programmes and activities and Compliance Audit of Government departments and autonomous bodies under Economic Sector.

Compliance Audit refers to examination of the transactions of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during the Compliance Audit and follow-up on previous Audit Reports. Chapter-2 of this Report contains findings arising out of Performance Audit of Promotion and Development of Tourism in Karnataka. Chapter-3 contains observations on Compliance Audit in Government departments and autonomous bodies.

1.2 Auditee Profile

There are 17 departments in the State under the Economic Sector at the Secretariat level, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners and subordinate officers under them, and 105 autonomous bodies which are audited by the Accountant General (Economic & Revenue Sector Audit), Karnataka, Bengaluru.

The summary of fiscal transactions of the Government of Karnataka during the year 2013-14 and 2014-15 is given in **Table 1.1** below:

Table 1.1: Summary of fiscal transactions

(₹ in crore)

Receipts			Disbursements				
	2013-14	2014-15		2013-14	2014-15		
Section A: Revenue				Total	Non-Plan	Plan	Total
Revenue receipts	**89,542.53**	**1,04,142.15**	**Revenue expenditure**	**89,189.57**	**69,783.10**	**33,831.19**	**1,03,614.29**
Tax revenue	62,603.53	70,180.21	General services	24,954.41	28,024.39	240.88	28,265.27
Non-tax revenue	4,031.90	4,688.24	Social services	32,621.89	19,204.97	20,161.28	39,366.25
Share of Union taxes/duties	13,808.28	14,654.25	Economic services	26,592.83	18,748.23	11,223.08	29,971.31
Grants-in-aid & contributions from GOI	9,098.82	14,619.45	Grants-in-aid & contributions	5,020.44	3,805.51	2,205.95	6,011.46
Section B: Capital and others							
Miscellaneous Capital receipts	**87.94**	**10.14**	**Capital outlay**	**16,946.86**	**277.35**	**19,344.95**	**19,622.30**
			General services	500.74	29.85	588.61	618.46
			Social services	3,052.68	98.11	4,082.78	4,180.89
			Economic services	13,393.44	149.39	14,673.56	14,822.95
Recoveries of loans & advances	**109.28**	**83.82**	**Loans & advances disbursed**	**695.43**	**12.04**	**564.11**	**576.15**
Public Debt receipts	**17,286.81**	**21,874.63**	**Repayment of Public Debt**	**3,816.84**	**4,812.23**	**-**	**4,812.23**
Contingency Fund	-	-	**Contingency Fund**	-	-	-	-
Public Accounts receipts	**1,21,842.37**[1]	**1,40,229.39**	**Public Accounts disbursements**	**1,12,971.74**	-	-	**1,29,573.99**
Opening cash balance	**10,511.24**	**15,759.73**	**Closing cash balance**	**15,759.73**	-	-	**23,900.90**
TOTAL	**2,39,380.17**	**2,82,099.86**	**TOTAL**	**2,39,380.17**			**2,82,099.86**

(Source: Finance Accounts 2014-15)

1.3 Authority for Audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of the Departments of Government of Karnataka under Section 13[2] of the C&AG's (DPC) Act. C&AG is the sole auditor in respect of four autonomous bodies which are audited under sections 19(2)[3], 19(3)[4] and 20(1)[5] of the C&AG's (DPC) Act. In addition, C&AG also conducts audit of 101 other autonomous bodies, under Section 14[6] of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

[1] Gross balance of 2013-14 increased by ₹ 1,129.52 crore due to increase in investments out of Infrastructure Initiative Fund.

[2] Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts.

[3] Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

[4] Audit of accounts of Corporations established by law made by the State Legislature on the request of the Governor.

[5] Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government.

[6] Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and with the previous approval of the Governor of the State and audit of all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ one crore.

1.4 Organisational structure of the Office of the Accountant General (Economic & Revenue Sector Audit), Karnataka

Under the directions of the C&AG, the Office of the Accountant General (E&RSA), Karnataka, conducts audit of Government Departments/ Offices/Autonomous Bodies/Institutions under them which are spread all over the State.

1.5 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of units, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for submission before the State legislature.

During 2014-15, in the Economic Sector Audit Wing, 1,650 party-days were utilised to carry out audit of 184 units and one Performance Audit.

1.6 Significant audit observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organisations were also highlighted.

The present report contains one Performance Audit and 16 paragraphs. The significant audit observations are summarised below:

1.6.1 Performance Audit on 'Promotion and Development of Tourism in Karnataka'

During 2009-14, Department of Tourism incurred ₹ 1,330.89 crore towards promotion and publicity, development of infrastructure and for providing basic amenities and incentives/subsidies, *etc.* A Performance Audit covering the period 2010-15 was conducted. Major findings are as mentioned below:

- Actionable plans to achieve the objectives were not prepared though tourism policy of 2009-14 advocated for its preparation. Neither the tourist destinations nor tourism products were identified which would contribute to the tourist growth.
- Though Department statistics showed increase in growth in domestic tourist arrivals but lacked credibility as figures were not compiled as per the method prescribed by Government of India.
- Foreign tourist arrivals to Karnataka grew by six *per cent* only in a span of ten years (2004-14) though foreign tourist arrivals to India had doubled during the same period and State's share constituted 7.5 *per cent* of the total foreign tourist arrivals to India during 2014.
- Though the PPP model was adopted to boost tourism, investments from the private sector suffered setback as entrepreneurs backed out from 35 projects which involved ₹ 21,673.67 crore of investments (76.5 *per cent*) out of the total approved investments of ₹ 27,550 crore from 512 projects. The expected employment generation was overestimated as employment generation created was 0.06 lakh (below one *per cent*) as against targeted potential employment generation of 29 to 41 lakh. Thus the objective of making tourism the principal and largest economic activity could not be achieved.
- Projects assisted by Government of India were not completed within the stipulated period which resulted in loss of central assistance of ₹ 17.95 crore in seven cases.
- The mega project at Hampi taken up in 2008 was still under progress and Theme Park estimated at a cost of ₹ 50 crore was shelved which resulted in wasteful expenditure of ₹ 1.41 crore. Tourism potential of Pattadakal was not tapped and separate management authority was not established as was done in case of Hampi.
- Seventy seven Yatrinivas/dormitories constructed for the benefit of tourists at a cost of ₹ 51.63 crore were not put to use due to delay in identifying authority for its management.
- Eco & adventure tourism, sound and light show and coastal tourism projects were not completed as planned or several components were shelved on account of various reasons which were indicative of weak appraisal of projects.
- Norms for providing basic amenities were not finalised and basic amenities were lacking at identified tourist destinations including at world heritage sites.
- Thirteen departmentally owned facilities like hotels and restaurants could not become operational due to non-handing over of facilities by DoT to private players after entering into lease agreements with them in six cases and delay in tendering which resulted in idling of assets.

(Paragraph 2.1)

1.6.2 Compliance Audit

Audit has also reported on several significant deficiencies in critical areas which impact the effective functioning of the Government departments. These are as under:

- ❖ Absence of a detailed project report, diversion of funds and poor implementation had resulted in non-fulfillment of the objective of establishing a Gems and Jewellery Training Centre even after seven years of sanction by the Government and unfruitful expenditure of ₹ 2.01 crore.

  (Paragraph 3.1)

- ❖ Payment of compensation for land acquired for Harohalli Industrial Area (3rd Phase) by overlooking the joint inspection report had resulted in double payment of compensation of ₹ 1.84 crore to the land owners in Bannikuppe village of Ramanagar district.

  (Paragraph 3.3)

- ❖ Construction of residential quarters in a civic amenity site along with deficient contract management resulted in abandonment of project mid-way and wasteful expenditure of ₹ 7.71 crore.

  (Paragraph 3.5)

- ❖ Non-commissioning of automatic traffic counter cum weighing machines even after eight years of commencement of project resulted in unfruitful expenditure of ₹ 4.60 crore.

  (Paragraph 3.7)

- ❖ Deduction of shrinkage of sand for stacking at depots at 20 *per cent* which was in excess of the norms of five *per cent* prescribed by Indian Road Congress resulted in loss of revenue of ₹ 3.35 crore.

  (Paragraph 3.8)

- ❖ Fraudulent payments were made by preparing fake work bills in Public Works, Ports and Inland Water Transport Division, Kalaburagi.

  (Paragraph 3.11)

- ❖ An amount of ₹ 34.16 lakh was misappropriated during 2009 to 2015 by falsification of records in Public Works, Ports and Inland Water Transport Sub-Division, Davanagere.

  (Paragraph 3.12)

- ❖ Excess grant of land in violation of Karnataka Land Reforms Act by Revenue authorities and failure to exercise due diligence and to obtain prescribed documents by Karnataka Industrial Areas Development Board resulted in payment of land compensation of ₹ 79.29 crore to non-eligible persons in Immav village of Nanjangud taluk.

  (Paragraph 3.13)

- ❖ In respect of the work relating to 'Implementation of Repair, Renovation and Restoration of water bodies', Detailed Project Reports (DPRs) did not contain basic information on the state of condition of the tanks, Culturable Command Area, rainfall data and availability of water. DPRs were prepared without incorporating the performance details of tanks. The deviation in preparing DPRs resulted in projecting non-productive works as productive. Identification of tanks for restoration was made without involving Water Users' Associations and Panchayats. The Minor Irrigation Department's claim of restoration of 19,889 ha was not factual as components like silt removal, improvement to canals and repairs to sluice gates were not completely executed.

(Paragraph 3.14)

1.7 Lack of responsiveness of Government to Audit

1.7.1 Inspection Reports outstanding

The Hand Book of Instructions for Speedy Settlement of Audit Observations issued by the Finance Department in 2001 provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General (AG) to ensure rectificatory action in compliance with the prescribed rules and procedures and accountability for the deficiencies, lapses, *etc.,* noticed during the inspections. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to the AG, who forwards a half yearly report of pending IRs to the Secretary of the Department to facilitate monitoring of the audit observations.

As of March 2015, 123 IRs (373 Paragraphs) were outstanding against Commerce & Industries Department. Year-wise details of IRs and Paragraphs are detailed in **Appendix 1.1**.

A review of the pending IRs showed that the Heads of Offices had not sent even the initial replies in respect of 32 IRs containing 130 Paragraphs issued between 2001-02 and 2014-15.

1.7.2 Response of departments to the Draft Paragraphs

The Performance Audit Report and draft paragraphs were forwarded demi-officially to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the departments concerned between May and October 2015 to send their responses within four weeks. Government replies for the Performance Audit Report and eight out of 16 paragraphs featured in this Report have been received. The replies have been suitably incorporated in the Report.

1.7.3 Follow-up on Audit Reports

The Rules of Procedure (Internal Working), 1999 of the Public Accounts Committee provide that all the departments of Government should furnish detailed explanations in the form of Departmental Notes to the observations in Audit Reports, within four months of their being laid on the Table of Legislature to the Karnataka Legislature Secretariat with copies thereof to Audit Office.

The Administrative Departments did not comply with these instructions and eight Departments as detailed in **Appendix 1.2** had not submitted Departmental Notes for 38 paragraphs for the period from 2003-04 to 2013-14 (as of December 2015).

1.7.4 Paragraphs to be discussed by the Public Accounts Committee

Details of paragraphs pending discussion by the Public Accounts Committee as of December 2015 are given in **Appendix 1.3**. Seventeen paragraphs relating to AR 1992-93 in respect of four Departments are pending for discussion in PAC. Delay in discussion or non-discussion of paragraphs may result in erosion of accountability by executive.

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Chapter 2

Performance Audit

2.1 Promotion and Development of Tourism in Karnataka

CHAPTER 2

PERFORMANCE AUDIT

Department of Tourism

2.1 Promotion and Development of Tourism in Karnataka

Executive Summary

Tourism has become priority sector for its contribution to economic and human development. Direct or indirect participation by multiple stakeholders in tourism generates economic activity and benefits the local community. Karnataka is bestowed with lush tropical forests, relaxed coastline, hill stations and has rich culture to showcase ornate temples, pilgrim centres, heritage, fort, palaces, ruins, *etc.*, and hence promoted under the tag line "One State, Many Worlds". Karnataka is home to two UNESCO world heritage sites and has 319 identified tourist destinations.

Department of Tourism was established during 1974 after its bifurcation from Department of Information for development of tourism in the State. It was decided in 1982 to frame Tourism Policy for every five year period for comprehensive development of tourism in the State. Tourism Policy of 2009-14 envisioned to make tourism as State's principal and largest economic activity as an employer, revenue generator and engine of growth and amongst top two tourism destinations in India by 2016-17.

During 2009-14, Department of Tourism incurred ₹ 1,330.89 crore towards promotion and publicity, development of infrastructure and for providing basic amenities, incentives/subsidies, *etc.* A Performance Audit covering 2010-15 period was conducted and major findings are given below:

- Actionable plans to achieve the objectives were not prepared though tourism policy of 2009-14 advocated for its preparation. Neither the tourist destinations nor tourism products were identified which would contribute to the tourist growth.
- Though Department statistics showed increase in growth in domestic tourist arrivals but lacked credibility as figures were not compiled as per the method prescribed by Government of India.
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- Though the PPP model was adopted to boost tourism, investments from the private sector suffered setback as entrepreneurs backed out from 35 projects which involved ₹ 21,673.67 crore of investments (76.5 *per cent*) out of the total approved investments of ₹ 27,550 crore from 512 projects. The expected employment generation was overestimated as employment generation created was 0.06 lakh (below one *per cent*) as against targeted

potential employment generation of 29 to 41 lakh. Thus the objective of making tourism the principal and largest economic activity could not be achieved.

- Projects assisted by Government of India were not completed within the stipulated period which resulted in loss of central assistance of ₹ 17.95 crore in seven cases.
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- Seventy seven Yatrinivas/dormitories constructed for the benefit of tourists at a cost of ₹ 51.63 crore were not put to use due to delay in identifying authority for its management.
- Eco and adventure tourism, sound and light show and coastal tourism projects were not completed as planned or several components were shelved on account of various reasons which were indicative of weak appraisal of projects.
- Norms for providing basic amenities were not finalised and basic amenities were lacking at identified tourist destinations including world heritage sites.
- Thirteen departmentally owned facilities like hotels and restaurants could not become operational due to non-handing over of facilities by DoT to private players after entering into lease agreements with them in six cases and delay in tendering which resulted in idling of assets.

2.1.1 Introduction

Karnataka is bestowed with lush tropical forests, a long coastline, numerous hill stations and a rich culture, showcasing ornate temples, pilgrim centres, forts, palaces, ruins, *etc*. Karnataka is home to two UNESCO World Heritage Sites (Hampi, Pattadakal) and has 319 identified tourist destinations. Given the variety of the tourism attractions, Karnataka is promoted under the tagline "One State, Many Worlds". The State is one amongst the top ten tourist destinations in the country both under domestic and foreign tourist arrivals.

The Government of Karnataka (GoK) formed an exclusive Department in 1974 to popularise the State as a priority destination and preferred choice of travelers by providing suitable tourist infrastructure, besides promotion and publicity. The Department takes up infrastructure works such as yatrinivas, wayside facilities, lodges, *etc.,* and promotes tourism through publicity, participation in travel expos, *etc*. To facilitate these, the Department has to work along with various other agencies (ASI[7], State Archaeology, *etc*), departments (Public Works, Forest) and other bodies (municipalities, *etc*) in

[7] Archaeological Survey of India

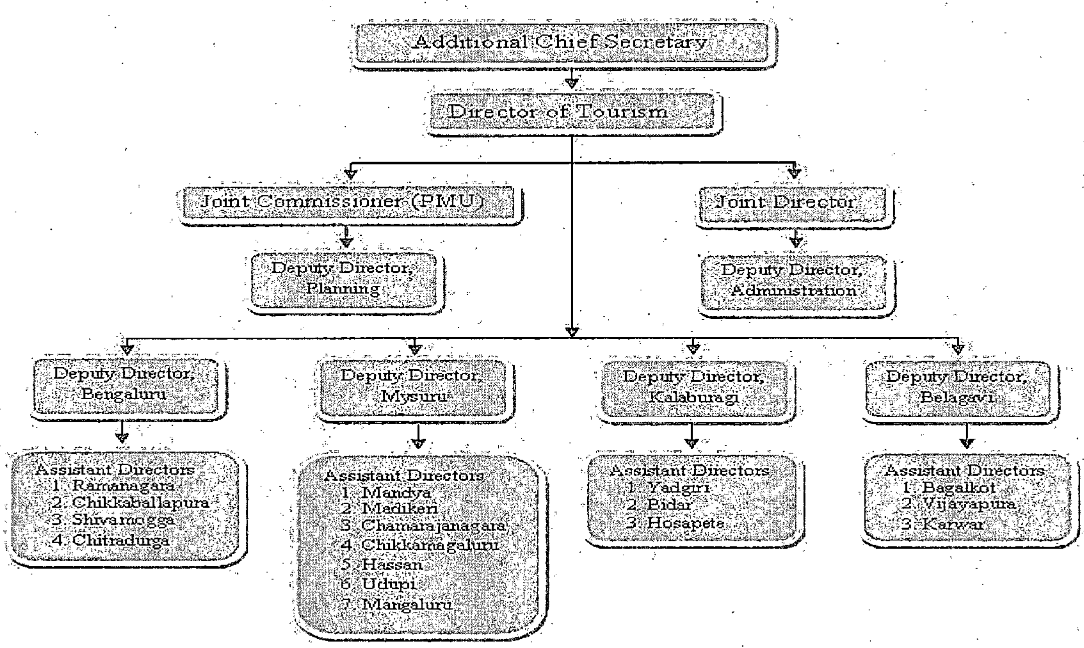
order to give the tourists a feel of ease of travel, comfort of stay and a unique travel experience to make the State their favored tourist destination.

To promote tourism in the State, a Tourism Policy is prepared on a five-yearly basis. The Karnataka Tourism Policy (KTP) of 2009-14 was approved by Government during October 2009.

2.1.2 Organisational setup

The Additional Chief Secretary, Department of Tourism (DoT), GoK is the administrative head of DoT. The Directorate of Tourism, with its headquarters at Bengaluru, administers tourism-related activities along with promotional and developmental activities. The organisation chart of DoT is given in **Chart 2.1:**

Chart 2.1: Organisation Chart



DoT is supported by two Government undertakings, *viz.*, Karnataka State Tourism Development Corporation Limited (KSTDC) and Jungle Lodges and Resorts Limited (JLRL).

2.1.3 Audit objective

The objective of the Performance Audit (PA) was to seek an assurance as to whether the State has been able to plan and implement its Tourism Policy.

This was to be ascertained by a study of whether:

- Strategies were developed to realise the objectives of KTP 2009-14; and
- Tourism development projects were effectively implemented and managed during the currency of KTP 2009-14;

2.1.4 Audit criteria

The audit criteria adopted for assessing the achievement of the audit objectives were:

- KTP 2009-14 and Annual Action Plans of DoT;
- Tourism India Statistics published by Ministry of Tourism (MoT) of Government of India (GoI); and
- Guidelines, instructions, sanctions, *etc.*, issued by GoI and GoK from time to time.

2.1.5 Scope of audit and methodology

Performance Audit was conducted covering the period 2010-15 in selected 10 districts[8] (out of a total of 30) based on stratified random sampling method. The records of the implementing agencies, KSTDC and JLRL, were also examined. Survey of domestic and foreign tourists was conducted at Belur, Halebidu, Hampi and Pattadakal by issue of questionnaire and responses obtained. The Entry Conference for the PA was held with DoT on 17 April 2015 wherein audit objectives, audit criteria, *etc.,* were explained and their co-operation was sought for conducting audit. The audit findings were discussed in the Exit Conference held on 21 December 2015.

2.1.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation extended by Tourism Department in conducting this PA.

Audit findings

Significant audit findings noticed during the PA are brought out in the succeeding paragraphs.

2.1.7 Planning

Planning is an essential process to develop strategies and schedule tasks to accomplish the objectives of the policy, which requires framing well thought out action plans with proper linkages to each objective. The detailed action plans help in achieving each of the objectives after analysing the strengths and the constraints of the organisation in the given scheme of things.

2.1.7.1 Non-preparation of strategic Action Plans

The KTP 2009-14 approved by GoK during October 2009 sought to make tourism the State's principal economic activity, as an employer, revenue

[8] Bagalkot, Ballari, Bengaluru (Rural), Chickballapur, Davanagere, Hassan, Kodagu, Mysuru, Uttara Kannada and Vijayapura

generator and engine of growth and one of the top two tourism destinations in India by 2016-17. The customer growth was to be achieved by targeting more markets through focused campaigns through private sector participation. KTP also advocated preparation of short, medium and long term actionable plans and identification of key performance indicators which could be measured and monitored.

Audit scrutiny showed that detailed action plans as envisaged in KTP to implement the vision was not prepared by the DoT. Annual Action Plans, which broadly comprised of infrastructure and destination development activities under Central/State schemes, promotion and publicity, incentives, *etc.*, were available. The Annual Action Plans were drawn up based on availability of budget grants but had no linkages to the vision. In the absence of the necessary overall strategic plan identifying the actions to be undertaken to promote the State's tourism potential, there were no benchmarks to measure whether the activities undertaken by DoT for the years 2009-14 effectively met the requirements of the stated objectives of KTP.

DoT replied (December 2015) that KTP relied on Public Private Partnership (PPP) model for development of tourism infrastructure and hence specific plans were not included in the KTP.

The reply is not acceptable as KTP required preparation of short, medium and long term actionable plans for growth of tourism in the State which required identification of projects under varied tourism products for attracting private sector investments. The reply clearly indicates lack of clear road map with suitable time lines for achieving the stated objectives.

2.1.7.2 Tapping tourism potential

Karnataka is promoted as "One State, Many Worlds" with different tourist segments such as places of worships, heritage monuments, hill stations, beaches, national parks and wildlife sanctuaries, *etc.* As per the Annual Report of DoT for 2011, heritage and religious tourism accounted for 65 *per cent* of tourists while the remaining 35 *per cent* was shared among leisure tourism (14 *per cent*), eco-tourism (13 *per cent*), wildlife tourism (2 *per cent*), coastal tourism (2 *per cent*), adventure tourism (2 *per cent*) and Entertainment Parks (2 *per cent*).

As heritage and religious tourism garner the main share, the scope for growth could have been maximised by attracting visitors through sustained promotion and publicity measures in other areas and by providing the necessary infrastructure. The KTP relied on PPP model for delivering tourism growth but the DoT had not identified the projects/areas which could be projected for development under the PPP model to realise the tourism potential.

The DoT replied (December 2015) that Karnataka has a variety of tourism destinations/products and the Department was making efforts for development of tourism. DoT stated that the Karnataka Tourism Vision Group recommendations (January 2014) were being considered for implementation.

It was however seen that the recommendations of the earlier Karnataka Vision Group (2010) on preparation of guidelines for providing basic amenities at all tourist sites had not been implemented.

Recommendation-1: A well defined road map may be drawn to tap the tourism potential of a wide array of tourist destinations existing in the State to realise the "One State, Many Worlds" objective of the KTP.

2.1.8 Tourism as a major contributor of economic growth

2.1.8.1 Share of Tourism in Gross State Domestic Product

KTP aimed at making tourism the State's principal economic activity. The share from tourism sector in the Gross State Domestic Product (GSDP) is represented by the sub-sector "Trade, Hotels and Restaurants", as envisaged in the Vision Document (2010).

The three major sectors which contributed to GSDP during 2010-15 are as shown in **Table 2.1**:

Table 2.1: Sectoral composition of GSDP at factor cost by industry of origin – At current prices

(₹ in crore)

Industry	2010-11	2011-12	2012-13	2013-14	2014-15
Real estate, Ownership of dwellings and Business services	66,502 (16.2)	78,845 (17.3)	95,025 (18.2)	1,16,340 (18.9)	1,39,834 (19.9)
Agriculture	62,440 (15.2)	61,985 (13.6)	70,848 (13.6)	87,716 (14.3)	1,03,574 (14.8)
Trade, Hotels and Restaurants	58,421 (14.2)	61,754 (13.6)	69,089 (13.2)	74,790 (12.2)	80,369 (11.4)
Total GSDP	4,10,703	4,55,212	5,22,673	6,14,607	7,02,131

(Source: Economic Survey Reports of the State) (Figures in brackets indicate percentage)

It may be seen from above Table that though the contribution to GSDP by "Trade, Hotels and Restaurants" sub-sector remained as third largest, it has actually decreased from 14.20 *per cent* to 11.40 *per cent* during the above period. While the overall growth in other sub-sectors has nearly doubled in the last five years, this subsector has registered only half of the overall growth rate. Thus, the measures taken by DoT were not sufficient to make tourism as a principal economic activity of the State.

The DoT replied (December 2015) that the role of hotels and restaurants in the growth of tourism is significant and hence concessions/rebates amounting to ₹ 11.77 crore were provided to 48 hotel/restaurant projects with a total investment of ₹ 982.24 crore which would positively impact contribution to GSDP in future.

The Audit however observed that the present statistics do not support the reply as the contribution to GSDP from the identified sector to assess the tourism growth is showing a declining trend.

2.1.8.2 *Capital investments from private sector*

The tourism policy had laid stress on attracting private sector investments to achieve its goal. The Economic Survey Report (2010-11) of GoK had estimated ₹ 25,000 crore of private investment in the tourism sector with potential employment generation of 29 to 41 lakh during the policy period.

During 2010-15, 512 projects involving investment of ₹ 27,550 crore with potential to generate employment for 0.55 lakh were approved[9]. The projects mainly comprised of construction of hotels and resorts.

Audit observed that 477 projects involving investment of ₹ 6,056.33 crore, with employment generation potential for 6,000 people, were implemented or were under progress during 2009-14. However, 35 major projects involving investment of ₹ 21,673.67 crore and employment generation potential of 25,955 people, were dropped as of May 2015 as the concerned entrepreneurs did not show interest in taking up the projects. Out of these, one mega project 'Tourism based Comprehensive Infrastructure Development Project' proposed in Chickballapur district at an investment of ₹ 18,400 crore sanctioned during 2010-11 was not taken up by the promoter and hence considered as non-responsive during 2014-15. Thus, investments made on committed projects were only 23.5 *per cent* and employment generation was not even one *per cent* of the target fixed under the policy.

DoT replied (December 2015) that response was poor despite the efforts to attract private investments by providing incentives, assisting in getting clearances from the agencies concerned, *etc.*

Thus, neither the quantum of investments nor creation of employment opportunities as promised by private sector had translated into reality.

2.1.9 Tourism growth

2.1.9.1 *Tourist Arrivals*

KTP envisaged bringing the State to one of the top two tourist destinations in the country. As at the beginning of 2009, the State stood at fifth position nationally in respect of Domestic Tourist Arrivals (DTA) and 11th position in respect of Foreign Tourist Arrivals (FTA). Details of year-wise tourist arrivals in the State during 2009-14 are as shown in **Table 2.2:**

[9] Projects with investment cost up to ₹ 3 crore are approved by DoT; projects with investment cost above ₹ 3 crore and up to ₹ 50 crore are approved by State-level committee and projects with investment cost above ₹ 50 crore are approved by the High-level committee

Table 2.2: Year-wise tourist arrival details

Calendar Year	Number of tourists visiting the State (in lakh)				Total
	Domestic tourists	Increase over previous year (in *per cent*)*	Foreign tourists	Increase over previous year (in *per cent*)*	
Tourists Arrivals based on 29 destinations					
2009	327.02	-	3.27	-	330.29
2010	382.03	16.82	3.81	16.51	385.84
Tourists Arrivals based on 149 destinations					
2011	841.07	-	5.74	-	846.81
2012	940.53	11.83	5.95	3.66	946.48
2013	980.10	4.21	6.36	6.89	986.46
2014	1,182.83	20.68	5.62	-11.64	1,188.45

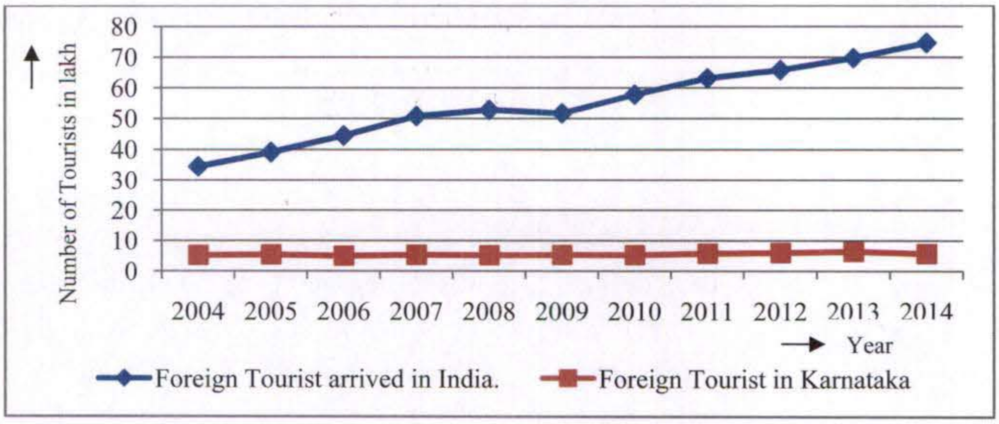
(Source: Information furnished by DoT)

* Years 2010 and 2011 were not comparable as the arrivals were obtained only for 29 destinations till 2010

Under DTA, the State had remained at fourth position during three years from 2011 to 2013 whereas it moved to third[10] position during 2014. The jump in the position is however found to be due to exhibiting of statistics of erstwhile Andhra Pradesh State under two separate States from 2014 onwards, on account of formation of Telangana State. To maintain uniformity for the purpose of comparison of tourist arrivals for the year 2014, the Karnataka State still remains at fourth position as the combined domestic tourist arrivals of Andhra Pradesh and Telangana was 16.57 crore against 11.83 crore domestic tourist arrivals to the State.

In respect of FTAs, the State stood at ninth[11] position attracting 7.5 *per cent* of total FTAs into the country. While FTA to India almost doubled from 34.60 lakh in 2004 to 74.62 lakh in 2014 (116 *per cent* growth), FTAs to the State has only marginally increased from 5.30 lakh (15 *per cent*) in 2004 to 5.62 lakh (7.5 *per cent*) in 2014 (6 *per cent* growth in a decade) as shown in **Chart 2.2**:

Chart 2.2: Foreign Tourist arrivals



(Source: Information furnished by DoT and India Tourism Statistics 2014)

[10] Followed after Tamil Nadu and Uttar Pradesh

[11] After Tamil Nadu, Maharashtra, Delhi, Uttar Pradesh, Rajasthan, West Bengal, Kerala and Bihar

It therefore appears that the promotional measures taken by DoT to attract foreign tourists have not yielded the desired results. With the current levels of achievement in attracting foreign tourists, it will not be sufficient to achieve the objective of making Karnataka as one of the top two tourism destinations in India by 2016-17.

DoT replied (December 2015) that the tourist arrivals to the State is showing increasing trend due to participation in travel marts, road shows, international fairs, *etc.*, but there was no method to measure the impact of participation in these events.

2.1.9.2 Publicity and promotion

Publicity and promotion for marketing tourism products is very important for expanding and increasing tourism growth. DoT should have framed a policy for promotion and publicity to effectively market the State as "One State, Many Worlds" in the national and international arena. No such policy was in place along with action plan. The grant towards publicity and promotion was allocated by GoK without any rationale as could be seen from the year-wise details of grant and expenditure for the years 2010-15 as per **Table 2.3** below:

Table 2.3: Details of original grant, revised and expenditure

(₹ in crore)

Year	Original grant	Supplementary grant + Re-appropriation	Total Grant	Expenditure
2010-11	13.15	-	13.15	13.15
2011-12	15.00	10.36	25.36	25.36
2012-13	10.00	13.25	23.25	23.01
2013-14	10.00	10.00	20.00	19.47
2014-15	47.03	20.00	67.03	56.73

(Source: Information furnished by DoT)

Audit observed that supplementary grants were released in all years except during 2010-11. From the year 2013-14 and onwards, expenditure towards subsidy for purchase of taxis, conducting tour programme for children and conducting hospitality courses in respect of OBC beneficiaries were met under publicity and promotional head though they do not form part of publicity and promotion activities. Thus, expenditure on publicity and promotion was inflated.

DoT participates in various national/international events, road shows, *etc.*, to showcase the tourism potential of the State, as well as to network with foreign tourism groups to advocate the State's Unique Selling Propositions and get business through negotiations, Memoranda of Understanding and contracts. During 2012-15, DoT had participated in 24 international and 43 domestic travel fairs/events to undertake promotional measures and had won several awards in the category of publicity material and erection of stalls. DoT had, however, not maintained data regarding nationality-wise break up of foreign tourists visiting Karnataka and efforts were also not made to assess the impact of such participations.

DoT replied (December 2015) that there was no mechanism to measure the impact of participation in international fairs.

Recommendation-2: The Department may draw up performance indicators to measure effectiveness of promotion and publicity activities undertaken.

2.1.9.3 Computation of tourist arrival statistics

Audit noticed that DoT compiles domestic tourist arrivals data from the sale of entry tickets, pooja/prasadam tickets at temple *etc.*, at each tourist spot. As several tourist spots existed or were located in a place, the adding up of tickets sold at each place would present a distorted data. Then, the method of compilation was not in conformity with the domestic tourist as defined[12] by MoT, GoI. DoT should collect tourist arrival data as prescribed, for proper planning of tourist facilities/amenities. DoT replied (December 2015) that GoI norms would be followed for preparing tourism related statistics.

2.1.10 Tourism development works

Investments by Government are quite necessary at places where private sector investments are not forthcoming in providing tourist infrastructure facilities, destination improvement/enhancement works and for providing basic facilities. Such activities are then undertaken by DoT out of GoI and State funds.

2.1.10.1 Idling of funds in deposits

For effective creation of infrastructure, DoT should ensure that tourist locations are identified after involving stakeholders like District Tourism Committee (DTC), local bodies, *etc.* in detailed discussions. The selection of projects should be made only after conducting feasibility studies.

During 2009-14, the plan expenditure of DoT for implementation of various infrastructure projects was to the extent of ₹ 1,330.89 crore, constituting 98.78 *per cent* of the total expenditure of ₹ 1,347.23 crore which was released to various implementing agencies.

Audit scrutiny revealed the following:

- In the 10 test-checked districts, ₹ 33.71 crore (including ₹ 2.05 crore realised towards interest) remained unutilised in Savings Bank (SB) accounts and ₹ 3.04 crore was kept in fixed deposits;

[12] "domestic tourist" is a person who travels within the country to a place other than his usual place of residence and stays at hotels or other accommodation/establishments run on commercial basis or in dharmashalas/ sarais/ musafirkhanas/ agrashalas/ choultries, *etc.*, for a duration of not less than 24 hours or one night and for not more than 12 months at a time for the purpose of (i) Pleasure (holiday, leisure, sports, *etc*); (ii) Pilgrimage, religious and social functions; (iii) Business conferences and meetings and (iv) Study and health. Persons visiting their hometowns or native places on leave or a short visit for meeting relations and friends, attending social and religious functions, *etc*, and staying in their own homes or with relatives and friends and not using any sight-seeing facilities are not treated as domestic tourists.

- ₹ 21.65 crore was released to KRIDL[13] in the last fortnight of 2014-15 to take up 81 works estimated to cost ₹ 42.22 crore. Similarly, ₹ 15 crore was drawn on 31 March 2015 and kept in the Personal Deposit Account for implementation of suggestions made by Karnataka Tourism Vision Group. The amount remained unutilised as of June 2015 as no specific activity or programme was identified.

Thus, funds meant for improvement of tourist infrastructure at destinations were kept idle in deposit accounts due to inadequate planning. DoT accepted (December 2015) the audit observation and stated that the implementing agencies had been instructed not to keep the grant in bank accounts and to complete the works.

2.1.10.2 Delay in development of tourist destinations and circuits[14]

Based on the proposals submitted by GoK, various tourism projects were approved by GoI, consequently releasing necessary amounts through the Central Financial Assistance (CFA). The CFA stipulations require commencement of work within six months of the receipt of grant and completion within 12 to 24 months, failing which the State has to refund the unspent balance unless otherwise permitted by GoI for extension/diversion to other CFA projects.

DoT did not maintain a comprehensive database of projects sanctioned by GoI. Records relating to implementation of 13 projects (involving one mega project, four circuit development projects and eight destination development projects) sanctioned by GoI at a cost of ₹ 83.89 crore, for which funds of ₹ 67.11 crore were released between 2007 and 2013 were verified in Audit. It was observed that there was delay in release of funds in all the cases and none of the projects were completed. Consequently, unutilised funds amounting to ₹ 11.55 crore in respect of seven projects were refunded to GoI due to non-availability of land and delay in clearance by ASI, *etc.*, as shown in **Table 2.4**. There was further loss of ₹ 6.40 crore as balance grants were not released by GoI for these projects.

Table 2.4: Details of delay in completion of projects

No. of projects	Reason
4	Non-availability of land
1	Delay in preparation of estimate/entrustment of work
2	Delay in clearance by ASI

(Source: Information furnished by DoT)

While deficiencies noticed in implementation of one mega project at Hampi have been brought out vide paragraph 2.1.10.4 below, deficiencies noticed in implementation of the other 12 projects have been brought out in **Appendix 2.1**. In brief, projects were taken up without necessary approvals resulted in loss of central grants for tourism development works.

[13] Karnataka Rural Infrastructure Development Limited.

[14] 'Tourist circuit' is a route on which at least three major tourist destinations are located.

DoT replied (December 2015) that grants were refunded to GoI to obtain sanction for new works and the time limit of 24 months prescribed for completion of projects is general and relaxed by GoI in many cases. The completion of projects was delayed due to shortage of technical staff in DoT and also time consumed for obtaining mandatory permissions from various agencies.

The reply is not acceptable as the reasons attributed to delay were already known to DoT. Suitable action should have been taken right from the beginning to ensure completion of works in time.

2.1.10.3 World Heritage Sites

Karnataka has two of the 32 World Heritage Sites in India recognised by UNESCO[15] *viz.,* Hampi (1986) and Pattadakal (1987) and thus would be a much preferred destination for foreign tourists. The heritage tag would also help in promoting the State as an attractive destination in international campaigns. The State has to observe the requirements as specified to retain the heritage tag which is being regularly inspected by UNESCO authorities.

The details of tourist arrivals at both the destinations during 2010-2014 were as shown in **Table 2.5**:

Table 2.5: Tourist arrivals

Year	Hampi (in lakh)		Pattadakal (in lakh)	
	Domestic	Foreign	Domestic	Foreign
2010	13.25	0.25	2.98	0.06
2011	14.16	0.70	3.34	0.06
2012	15.03	0.79	3.59	0.06
2013	16.11	0.66	3.34	0.07
2014	31.48	0.39	3.75	0.07

(Source: Information furnished by DoT)

In Pattadakal which is merely 140 km away from Hampi, tourist arrivals under both the domestic as well as foreign categories were almost stagnant during 2010-14 and only 10 to 25 *per cent* under domestic and 8 to 10 *per cent* under foreign category had visited Pattadakal when compared to Hampi. This indicated that the tourism potential of Pattadakal was not tapped effectively compared to Hampi and number of foreign visitors to Pattadakal had remained low, which calls for effective promotional measures.

DoT replied (December 2015) that Hampi and Pattadakal were not comparable by any means. However, no valid reasons were given as to why they were not comparable.

[15] United Nations Educational, Scientific and Cultural Organisation

The reply is not acceptable, as both are UNESCO recognised World Heritage Sites and situated within 140 km distance of each other and could be covered within three hours with well-connected roads. Efforts towards circuit development, promotional measures and awareness would attract foreign tourists to visit both the sites which belong to two different eras of Vijayanagara empire (14^{th} century to 16^{th} century) and Chalukyan empire (7^{th} to 8^{th} century).

2.1.10.4 Tourist infrastructure at World Heritage Sites

The infrastructure facilities available and proposed to be created in the two World Heritage Sites *i.e.,* Hampi & Pattadakal are discussed below:

Hampi

(a) For management of the World Heritage Site, the Hampi World Heritage Area Management Authority had been constituted (Hampi Authority) in March 2002. GoI had approved (September 2008) development of tourist infrastructure at an estimated cost of ₹ 81.91 crore with CFA of ₹ 32.84 crore, with a condition that GoK should also provide the same amount and get the project implemented through the Hampi Authority. The main components under the Project were "Improvement of surrounding of the destination, public amenities related to municipal services, illumination, road connectivity, refurbishment of the monuments, signages, *etc.*" and were to be completed by September 2009.

Audit scrutiny of records revealed that GoI had released ₹ 26.27 crore up to the end of June 2011 and ₹ 12.20 crore of that was utilised (till May 2015). The total expenditure incurred by Hampi Authority was ₹ 23.16 crore. Though completion period was extended till March 2013, many components were not completed as shown in **Appendix 2.2**.

The DoT replied (December 2015) that necessary action would be taken to complete the works.

(b) GoK proposed a Theme Park at Hampi to depict the glory of the Vijayanagara dynasty and make Hampi a Cultural Tourism Centre at a cost of ₹ 50 crore. Accordingly, ₹ 10 crore was provided in 2010-11 budget. A Trust was formed in January 2010 for implementation of the 'Theme Park', besides other development works in and around Hampi. DoT entrusted (November 2010) the work of preparation of Detailed Project Report (DPR) for ₹ 10 crore to the "Trust" and released ₹ 50 lakh towards preliminary expenses. Further, ₹ 12 crore was released in two installments (January 2011 and March 2012) and ₹ 1.41 crore was incurred towards preliminary expenses. The Trust submitted (December 2011) a DPR for ₹ 385 crore for implementation of the project in three phases. However, the Trust later expressed (May 2012) its inability to implement the project and GoK dissolved (June 2012) the Trust. GoK also ordered the Trust to refund the balance amount.

As a local authority for exclusive management of heritage site at Hampi was established by GoK, Audit observed that constitution of a separate Trust for the purpose was injudicious. Further, GoK released funds to the Trust in excess of its requirement. GoK decided to dissolve the Trust later but it is not clear why GoK did not consider handing over of the project to Hampi Authority for implementation as DPR had already been prepared.

DoT replied (December 2015) that the Trust was formed for implementing the 'Theme Park' with dedicated approach and that the balance amount held by the Trust has been refunded (February 2015) along with interest to Government. Thus, the establishment of the Theme Park, which was an added attraction, could not become reality as it was taken up without proper planning.

(c) To reduce the hazardous impact on monuments at the World Heritage Site, movement of tourist vehicles were banned in the 1.3 km stretch between Gejjala Mantap and Vijaya Vittala Temple complex at Hampi. Hence, 20 battery-operated vehicles were procured (2011) at a cost of ₹ 2.01 crore to ferry tourists in that stretch. Audit observed (June 2015) that 17 of these battery operated vehicles were under repairs and action was not initiated to get these vehicles repaired. The failure resulted in defeating the very objective of protecting the monuments as the movement of regular motor vehicles had to be allowed in the above stretch on account of non-availability of battery-operated vehicles.

DoT replied (December 2015) that tenders were invited (October 2015) to get vehicles repaired and orders have been placed (October 2015) to purchase 10 new battery operated vehicles. The action to get vehicles repaired was initiated after it was pointed out (July 2015) by Audit and the process has not been completed even as of November 2015.

Pattadakal

Though Pattadakal is the only other World Heritage Site in Karnataka, it has not gained the same popularity as Hampi in terms of tourist arrivals. Integrated development of Badami-Aihole-Pattadakal-Mahakoota circuit was sanctioned (2004-05) at a cost of ₹ eight crore by GoI. An amount of ₹ 6.40 crore was released (2004-05) and the work was only partially implemented (2009-10) to the extent of ₹ 4.50 crore. The work could not be completed due to abandonment of work by the contractor. Consequently, ₹ 1.90 crore was refunded (September 2013) to GoI and no action was taken to complete the balance works. DPR for development of Badami-Pattadakal-Aihole circuit out of central grants at a cost of ₹ 143 crore under Mega Project was submitted to GoI during 2010-11 but was not approved by GoI on the ground that the utilisation certificates in respect of the projects sanctioned by it during VIII to IX five-year plan period have not yet been submitted by GoK. Thus, Pattadakal which is a UNESCO site, could not be developed and promoted in a manner befitting its status due to lack of seriousness on the part of DoT.

DoT stated (December 2015) that the project was not sanctioned due to various reasons and ₹ 1.90 crore was refunded as GoI insisted to submit utilisation certificates or refund the amount for sanctioning new projects. DoT further stated that an Information Centre at Pattadakal had been constructed, two battery-operated vehicles were procured and 24 *acres* of land near Pattadakal acquired for constructing a Tourist Plaza.

The reply does not address the key issues of why promotional activities to develop the circuit including Hampi had not been taken up, why the local authority for proper management and development of heritage site has not been formed.

2.1.10.5 Non-availability of basic facilities at tourist spots

Providing and improving basic amenities at tourist sites would enhance overall tourism experience and also build a favourable perception in the minds of tourists. The Vision Group recommended (March 2010) DoT to develop guidelines regarding basic amenities that were needed to be provided at tourists sites. The Vision Group had also recommended conducting survey to assess the existing facilities, their condition and amenities required to be provided, so as to plan and prioritise the works. It was seen that no guidelines were prepared by DoT and prioritisation cannot be planned only on the basis of availability of funds as basic amenities are an absolute necessity at the tourist sites. The delay of more than a year in this regard reflects that DoT has not given the due importance to this vital issue as it deserves.

DoT replied (December 2015) that action would be taken to provide the facilities as per the report submitted by the consultants.

With an intention to put in a system for creating a central repository of data on tourism infrastructure, DoT appointed (May 2014) iDeCK[16] to assist in developing the required systems including deployment of necessary manpower to carry out the identified activities. Accordingly, 30 Tourism Consultants were appointed by iDeCK and posted (September/October 2014) in each district. The monthly report submitted by these consultants to iDeCK exhibited *inter alia* the status of availability of basic facilities at the respective tourist destinations (including nearby located spots). Verification of such reports in nine sample districts[17] involving 98 tourist spots (plus 97 spots located nearby) revealed that:

- Water facilities were not available at 68 spots;
- Toilet facilities were not available at 97 spots;
- Signages were not available at 101 spots;
- Police outposts were not available at 158 spots.

[16] Infrastructure Development Corporation (Karnataka) Limited
[17] Except Kodagu district where the information was not available, as the consultant left the job midway

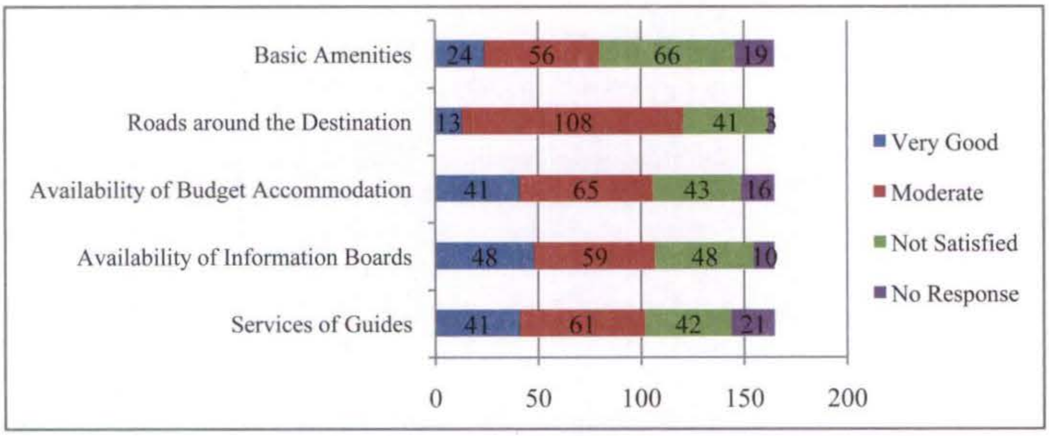
In Hampi heritage site involving nine tourist spots[18] spread over different locations, it was observed that water facilities were not available at three spots, toilet facilities were not available at four spots, signages were not available at two spots and information kiosks were not available at eight spots. In Pattadakal heritage site, police outposts and information kiosks were not available.

Toilet at Hampi with missing doors and not easily accessible

Audit conducted a survey of 165 tourists[19] at Hampi, Pattadakal, Belur and Halebidu to assess the opinion of tourists regarding availability of basic facilities at these spots.

The details of the survey on the availability and lack of facilities is indicated in **Chart 2.3**:

Chart 2.3: Survey on satisfaction of tourists on various facilities at destinations



Audit also conducted a joint survey, along with the DoT representative, of the licensed tourist guides (25 numbers) at Hampi who expressed that, basic facilities such as drinking water, toilet, restaurants and maintenance were lacking. The interviewed guides also expressed their concern that rampant existence of unlicensed tourist guides affected their credibility. Forty two tourists responded about the unsatisfactory service of the guides, as indicated in **Chart 2.3** above.

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18 Lotus Mahal, Queen's Bath, Shri Hazare Rama temple, Gejjale mantap, Vijayavittala temple, Virupaksha temple, Kodandarama temple, Sasive Kalu Ganapa and Ugra Narasimha temple

19 A survey of tourists was conducted at Hampi (90), Pattadakal (33), Halebidu (20) and Belur (22) by eliciting their response to a questionnaire.

Lack of such basic amenities at the tourist destinations will have a negative impression on the minds of tourists which may adversely affect the growth of tourism.

DoT stated (December 2015) that basic facilities like drinking water, roads, sign boards, *etc.* would be provided on priority based on availability of funds.

Recommendation-3: The Department may address the issues brought out in the survey regarding basic amenities, connectivity, information, availability of guides, *etc.*, by involving local authorities, Road Transport Corporations, State Archaeological Department, Public Works Department, *etc.*

2.1.10.6 Construction of yatrinivas/dormitory

DoT undertakes construction of yatrinivas/dormitory near temple/mutts for accommodation of tourists. Creation of infrastructure should be based on the assessed requirement and mechanism for management of facilities created should be in place as soon as the infrastructure was created.

In 10 test-checked districts, 131 yatrinivas/dormitory costing ₹ 87.48 crore were taken up (2009-14) at the instance of the local representatives without an independent assessment of the need by DoT. Construction of 66 buildings (₹ 33.81 crore) were completed but authority for its management was not finalised at approval stage.

As DoT had not identified authorities for management of these buildings, Deputy Commissioners (DC)/Assistant Directors (ADs) of Tourism of 18 districts sought (June 2012 and May 2014) directions for maintenance of 77 yatrinivas/dormitory buildings which were completed between 2007 and 2014 (₹ 51.63 crore). Government issued instructions (July 2014) for handing over the same to the Temple/Mutt authorities on lease basis at a nominal lease rent of ₹ 1,000 per annum but the process of handing over was not completed as of September 2015.

The possibility of providing lodging facility for tourists by the prospective lessees in these yatrinivas/dormitories is highly remote as the furniture/fittings were not provided in these buildings. Records showed that 17 buildings (₹ 5.15 crore) were being used for other purposes *viz.*, school, hostel, marriage hall, *etc.,* instead of being used as yatrinivas/dormitory to promote tourism.

Evidently, failure to identify the authorities responsible for management of yatrinivas/dormitory before sanction and diversion of facilities for other purposes reflect that suitable planning in this regard was deficient.

Some illustrative examples of having taken up works without assessing necessity and feasibility are brought out below:

Dormitory at Galiyamma temple in Hosapete taluk remaining unused

Dormitory at Ukkadakei Huchangiamma temple in Hosapete taluk remaining unused

In Hosapete, joint inspection of 11 dormitories/yatrinivas buildings already completed was conducted (December 2015) by Audit team along with the representatives of KRIDL and DoT. Out of these, nine buildings were found locked whereas marriage function was underway in two buildings.

The representative of KRIDL stated that these buildings were already completed and keys had been handed over to the temple authorities. The representative of DoT however stated that all these 11 buildings were not yet handed over by KRIDL to Tourism Department and completion reports were also not submitted by KRIDL.

- In Davanagere, four dormitories constructed during 2011 and ordered to be handed over to Temples/Mutts in July 2014 were not yet taken over by the concerned despite issue of reminders. In addition, the yatrinivas at Shantisagar Lake completed (March 2011) at a cost of ₹ 1.29 crore was not put to use. DoT replied (December 2015) that the facility had been handed over on Renovate, Operate, Maintain & Transfer (ROMT) basis for 30 years at an annual rent of ₹ 5.58 lakh but was done after a lapse of more than four years.

  In Chickballapur, three yatrinivas buildings completed during 2014 were not yet put to use as the authority to take over the same is not yet decided.

- In Mysuru district, DC reported (January 2015) that the work of providing infrastructure facilities (including dormitories at a cost of ₹ 97 lakh and providing lighting at ₹ 41 lakh) taken up near a temple spot and completed one year back at a cost of ₹ 1.73 crore were not put to use and exposed to damages as the spot was located in hilly forest area. DoT replied (December 2015) that the facility would be completed and handed over for use by Tourists.

Yatrinivas at Gadidam temple in Chickballapur district remaining unused

DoT replied (December 2015) that 21 buildings had been handed over. The Department does not maintain the facilities on its own due to shortage of staff and hence their maintenance were entrusted to the Temple Trusts/Committees. DoT also stated that utilising the facilities for other purposes is not objectionable.

The reply was not acceptable as 56 buildings have not been handed over even 17 months after issue of Government Order. Moreover, these buildings have not been utilised for their intended purpose even after spending ₹ 51.63 crore.

2.1.11 Creation of additional tourist attractions

The KTP 2009-14 had emphasized development of tourism products such as wellness tourism, homestays, sound and light shows, eco and adventure tourism, *etc.* It was observed in audit that insignificant efforts have been made towards conceptualising, planning and development of these products as detailed below:

2.1.11.1 Wellness Tourism[20]

Realising that many of the Wellness Centres were not following the original concepts and practices of Ayurveda and were being manned by unqualified persons without basic knowledge of Ayurveda, *etc.,* GoK decided (October 2009) to adopt guidelines approved by GoI for accreditation of Wellness Centres. Subsequently, modifications in the guidelines were suggested (May 2010) by the Ayush authorities and stakeholders. Despite lapse of more than five years, the guidelines have not yet been finalised by GoK and 17 applications received (2009-10 to 2012-13) for accreditations have been kept pending for the past two to five years. Though wellness tourism was one of the thrust areas among tourism products identified in KTP, in the absence of accredited centres, DoT may not be able to promote the State as a destination for wellness tourism in domestic and international arena. Operating of non-accredited centres would also affect credibility of the State as there would be no way of monitoring the quality of services provided.

DoT replied (December 2015) that approval for Wellness Centres could not be sanctioned as there was delay in framing the guidelines and a committee would be formed to scrutinise the applications as per the new policy.

Recommendation-4: Guidelines may be finalised on priority for granting accreditation to Wellness Centres as the matter is pending since year 2010.

[20] Wellness Centre is defined as a facility that provides specialized therapy to tourists through alternate system of medicine such as AYUSH (Ayurveda, Yoga, Naturopathy, Unani, Siddha and Homoeopathy) through professionally qualified personnel

2.1.11.2 *Eco-tourism[21] and Adventure Tourism[22]*

Apart from environmental benefits, the educational and recreational aspects of forests have gained importance amongst general public and DoT has made it a thrust area to promote eco-tourism by permissible activities in the national parks, wild life sanctuaries, reserve forests, *etc*.

Five works under eco-tourism were sanctioned at a cost of ₹ 13.65 crore between March 2007 and December 2010. Audit scrutiny revealed instances of curtailment in approved components, abandoning of project, changes in scope of work after entrustment, *etc.*, affecting completion of projects as scheduled.

DoT also sanctioned (2008-09) three Adventure Tourism projects at a cost of ₹ 14.65 crore. One project was shelved after incurring an expenditure of ₹ 77 lakh and the other two projects were not completed as scheduled.

Deficiencies noticed in implementation of the above projects are shown in **Appendix 2.3**. Expenditure of ₹ 20.25 crore on these projects thus brought no lasting benefit in improving the State's tourism potential.

DoT replied (December 2015) that eco-tourism components were implemented as per the sanction and modifications were done as per site conditions. DoT also stated that trekking paths are being identified at 20 locations for promotion of Adventure-tourism.

The fact remains that all the projects could not be completed and suffered on account of various reasons and one project was shelved, which is indicative of weak appraisal of projects before their sanction.

2.1.11.3 *Training in Adventure and Water sports*

Based on the proposal (July 2012) of JLRL for imparting training in Adventure and Water Sports under Special Component Plan/Tribal Sub-Plan programme, GoK released (2013-14) ₹ 2.75 crore towards purchase of equipments for water sports to impart training to the SC/ST candidates during 2013-14. While a committee was constituted (August 2013) for selecting the beneficiaries, the selection of candidates has not yet been finalised (June 2015).

DoT replied (December 2015) that adventure sports locations are in forest areas and individuals are not permitted to operate adventure sports facilities.

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[21] Tourism which is ecologically sustainable and subsumes the environmental carrying capacity of a given area

[22] Involves infrastructure and activities that provide the tourists with an opportunity to explore adventure and includes activities such as mountaineering and trekking, river running, kayaking, river rafting, scuba diving, water skiing, surfing, paragliding, parasailing and bungee jumping, *etc*

Hence, this course is proposed (July 2015) to be modified as "Orientation programme in Eco-Tourism" and implemented after approval.

The reply is not tenable as the scheme was not implemented even after two years of release of funds and the JLRL was well aware of the restrictions in forest areas even at the outset.

2.1.11.4 Coastal Tourism

Coastal Regulation Zone (CRZ) Rules notified during 2011 prohibits taking up construction activities up to a distance of 500 metres from the High Tide Line (HTL) of the sea in CRZ I category.

GoK approved (December 2009) 'Comprehensive improvement of Tagore Beach in Karwar' comprising 15 components at an estimated cost of ₹ five crore for execution through *Nirmithi Kendra*. As of March 2015, works to the extent of ₹ 1.86 crore were completed against release of ₹ three crore. The components of providing parking of vehicles, adoption of high mast lights, and fencing around the defence zone were dropped due to CRZ regulation and widening of road by NH authorities. The main component of providing toy train estimated to cost ₹ one crore was also not taken up and the DC had directed (December 2014) the implementing agency to consult Konkan Railway regarding the component of toy train as the *Nirmithi Kendra* lacked necessary expertise in that regard.

Thus, the destination improvement project that was sanctioned nearly six years ago is still far from completion without bringing any of the intended benefits.

DoT replied (December 2015) that discussions for relaxing CRZ norms were held with GoI nominated committee. DCs of Uttara Kannada and Dakshina Kannada have been instructed to provide facilities for Surfing and Scuba diving in the coastal areas.

Thus, inspite of the State having a long coastline, coastal tourism has failed to take off mainly because of lack of seriousness of the Government and DoT in handling the public issues.

Recommendation-5: The destination management involving multiple stakeholders would help in achieving the objective of the policy to make State a preferred tourist destination.

2.1.11.5 Promotion of Homestay Scheme

To increase the room capacity to accommodate tourists and encourage private stakeholders, GoK promoted (July 2007) implementation of 'Homestay Scheme' especially in posh bungalows, heritage homes, farm houses, *etc.*, and set a target of 1,500 classified homestays by 2012 in the tourist spots all over the State. The homestays were required to be registered with DoT under

'Gold' and 'Silver' categories and required to pay an annual fee of ₹ 15,000 and ₹ 10,000 respectively. The registration was valid for three years and had to be renewed by paying a prescribed fee (₹ 3,000 and ₹ 2,000) subject to fulfillment of certain conditions. The homestays registered with DoT were treated as non-commercial activity, entitled for using Karnataka Tourism Brand for marketing, and Departmental assistance for obtaining loan. The non-commercial tag enables payment of electricity tariff, water rates and property tax at concessional rates as applicable to domestic purposes.

There were 306 registered homestays in the State as of March 2012. New proposals were received between the years 2011-12 and 2014-15 for establishment of 524 new homestays in 16 districts but they were not finalised. The DoT appointed an agency for conducting site inspection, train homestay owners and classification only during January 2015 and the process was not completed as of June 2015. Further, 306 homestays continued to run by paying annual fee though their registration period had expired.

DoT replied (December 2015) that the nominated agency had submitted the report and certificate of registration would be issued to 233 applicants found qualified and deficiencies noticed in other applicants have been intimated to them for rectification. DoT also stated that rating agencies were empanelled (March 2015) for assessment of facilities provided by the homestays.

Thus, failure of DoT in not finalising the process of registration of homestays even after four years rendered unauthorised running of homestays which discourage genuine entrepreneurs in taking up business.

To assess the impact of the initiative taken by GoK for promotion of homestay scheme, Audit sought response from homestay owners from Kodagu district by forwarding a questionnaire through e-mails. The homestay owners reported about poor road conditions, lack of internet/phone connectivity, inadequate signages, functioning of unauthorised homestays.

Recommendation-6: The Department may streamline and expedite homestay registration and popularise the scheme effectively by uploading the ratings in the departmental website.

2.1.11.6 Sound and Light Shows

As a measure to enrich tourism experience, DoT undertook to provide Sound and Light Shows at historical monuments to narrate their glorious past, the history and folk tales of the region/State, *etc.* During 2008-10, GoK approved four Sound and Light Show projects at a cost of ₹ 9.36 crore. These monuments were under the jurisdiction of ASI and required their approval before commencement of any such Sound and Light Project. As funds were released before obtaining the mandatory approval, none of the projects could be taken up by the implementing agencies. Details were as shown in **Appendix 2.4**.

2.1.12 Management of State- owned tourist infrastructure

KSTDC and JLRL were operating hotels and lodges and occupancy ratio of these accommodation units had shown negative trend during 2010 to 2015. There were also lapses such as delay in handing over of properties to lessees on ROMT basis coupled with lack of monitoring of properties by KSTDC resulting in idling of infrastructure as brought out below.

2.1.12.1 Decreasing trend in occupancy percentage in respect of hotels run by KSTDC/JLRL

KSTDC was operating 17 hotels consisting of 324 rooms whereas JLRL was operating 11 lodges consisting of 177 rooms as of 1 April 2011. The percentage of occupancy in respect of KSTDC hotels went down from 46 in respect of 17 hotels operational in 2010-11 to 38 in 2014-15. In respect of JLRL, the percentage of occupancy of 11 lodges which was operational during 2010-11 to 2014-15 went down from 57 during 2010-11 to 48 during 2014-15. It was observed that four units at Pilikula, Hampi, Bidar and Gokarna recorded poor occupancy which was below 20 *per cent*.

Since there was 40 *per cent* increase in the number of tourist arrivals into the State during the period between 2011 and 2014, decrease in the percentage of occupancy indicate that proper strategy was not put in place by KSTDC/JLRL to attract more tourists to the Hotels/Jungle Lodges being operated by them. Further, reasons for decrease in the occupancy ratio were also not analysed periodically by the respective managements for taking timely remedial measures to improve the occupancy.

Thus, despite increase in the number of tourists, the occupancy ratio in KSTDC hotels/ JLRL lodges had decreased which is a matter of concern for the Government.

DoT replied (December 2015) that action would be taken to analyse reasons for decrease in occupancy rate and ensure increased occupancy rate in future.

2.1.12.2 Leasing of properties

KSTDC leased 30 properties (Hotels/Wayside facilities) on ROMT basis to various agencies for a period of 25/30 years. Out of the above, four[23] properties were surrendered (between 2011-12 and 2013-14) by the lessees and KSTDC returned (June 2014/May 2015) the properties to DoT. In two[24] cases, the lease agreement was cancelled due to non-payment of lease rent of ₹ 30.74 lakh, which was yet to be recovered. The Yatrinivas at Jog Falls was handed over to Jog Management Authority and three properties had been

[23] Wayside facility at Lakkundi, Hotel Mayura Malaprabha at Belagavi, Mayura Yatrinivas at Aihole and Yatrinivas at Jog Falls

[24] ₹ 23.82 lakh (Hotel Mayura Malaprabha at Belagavi) and ₹ 6.92 lakh (Mayura Yatrinivas at Aihole)

leased on ROMT in July 2015 but properties had not been handed over to the lessees to renovate and operate the facilities.

DoT replied (December 2015) that the properties would be handed over after conducting joint inspection. The reply was not acceptable as no reasons were furnished for non-conducting of joint inspection. No details were furnished by DoT regarding recovery of outstanding lease rent of ₹ 30.74 lakh.

DoT also owned 13 non-operational facilities which included three facilities constructed between 2012 and 2013 and five facilities were in dilapidated condition. In order to manage these facilities through private players, DoT appointed iDeCK to assess cost of renovation for entrustment on ROMT basis which submitted the report during September 2014. DoT entrusted three properties on ROMT basis in July 2015. There was no response in respect of other properties. The details are shown in **Appendix 2.5**.

Audit scrutiny showed that no response was received in respect of newly constructed facilities at one place. Further, DoT had not handed over three properties for which lease agreements were signed in July 2015.

DoT replied (December 2015) that three properties would be handed over to lessees after conducting joint inspection and tenders would be invited again in respect of other properties. The reply was not acceptable as no reasons were furnished for not conducting joint inspection which had delayed in undertaking renovation and commissioning by the lessees. Further, it was not clarified as to why tenders were not reinvited by the DoT.

Lack of seriousness on the part of DoT to take necessary steps resulted in non-availability of facilities to the tourists and delay in leasing of properties would result in further deterioration of infrastructure.

2.1.12.3 Diversion of newly constructed International Hotel for other purposes

With the objective of providing accommodation facilities to tourists visiting Heritage sites at Belur and Halebidu, GoI sanctioned (December 2004) construction of an International Hotel at Belur, at a cost of ₹ 3.60 crore and released ₹ 2.88 crore for the purpose. Due to delay in identification of suitable land, the work was entrusted (January 2009) after a delay of five years at a cost of ₹ 4.32 crore and completed (January 2012) at a cost of ₹ 4.99 crore. The entire building was handed over to Food Craft Institute (FCI) in October 2012 for using it temporarily until proposed new building for FCI was completed. FCI trained 333 students during 2013-15 using only one room for


International Hotel at Belur not opened to tourists

conducting practical training. The remaining 19 rooms were kept vacant for almost three years, thus defeating the very objective for which the hotel was constructed. GoK ordered (March 2015) handing over the building to KSTDC after vacation by FCI. The building was still under the possession of FCI (November 2015).

DoT replied (December 2015) that the building, though not used for tourist purposes, was used for training 330 students. However, action would be taken to use it as a hotel after shifting of FCI to Hassan.

The reply of the DoT is not acceptable because FCI is using only one room and DoT can use all other 19 rooms as hotel as is being done by the other hotel managements.

Audit survey indicated that there were only three hotels available in Belur and by not operationalising this hotel three years after its construction, the tourists were being denied appropriate facilities, which was detrimental to tourism of the place.

2.1.13 Capacity building

Manpower such as tourist guides and personnel for hotel industry are essential components of tourism sector and DoT undertakes measures to meet the needs of the tourism industry by releasing subsidies under various beneficiary-oriented schemes. Audit scrutiny revealed that these schemes were not effectively implemented as funds were released before identification of beneficiaries resulting in non-achievement of the objectives of these schemes as detailed below.

2.1.13.1 Distribution of taxis

The GoK launched (2009-10) a scheme for distribution of taxis to unemployed youth under SC/ST category with subsidy of ₹ two lakh for each beneficiary. The taxis should be in the name of the beneficiary for five years. The beneficiary would be required to submit copies of all the documents to DoT immediately after purchase and registration of the vehicle. The scheme was extended to OBC beneficiaries also during 2013-14. The details of release and its utilisation during 2010-15 were as shown in **Table 2.6:**

Table 2.6: Release and utilisation

Year	Physical (in numbers)			Financial (₹ in lakh)		
	Target	Achieved	Balance	Target	Achieved	Balance
2010-11	1,143	1,119	24	2,002	1,958	44
2011-12	1,201	1,064	137	2,402	2,128	274
2012-13	745	578	167	1,490	1,156	334
2013-14	4,700	1,841	2,859	9,400	3,682	5,718
2014-15	772	44	728	1,544	88	1,456
TOTAL	**8,561**	**4,646**	**3,915**	**16,838**	**9,012**	**7,826**

(Source: Details furnished by DoT)

As may be seen from the **Table 2.6**, the cumulative utilisation was only 54 *per cent* of the target fixed and ₹ 78.26 crore was lying idle in the bank accounts of the DCs which was due to release of funds every year without ensuring utilisation of funds released previously. The balance available at the end of 2013-14 was ₹ 57.18 crore which was more than the requirement for 2014-15 but DoT released ₹ 15.44 crore during the year which lacked justification.

Further, the copies of documents were not obtained from the beneficiaries. Audit cross verified the details of 517 beneficiaries with the RTOs and found that in 33 cases the vehicles were transferred to other persons, within five years. DoT accepted (December 2015) the audit observations and stated that efforts are being made for speedy implementation of the scheme.

The Government does not have any system to see whether the scheme was serving the purpose of increasing the tourism in the State.

2.1.13.2 Short term courses on hospitality and allied programmes

A scheme for conducting short term courses for SC/ST and OBC students on hospitality and allied sectors through private institutions was undertaken by DoT by providing funds to colleges at different[25] rates during 2010-14. As per guidelines issued at the time of release of funds, the colleges were required to intimate DoT about (i) details of students enrolled within 15 days of the commencement of course, (ii) the details of students who completed training and (iii) and the details of their placement after completion of training to the Department. The details of colleges and students trained during 2010-15 are shown in **Table 2.7:**

Table 2.7: Number of students proposed to be trained by colleges and amount released

(₹ in crore)

Year	No. of colleges	No. of students	Amount released
2010-11	3	1,126	1.60
2011-12	3	843	1.20
2013-14	10	1,492	2.98
2014-15	7	690	1.38

(Source: Information furnished by DoT)

Audit scrutiny revealed that the requisite details were not furnished by the colleges but DoT continued to release funds to these colleges in subsequent years.

Audit sought information from nine colleges (where 3,562 students were trained) out of which only four colleges could furnish information regarding employment of 1,386 students (39 *per cent*) after completion of their training whereas the remaining five colleges (where 2,176 students were trained) did not have any information regarding employment of the trainees after completion of training.

[25] At the rate of ₹ 12,000, ₹ 14,200 and ₹ 20,000 per student per course during 2010-12, 2013-14 and 2014-15 respectively

DoT replied (December 2015) that the details of candidates trained and utilisation certificates were obtained from three colleges and the same would be obtained from the remaining colleges.

The reply was not acceptable as the colleges which furnished details to Audit also furnished details to DoT, which had been made available while giving reply to audit. This evidently shows that no monitoring was done by DoT and funds were released without obtaining details envisaged in Government Order.

2.1.14 Conclusion

Measures taken by DoT were inadequate to enhance the status of tourism as the principal and largest economic activity of the State as no actionable plans were prepared though envisaged in the policy. Neither the quantum of investments nor creation of employment opportunities as promised by private sector had translated into reality as investments of ₹ 21,673.67 crore out of ₹ 27,550 crore sanctioned did not take off and creation of additional jobs was over estimated as not even one *per cent* of the target could be achieved. The growth rate in tourist inflow to the State remained static. Omissions such as taking up projects without necessary approval from Departments concerned, delay in release of funds, non-identification of land, *etc.*, resulted in loss of central assistance of ₹ 17.95 crore in seven cases. The mega project at Hampi taken up in 2008 was still under progress and Theme Park estimated at a cost of ₹ 50 crore was shelved after incurring expenditure of ₹ 1.41 crore. Tourism potential of Pattadakal was not tapped effectively compared to Hampi and separate management authority like in Hampi was not established. Seventy seven Yatrinivas/dormitories constructed for the benefit of tourists at a cost of ₹ 51.63 crore were not put to use due to delay in identifying authority for its management. Eco & adventure tourism, sound and light show and coastal tourism projects were not completed as planned or several components were shelved on account of various reasons which were indicative of weak appraisal of projects before their sanction. Norms for providing basic amenities were not finalised and basic amenities were lacking at identified tourist destinations including at world heritage sites. Thirteen departmentally owned facilities like hotels and restaurants could not become operational due to non-handing over of facilities by DoT to private players after entering into lease agreements with them in six cases and delay in tendering which resulted in idling of assets.

Chapter 3

Compliance Audit

CHAPTER 3

COMPLIANCE AUDIT

Compliance Audit of the Economic Sector departments, their field formations as well as that of the autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs:

COMMERCE AND INDUSTRIES DEPARTMENT

3.1 Unfruitful expenditure

Absence of a detailed project report, diversion of funds, non-procurement of necessary equipment , *etc.* resulted in failure in setting up of Gems and Jewellery Training Institute leading to unfruitful expenditure of ₹ 2.01 crore.

Government of Karnataka (GoK) approved (January 2008) establishment of a Gems and Jewellery Training Institute and Park at Bengaluru and Karwar under Public-Private Partnership (PPP) model to be implemented by Karnataka Small Scale Industries Development Corporation Limited (KSSIDC) and released (March 2009) ₹ 1.01 crore for the training component of the project. The efforts made by KSSIDC to find private players did not materialise and hence it decided (March 2010) to refund the amount to Government. The Government Tool Room and Training Centre (GTTC) which was in the field of imparting industrial training programmes offered to take the responsibility for training and implementation of the project in co-ordination with KSSIDC. The Government accepted (October 2010) the proposal and issued orders for transfer of ₹ 1.01 crore from KSSIDC to GTTC and also released an additional amount of ₹ one crore as per the estimate submitted by the GTTC. The project cost of ₹ 2.01 crore comprised procurement of computer hardware, software, jewellery laboratory equipment, metrology equipment, furniture, *etc.* GoK also stipulated that KTPP Rules[26] be followed for procurement.

The details of procurement and payment made are given in **Table 3.1**:

Table 3.1: Procurement and payment details of computer materials

Sl No	Description	Supplier	Quantity	Amount paid (₹ in lakh)
1	Siemens PLM[27] jewellery design software	Meksol India	40	49.00
2	DELL Workstations	Sam Infoways India Pvt Ltd	40	35.78
3	DELL Laptops	Computer Indya	25	11.90
			TOTAL	96.68

[26] Karnataka Transparency in Public Procurements Act, 1999 & Rules, 2000
[27] Product Lifecycle Management

The jewellery laboratory equipment, metrology equipment, furniture, *etc.*, were not procured. The Governing Council of GTTC (GC) decided (May 2011) to discontinue the establishment of jewellery training institute at Bengaluru and instead suggested the project be taken up as a joint venture with industry association on PPP model because of financial crunch. The GC proposed (February 2012) setting up of a sub-centre at Mangaluru, in place of Bengaluru, due to space constraints which was approved by the Government in September 2012. The equipment was accordingly shifted to Mangaluru in November 2014.

Audit scrutiny (September 2014) of records revealed the following:

- The computer hardware was procured from different firms without following competitive bidding process as required under the KTPP rules.
- The establishment of the institute was sanctioned without a detailed project report. No survey was conducted to assess the demand for or requirement for a Gems and Jewellery Training Institute. Due to lack of planning, the PPP model of implementation had to be scrapped and GoK had to release additional funds.
- Project funds amounting to ₹ 1.04 crore meant for procuring essential equipment were unauthorisedly diverted to meet establishment expenditure.
- Out of 40 workstations procured (October 2010), 10 workstations each were initially supplied to Mangaluru and Belagavi institutes even though they were not approved centres as per the original scheme. The delivery pattern was indicative of skewed planning.
- The Siemens PLM jewellery design software was procured at a cost of ₹ 49 lakh on the basis that it was being used by private jewellery making firms and also by private training institute. However, Audit noticed that private training institute was imparting training using Rhinocerous and Matrix software. The Siemens PLM software is commonly used for CAD/CAM application software for imparting training in tool and die making, sheet making and could also be used for jewellery designing. Thus software was purchased without assessing proper requirement.
- GTTC procured 25 laptops (cost ₹ 11.90 lakh) which were not as per the requirement. It was stated that the laptops were being used by officers of the institute. Thus, the project funds were diverted for other purposes.

The establishment of a jewellery training institute (sub-centre) at Mangaluru did not serve any purpose as there were no takers for the jewellery training programmes offered, thereby rendering the expenditure of ₹ 2.01 crore unfruitful.

On this being pointed out (May 2015), Government stated (October 2015) that it was decided to establish the Gems and Jewellery Centre at Mangaluru since sufficient space was not available in GTTC Bengaluru Centre. It also stated that efforts were made to conduct Gems and Jewellery design training programmes using computers and software procured for this purpose, but there was no response from the candidates to undergo training. However, the workstations and software would be used to train Diploma students. The reply clearly establishes the fact that the project was ill-conceived without proper planning. Even after setting up of the centres, publicity measures were not undertaken to attract potential persons to get training.

Thus, absence of a detailed project report, diversion of funds and poor implementation resulted in non-fulfillment of the objective of establishing a Gems and Jewellery Training Institute even after seven years of sanction by the Government, which resulted in unfruitful expenditure of ₹ 2.01 crore.

3.2 Excess payment of Market Development Assistance

Payment of ₹ 1.99 crore in excess of permitted rate for Market Development Assistance.

Government of India (GoI) modified (April 2010) the Market Development Assistance (MDA) to enlisted Khadi institutions from the existing rebate scheme to provision of assistance at the rate of 20 *per cent* of the production cost. For items supplied to Government departments under Rate Contract (RC), which does not involve retail channel, the Khadi institutions were eligible to receive MDA at 11 *per cent*[28] of the production cost.

The Government of Karnataka (GoK) switched over to MDA from 1 April 2012, fixing the rate at 15 *per cent* of the production cost. As per the guidelines issued (April 2010) by the GoK, the conditions prescribed by the GoI were also made applicable to the MDA provided by State. The MDA being fixed at 15 *per cent* of the production cost, the Khadi institutions supplying RC items were eligible to receive MDA at 8.25 *per cent*[29] of the production cost as per the GoI formula, specified in the guidelines.

On scrutiny of the records (November 2014) of Karnataka State Khadi and Village Industries Board, Bengaluru (Board), Audit noticed that excess MDA was paid to 12 Khadi institutions for RC items during 2012-13 and 2013-14, without restricting the amounts to the admissible MDA at 8.25 *per cent* of the production cost. As per the RC sales details furnished to audit, the MDA payable by GoK works out to ₹ 2.43 crore against which MDA of ₹ 4.42 crore was paid to these Khadi institutions. The excess payment of MDA in contravention of scheme guidelines works out to ₹ 1.99 crore.

The Chief Executive Officer of the Board stated (August/October 2015) that the excess payment of MDA actually worked out to ₹ 64.51 lakh and ₹ 50.51 lakh had been recovered. The balance amount would be recovered in future releases.

The Board, however, did not furnish the details of how the excess payment of only ₹ 64.51 lakh was arrived at. Also, contrary to their claim that

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[28] GoI formula $= (25 + 30) \times (20 \div 100) = 11$

[29] GoK formula $= (25 + 30) \times (15 \div 100) = 8.25$

₹ 50.51 lakh had been recovered, Audit verified (October 2015) that only ₹ 30 lakh was actually recovered (October 2015).

The matter was referred to the Government in May 2015, followed by reminders in August and September 2015; their reply is still awaited (December 2015).

3.3 Payment of land compensation twice for same land

Land compensation payment was made twice for the same land resulting in erroneous payment of ₹ 1.84 crore due to non-verification of status of land by Karnataka Industrial Areas Development Board.

In terms of circular issued by Government (March 2007) for acquisition of land for formation of industrial layout, the preliminary notification is to be made only after conducting joint measurement of land with Revenue Authorities.

Karnataka Industrial Areas Development Board (KIADB) acquired 1,612-08 *acres* of land for Harohalli Industrial Area (3rd Phase) in Ramanagar district which included 409 *acres* of land in Bannikuppe village, Harohalli hobli, Kanakapura taluk of Ramanagar district. The preliminary notification for acquisition of these lands under section 28 (1) of KIADB Act and final notification under section 28 (4) was issued in October 2006 and January 2010 respectively. The joint measurement of the lands at Bannikuppe village was conducted by the Special Land Acquisition Officer, Bengaluru (SLAO) of KIADB with representative of the Revenue Department (Tahsildar, Kanakapura) during January 2013. The land compensation was thereafter paid to the land owners between March and June 2013.

The lands acquired for the industrial area included 14-10 *acres* in survey numbers 198/5, 199, 210/3, 210/7, 210/11 and 240 of Bannikuppe village for which land compensation of ₹ 2.28 crore was disbursed by KIADB. Based on complaints about the payment of land compensation for Government lands, KIADB undertook spot verification (November 2013) which established the fact that 5-28 *acre*s of land in Bannikuppe Village had already been acquired by the Land Acquisition Officer, Ramanagar for a minor irrigation project and land compensation had already been paid between 1980 and 1988. Despite above, the KIADB had paid land compensation of ₹ 1.84 crore for 4-33½ *acres* (out of 5-28 *acre*s) of Government land in 2013 which resulted in double payment of land compensation. Revenue recovery suits had been initiated by the KIADB against the persons who had again received the land compensation amount for the same land for which compensation had already been paid.

Audit scrutiny (September 2014) of records showed that following lapses contributed to payment of double compensation for the land:

- Though instructions issued in March 2007 by Government stipulated that joint measurement of the land had to be conducted before issue of preliminary notification, the joint measurement was conducted (January 2013) only after issue of the final notification (January 2010).
- When joint measurement (January 2013) was conducted by the SLAO, KIADB along with the representative of the Revenue Department (Tahsildar, Kanakapura), it was specifically noted in the joint measurement report that payment of land compensation in respect of certain survey numbers was to be made after due verification as they formed part of submergence area of a minor irrigation tank. Though the SLAO, KIADB was personally involved in the exercise of the joint measurement process and was aware of the fact that a portion of land belonged to the Minor Irrigation Department, he disbursed the land compensation without further verifying the joint measurement report. This resulted in double payment of land compensation amounting to ₹ 1.84 crore, which was not payable.

On this being pointed out, KIADB replied (February 2015) that the land compensation was paid as per revenue records.

The reply is not factually correct in view of the fact that joint measurement report specifically mentioned that certain extent of land formed part of the submergence area of a minor irrigation tank and SLAO, KIADB had full knowledge of this fact. Thus, payment of land compensation by ignoring the joint inspection report was a serious lapse which had resulted in double payment of compensation of ₹ 1.84 crore. Thus, apart from initiating disciplinary action against the SLAO, the KIADB needs to take appropriate action to recover the amount of excess land compensation given to the land owners.

The matter was referred to the Government in May 2015; their reply was awaited (December 2015).

FOREST, ECOLOGY & ENVIRONMENT DEPARTMENT

3.4 Excess payment to contractors

Adoption of incorrect rates for excavation in hard rock by blasting in execution of Elephant Proof Trench resulted in excess payment of ₹ 1.72 crore to the contractors.

Elephant Proof Trenches (EPT) are trapezoidal trenches excavated around the periphery of forest areas to prevent entry of wild elephants into human settlements. The Sanctioned Schedule of Rates (SSR) of Forest Department prescribes the rates for excavation and repairs of EPT of 3m × 2m × 1m size[30].

[30] Top width × height × bottom width

The Schedule of Rates (SR) of the Public Works, Ports & Inland Water Transport Department (PWD) is to be followed for excavation in hard rock.

During 2013-15, Conservator of Forests and Director, Bandipur Tiger Reserve, Bandipur (CF) carried out maintenance and repairs to existing EPT through contractors on percentage rate contracts. The higher dimension of EPT (3m × 3m × 1.5m) for a length of 66.66 km was executed by incurring total expenditure of ₹ 5.46 crore. Hard rock was encountered as a result of deepening which was removed using explosives.

Audit scrutiny (April 2015) of records showed estimates were unrealistic and excess payment was made due to adoption of improper rate for excavation in hard rock as discussed below:

- The tenders contemplated only excavation of soil but during execution hard rock was found. This shows that soil strata were not ascertained by taking trial bores for preparing estimates and thus tenders were not based on realistic estimates.
- As per notice inviting tender, the PWD rate for excavation in hard rock by blasting was admissible. The SR of PWD, Mysuru circle contained different rates for excavation in hard rock based on nature of complexity[31]. The rate for excavation in hard rock ranged between ₹ 85 per cum and ₹ 429 per cum and between ₹ 146 per cum and ₹ 444 per cum during 2013-14 and 2014-15, respectively. The CF adopted a rate of ₹ 429 per cum and ₹ 444 per cum which was applicable to excavation in hard rock for foundation trenches of buildings. The rate adopted was incorrect as excavation for foundation trenches of building includes other operations such as shoring, bracing, back filling. However, these operations are not involved in EPT works. The comparative rate would be rate for excavation in hard rock by blasting for road way works which was required to be adopted for regulating the extra item and rate applicable was ₹ 85 per cum[32] and ₹ 146 per cum[33] during 2013-14 and 2014-15, respectively. The incorrect adoption of rate had resulted in excess payment of ₹ 1.72 crore for excavation of 66,947.57 cum of hard rock.

On this being pointed out, the Additional Principal Chief Conservator of Forests (Project Tiger), Mysuru replied (July 2015) that the rate paid was less when compared to hard rock excavation using chiseling or wedging which was ₹ 1,096 per cum.

The reply is not acceptable as the rate of ₹ 1,096 per cum was applicable only when contractor had done hard rock excavation by using chiseling and wedging. The adoption of rates of ₹ 429 per cum and ₹ 444 per cum for excavation in hard rock by blasting which was applicable to building works was incorrect. As such, excess payment made was recoverable from the contractors.

[31] Excavation for foundation trenches of buildings, excavation for road structures, *etc*
[32] Item 19.13; Page 153 of PWD SR 2013-14 of Mysuru Circle
[33] Item 19.13; Page 146 of PWD SR 2014-15 of Mysuru Circle

The matter was referred to Government in June 2015; their reply is awaited (December 2015).

PUBLIC WORKS, PORTS AND INLAND WATER TRANSPORT DEPARTMENT

3.5 Wasteful expenditure due to improper identification of site

Construction of residential quarters in a site disallowed by statute resulted in abandonment of project mid-way, along with deficient contract management, resulted in wasteful expenditure of ₹ 7.71 crore.

The Bangalore Development Authority (BDA) transferred (February 2008) 7-19 *acres* of land, comprising a playground, at HSR layout[34], Bengaluru to Executive Engineer (EE), No. 2, Buildings Division, Public Works, Ports and Inland Water Transport Department (PWD), Bengaluru as per the directions of Government[35] for 'construction of residential quarters for High Court judges, *etc*'. The contract for the work was awarded (September 2008) by the EE to a contractor for ₹ 30.01 crore for completion in two years.

The contractor commenced the work in October 2008 and was paid ₹ 1.80 crore for the value of work done up to January 2009. In January 2009, based on a writ petition filed by the HSR layout residents, the Hon'ble High Court ordered stoppage of the work as the project was being undertaken on a civic amenity site. The EE instructed (28 January 2009) the contractor to stop the work only temporarily stating that the High Court had stayed the construction. Since no communication for resumption of work was received from the EE, the contractor through a legal notice (December 2009) terminated the contract as per Clause 49.2 (b) of the agreement stating that there was a fundamental breach of contract. The contractor requested payment for work done, idle men/machinery, transportation, security charges and ₹ 5.62 crore as damages for 'loss of profit at 20 *per cent*' aggregating to ₹ 6.51 crore. As the EE disputed the claim, the contractor requested (May 2010) for appointment of an Arbitrator to resolve the disputes arising out of stoppage of work.

As no decision was taken for appointment of an Arbitrator, the contractor approached the Indian Council of Arbitration as provided in the agreement which appointed a Sole Arbitrator in August 2011. The Government issued rescinding order (January 2012) invoking Clause 49.4 *i.e.,* termination of the contract at the convenience of the employer as the High Court had ordered stoppage of the work.

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[34] Hosur Sarjapur Road layout, commonly known as HSR layout
[35] Department of Personnel and Administrative Reforms

The Arbitrator awarded (18 June 2013) ₹ 4.68 crore[36] with 12 *per cent* interest[37] for making payment up to October 2013 and 18 *per cent* thereafter. The Law Department opined (October 2013) that it was not a fit case for appeal. Despite that, the PWD appealed against the award which was dismissed by the City Civil Court, Bengaluru. After 15 months of dismissal of appeal, the PWD paid the award amount of ₹ 5.76 crore in February 2015 which included interest of ₹ 92 lakh for the interim period from November 2013 to February 2015. The Government sustained a loss of ₹ 7.71 crore[38] on the work which had to be abandoned.

Audit scrutiny of records (October 2014) revealed the following lapses;

- The land transferred by BDA for construction of residential quarters had been earmarked for "playground" as per approved (25 June 2007) Comprehensive Development Plan-2015 and was being used as such too. The Karnataka Parks, Play-fields and Open Spaces Act, 1985 prohibits diversion/transfer of "notified playground" for other purposes. Thus, the transfer of land and according administrative approval for the project on that site was in violation of the Act and hence any construction of residential buildings on that site would be deemed to be illegal.

  When the High Court had ordered stoppage of work, the Department should have stopped the work. Instead, a temporary stoppage order was issued to the contractor without adequately examining the reason for the stoppage. It was also imperative on the part of the EE to withdraw the temporary stoppage order within 60 days as non-withdrawal would entail claiming of damages by the contractor. However, no such review was conducted and hence contractor terminated the contract as there was no prospect for resumption of work.

- The Department also did not settle the dues admissible to the contractor but rescinded the contract even though the contract had already been closed by the contractor. These lapses resulted in the Arbitrator treating the contract as having been kept alive by the Department. As no documents were placed to show that efforts were made to get the stay vacated, the Arbitrator awarded loss of profit on the un-executed portion of work. Thus, the deficiency in administration of the contract resulted in payment of damages of ₹ 3.30 crore with interest of ₹ 2.46 crore thereon, which was avoidable.

- The Department not only delayed the appointment of Arbitrator but took 15 months to settle the arbitral amount and thus paid ₹ 5.76 crore against the award of ₹ 4.84 crore[39]. The avoidable payment of ₹ 92 lakh was due to payment of interest (18 *per cent)* for delayed payment.

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[36] ₹ 2.81 crore towards loss of profit, ₹ 34.56 lakh towards overheads, ₹ 14.2 lakh towards cost of labour, staff, material, transportation of material brought to site, centering material not usable, interest of ₹ 1.38 crore at 12 *per cent* for the period from December 2009 to 9 June 2013.

[37] On the principal amount of ₹ 3.30 crore

[38] ₹ 5.76 crore for award amount; ₹ 1.80 crore for work executed; ₹ 14.69 lakh for arbitrator fees, *etc.*

[39] ₹ 4.68 crore + ₹ 15.62 lakh (interest from 10 June 2013 to 31 October 2013) = ₹ 4.84 crore

On this being pointed out, the Government replied (July 2015) that the question of verifying the status of the land/site by PWD does not arise since the BDA is the authority for the allotment. It further stated that since the case was pending before the Hon'ble High Court, PWD was unable to take any decision on the work.

The reply was not acceptable in view of the several lapses by PWD such as not taking action to close the contract after High Court had stayed the construction, non-settlement of claims of the contractor though contract was terminated by him, delay in appointment of arbitrator, preferring appeal against arbitrator award ignoring Law Department's opinion, besides delay in settlement of arbitral amount after dismissal of appeal which collectively contributed to the wasteful expenditure of ₹ 7.71 crore.

3.6 Avoidable expenditure

Failure to revise design for RCC works for using higher grade steel as per IS/IRC codes in seven bridge works resulted in avoidable expenditure of ₹ 5.38 crore.

In case of steel reinforcement in reinforced cement concrete (RCC) works, Fe 500[40] grade of steel has more tensile strength than Fe 415 grade steel. Due to higher tensile strength of Fe 500, the quantity of steel required for reinforcement would be less when compared to use of Fe 415 grade steel. The requirement of Fe 500 would be 0.83 metric tonne (MT) to achieve the same results as one MT of Fe 415 grade steel and there would be consequent reduction in RCC cost. Further, Clause 302.5 of IRC[41]: 21-2000 - "Standard specifications and code of practice for road bridges-Section: III-Cement Concrete (Plain or reinforced)" stipulate that the characteristic strength as designated in IS[42] code be adopted for reinforcement of RCC.

During scrutiny of records in four divisions[43], Audit noticed that in construction of seven bridge works taken up between September 2009 and January 2014 for a total contract price of ₹ 146.49 crore, the scope of works included "Providing, fabricating and placing in position reinforced steel for RCC structure". For these bridges, the designs for steel reinforcements were prepared considering the strength applicable to Fe 415 grade steel. The contractors had used Fe 500 grade steel for RCC works and executed reinforcement to the extent of 5,586.85 MT as per the running account bills. The quantity of steel *i.e.*, 5,586.85 MT used for reinforcement was based on the strength of Fe 415 grade steel. Failure to revise the bar bending drawings/designs as per the strength of Fe 500 grade steel and instead adopting strength of Fe 415 grade steel, resulted in excess consumption of

[40] As per IS 1786, the figures following symbol 'Fe' indicate the specified minimum 0.2 *per cent* proof stress or yield stress
[41] Indian Road Congress
[42] Indian Standards
[43] Public Works, Ports & Inland Water Transport (PWD) Divisions, Bidar & Tumakuru; National Highways (NH) Divisions, Bengaluru & Hubballi

steel by 17 *per cent i.e,* 949.76 MT[44]. The cost of excess consumption of steel for works at tendered rate resulted in extra expenditure of ₹ 5.38 crore which was avoidable.

On this being pointed out, the Government replied (July 2015) that the estimates were prepared considering Fe 415 grade steel but Fe 500 grade of steel was actually used in the works. However, the Government did not furnish any reasons for not adopting Fe 500 grade steel in the estimate and for ignoring the IRC: 21-2000 code which also permits use of Fe 500 grade steel.

In respect of work relating to PWD, Bidar, the Government stated that there would be no savings in steel quantity as there was no change in grade of steel (Fe 500) between design and execution. Government also stated that design for retaining walls would be suitably modified using Fe 500 grade steel before execution.

The Government's reply is not acceptable for the following reasons:

- The reply relating to PWD, Bidar stating that Fe 500 grade steel was considered in design and execution is factually incorrect as estimate was prepared based on Fe 415 grade steel. The Government reply stating that steel reinforcement for retaining walls would be revised conforming to Fe 500 grade steel before execution tantamounts to accepting the audit observation. Further, the Superintending Engineer, National Highway Circle, Dharwad while accepting the audit observation stated (June 2015) that structural reinforcement (design, quantity and rate) as per Fe 500 grade steel would be adopted in future works which would result in savings in cost.
- When grade of steel actually used was different from the grade of steel considered in the estimate, it was imperative on the part of PWD to revise the design based on the grade of steel to be used to ensure consequent reduction in expenditure.

Thus, failure to adhere to design parameters as per IRC code during estimate stage and not revising the design later when different grade of steel was used in the works, resulted in expenditure of ₹ 5.38 crore which was avoidable.

3.7 Unfruitful expenditure due to improper implementation

Non-commissioning of automatic traffic counter cum weighing machines even after eight years of commencement of project rendered expenditure of ₹ 4.60 crore unfruitful.

Ministry of Road Transport and Highways (MORTH), Government of India decided (December 2006) to install Automatic Traffic Counter cum Classifier (weigh-in-motion system) on National Highways (NH). The weigh-in-motion system was meant to check and control overloading of vehicles which causes deterioration of roads and also to provide traffic count on real time basis.

[44] (Total steel consumed × 17% saving) = (5,586.85 × 0.17) = 949.76 MT

Two weigh-in-motion systems costing ₹ 25 lakh each were procured (March 2007) by MORTH and allotted to Government of Karnataka for installation by the Public Works, Ports and Inland Water Transport Department (PWD) at Bachenahalli, Hassan district (NH 48) and the other at Halagere, Koppal district (NH 63). The administrative approval and technical sanction for civil works were obtained (November 2009) from MORTH and the contracts were awarded (December 2009/January 2010) by PWD on tender basis for completion in six months. However, the works were completed after a delay of two years due to dismantling and reconstruction of the work as per MORTH specification (NH 48) and delay in identifying the site (NH 63). The total expenditure on civil works including land acquisition was ₹ 4.10 crore as of March 2015.

The firm which had supplied the systems was responsible for providing technical assistance and commissioning the systems. Scrutiny of records (March 2013, March 2014) of the Executive Engineers (EE) of the NH Divisions at Mangaluru and Hubballi revealed that despite completion of civil works in January 2012, the systems at both the places had not been commissioned for the following reasons:

❖ The Transport Department (TD) was approached for operationalising the weigh-in-motion system at NH 48 as per MORTH directions. The Commissioner, TD after site inspection requested (December 2012 and February 2014) for arranging amenities/ infrastructure[45] facilities and had also stated (February 2014) that taking over of the facility or otherwise would be considered later since the department was facing shortage of staff. The PWD had prepared two estimates *i.e.,* ₹ 3.10 crore for approval by MORTH and ₹ 52 lakh under State fund to meet the urgent requirements for handing over the system. The works were yet to be taken up.

❖ The system was received at NH 63 during December 2007 and the warranty period had expired before installation. The system installed on NH 63 was not working as the Plaza server, monitor, key board, printer, *etc.*, were damaged. The PWD incurred additional expenditure of ₹ 90,274 towards repairs as the warranty period had expired. The calibration of the system has not yet been completed. Also, the issue of handing over the same to the TD had not been initiated.

Though it was within the knowledge of the department that the facilities constructed would have to be transferred to TD, no steps were taken for consultation with TD to take its inputs before finalising the project.

On this being pointed out, the Government stated (July 2015) that the equipment at NH 48 had been installed and tested but State RTO[46] (Transport Department) had not taken over it and PWD had no power to penalise overloaded vehicles. Further, Government stated that delay in acquisition of land was the reason for delayed installation of the equipment at NH 63.

[45] Widening the entry and exit road, sign boards, rooms, lighting, furniture & fixtures, computer, internet facility, godown, generator, crane, water supply, toilets, *etc*

[46] Regional Transport Officer

The Government reply is not acceptable as deficient planning, delay in acquisition of land and lack of coordination between PWD and TD resulted in non-commissioning of the equipment, rendering an expenditure of ₹ 4.60 crore[47] unfruitful. The objective of collecting traffic data on real time basis and prevention of overloading of vehicles could not be realised even after eight years of procurement of the required equipment, mainly because PWD had not involved TD in the project, which had the power to penalise overloaded vehicles.

3.8 Loss of revenue due to excess deduction of shrinkage

Deduction of shrinkage of sand for stacking at depots in excess of the norms prescribed by IRC resulted in loss of revenue of ₹ 3.35 crore.

Indian Road Congress (IRC) norms prescribe that "Coarse and fine aggregates supplied to site shall be paid for in cubic meters after deducting towards bulking. For aggregates up to 22.4 mm in size, the actual volume of aggregates shall be computed after deducting specified percentage of five *per cent* from the volume computed by stack measurement."

The Executive Engineer, Public Works, Ports and Inland Water Transport Division, Gadag (EE) awarded (November 2011 to January 2012) the work of "Extraction, loading, transportation and stacking of sand at notified depots" in each block to contractors on tender basis in respect of sand blocks under the jurisdiction of Mundargi sub-division. The sand stacked in the depot was subsequently sold to consumers.

On scrutiny of records (June 2014) of EE, Audit observed that instructions (March 2012) were issued by the EE to deduct 12.5 *per cent* of the stacked quantity towards shrinkage while making payments in violation of IRC norms. However, the same was not mentioned anywhere in the tender/agreement. Moreover, Audit could not find any reasons on record as to why the EE had issued instruction to deduct 12.5 *per cent* towards shrinkage against five *per cent* as per IRC norm.

Audit also observed that payments were made to contractors after deducting 20 *per cent* from stack measurements. The excess 15 *per cent*[48] deduction was irregular as it suppressed the quantity of sand available for sale by 86,984 cum, resulting in loss of revenue as shown in the below **Table.3.2:**

Table 3.2: Statement showing excess deduction of quantity

(Quantity in cum)

Quantity brought to stockyard	Quantity to be measured as per IRC norms	Quantity measured for payment	Excess deduction
5,76,374	5,47,555	4,60,571	86,984

The revenue loss on account of irregular deduction of shrinkage in sand works out to ₹ 3.35 crore.

[47] GoK - ₹ 4.10 crore and GoI - ₹ 0.50 crore

[48] 20 *per cent* actually allowed *minus* 5 *per cent* allowable as per norms

On this being pointed out, the EE replied (June 2015) that the sand stacked in Black Cotton soil land has characteristic of swelling and shrinkage during monsoon and summer seasons and the deductions were made as per provisions of Karnataka Public Works Departmental Code (KPWD Code).

The reply is not acceptable as no such provision exists in the KPWD Code. Thus, by violating the IRC norms which specified five *per cent* deduction when payments are made by taking stack measurement, the excess deduction allowed beyond the permissible limit resulted in loss of revenue of ₹ 3.35 crore to Government, which calls for fixing of responsibility.

The matter was referred to Government in June 2015, followed by reminder in September 2015; their reply is still awaited (December 2015).

3.9 Infructuous expenditure due to absence of due diligence in construction of a building

The construction of ITI college building in a site other than the earmarked site resulted in litigation and consequent stoppage of work after incurring an expenditure of ₹ 1.65 crore.

Government accorded (March 2011) administrative approval for the work of construction of ITI[49] college building at Wadi, in Chittapur taluk of Kalaburagi district for ₹ three crore. The Deputy Commissioner, Kalaburagi (DC) allotted (January 2010) four *acres* land out of 116-38 *acres* land in Survey (Sy) No. 117 in Gandhinagar village and the Principal, Government ITI, handed over the sketch of the said land to the Assistant Executive Engineer, Public Works, Ports and Inland Water Transport Department (PWD), Chittapur on 29 May 2012. The contract was awarded (October 2012) to an agency for ₹ 3.11 crore for completion in 12 months from the date of handing over of site.

Assistant Executive Engineer handed over the site to the contractor on 15 April 2013. However, on 1 May 2013, a police complaint was filed by some land owners alleging that the construction was being taken up on their land (Sy No. 56 and 57)[50]. This was received on 4 May 2013 by the Assistant Executive Engineer who in turn requested (May 2013) the Tahsildar, Chittapur taluk to hand over *pahani*[51], map, *checkbandi*[52] and other revenue records, and also inspect the site for giving suitable endorsement to the applicants. However, without settlement of the issue, the Assistant Executive Engineer/ Executive Engineer (EE) proceeded with the construction work without having received any endorsement of the correctness of the site from the Tahsildar. The contractor intimated to EE that a legal notice was served (5 May 2014) on him by land holders to stop the work as the construction was being undertaken by encroachment of private land, and that he had therefore

[49] Industrial Training Institute
[50] These survey numbers bounded Sy No. 117
[51] Survey & tax assessment statement showing old & new Sy No., land details, *etc*
[52] Boundary

stopped the work. The Tahsildar, Chittapur, informed (letter dated 20 June 2014) PWD that it had undertaken construction of building in Sy No. 56 and 57 instead of Sy No. 117 (the correct site), which was also confirmed (June 2014) by the Assistant Director of Land Records, Sedam.

The contractor had been paid ₹ 1.65 crore towards work executed up to April 2014 on the wrong site. Audit noticed during scrutiny (October 2014) of records of EE, PWD, Sedam, that failure on the part of the authorities had led to stoppage of work as brought out below:

- The construction of the building was to be taken up by PWD in Sy No. 117. However, PWD was constructing the building in Sy No. 56 and 57.
- A police complaint was received just within 20 days after handing over of the site to the contractor that construction was being carried out on the wrong site. As such, the matter should have been taken up with utmost urgency and the correctness of the site ascertained immediately. However, no such sense of urgency was shown and construction was continued on the private land, resulting in substantial expenditure being incurred before its stoppage after over a year.
- As a public servant holding responsible position, EE had neither waited for reply from the Tahsildar nor pursued the matter with the Tahsildar to get confirmation before proceeding with the construction.

On this being pointed out, the Secretary, PWD replied (July 2015) that there was no lapse on the part of PWD as the construction was taken up on land identified and handed over by the Revenue Department.

The reply is not acceptable as construction of building was taken up on wrong site. Moreover, the police complaint about construction on wrong site was ignored when the construction of work had just begun as the Department proceeded with construction without obtaining confirmation from the Revenue Authorities. However, the construction was stopped only after legal recourse was taken by the land owners. These lapses resulted in infructuous expenditure of ₹ 1.65 crore on an incomplete building for which responsibility needs to be fixed.

3.10 Excess expenditure

Adoption of incorrect item for levelling and lowering of ground, resulted in excess expenditure of ₹ 1.08 crore.

The Schedule of Rates (SR) of Public Works, Ports and Inland Water Transport Department (PWD) contains separate rates for excavation by manual means and mechanical means. The cost of excavation by mechanical means is lower when compared to excavation by manual means. Manual excavation is adopted only where quantity of excavation is meager or where excavators, dozers, *etc.*, cannot be deployed due to space constraints.

As per SR of 2010-11, the rate for surface excavation by manual means was ₹ 138 per cum, while the rate for excavation of foundation of structures by mechanical means was only ₹ 29 per cum. In the absence of specific item in the SR, either rate applicable for comparable item or data rate[53] should be adopted.

The Executive Engineer, PWD Special Division, Shivamogga (EE) awarded (February 2011) the contract for construction of district jail and staff quarters at Sogane village in Shivamogga district to a contractor for ₹ 51.96 crore[54]. The contract *inter-alia* included excavation in hard soil for land levelling by manual means involving a quantity of 1,13,256.25 cum for which the contractor had quoted ₹ 172.43 per cum for this item. As per Clause 35.2 of the agreement, the variation items are payable at the rate of SR prevailing at the time of acceptance of tender plus or minus tender percentage. As of March 2015, the contractor was paid ₹ 57.33 crore[55] and the work was under progress.

Scrutiny (January 2015) of records of EE showed the following lapses;

- EE had adopted the rate for manual excavation for the item "levelling and lowering the ground in hard soil" in the estimate though quantity of excavation involved was huge and for which mechanical excavation was economical.
- One of the conditions as per notice inviting tender was that the bidders should possess four hydraulic excavators which was specified considering the large quantity of earthwork excavation involved. This condition was incorporated due to involvement of huge quantity of excavation requiring use of mechanical means.
- Though the tender condition provided substituting/altering the tender item, the EE did not modify the item of levelling and lowering from manual means by mechanical means during execution as a variation item as per Clause 35.2 of the agreement. Accordingly, the rate for variation item through mechanical means, considering ₹ 29 per cum (rate for excavation of foundation of structures) as per SR 2010-11 works out to ₹ 36.09 per cum[56] against which the contractor had quoted as ₹ 172.43 per cum for excavation by manual means. Failure to revise the rate resulted in excess expenditure of ₹ 1.08 crore on 79,419.35 cum of earth work excavation carried out at ₹ 136.34 per cum (₹ 172.43 - ₹ 36.09).

On this being pointed out, the Government replied (July 2015) that SR for 2010-11 contained excavation in hard soil for levelling and lowering by manual means only and hence the same was adopted in the estimate.

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[53] A data rate is prepared for any item not found in the sanctioned SR on the basis of actual cost of materials, labour, lead, lifts and weightage (Para 14.11 of Karnataka Public Works Departmental Code Volume I)

[54] At tender premium of +18.53 *per cent* of cost of work put to tender (₹ 43.83 crore)

[55] Including pending bills

[56] Basic rate (₹ 29) + Area weightage of 5% (₹ 1.45) + tender premium of 18.53% (₹ 5.64) = ₹ 36.09

The reply is not tenable as for items not found in the SR, data rates should be prepared and got approved from the competent authority as stipulated in the PWD Code. Failure to prepare data rate at the estimate stage or regularise the rate as variation item through mechanical means during execution resulted in excess expenditure of ₹ 1.08 crore, which calls for fixing of responsibility.

3.11 Misappropriation of Government money

Fraudulent payments made by preparation of fake work bills.

The rules and regulations for planning and execution of works, taking measurement of works and preparation of work bills are enumerated in the Karnataka Public Works Departmental (KPWD)/Accounts Code. As per rules, no work should be commenced without allotment of funds, estimate sanctioned by competent authority and orders for commencement of work. For maintenance and repairs works, bulk grants are allocated by the Government for further distribution to Divisions and works are taken up after approval of the programme of works by the Superintending Engineer.

The measurement books (MBs) are fundamental records and the rules for recording measurements of work are detailed in Appendix VII of KPWD Code. Against each set of measurements in the MB, details like name of the work, contractor, agreement number, date of work order, date of commencement, stipulated date for completion, date of recording of measurements, *etc.*, should be recorded. The rules also envisage that such measurements should be signed and dated by the officer recording the measurements and signature of the contractor be obtained in token of his acceptance. The measurements recorded in the MB by subordinates in charge of works should be checked by sub-divisional officers and test checked by divisional officers to detect errors in measurements and to prevent fraudulent entries. The Divisional Accountant, assisted by Accounts Clerks, should verify the quantities and rates claimed in work bills with reference to MBs, estimates, agreements, *etc.*, before submission of bills for payment. The entries in the MB should be crossed diagonally in red ink at the time of preparation of bills. A Control Register is required to be maintained in both the sub-division office and division office for recording bills and payments details against the bill entry. The details of payments *viz.*, voucher number, cheque number and date should be noted in the MB to avoid making double payments.

During test check of records (November 2014) of the Executive Engineer, Public Works, Ports and Inland Water Transport Department, Kalaburagi (EE) in respect of payment of bills of maintenance works during 2013-14, Audit noticed violation in taking up of works, MB recording, preparation and payment of bills, *etc.*, as discussed below:

- **Out of 729 vouchers scrutinised in audit, 678 vouchers did not bear SBR[57] numbers, 672 vouchers did not bear DBR[58] numbers. In 719 vouchers, reference to agreement numbers was not recorded. In 410 vouchers amounting to ₹ 4.08 crore, reference to MB numbers was not recorded and in 144 vouchers amounting to ₹ 1.39 crore, reference to MB page numbers was not recorded. In the absence of these crucial details, the genuineness of the bills could not be ensured in audit. The divisional officer (EE) did not produce 66 MBs to audit, out of 142 MBs requisitioned.**

- **Further, the Register of check measurements was not maintained and there was no evidence in the MBs about check measurements done by the EE, although he was required[59] to check measure final measurements of works costing more than ₹ 25,000 to the extent of 25 *per cent* of the total items of the work done, before payment of the bill.**

- **In respect of 80 vouchers scrutinised with reference to MBs involving payment of ₹ 77.05 lakh, the bills could be concluded as fake bills. The details recorded in the bills did not tally with the measurements recorded in MBs which either pertained to different works or referred to blank pages of MBs. The contractor's name differed from the one recorded in the MB, and also measurements were not cancelled after preparation of bills. The bills did not bear SBR/DBR numbers and DBR number was also not recorded in the MBs. Also, these works were not in the approved list of programme of works and there was no evidence of sanctioned estimates, invitation of tenders and issue of work orders to contractors for commencement of works. The various categories of irregularities are shown in Table 3.3:**

Table 3.3: Categories of irregularities

Payments made on bills paid earlier	**5 vouchers**	**₹ 4.99 lakh**
Payments made by referring to fictitious MB references	**54 vouchers**	**₹ 52.85 lakh**
Payments made for maintenance works; the measurements of which were recorded in Divisional Stores[60] MBs	**21 vouchers**	**₹ 19.21 lakh**

Audit observed that a large number of vouchers were not tallying with details recorded in MBs, double payments were made, there was absence of check measurements, execution of works were not backed by sanctioned estimates and agreement/work orders, thereby indicating that these were fake bills and payments were made on the basis of these fake bills. In a large number of vouchers, the genuineness of bills aggregating to ₹ 4.08 crore could not be ensured in audit due to absence of MB details in the vouchers. Besides, as 66 MBs were not produced to audit, the possibility of misappropriation in these cases could not be ruled out. This

[57] Sub-divisional Bill Register (Register of Bills received in sub-division - Form PWG 33)

[58] Divisional Bill Register (Register of Bills received in division - Form PWG 33)

[59] As per provisions of Appendix VII of KPWD Code

[60] Stores MBs should only record receipt of materials in divisional stores by suppliers

matter requires investigation by the Vigilance wing of the Government for initiating action against the officials at fault, as Government money has been misappropriated.

The matter was referred to Government in May 2015 and reminders issued in August and September 2015; their reply is awaited (December 2015).

3.12 Misappropriation of Government receipts

An amount of ₹ 34.16 lakh was misappropriated during a span of nearly six years by falsification of records, and failure in exercising basic checks resulted in defalcation remained undetected.

Karnataka Financial Code (KFC) stipulates[61] that all money received by a government servant in his official capacity should be brought to Cash Book immediately and paid in full into Government Treasury without undue delay. The Executive Engineer (EE) should obtain regular returns from his subordinates for the amounts realised by them and paid into a Treasury. The subordinate officers are required to send their accounts/ returns only after verification of credits shown therein, with those in the Treasury accounts.

Karnataka Public Works Accounts Code prescribes[62] that the Divisional Accountant should inspect the accounts of sub-divisional officers at least once a year and serious financial irregularities like defalcations or losses of public money noticed should be reported to the EE and also to Superintending Engineer (SE) or Chief Engineer without delay. The Disbursing Officer (AEE) should compare each entry of payment into Treasury with Treasury Officer's receipt on the challan or the Remittance Book. Statement of Remittances should be prepared (by AEE) each month with reference to the Remittance Book and the sub-divisional Cash Book and the items of credits included in the statement should be verified with the actual credits under the remittance heads in the Treasury Subsidiary Register.

Audit scrutiny (May 2015) of the records during test check of office of the Assistant Executive Engineer, No 3 Public Works, Ports and Inland Water Transport Sub-Division, Davanagere (AEE) revealed short/non-remittance of cash, though in Cash Book it was shown as remitted in full. Further, cases of non-accountal of cash receipts in Cash Book were also noticed while tracing the counterfoil of receipts with the Cash Book. The short/non-remittance of cash receipts amounts to misappropriation of government money, which worked out to ₹ 34.16 lakh for the period between May 2009 and March 2015. The *modus operandi* adopted for

[61] Article 4, Note 5 below Art 6 and Art 34

[62] Para 24(a) and (b), Para 80 and Note 1 below Para 507

misappropriation and failure to exercise prescribed mandatory checks by AEE and controlling officers, leading to misappropriation, are as detailed below:

- The entire receipts of ₹ 34,53,054 accounted in Cash Book was shown as remitted in full but actual remittance made was to the extent of ₹ 1,40,899 only, as verified by Audit from Treasury schedules. The challan in duplicate with the signature of AEE for remitting money in designated bank was initially prepared for lesser amount and tallied with the entries of Remittance Register. The acknowledgement by bank in the Remittance Register serves as the proof of remittance. After the remittance was made, the figures in the Remittance Register were altered or interpolated so as to tally with the amount shown as remitted in the Cash Book.
- Though subordinate officers (AEE) are required to send their accounts/returns only after due verification of credits with reference to those in Treasury accounts, this was not done and thus misappropriation remained undetected.
- Every entry of cash receipt into Cash Book should be supported by details recorded in counterfoil of Receipt Book, the main portion of which is issued to the party from whom cash is received. Each entry in the Cash Book has to be attested by AEE by checking details with reference to counterfoils of the receipt book. An amount of ₹ 66,275 received in six receipts was not taken to Cash Book. As against ₹ 78,200 received in five receipts, only ₹ 40,365 were taken to Cash Book. Four receipts were not entered in Cash Book and amount received vide these receipts could not be assessed in Audit as the counterfoils of the receipts were missing. One used receipt book (No. 15492) was not produced to Audit and hence the correctness of the entries taken to Cash Book could not be ascertained. The Cash Book was closed every month and attested by the AEE as a token of correctness of the entries. Thus, it is evident that prescribed checks were not exercised while attesting the entries which resulted in non-accountal of cash receipts leading to misappropriation.
- The annual inspection of subdivision by SE/EE as prescribed under codal provisions was not conducted since 2009. The returns from subordinates (EE/AEE) for the amount realised by them and paid into the Treasury was also not insisted upon. Further, the schedule of settlement with Treasury which was required to be carried out every month was also in arrears from June 2005, *i.e.* over 10 years.
- The schedule (KTC 25) furnished by the Treasury shows the remittances pertaining to AEE, who should have verified the remittances every month. However, the verification had not been carried out by AEE.

The lapses in exercising preliminary checks and internal control failure had resulted in misappropriation of government money amounting to ₹ 34.16 lakh.

On this being pointed out, the Government, while accepting the Audit contention, stated (December 2015) that the short remittances/non-remittances was noticed by the departmental staff during routine check of the accounts during April 2015 and the matter was in court.

The reply is not acceptable as the EE lodged (13 May 2015) a complaint with the police only after issue of Audit Note to EE earlier that day (13 May 2015). Though defalcation of Government money was stated to have been noticed by the EE, he had not reported the case of defalcation to the superior officers, Finance Department and Accountant General as required under Article 369 of KFC.

REVENUE DEPARTMENT AND COMMERCE & INDUSTRIES DEPARTMENT

3.13 Inadmissible payment of land compensation

3.13.1 Introduction

The Karnataka Land Reforms Act, 1961 (KLR Act) prescribes a ceiling on agricultural holdings by a person or family and Section 63 of the KLR Act prescribes the holding limits from 10 *acres* of 'A' class land to 108 *acres* of D class land and maximum of 20 *acres* of 'A' class land in respect of family comprising five members and above. As per Section 66 of the Act, every person who acquires land in excess of the extent specified/deemed to be in excess of the ceiling area should furnish a declaration to the Tahsildar within whose jurisdiction the holding of such person containing the particulars of all the lands, members of the family, *etc.* and after due verification of particulars, Tahsildar refers the issue to Land Tribunal for determination of extent of surplus land held by a person or family. The crucial date for determination of ceiling limit for person/family as per KLR Act was 1 March 1974.

3.13.2 Grant of land in violation of KLR Act

In pursuance of Section 66 of the KLR Act, the Mahanth of the Tripura Bhairava Mutt, Sri P. Krishnananda Giri Goswamy (declarant) filed (November 1969) a declaration in Form 11 with the Tahsildar, Nanjangud, and declared himself as individual, unmarried and holding 891-01 *acres* in different villages in Nanjangud taluk. The declarant had expired in September 1989. Upon the death of the declarant, dispute on succession arose between brother (Bhishma Pitamaha) and Mahanth of the Tripura Bhairava Mutt (Krishna Mohanananda Giri Goswamy). The brother claimed that holdings declared were inherited and belonged to the family comprising of eight members while the Mahanth claimed (October 1989) that the land holdings belonged to the Mutt.

On the matter being referred to Land Tribunal, Nanjangud, the Tribunal granted (6 August 1993) 40 units[63] of land to the declarant and family members as below:

- To the declarant – 10 units (53-24 *acres*)
- To the family of Satyabhama, sister of the declarant – 10 units (54 *acres*)
- To Bhishma Pitamaha, brother of the declarant & his family – 10 units (53-39 *acres*)
- To Kuldip Prakash, major son of Bhishma Pitamaha – 10 units (54 *acres*)

The Tribunal Order was challenged in a writ petition in the Hon'ble High Court of Karnataka by the Mahanth which directed (January 1995) re-examination by the Land Tribunal. The Second Tribunal passed order (22 May 1999) upholding the order passed by the previous Tribunal which was also challenged in Hon'ble High Court which ordered fresh hearing.

The third Land Tribunal, among others, took cognizance of Hon'ble Supreme Court judgment (SLP No. 20359/2005), concurring (March 2008) with the lower court's order declaring Bhishma Pitamaha as the legal heir. The third Land Tribunal passed order (14 September 2011) treating the lands as ancestral property and inherited by the declarant and granted 90 units to the family members as follows:

- P. Krishnananda Giri Goswamy, declarant – 10 units (53-24 *acres*)
- Satyabhama, sister of the declarant – 10 units (54 *acres*)
- To Bhishma Pitamaha, brother of the declarant & Kuldip Prakash and family – 20 units (107-39 *acres*)
- To five daughters of Bhishma Pitamaha – 10 units each – 50 units - granted as per Hindu Succession Act (HS Act), 1956

The Tahsildar, Nanjangud carried out changes in RTC[64] based on the applications received from the grantees/other family members. Karnataka Industrial Areas Development Board had paid land compensation of ₹ 100.57 crore to the family members of Bhishma Pitamaha based on RTC entries towards acquisition of 483-29 *acres* of land.

The order passed by the third Land Tribunal in granting 90 units of land was not in conformity with the provisions of KLR Act as discussed below:

- **Grant of land to deceased persons**: The Land Tribunal granted 10 units each to the deceased persons *i.e.,* declarant and late Satyabhama, who expired in 1960 which was irregular as:
    - The declarant was not married and had no family of his own. The share could be transferred to his family members as per Succession Act *i.e.,* Bhishma Pitamaha. But as the Land Tribunal had already granted 10 units to Bhishma Pitamaha, the declarant's share cannot be

[63] one unit = 5.40 *acre*

[64] Record of Rights, Tenancy & Crop Inspection Certificate

transferred since it would exceed the ceiling limit prescribed in the KLR Act *i.e.,* 10 units for a person.

- Satyabhama, sister of the declarant was not alive as on 1 March 1974 *i.e.,* the date of determination for ceiling limit. As the sister was unmarried, was not having a family of her own and further, had already expired on 1 March 1974, the grant of land to late Satyabhama was irregular.

- **Grant of 50 units of land to Bhishma Pitamaha's daughters:** The third land tribunal granted 10 units of land to each of the five daughters of Bhishma Pitamaha as per amended (September 2005) provision of HS Act, 1956 instead of determining of ceiling of land holding under KLR Act. As on 1 March 1974 *i.e.,* date prescribed for determining ceiling on holding of lands, five daughters of Bhishma Pitamaha were minors and unmarried and forms part of family of Bhishma Pitamaha. Hence, each daughter cannot be treated as a separate family.

- The provision of the Sub-section 4 of Section 63[65] of KLR Act was misconstrued. The proviso is applicable only in cases where a member of a joint family possessed land and such land would be clubbed with lands held by the joint family and such share would be allotted to that member as if the partition of entire land held by the joint family has taken place. The daughters of Bhishma Pitamaha were minors and formed part of his family and were also not holding lands separately to aggregate with the holdings of joint family. Hence, the proviso is not applicable in this case.

- Further, in the Land Tribunal Order, it was also recorded that genuineness of the succession certificate (6 October 1994) issued by the Assistant Commissioner, Nanjangud (AC) was doubtful but was taken as valid since no objections were received. Also, the claimants did not produce other supporting documents to prove that they were family members/successors.

On this being pointed out, the Tahsildar, Nanjangud reiterated (January 2015) the grounds adduced by the Land Tribunal and also stated that:

- The Land Tribunal relied on the Subsection 4 of Section 63 of KLR Act, treating each daughter as a separate family.

- Accepted that transfer of land granted to declarant and late Satyabhama to the grandsons of Bhishma Pitamaha was incorrect. Further, stated that the coparcenary property of Late Krishnananda Giri Goswamy (declarant) and Late Satyabhama (unmarried sister of declarant and had expired before declaration) devolves to surviving sons and daughters of Bhishma Pitamaha.

[65] In calculating the extent of land by a person who is not a member of a family but is a member of a joint family and also in calculating the extent of land held by a member of a family who is also a member of the joint family, the share of such member in the lands held by the joint family shall be taken into account and aggregated with the lands, if any, held by him separately and for the purpose such share shall be deemed to be extent of land which would be allotted to such person had there been partition of the lands held by the joint family.

The reply is not acceptable as:

- The Land Tribunal was required to determine ceiling as per KLR Act but 70 units of land granted was not as per the provisions of KLR Act. The Chairman of the Land Tribunal had expressly stated in the order that the amended provision of HS Act was not applicable and granting land to daughters would be erroneous. Thus, the order passed by Land tribunal was defective.
- The provision of the Sub-section 4 of Section 63 of KLR Act was misconstrued and not applicable for the reasons as stated earlier. Further, the fixing of ceiling limit of land cannot be determined based on assumptions.

As per the Act, the family was entitled for grant of 20 units[66] of land. Failure to challenge the defective Land Tribunal Order and passing mutation orders resulted in receiving compensation by family members of Bhishma Pitamaha for 90 units as against 20 units (377-24 *acres)* of land eligible as per KLR Act and resulted in receiving land compensation amount of ₹ 79.29 crore, which was not admissible.

Deputy Commissioner, Mysuru accepted (September 2015) the audit observation and intimated that permission from Government had been sought for filing writ petition in Hon'ble High Court to challenge the Land Tribunal Order to recover land compensation amount paid. The Government issued order (December 2015) to challenge the Land Tribunal Order by filing writ petition in the Hon'ble High Court of Karnataka.

3.13.3 Violations by Karnataka Industrial Areas Development Board while making payment of ₹ 79.29 crore towards land compensation

The land acquired by Karnataka Industrial Areas Development Board (KIADB) for setting up industrial areas comprises both Government and private lands. As land transactions involve scrutiny of complex revenue records, establishing the title of the land based on revenue and other records assumes a lot of significance. Persons whose lands were acquired were to submit a set of documents as per the list devised by the Special Land Acquisition Officers, KIADB (SLAOs) for claiming compensation. After scrutiny of the documents received from the claimants as per these lists, the SLAOs process the claims and disburse compensation to the claimants. KIADB had paid ₹ 79.29 crore as compensation to eight persons for acquisition of land in Sy nos. 390 to 400, 582 and 583-587 (377-24 *acres*) of Immav village.

Scrutiny of land compensation payments revealed that SLAO, KIADB, Mysuru had not exercised due checks and did not obtain original documents from claimants before making payments in respect of 377-24 *acres* of land which was granted by the Land Tribunal, Nanjangud. The details of lapses are shown in **Appendix 3.1**.

[66] 10 units each to Bhishma Pitamaha & Kuldip Prakash, who is the son of Bhishma Pitamaha

Thus, grant of excess land in violation of KLR Act by Revenue authorities and failure to exercise due diligence and to obtain prescribed documents by KIADB resulted in payment of land compensation of ₹ 79.29 crore to non-eligible persons. Necessary rectificatory action may be taken in this regard. No reply was furnished by KIADB.

The matter was referred to Government in May 2015, followed by reminder in September 2015; their reply is still awaited (December 2015).

WATER RESOURCES DEPARTMENT (MINOR IRRIGATION)

3.14 Implementation of Repair, Renovation and Restoration of water bodies

3.14.1 Introduction

Tanks, ponds and lakes have traditionally played an important role in irrigation, drinking water supply and, *etc*. Considering the importance of the water bodies, Government of India (GoI) launched (2009) a scheme for "Repair, Rejuvenation and Restoration (RRR) of water bodies" with the objective of improvement of selected tank systems including restoration and augmentation of storage capacities, community participation and self-supporting system for sustainable management, ground water recharge and increased availability of drinking water. Detailed guidelines on the scheme were issued in 2009. In Karnataka, 374 water bodies out of 3,437 under the jurisdiction of Minor Irrigation Department (Department) were taken up (September 2010 and May 2011) under the RRR scheme for targeted restoration of 20,698.54 hectares (ha) of lost irrigable area at an estimated cost of ₹ 227.77 crore with 90 *per cent* share being borne by GoI. The scheduled period of completion was two years after approval by GoI (March 2010). The Government of Karnataka (GoK) submitted progress report to GoI during March 2013 claiming that the works were completed and 19,888.78 ha of lost irrigated area as envisaged had totally been restored. An expenditure of ₹ 180.02 crore was incurred during 2010-15 against ₹ 199.02 crore released by GoI with ₹ 19 crore remaining unutilised.

The Audit was conducted to see whether the preparation of Detailed Project Report (DPR) and execution of repair, rejuvenation and restoration of the tanks were done as per the guidelines of the scheme approved by the GoI. Audit scrutinised records relating to 191 tanks in six[67] Minor Irrigation divisions selected through random sampling method. The findings are brought out below.

[67] Kalaburagi, Dharwad, Tumakuru, Hassan, Chitradurga and Mysuru

3.14.2 Identification and selection of water bodies

Guidelines stipulated that DPR of each tank, apart from cost estimate, should also contain the present status of the tank (in use or partially used or not in use), reasons for deterioration of the tank, rainfall data of last 10 years, availability of water in the catchment area for channelization into the tank, original/present/planned Culturable Command Area (CCA) and similar details for storage capacity of the tank, *etc.*

The DPRs prepared did not contain these basic information on the status of the tank, CCA, 10 years rainfall data and availability of water in the catchment area for channelization into the tank.

3.14.2.1 Non-involvement of stakeholders

The scheme envisaged involvement and capacity building of stakeholders like Water Users Association (WUAs) and Panchayats for identifying the tanks for restoration and for sustainable management with the involvement of District Level Implementation Agency (DLIA). The Department acted as DLIA in respect of tanks under their jurisdiction.

In six test checked divisions, Audit noticed that the identification of 191 tanks was made without involving stakeholders *viz.*, WUAs and Panchayats in violation of guidelines. The non-involvement of stakeholders hampered the achievement of the objectives of restoration and sustainable management of the water bodies.

3.14.2.2 Absence of database on tanks

As per instructions in vogue, for each tank, division(s) are required to maintain Tank Register to record rain fall data, storage level in the tank, number of fillings, overflowing details, gross CCA, area irrigated, *etc.* A comprehensive database of the MI tanks is necessary in planning and prioritising the activities and to achieve optimum results.

Audit scrutiny in six test checked divisions revealed that the Tank Register maintained in the divisions indicated the name of the tank, designed storage capacity of tank and gross CCA. However, details regarding annual rainfall data, water yield, maximum storage during *khariff* and *rabi* season, number of times the tank overflowed, area irrigated during each season, *etc.* were not recorded in the Tank Register. In the absence of these details, the condition of tanks for restoration could not be assessed.

3.14.2.3 Deviation from scheme guidelines in preparation of DPRs

It was noticed that DPRs were prepared as per the norms prescribed for construction of new minor irrigation tanks. The estimation of water yield to a new tank from the catchment area was calculated by adopting empirical formula from the rainfall data for 30 years considering 50 *per cent* dependability factor[68] as per the guidelines applicable for construction of new tanks.

As the restoration works were for the existing tanks, the performance details for 10 years such as actual inflow of water into the tank, surplus water flow over waste-weir, extent of command area irrigated would have been the best indicators to take decision whether lost irrigation potential could be restored or not, instead of basing on empirical formula.

The Benefit Cost Ratio was to be minimum of 1.5:1 worked out with reference to the projected agricultural yield after restoration, whereas the DPRs were prepared as per norms for construction of new tanks. Thus, the deviation in preparing DPRs resulted in projecting non-productive work as productive work as indicated in Paragraph 3.14.3.1 *infra.*

3.14.2.4 Failure to conduct baseline survey

The guidelines also prescribed conducting baseline survey for each tank to ascertain the condition of the tank, rainfall in the catchment area, reasons for inadequate flow of water into the tank, remedial measures to be taken and condition of the canal system. The baseline survey of tank was to be conducted before the commencement of the project execution.

It was noticed that, however, the DPRs were prepared and Technical Advisory Committee approval was obtained (February 2010 and June 2010) before the baseline survey reports were obtained (March 2011).

If a water body has not recorded surplus (*i.e.,* water flowing over waste-weir) in previous years and is not providing any irrigation, it is unlikely to expect additional flow into water body in subsequent years with the same amount of rainfall. So data regarding overflowing of water in previous years would have been the best criteria/factor for selection of a water body for rejuvenation/rehabilitation particularly for increasing the capacity. However, the DPRs did not contain data about the water filling or surplusing. The problems and remedial measures should have been assessed through the baseline survey. As the DPRs were prepared without baseline survey and performance details of the tank, there was no justification for selection of tanks.

3.14.2.5 Approval of DPR with missing details by Technical Advisory Committee

The GoI guidelines stipulated that DPRs should be approved by the Technical Advisory Committee (TAC) before submitting them to the Ministry of Water Resources for release of funds. The DPRs pertaining to works under the Chief Engineer, North Zone and the Chief Engineer, South Zone were cleared by the

[68] It means that a project envisaged at 50 *per cent* dependability will be successful in two out of four years in providing irrigation

TAC during February 2010 and June 2010. Audit scrutiny showed that the TAC, while approving the DPRs, noted that certain baseline details were missing and opined that stereotype estimates had been prepared.

The TAC cleared the DPRs subject to the department completing the missing details on baseline data. However, that was not complied with as seen from the records. Hence, the approval of DPR by TAC was not done as per the GoI guidelines.

3.14.3 Execution of works

As of March 2015, 371 works were reported as completed against 374 works sanctioned with restoration of lost command area of 19,889 ha. Three works were dropped due to objection from farmers.

Audit scrutiny in respect of 191 works revealed the following:

- Silt removal to increase the storage capacity was the main remedial measure of the scheme to meet water requirements of the restored area. As per scheme guidelines, part of the silt removal should be taken up under MNREGA component which constituted 43 *per cent* of total silt removal quantity. However, increase of storage capacity in respect of 191 tanks by removal of silt under MNREGA component was not taken up by the divisions as shown in **Table 3.4.** As a result, the water impounding capacity was not restored to the extent required to meet the water requirement of the restorable command area, thereby defeating the very objective of the scheme, *i.e.* restoration of the lost command area.

Table 3.4: Removal of silt

(in cum.)

Sl No.	Name of the Division	No. of tanks	Quantity of silt to be removed			Actual quantity removed
			Planned	Through tender	Through NREGA	
1	Kalaburgi	32	12,88,248.91	11,45,529.07	1,42,719.84	9,61,098.24
2	Tumakuru	56	18,14,094.35	10,23,614.07	7,90,480.28	8,38,171.58
3	Mysuru	12	2,90,890.00	1,13,315.00	1,77,575.00	1,08,121.57
4	Chitradurga	31	10,10,361.31	5,05,759.69	5,04,601.62	9,74,845.87
5	Dharwad	30	3,34,336.88	1,57,600.13	1,76,736.75	1,10,800.66
6	Hassan	30	11,11,151.49	3,86,480.74	7,24,670.75	3,45,276.98
	TOTAL	**191**	**58,49,082.94**	**33,32,298.70**	**25,16,784.24**	**33,38,314.90**

(Source: Information furnished by the Department)

- Improvement of canals in respect of 45 tanks was not completed and repairs/replacement to/of sluice gates in respect of 23 tanks was not tackled, as shown in **Table 3.5:**

Table 3.5: Incomplete tanks/sluices

(Amount in ₹ lakh)

Name of the Division	Canals				Sluices			
	No. of tanks canals	Cost of canal component in BOQ	Value of work executed	Shortfall (*per cent*)	No. of tanks sluices	Tender value	Executed value	Shortfall (*per cent*)
Kalaburgi	16	373.81	200.47	46.37	11	3.80	-	100.00
Tumakuru	3	30.06	18.36	38.94	8	2.89	0.11	96.22
Chitradurga	4	38.76	10.84	72.03	-	-	-	-
Hassan	6	66.56	37.06	44.32	1	2.18	0.12	95.00
Dharwad	13	252.68	113.73	54.99	3	8.40	4.97	40.84
Mysuru	3	42.04	5.27	87.46	-	-	-	-
TOTAL	45	803.91	385.73		23	17.27	5.20	

(Source: Information furnished by the Department)

The Department's claim of restoration of 19,889 ha was not factual as components like silt removal, improvement to canals and repairs to sluice gates were not completely executed as provided in the estimates.

3.14.3.1 *Restoration of lost command area irrigated as reported vis-à-vis actual irrigation*

As the restoration works were reported as completed by February 2013 to GoI, Audit obtained the rainfall data considered in the DPR for estimation of water yield, average rainfall actually recorded in two years (2013 and 2014) and the actual area irrigated. The details are as shown in **Table 3.6**:

Table 3.6: Details of irrigated area

(Area in hectares)

Year	No. of tanks which received rainfall as per DPRs	Existing potential as per DPRs	Area planned for restoration	Total Culturable Command Area	Actual area irrigated	Percentage of shortfall	No. of tanks providing irrigation
2013	116	14,757.31	6,389.74	21,147.05	1,989.45	90.59	20
2014	119	19,871.70	6,288.43	26,160.13	862.78	96.70	9

(Source: Information furnished by the Department)

Out of 191 tanks, the catchment areas of 116 tanks and 119 tanks registered rainfall during 2013 and 2014 respectively as envisaged in the DPRs. However, the tanks were not filling up despite receiving the quantum of rainfall as envisaged in the DPRs. As seen from the baseline study reports, there were water harvesting structures situated in the upstream side of the tanks harnessing the rainfall occurring in the catchment area. For each tank, the department was required to ascertain reasons for poor inflow into the tank for taking necessary remedial measures. However, none of the DPRs contained these details, as DPRs were prepared before conducting baseline survey as indicated in Paragraph 3.14.2.3. This impacted the water yield to the tanks and thereby affected the command area of the tanks.

The three EEs[69] in their reply attributed decline in area irrigated to deficient rainfall and also due to interceptions in catchment area. The EEs also stated

[69] Hassan, Mysuru and Chitradurga

that the full potential had been restored and would provide irrigation to command area in the event of normal rainfall.

The reply is not acceptable as audit had reckoned the tanks which had received the expected rainfall as envisaged in DPRs and full potential had not been restored. In fact during the year 2014, 119 tanks had received rainfall as per DPRs whereas only nine tanks provided irrigation facility which proved that the scheme implementation failed in *toto* to achieve the objective. Further, silt removal to the extent of 43 *per cent* of the estimated quantity was not executed, resulting in 10,072.19 ha not being restored in respect of 179 tanks. Hence the claim of restoration of full potential was incorrect.

The factors affecting inflow of water into tank was not ascertained for taking remedial measures since baseline studies were commissioned subsequent to approval to DPRs and their inputs could not be utilised to decide on viability for their restoration.

3.14.3.2 Monitoring and evaluation

The guidelines prescribed formation of a State Level Nodal Agency (SLNA) which was responsible for monitoring various activities envisaged under the scheme for their effective implementation. Details of formation and proceedings of SLNA were not furnished to Audit. The absence of monitoring mechanism affected the implementation of the restoration scheme on all fronts as brought out in the previous paragraphs.

The scheme guidelines also envisaged for conducting evaluation and impact assessment but the same was not got conducted by the Department. The Chief Engineer (South), Bengaluru replied (August 2015) that the impact assessment would be taken up in due course without furnishing reasons for not undertaking even after more than two years of completion of the scheme.

The observations were brought to the notice of Government in August 2015; their reply is awaited (December 2015).

3.15 Irregularities in construction of minor irrigation tank

Irregular addition of lead charges resulted in unintended benefit of ₹ 54.96 lakh to a contractor and expenditure of ₹ 7.81 crore incurred on irrigation tank rendered unfruitful due to non-completion of canal network.

The work of "Rehabilitation of Minor Irrigation (MI) Tank at Kamatanur in Hukkeri taluk, Belagavi district" was taken up by the Executive Engineer, Minor Irrigation Division, Belagavi (EE) during 2010-11 for providing irrigation to 600 hectares (ha). The contract was awarded to a contractor (December 2011) for ₹ 6.37 crore (14 *per cent* above the estimated cost of ₹ 5.58 crore) for completion within 18 months. The scope of work included excavation, foundation treatment, construction of canal, *etc*.

The work of rehabilitation of MI Tank excluding canals had been completed but the execution of canal work was stopped (March 2013) by the contractor due to objection by the farmers and land owners.

Scrutiny of records of the EE (October 2013 and February 2015) by Audit showed unintended benefit to contractor due to irregular loading towards lead charges and unfruitful expenditure due to non-completion of canals as discussed below:

- As per Minor Irrigation Schedule of Rates (SR) for 2010-11, the basic rate for excavation in all kinds of soil and disposing off with an initial lead of one km and all lifts was ₹ 61 per cum which included ₹ 37.30 per cum for one km lead. For every additional km up to five km lead, cumulative rate(s) are provided in the SR. The excavated soil was to be disposed off involving a distance of 1.80 km. For two km lead, the cumulative rate was ₹ 45.50 per cum which had to be added after deducting initial lead charges of one km (₹ 37.30 per cum). However, in the sanctioned estimate, the Department worked out the cost for this item as ₹ 99.52 per cum instead of ₹ 70.58 per cum[70] without deducting initial lead charges. Thus, the rate for this item had been inflated by ₹ 28.94 per cum and tenders invited on inflated rate resulted in unintended benefit to the contractors which works out to ₹ 32.99 per cum (₹ 28.94 × 114 *per cent*). For excavation of 1,66,598.23 cum[71] of soil executed under five of the six components of the work, the unintended benefit to the contractor works out to ₹ 54.96 lakh.
- The scope of work included construction of canals which was stopped after partial execution and the contractor was paid ₹ 60.48 lakh[72]. The contractor requested (March 2013) for closure of contract as the work could not be resumed. The Chief Engineer proposed (July 2013) MI tank be converted as percolation tank[73] as beneficiaries were against construction of canals on the ground that it would deplete the ground water levels in the surrounding wells/bore-wells and drinking water shortage during summer. Action on the request of the contractor to close the contract and final decision regarding converting MI tank into percolation tank has not yet been taken by the Government. The total payments made to contractor was ₹ 7.81 crore (March 2013). The irrigation benefit was not provided despite storage of water in the tank as canals were not completed.

On this being pointed out, the EE stated (February 2015) that though the letter of former irrigation Minister had sought to convert the tank as a percolation

[70] Includes two *per cent* area weightage - ₹ 61 + ₹ 45.50 - ₹ 37.30 = ₹ 69.20 × 1.02 = ₹ 70.58 per cum

[71] Includes quantity exceeding 125 *per cent* of tendered quantity

[72] ₹ 11.43 lakh (Sluice gate) + ₹ 49.05 lakh (irrigation canals) = ₹ 60.48 lakh

[73] A percolation tank is constructed at site where sub-soil is permeable (porous), to improve the water table in the surrounding areas

tank, in the absence of specific instructions from higher authorities, the work in respect of canals was carried out as per the approved estimate.

The indecision on the part of Government to complete the canal network defeated the very objective of providing irrigation to the 600 ha of the project on which ₹ 7.81 crore had already been spent. No reply was furnished in respect of undue benefit of ₹ 54.96 lakh to contractor on account of erroneous addition of lead charges.

The matter was referred to the Government in May 2015 and followed up in August and September 2015; their reply is still awaited (December 2015).

3.16 Overpayment to the contractor

The divisional officers made overpayment of ₹ 1.54 crore though materials were not handed over to the department and the contractor failed to complete the work despite the leniency extended for transfer of work at his request.

The contract for "Construction of Lift Irrigation Scheme (LIS)" near Devarahonnali in Honnali taluk, Davanagere district, intended to irrigate 580 hectares (ha) of land was awarded (March 2007) to a contractor by the Executive Engineer, Minor Irrigation (MI) Division, Chitradurga (EE) for ₹ 1.89 crore with a stipulation to complete the work in 12 months (March 2008). The scope of work included supply of pumping machinery, supply and erection of PSC pipes[74], construction of jack well, testing and commissioning of LIS. As per special conditions of the contract, the contractor was to be paid at staggered rates for pump sets and associated accessories based on the progress of work[75].

The work was not completed by March 2008. The contractor represented to the Chief Engineer that work of rising main could not be completed due to objections by farmers and also stated that there were disputes with engineer-in-charge of work with respect to depth of jack well, excavation in hard rock, *etc.* As per the request of the contractor, the execution of the work was entrusted to Shivamogga Division during February 2010 and the contractor was paid ₹ 92.67 lakh towards pump sets and accessories, laying of PSC pipes for length of 2,275 Rmtr. The contractor was paid another ₹ 70.27 lakh when the work was under jurisdiction of MI Division, Shivamogga primarily towards supply of pipes and "extra items" (supply of pumping accessories for which a supplementary agreement for ₹ 20.05 lakh was concluded during

[74] Pre-stressed concrete pipe

[75] Terms of payment - 70 *per cent* of the contract price after satisfactory testing and receipt at site, 10 *per cent* of the contract price after erection, 10 *per cent* after successful commissioning & handing over and 10 *per cent* after completion of the maintenance period

November 2011). The work was re-entrusted (August 2012) to MI Division, Chitradurga since a new sub-division at Honnali was established. The contractor did not commence the work despite issue of several notices after re-transfer of the work.

The contract was terminated (December 2014) at risk and cost of the contractor based on the final measurements of the work taken on 1 September 2014. The total payment made to the contractor worked out to ₹ 1.63 crore. The LIS targeted for completion in March 2008 has remained lingering for more than seven years now.

Though the tenders for the balance work had been invited (December 2014), the contract is yet to be awarded.

Audit scrutiny (October 2014) of records of the EE revealed the following lapses:

- The major portion of the cost of LIS relates to supply of manufactured or pre-fabricated items and also comprised of minor works of erection or installation and commissioning at site or sites and thus attains the characteristics of *lump-sum* contract which was invited as item rate contract, instead of finished item of work. However, MI department included "special conditions" to the item rate contract by providing stage payment and there was no justification for altering the basic structure of the item rate contract which adequately safeguards the interest of the exchequer as it is for completed item of work.
- The programme of work indicating prioritisation of various items of work should be approved by the department before commencement of the work. However, no programme of work was submitted by the contractor for approval by MI department. It was stated that the contractor supplied pump sets and its accessories soon after signing of the agreement though these materials were required only after completion of civil works. The warranty of the materials purchased would lapse (invoices not available for scrutiny) even before commissioning of the project. However, the EE allowed the contractor to retain the custody of materials. The absence of programme of works coupled with special conditions only resulted in contractor performing the contract to suit his convenience.
- As per agreement, 70 *per cent* of the value of supplies was payable to the contractor on receipt and testing of materials. However, the contractor was paid 85 *per cent* on the basis of supply invoices without taking actual delivery of materials, thereby causing financial loss to Government.

Even though there was inordinate delay in completion of the work, penalty for delay in completion of work was not levied. Performance security of ₹ 18.94 lakh was also not obtained from the contractor. The reasons for not enforcing contractual provisions were not on record and the purpose of transfer of work was also defeated.

Out of ₹ 1.63 crore paid to the contractor, the value of works aggregating to ₹ 49.50 lakh only was accepted (December 2014) by the EE as executed by the contractor. The remaining ₹ 1.13 crore was paid towards material though it was not delivered as per final measurements. Thus, due to departmental lapses, the LIS was lingering despite Government spending ₹ 1.63 crore for the same. The total amount recoverable from the contractor including extra cost for balance work and penalty amounted to ₹ 1.54 crore[76].

The matter was referred to Government in June 2015, followed by reminder in September 2015; their reply is awaited (December 2015).

Bengaluru
The 18 FEB 2016

(Bijit Kumar Mukherjee)
Accountant General
(Economic and Revenue Sector Audit)
Karnataka

Countersigned

New Delhi
The 23 FEB 2016

(Shashi Kant Sharma)
Comptroller and Auditor General of India

[76] Pumping machinery and electrical appliances: ₹ 79.18 lakh + Supply of PSC pipes: ₹ 34.25 lakh + Fine under tender clause 50.1: ₹ 40.86 lakh = ₹ 154.29 lakh

Appendices

Appendix 1.1
(Reference: Paragraph 1.7.1, Page 6)

Year-wise breakup of outstanding Inspection Reports and Paragraphs in respect of Commerce & Industries Department as of March 2015

Year of issue	Period of IR	Commerce & Industries Department	
		No. of IRs	No. of Paragraphs
Up to 2001-02	Up to 2000-01	72	170
2002-03	1998-2002	1	1
	2000-02	1	2
2003-04	2001-03	2	2
2005-06	1997-2005	1	1
	2000-05	1	1
2008-09	2005-08	1	1
	2006-08	1	2
	2007-08	1	1
2009-10	1998-2009	1	1
	2006-09	2	4
	2008-09	1	2
2010-11	1998-2010	1	1
	2001-10	2	4
	2006-10	1	3
	2009-10	6	16
2011-12	2008-11	1	4
	2010-11	5	17
2012-13	1998-2012	1	4
	2010-12	1	5
	2011-12	5	32
2013-14	1999-2013	1	7
	2011-13	1	2
	2012-13	5	36
2014-15	2007-14	1	9
	2010-14	3	15
	2013-14	4	30
TOTAL		**123**	**373**

Appendix 1.2
(Reference: Paragraph 1.7.3, Page 7)

Details of Departmental Notes pending as of December 2015

Sl. No.	Department	2003-04	2004-05	2008-09	2009-10	2012-13@	2013-14@
1	Commerce & Industries	-	-	1	-	3	3
2	Forest, Ecology & Environment	1	-	-	-	1	2
3	Horticulture (Sericulture)	-	-	-	-	1	-
4	Information Technology, Bio-technology and Science & Technology	-	-	-	-	1	-
5	Water Resources (Minor Irrigation)	-	2	3	1	1	3
6	Public Works, Ports & Inland Water Transport	1	-	-	-	7	4
7	Infrastructure Development	-	-	-	-	-	1
8	Water Resources	-	-	-	-	-	2
	TOTAL	02	02	04	01	14	15

(@ Report on Economic Sector)

Appendix 1.3
(Reference: Paragraph 1.7.4, Page 7)

Number of Paragraphs/reviews yet to be discussed by PAC as of December 2015

Sl. No.	Dept #	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12@	12-13@	13-14@	Total
1	Forest, Ecology & Environment	1	-	1	2	-	-	-	-	2	3	1	-	-	-	1	2	-	2	1	1	2	19
2	WRD	14	7	7	6	8	7	2	2	2	6	-	-	-	-	-	-	-	-	-	-	2	63
3	WRD (MI)	1	5	3	5	4	2	-	-	-	-	1	2	1	-	-	3	2	1	-	1	3	34
4	PWD	-	2	2	4	1	-	-	-	-	-	1	-	-	-	-	-	-	-	-	7	4	21
5	RDPR(PHE)	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01
6	Co-operation	1	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	02
7	Commerce & Industries	-	-	-	-	-	2	1	1	-	-	-	-	-	1	-	1	-	1	-	3	3	13
8	Horticulture (Sericulture)	-	-	-	-	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	1	-	03
9	IT&BT	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-	-	-	-	1	-	03
10	Tourism	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	01
11	Infrastructure Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	01
	TOTAL	**17**	**15**	**13**	**17**	**13**	**12**	**04**	**03**	**04**	**09**	**05**	**02**	**02**	**01**	**01**	**06**	**02**	**05**	**01**	**14**	**15**	**161**

(@ Report on Economic Sector)

Appendix 2.1
(Reference: Paragraph 2.1.10.2, Page 21)
Statement showing delay in implementation of Central Projects by DoT

Project cost ; Amount released; and date of approval/ release	Date of sanction/ release by the State Government	Audit observation
1. Coastal Religious Circuit Development (Udupi-Karkala-Sringeri): ₹ 1.23 crore; ₹ 98.69 lakh; September 2009	July 2010 & July 2012 ₹ 98.69 lakh	There was delay of 11 months in release of funds by GoK. DoT released funds to DC, Udupi alone instead of releasing it among the DCs of Udupi, Chickmagalur and Dakshina Kannada districts. The fund was used for construction of Yatrinivas at Sri Krishna Mutt which is not an approved component of work.
2. Destination development of Shivanasamudra-Bharachukki: ₹ 4.32 crore; ₹ 3.45 crore; March 2008	August 2009/ July 2010/ March 2012: ₹ 140.51 lakh to DCF, Kollegal; March 2013: ₹ 140.51 lakh, JLRL	There was delay of 16 months in release of funds by GoK. Though none of the components of work were entrusted to JLRL, ₹ 1.41 crore was released to it during March 2013 and the same was retained by it as of April 2015. About 70 *per cent* of the infrastructure works proposed under the project was not taken up as of March 2015. DoT submitted UC for ₹ 3.46 crore to GoI which was factually incorrect. Consequently, MoT did not release the final instalment amount of ₹ 86.37 lakh due to non-submission of UCs and also adjusted (November 2013) ₹ 64.97 lakh being the funds already released but not utilised by DoT against releases for another project. Total loss of central assistance thus works out to ₹ 1.51 crore.
3. Destination development of Bidar fort: ₹ 3.66 crore; ₹ 2.92 crore; December 2009	July 2010/ September 2011; ₹ 90 lakh	There was delay in release of funds by GoK. The work of 'Renovation of tuskar path at fort' which is not an approved item of work under the project was executed by DC, Bidar at a cost of ₹ 40 lakh resulting in diversion of funds. DoT submitted (January 2012) UC for ₹ 90 lakh to GoI which is factually incorrect. DoT had intimated (Sept 2009) GoI that the components such as pathway and allied works, landscape, gardening lighting and Gazebo (summer house) would be implemented through the Department of Archaeology. However, DC, Bidar was requested by DoT in October 2014 only to get the work implemented through the Department of Archaeology. Consequently, unspent amount of ₹ 2.02 crore was adjusted by GoI against releases for another project besides loss of balance assistance of ₹ 73.11 lakh.
4. Destination development of Chaukhandi and Ashtoor tombs in Bidar: ₹ 3.18 crore; ₹ 2.55 crore; September 2009	July 2010/ September 2011; ₹ 153 lakh	There was delay in release of funds by GoK. The work of 'Construction of bye-pass road' which is not an approved item of work under the project was got executed through PWD by DC, Bidar at a cost of ₹ 83.98 lakh resulting in diversion of funds. DoT submitted (January 2012) UC for ₹ 2 crore to GoI which is factually incorrect. DoT had intimated (September 2009) GoI that the project would be implemented through the Department of Archaeology. However, DC, Bidar was requested by DoT in October 2014 only to get the work implemented through the Department of Archaeology. An amount of ₹ 54.62 lakh was refunded (2013-14) to GoI after deducting ₹ 2 crore towards UC already submitted and the total loss of Central assistance works out to ₹ 1.18 crore (including ₹ 63.65 lakh due but not released by GoI).
5. Infrastructure facilities at Vanivilas sagar dam in Chitradurga: ₹ 5 crore; ₹ 4 crore; December 2011	October 2013/ ₹ 400 lakh	There was delay of 20 months in release of funds by GoK and the work was not commenced (September 2014). However, UC was submitted for ₹ 4 crore. DoT had certified (December 2011) that the land for the project was readily available and was in the possession of Karnataka Neeravari Nigam Limited who would operate, manage and maintain the project after completion and bear all operational expenses. It is however decided (August 2013) to take up the project in an area belonging to temple trust reportedly located near Vanivilas sagar who agreed (August 2013) to handover the land temporarily to DoT for development and to get it back after completion for further maintenance. Permission for change in the location of the project is not obtained from GoI.

6.Development of Tourist infrastructure in Temple Circuit in North Karnataka: ₹ 3.95 crore; ₹ 3.16 crore; October 2009	NA	DoT reported (June 2012) to the Ministry that lands were identified and works were entrusted to the implementing agencies. However, when the Ministry withhold sanction of new projects due to non-submission of UCs, the project was dropped (September 2013) on the ground of non-availability of land and ₹ 3.16 crore was surrendered to the Ministry. In the meanwhile, DoT incurred an expenditure of ₹ 13.98 lakh towards consultancy charges which rendered wasteful.
7.Development of Tourist infrastructure at Sleeping Buddha Hills in Yadgir: ₹ 4.38 crore; ₹ 3.50 crore; September 2009	July 2010; ₹ 40 lakh	While DoT had certified that land was readily available, DC, Yadgir reported (October 2010) that private land had to be purchased for the project and proceedings for land acquisition initiated in February 2012 only. However, when the Ministry withhold sanction of new projects due to non-submission of UCs, the project was dropped (September 2013) on the ground of non-availability of land and ₹ 3.51 crore was surrendered to the Ministry. In the meanwhile, an amount of ₹ 6.18 lakh was spent towards consultancy charges which rendered wasteful.
8. Developing of tourist facilities at Pilikula Nisargadhama in Mangaluru: ₹ 5 crore; ₹ 4 crore; February 2012	October 2013	There was delay of 20 months in release of funds by GoK. There was also delay in entrustment of work by almost one year after release of funds. Tenders were invited during March 2014 work order for executing the work issued in September 2014. In the meanwhile, UC was submitted to GoI for ₹ 4 crore.
9. Integrated Development of Magadi Fort: ₹ 4.87 crore; ₹ 3.89 crore; Feb 2012	October 2013	There was delay of 20 months in release of funds by GoK. Delay was also noticed in preparation of estimate by the Department of Archaeology which was actually submitted in October 2014. In the meanwhile, UC was submitted to GoI for ₹ 3.89 crore.
10. Development of Vijayapura-Bidar-Kalaburagi circuit: ₹ 6.41 crore; ₹ 5.13 crore; Sept 2007	March 2010	An amount of ₹ 57.05 lakh was refunded to the MoT attributing to non-availability of land for one sub-project whereas balance grants of ₹ 1.28 crore was not released by GoI.
11. Development works at Muthyalamadu (Pearl Valley),Anekal, Bengaluru: ₹ 2.94 crore (Feb 2007); ₹ 2.35 crore	August 2009/ October 2010/ September 2011/November 2011/June 2012	There was delay of 29 months in release of funds to KSTDC. As against ₹ 2.85 crore released by DoT to KSTDC (as of June 2012), an amount of ₹ 1.70 crore was spent whereas basic amenities such as construction of Toilet blocks, signages and improvement to parking facility were not provided. The project was commissioned only in May 2013 *i.e.*, after a lapse of six years.
12. Development of infrastructure under Malnad Circuit: ₹ 6.11 crore: September 2009; ₹ 4.89 crore	July 2012	There was delay of 33 months in release of funds by GoK to the implementing agencies. Out of seven components approved, three components of work (wayside facilities at two places and tourist infrastructure development at one place) costing ₹ 4.51 crore were entrusted to KSTDC and one component (rafting camp) costing ₹ 63 lakh was entrusted to JLRL. Funds amounting to ₹ 1.90 crore were however released to KSTDC in July 2012 and ₹ 50.76 lakh was released to JLRL in March 2013 after almost three years. None of the above components were taken up either by KSTDC or JLRL and amounts were continued to be retained with them. While reasons for non-taking up the works were not furnished by KSTDC, it was stated to be due to non-availability of land in respect of work pertaining to JLRL. Consequently, an amount of ₹ 1.09 crore was adjusted by GoI against the releases for other work.

Appendix 2.2
(Reference: Paragraph 2.1.10.4, Page 23)

Components of works not completed under Hampi mega project

(₹ in lakh)

Sl No.	Components	Amount	Expenditure incurred	Remarks
Central funds				
1	Improvements of the surroundings of destinations			
(a)	Kamalapura Lake Bund development	50.00	Nil	Work yet to be taken up
(b)	Thematic tours	98.00	Nil	Work yet to be taken up
2	Illumination			
(a)	Illumination of historic building	442.00	771.48	Work in progress
(b)	Sound & Light show	400.00		
3	Development of access to inaccessible monuments	97.00	Nil	Work yet to be taken up
4	Special Routes	105.00	69.30	Work in progress.
5	Construction of temporary rural hut at the site of demolished interpretation centre	32.54	Nil	Work yet to be taken up
6	Signages	272.00	34.77	Work in progress. Nine sample signage works are completed.
7	Construction of performance stages in villages	40.00	10.00	Work in progress.
8	Refurbishment of the monument			
(a)	Chatra no 127 (Hare Chatra)	377.00	Nil	Work yet to be taken up
(b)	Chatra no 139	113.40	Nil	Work yet to be taken up
9	Refurbishment of the monument			
(a)	Aqueduct	232.80	80.00	Work in progress. Amount released by DoT to ASI. Details/ Progress of work not available.
(b)	Ghat at Anegundi	449.30		
(c)	Ane salu and Onte salu	321.70		
	Sub-total	**3,030.74**	**965.55**	
State funds				
1	Improvements of important junction on the Sanapura Anegundi Road	50.00	Nil	Work yet to be taken up
2	Transportation: Parking Nodes and Historic pathway development DPR	40.00	Nil	Work yet to be taken up
3	Arts and Crafts centre	20.00	12.78	Work in progress
4	Interpretation			
(a)	Heritage Walk	75.00	Nil	Work yet to be taken up
(b)	Audio Visual tools	50.00	Nil	
(c)	Virtual Reality	25.00	Nil	
5	Water Sports at Sanpura lake	12.00	Nil	Work yet to be taken up

6	Water Sports Equipments	25.00	0.99	Work in progress. Equipments yet to be procured
7 (a)	Conservation maintenance, seating and emergency preparedness	450.00	134.74	Work in progress. Materials worth ₹ 1.35 crore procured.
(b)	Illumination of historic building	483.00	Nil	Work yet to be taken up
(c)	Sound & Light show			
(d)	Cultural Information system	25.00	4.35	Work in progress. Computers and other accessories procured for Vijayanagara research project
8 (a)	13 No.s mobile toilet procured	64.70	Nil	Work yet to be taken up
(b)	Joint Heritage management programme	300.00	88.78	Work in progress.
9 (a)	Signages	28.00	Nil	Work yet to be taken up.
(b)	Installation of network, surveillance & communication system	250.00	82.75	Work in progress.
10	Refurbishment of vernacular houses	100.00	4.91	Work in progress.
11	Strengthening of road from kondanayakahalli to Kadirampura cross	700.00	250.00	Work in progress. ₹ 4.50 crore directly released to PWD by DoT
12	Solid Waste Management	78.56	44.71	Work in progress. Trailer mounted suction machine and tractor purchased for Solid Waste Management
	Sub-total	**2,776.26**	**624.01**	
	TOTAL	**5,807.00**	**1,589.56**	

Appendix 2.3
(Reference: Paragraph 2.1.11.2, Page 30)
Deficiencies noticed in implementation of the projects

<table>
<tr><th>Name of the project/ work</th><th>Components involved</th><th>Date of approval</th><th>Sanctioned cost (₹ in crore)</th></tr>
<tr><td colspan="4">I. Eco-Tourism Projects</td></tr>
<tr><td>1. Infrastructure facilities at Kodachadri in Shivamogga district</td><td>Dormitory block, independent rooms, conference hall, indoor stadium, landscaping, parking lot and other amenities</td><td>March 2007</td><td>3.06</td></tr>
<tr><td colspan="4">Audit observation: The project was taken up during 2006-07 by DoT and transferred to KSTDC for implementation due to slow progress by the contractor. The balance work costing ₹ 2.71 crore was entrusted (January 2012) to an agency for ₹ 3.90 crore for which revised administrative approval was not obtained as the cost exceeded the estimated cost. The work was stopped by the agency after achieving a financial progress of ₹ 2.63 crore and GoK directed KSTDC to restrict the project cost to ₹ 2.71 crore. The project is not completed even after eight years due to non-completion of the balance 30 per cent components of work.</td></tr>
<tr><td>2. Development of Eco-Tourism resort at Pilikula in Mangaluru</td><td>Construction of cottages, interpretation centre, Ayurveda centre, staff quarters, pathway and paving, etc.</td><td>December 2010</td><td>4.20</td></tr>
<tr><td colspan="4">Audit observation: After entrustment of work in January 2011, JLRL proposed (June 2011) shifting of the project to beach side by identifying suitable land but the decision was taken, after 23 months, to revert back to the original site, as no land was found available at beach side. In the meanwhile, the cost of the project was revised (September 2013) to ₹ 5.35 crore. The project was completed in February 2014 at a cost of ₹ 5.32 crore due to changes made in the drawings and execution of new items of work. The differential cost of ₹ 1.12 crore was met by JLRL from the internal sources. The project included construction of 10 additional rooms at a cost of ₹ 2.49 crore which was not justified as the occupancy rate in the existing eight rooms was less than 15 per cent during 2010-14 and occupancy rate of 18 rooms was reduced to 10 per cent during 2014-15.</td></tr>
<tr><td>3. Infrastructure facilities at Kemmannugundi in Chikkamagaluru</td><td>Construction of wooden cottages, tented camps and up-gradation of Guest House</td><td>November 2010</td><td>1.93</td></tr>
<tr><td colspan="4">Audit observation: The project taken up by JLRL was completed in October 2013. But assets due to be handed over to the Horticulture Department was actually handed over by JLRL in November 2014 after one year. The Horticulture Department refused to take over the possession of the assets as the furniture valued ₹ 11.03 lakh provided in the guest house was of poor quality and sought for its replacement. Though notice was issued (March 2015) by JLRL for replacement of furniture, the same was not done and the facilities created were not thrown open to public as of June 2015.</td></tr>
<tr><td>4. Development of Eco-tourism facilities at Khanapur in Belagavi</td><td>Construction of 13 cottages, Golghar, security cabin and entry, pathway and fencing, land scape works, etc.</td><td>October 2010</td><td>3.52</td></tr>
<tr><td colspan="4">Audit observation: The work was awarded (March 2011) by JLRL to an agency at ₹ 4.25 crore with a stipulation to complete within 18 months. However, there was delay of almost two years in handing over of the site. While an amount of ₹ 4.16 crore was already paid to the contractor, balance works costing ₹ 70 lakh relating to seven cottages were not completed (May 2015). Even in respect of six cottages completed in February 2014, details of taking over of the same by JLRL and occupancy details for the same were not furnished.</td></tr>
<tr><td>5. Development of Eco-tourism facilities at Malaya Marutha in Chikkamagaluru</td><td>Construction of cottages, Reception and office room, Golghar, Yoga hall, etc.</td><td>March 2008</td><td>0.94</td></tr>
<tr><td colspan="4">Audit observation: The project proposed (January 2008) by JLRL was not taken up due to non-availability of suitable land. DoT also did not take action to get refund of the amount of ₹ 94 lakh released in March 2008 as of June 2015 which is indicative of poor monitoring by DOT.</td></tr>
</table>

II. Adventure Tourism Projects			
1. Establishment of night safari at Bannerghatta National Park	**--**	**2008-09**	**9.50**
Audit observation: GoK cleared (2008-09) an action plan for the project and released (March 2009/September 2009) ₹ two crore towards preliminary expenses[77]. The JLRL prepared a project report for ₹ 178 crore. GoK asked (April 2010) JLRL to obtain approval from MoEF as the area where the project was taken up was Reserve Forest land. In the meanwhile, ₹ 7.50 crore was again released (between July 2010 and August 2011) to JLRL. The Central Zoo Authority (CZA), New Delhi stated (February 2011) that the Master Plan for the long term development of Night Safari should be in conformity with the Hon'ble Court order dated 13-12-2010 and directed to refrain from any construction work at the proposed site till the Master Plan is approved by it. Consequently, JLRL decided (March 2012) to shelve the project due to public litigation, opposition to the project due to adverse impact towards nature and wild life, *etc.*, and communicated the same to GoK in June 2013. In the meanwhile, an amount of ₹ 77.18 lakh[78] was spent on the project which rendered wasteful. The unutilised amount of ₹ 8.73 crore was also retained by JLRL without returning it to the GoK (May 2015).			
2. Development of adventure tourism activities at B.Ilakalale village near Jog Falls	**Construction of cottages, kitchen, office building, conference hall, store room, *etc.***	**September 2009**	**4.15**
Audit observation: GoI released (September 2009) ₹ 3.32 crore for the project. In the meanwhile, the work was awarded by JLRL to a contractor in March 2009 at a cost of ₹ 5.78 crore. However, due to change of drawings and materials and also due to delay in handing over the site to contractor (11 months), the project cost was increased by ₹ 60.90 lakh. An amount of ₹ 6.12 crore was already paid to the contractor whereas electrical cable works and other miscellaneous components of work costing ₹ 27 lakh were not completed as of May 2015.			
3. Development of Boating Centre and tourist infrastructure facilities at Thonnur tank	**Construction of cottages, Jetty, motor boats, boating ticket counter, canteen with service counter, drinking water facility and toilets**	**December 2009**	**1.00**
Audit observation: The DoT released (December 2009) ₹ one crore to KSTDC which purchased five motor boats at a cost of ₹ 29.15 lakh before creation of infrastructure facilities. Further works were not taken up as it was decided (2012) to take up the above project under PPP model. This has resulted in idle investment of ₹ 29.15 lakh on boats purchased. While the status of taking up the work on PPP model was not clarified by DoT, action was also not taken to get back balance unspent amount from KSTDC.			

[77] Tour to Singapore, visiting of different Zoos in the Country, Consultancy fee, preparation of Detailed Project Report and topographical Survey, *etc*

[78] Soil testing *etc* ₹ 21.47 lakh, consultancy charges ₹ 40.66 lakh, travelling expenditure ₹ 9.21 lakh , tendering *etc* ₹ 5.83 lakh

Appendix 2.4
(Reference: Paragraph 2.1.11.6: Page 32)

Projects relating to Sound and Light show

Name of the destination	Approved cost (₹ in crore)	Implementing agency	Date of Sanction
Chitradurga fort	**2.00**	**KSTDC**	**March 2010**
Audit observation: The fort belongs to the era of Nayaks from 14th century and well maintained by ASI. DoT released (between March 2010 and July 2011) ₹ 95 lakh to KSTDC which was returned back (June 2013/April 2014) as permission sought (May 2009) was not accorded by ASI. DoT replied (December 2015) that the amount was utilised for other works with approval of Government.			
Bidar fort	**1.92**	**Private agency**	**August 2008**
Audit observation: The fort belongs to the era of Bahamini Sultans from 14th century and well maintained by ASI. ₹ 82.79 lakh was paid (up to July 2009) to the agency towards the cost of materials purchased and the same is not put to use for over seven years as permission sought (May 2009) was not accorded by ASI. DoT replied (December 2015) that preparation of impact assessment report for setting up Sound and Light Show at Bidar as per the requirement of ASI for approval was under progress.			
Golgumbaz in Vijayapura	**2.00**	**KSTDC**	**February 2010**
Audit observation: The Golgumbaz belongs to the era of Shahi Sultans from 15th century and maintained by ASI. ₹ 1.90 crore was released (March 2010/ November 2010/March 2012) to KSTDC. DoT instructed (October 2014) KSTDC to refund ₹ 1.90 crore against which ₹ 1.15 crore only was refunded by KSTDC as of May 2015. DoT replied (December 2015) that the balance amount of ₹ 75 lakh would be obtained from KSTDC and utilised for other works.			
Srirangapatna	**3.44**	**KSTDC**	**June 2010**
The project completed at a cost of ₹ 2.90 crore after lapse of over four years was commissioned (November 2014) with temporary power supply and implemented in Kannada language only. DoT replied (December 2015) that action would be taken to prepare script in other languages.			

Appendix 2.5
(Reference: Paragraph 2.1.12.2, Page 34)

Management of properties of DoT on ROMT basis

Sl No.	Name of the property/project	Year of construction	Facility	Status of the facilities as per the Report	Cost for renovation (₹ in crore)	Present status
1	Hotel Mayura Pushpagiri, Halebidu, Hassan district	1995- 96	24 rooms, 1 dining hall	Buildings are in a completely abandoned state and all the furnishings are damaged. It is inaccessible as there are no proper roads laid to the building	1.67	Not yet leased
2	Yatrinivas at Devarayanadurga, Tumakuru district	2012	12 rooms, 1 dormitory (15-20 beds)	9 rooms are furnished comprising a bed, a table and 2 chairs, 3 rooms are unfurnished. Dormitory does not have any furniture.	0.28	Not yet leased
3	Wayside facility in Ganagapur, Kalaburagi district	2006	3 rooms, 1 dormitory	Since the facility is non-operational, it is being used by locals as a public toilet. Whole building is in a dilapidated condition.	0.86	Agreement entered with the lessee in July 2015 but property not yet handed over
4	Dormitories at Melukote, Mandya district	1998	6 rooms, 4 dormitory	It is non-operational. The interiors are not furnished.	0.44	Not yet leased
5	Hotel Mayura Samudra, Gokarna, Uttara Kannada	1984	3 rooms, 1 dormitory, kitchen & restaurant	Property is completely damaged and needs to be renovated completely.	1.10	Not yet leased
6	Dormitory at Moodubidare, Dakshina Kannada	1984	8 rooms, 1 dining hall 1 kitchen	Dormitory is in a dilapidated condition due to lack of maintenance	0.31	Not yet leased
7	Hotel Mayura Bharachukki Madhyaranga, Shivasamudra, Chamarajanagara	2013	4 rooms, 1 cottage, 1 dining hall	Hotel is non-operational at present	0.09	Agreement entered with the lessee in July 2015 but property not yet handed over
8	Hotel Mayura Keshava, Somanathapura, Mysuru district	1975	2 rooms, 2 cottages, 3 quarters, 1 hall	Non-operational and in an extremely dilapidated state. The building is in a collapsible condition and inaccessible due to thorny bushes grown around.	0. 44	Not yet leased

9	Wayside facility at Thannikola, Belagavi	2002	3 rooms, 1 kitchen	Currently, it is non-operational.	0.46	Not yet leased
10	Hotel Mayura at Devarayanadurga Tumakuru	1966	2 rooms, 1 kitchen, 2 halls	It is in dilapidated condition and not operational for the last 12 years.	0.35	Not yet leased
11	Wayside facility at Basavana Bagevadi, Vijayapura	2013	1 room, 1 dining hall 1 kitchen	It was constructed in 2013 but has not been operational so far.	0.14	Agreement entered with the lessee in July 2015 but property not yet handed over
12	Wayside facilities at Shiradi, Sakaleshpur taluk Hassan district	1997	3 rooms, 2 halls, 1 kitchen	It is in an abandoned state. Doors are not installed and interiors are totally damaged. There are no electrical connections and wirings are not in place. Building needs to be reconstructed.	2.27	Not yet leased
13	Fast Food Counter, Anmod, Uttara Kannada	1986	1 kitchen, 1 restaurant	There is no furniture and the building is completely dilapidated. It needs to be refurbished completely.	1.32	Not yet leased

APPENDIX 3.1
(Reference: Paragraph 3.13.3, Page 63)

Statement showing details of lapses committed while disbursing land compensation payment

Sl. No.	Allottee as per Land Tribunal award	Survey No./ Extent of land	Payment of compensation disbursed	Violations/lapses noticed
1.	Sri Krishnandagiri Goswamy	390 to 400/ 53-24 *acres*	₹ 11.25 crore[79]	The Land Tribunal allotted 53.24 *acres* of land in Survey Nos. 390 to 400 to Sri Krishnananda Giri Goswamy. The land in this survey nos. was in the name of allottee's brother, Bhishma Pitamaha and the allottee had expired before the land tribunal award. Based on the first land tribunal's award, the land was transferred in favour of Pradeep Bin Sudhir and Sonu Bin Sudhir. ➢ SLAO, KIADB has not insisted succession certificate, copy of Land tribunal award, death certificate, *etc.*, before payment of compensation to Pradeep Bin Sudhir and Sonu Bin Sudhir and their names were not notified in the final notification.
2.	Smt Satyabhama	Old 424; New 582/ 54 *acres*	₹ 11.34 crore[80]	KIADB had made payment of compensation primarily on the basis of RTC and Mutation. Claimants seeking compensation were to submit RTC from the year 1999 till the year of claim. It was, however, seen that the RTC was in the name of Bhishma Pitamaha from 1996-97 to 2000-01, after which, it was changed into the name of Satyabhama till 2010-11 and subsequently it was changed to Harsha Bin Rajesh Kumar. ➢ SLAO, KIADB failed to verify the genuineness of RTC as there was a change in the RTC from living person to a demised person and did not insist the death certificate, the succession certificate from the claimant. ➢ Hence, payment of compensation by the Board to Harsha Bin Rajesh Kumar was irregular.
3.	Five Daughters of Bhishma Pitamaha (Shobha devi Hemalatha; Nisha Sharma; Anjana Sharma & Vijayalakshmi)	Old 424; New 583-587/ 270 *acres*	₹ 56.70 crore[81]	➢ In the third Land Tribunal Order, the Chairman had expressed dissent opinion for grant of 50 units of land to five daughters and expressly stated as erroneous. Despite determination being not as per law and involved undue benefit due to payment of compensation, the KIADB had not contested the Land Tribunal Order. ➢ KIADB had paid land compensation to five daughters based on RTC and also disbursed land compensation to non-eligible persons without obtaining prescribed documents. ➢ However, their names were not notified in the final notification (issued on 3 April 2008) and no corrigendum was issued by the KIADB in this regard.

[79] Compensation paid to Pradeep: ₹ 5,15,02,500 and Sonu: ₹ 6,10,57,500
[80] Compensation paid to Harsha Bin Rajesh Kumar who is the grandson of Bhishma Pitamaha
[81] ₹ 11,34,00,000 to each daughter