

GOVERNMENT OF KARNATAKA

GOVERNMENT OF KARNATAKA

REPORT OF THE

COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

(CIVIL)

For the year ended 31 March 2003

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PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.
2. Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of State Government for the year ended 31 March 2003.
3. The remaining chapters deal with the findings of performance audit and audit of transactions in various departments including the Public Works and Irrigation Departments, audit of Stores and Stock, audit of Autonomous Bodies and departmentally run commercial undertakings.
4. The Report containing points arising from audit of the financial transactions relating to Zilla Panchayats is being presented separately.
5. The Report containing the observations arising out of Statutory Corporations, Boards and Government Companies and the Report containing such observations on Revenue Receipts are presented separately.
6. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2002-03 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the periods subsequent to 2002-03 have also been included, wherever, necessary.



OVERVIEW

This report contains five chapters of which the first two contain the observations on the accounts of the State Government for 2002-03 and the other three contain audit comments in the form of five reviews, four long paragraphs and 24 paragraphs on selected schemes and programmes and financial transactions of the Government. A synopsis of the findings contained in the reviews and more important paragraphs is presented in the overview.

I. Finances of the State Government

For the year 2002-03 the revenue deficit was Rs.2,645.74 crore compared to Rs.3,284.45 crore in 2001-02. The decrease in revenue deficit was due to decline in Plan revenue expenditure as certain payments were postponed to future years.

The aggregate of the amount received by the State Government on account of the State's share of Union Taxes, Duties and Grants-in-aid and contributions increased from Rs.2,817 crore in 1998-99 to Rs.4,451 crore in 2002-03 an increase of 58 *per cent*. The amounts received from the Government of India towards revenue receipts of the State was 25 *per cent* in 1998-99 while it was 28 *per cent* in 2002-03.

Though Plan revenue expenditure decreased during 2002-03 to Rs.3,245 crore from Rs.3,943 crore during 2001-02, Non-Plan revenue expenditure, considered to be unproductive, increased to Rs.15,570 crore in 2002-03 from Rs.14,662 crore in 2001-02.

As at the end of 2002-03, the total investment in Statutory Corporations, Government Companies etc., worked out to Rs.6,150.37 crore. Dividend and interest received thereon (Rs.21 crore) were negligible (0.35 *per cent* of investments).

Outstanding fiscal liabilities of the State almost doubled from Rs.18,617 crore at the end of 1998-99 to Rs.37,234 crore at the end of 2002-03. The amount guaranteed by the State Government on behalf of statutory corporations, Government companies etc., outstanding as on 31 March 2003 was Rs.13,314 crore.

Revenue buoyancy declined in 2002-03 mainly due to decline in Grants-in-aid from the Central Government. The ratio of own tax to Gross State Domestic Product also declined marginally in 2002-03. The ratio of revenue expenditure and development expenditure to total expenditure declined in 2002-03 compared to previous two years. Though capital expenditure increased during 2002-03, it was overstated to the extent of discharge of liabilities towards off-budget borrowings included in investment.

The Balance from Current Revenues, which was positive during 2000-01 declined and became negative during the years 2001-02 and 2002-03.

A negative Balance from Current Revenue adversely affects the plan size and reduces the availability of resources for additional infrastructure. Though both revenue and fiscal deficits declined during the year, this was done by deferring plan expenditure to future years. Interest payments increased by Rs.609 crore during the year and was higher than the increase in revenue expenditure during the year. However, large revenue and fiscal deficits year after year, together with low or no return on investments indicate that the State is gradually getting into a debt trap. The State's continuous low return on investment indicates an implicit subsidy and use of high cost borrowing for investments, which yields very little to it. The State Government has tried to soften its budget constraint through borrowings from special purpose vehicles like Krishna Bhagya Jala Nigam and Karnataka Neeravari Nigam Limited etc. The ratio of fiscal liabilities to Gross State Domestic Product crossed 30 *per cent* during 2002-03 which would increase further once off-budget borrowings are taken into account.

(Paragraphs 1.1 to 1.10)

2. Allocative Priorities and Appropriation

Against total budget provision of Rs.32,684.76 crore (including supplementary), actual expenditure was Rs.28,480.04 crore. Overall saving of Rs.4,204.72 crore was the result of saving of Rs.5,295.68 crore in 62 grants/appropriation and excess of Rs.1,090.96 crore in eight grants/appropriation. The excess of Rs.1,090.96 crore required regularisation by the Legislature under Article 205 of the Constitution of India.

Expenditure booked in accounts was inflated at least to the extent of Rs.31.84 crore due to transfer of funds to Deposit account through 'nil' payment vouchers. Another Rs.49.23 crore relating to the loans released to Karnataka Power Transmission Corporation Limited and Bangalore Metropolitan Road Transport Corporation Limited were retained in the Public Account.

In 59 cases (25 Grants) supplementary provision of Rs.91.65 crore proved unnecessary.

Out of total savings of Rs.5,271.28 crore in 57 grants/appropriations, only a sum of Rs.892.86 crore was surrendered and that too on the last working day of the financial year; Rs.4,378.42 crore remained un-surrendered.

One hundred nineteen re-appropriation orders of the value of Rs.121.79 crore were not considered in accounts due to various reasons. In 161 cases (25 grants), expenditure of Rs.27.06 crore was incurred without provision.

In 36 cases (13 grants), expenditure of Rs.138.21 crore which attracted the norms of 'New Service/New Instrument of Service' was met without obtaining requisite approval of Legislature.

(Paragraphs 2.1 to 2.9)

3. **Preservation of Wildlife and administration of National Parks and Sanctuaries in Karnataka**

The objective of protection, propagation and development of wildlife and its environment in accordance with the provisions of Wildlife (Protection) Act, 1972 could not be achieved effectively by the Department. This was due to lack of planning and prioritisation in initiating conservation measures through survey and demarcation of wildlife boundaries, relocation and rehabilitation of human settlements from the wildlife areas and protection of wildlife species. Continuance of various prohibited activities such as poaching and trading in animals and their body parts, mining, quarrying, construction of dams, extraction of forest produce etc., within the wildlife areas adversely affected the wildlife habitat.

- The Department did not prepare Management Plans as prescribed by Government, for most of the protected areas upto the year 2000. This adversely affected the creation of basic infrastructure and systematic growth of wildlife areas.
- Lack of planned and prioritised conservation measures resulted in certain endangered species remaining un-protected and some wildlife areas with rich bio-diversity not receiving due attention.
- The impact of conservation measures could not be assessed in the absence of periodical census of all wild animals.
- Anti-poaching camps were not equipped fully with required arms and ammunitions for protecting animals from poaching and illicit trade in their body parts.

(Paragraph 3.1)

4. **Implementation of the Drugs and Cosmetics Act/Rules**

In the context of the large number of Indian and foreign companies undertaking manufacture/sale of drugs and cosmetics, Government of India enacted Drugs and Cosmetics Act/Rules.

There were huge deficiencies in inspections and drawal of samples for analysis and delays in reporting results of analysis. Marketing of drugs 'not of standard' quality had also not been prevented. Drug Testing Laboratory was deficient in terms of manpower and equipment. Action taken by the intelligence wing on complaints was very inadequate.

- There was shortfall of 53 *per cent* in drawing samples and further 17 *per cent* in analysis.
- Abnormal delay ranging from three to 24 months in reporting results of analysis facilitated marketing of drugs found 'not of standard' quality.
- Due to lack of facilities in Drug Testing Laboratory 'no opinion' report was given for 2,032 sample drugs, which was 15.5 *per cent* of the number of samples tested.
- Improper decision of Drugs Controller in three cases of drugs found 'not of standard' quality resulted in undue favour to licensees.

- Though 1,595 sample drugs were found 'not of standard' quality, such drugs were neither seized nor replaced by licensees except in 48 cases. Action in respect of 84 such cases had remained pending with Drugs Controller for periods ranging from one to three years. No system was in place to monitor compliance with test reports referred to other states.
- In disregard of instructions of State Government, Director issued 75 licences for manufacture of Ayurvedic/Unani drugs without insisting for quality control section.
- Sample drugs were not drawn and analysed from licensees manufacturing/selling Homoeopathy drugs and selling units of Ayurvedic drugs. Thereby standard and quality were not ensured.

(Paragraph 3.2)

5. Karnataka Health Systems Development Project

The Karnataka Health Systems Development Project (KHSDP) was launched in April 1996 with the assistance of World Bank at an estimated cost of Rs.546 crore to strengthen the secondary level of health care by providing in-patient and out-patient care with diagnostic and treatment facilities that were not available at the primary level.

- Cost of civil construction works such as renovation and expansion of existing hospital buildings increased by Rs.234.42 crore due to changes in scope of work after the works were started/under execution.
- Deviations in the original plan of procurement and distribution, poor utilisation of equipment and non/short procurement of drugs affected adversely the delivery of health care services to the needy.
- Ineffective functioning of referral system in the first referral hospitals and non-availability of an IEC (Information, Education and Communication) strategy failed to educate and inform the public on the facilities and the extent of health care service available in these hospitals.
- Lack of adequate training to the staff to handle sophisticated equipment in the first referral hospitals resulted in non-utilisation of available equipment. In other cases, managers and physicians trained abroad on teaching skills were not utilised for the benefit of the project.

(Paragraph 3.3)

6. Prevention and control of fire

Fire Services Department was constituted under the overall control of Home Department by State Government to save life and property from fire. Infrastructure and manpower-wise, there were acute shortages. While Standing Fire Advisory Committee norms were not adopted due to financial constraints, Department failed to adhere even to State norms. Major chunk of General Insurance Company loan specifically raised to strengthen the Department was diverted by Government for its other programmes/activities. Fire preventive measures were not effectively enforced.

- There were shortages of 53 and 61 *per cent* each in respect of availability of fire stations and fire fighting equipment respectively compared to state norms.
- There was 44 *per cent* shortage of manpower compared to operational requirement of 106 available fire stations.
- Functioning of Departmental workshop was poor.
- Except Bangalore City Corporation and Bangalore Development Authority, other local bodies in the state did not incorporate provision in their bye-laws for obtaining No Objection Certificate from the Department.
- In respect of issue of licences to petrol bunks, explosive godowns etc., Deputy Commissioner, Commissioner of Police and Local Bodies bypassed obtaining of required No Objection Certificate from Department prior to issue of licences.
- Important high-rise buildings in Bangalore City which were declared as vulnerable to fire by the Department, were functioning without necessary final clearance certificate from Department.
- During 1998-2003, fire incidents occurred in 11 Government Buildings and 20 private buildings destroying property worth Rs.11.02 crore due to non-adoption of prescribed preventive measures.

(Paragraph 3.4)

7. Review on Welfare of the Handicapped

Government of Karnataka implemented "The People with Disabilities Act, 1995 (Central Act)" to provide assistance to disabled persons of the State.

- Action taken by the Government for early detection and prevention of disability was inadequate. Only one survey had been done in the State and in only one Taluk of the State.
- The number of Disabled Children in the age group of 0-14 years as per 1991 census was 1.37 lakh, against which only 20 *percent* had access to Education. No funds were allocated for providing transport facilities to disabled children. Funds provided for supply of books and uniform were only Rs.0.61 lakh for the years 2000-01 to 2002-03.

(Paragraph 3.5)

8. Lapses in implementing programme for control of coconut mite

Non-adherence to prescribed procedure in treatment of mite affected coconut palms with chemical pesticides rendered expenditure of Rs.8.40 crore largely wasteful in the Horticulture Department.

(Paragraph 3.6)

9. Irregularities in implementation of programmes in Tourism Department

Department paid inadmissible subsidy to hotels and tourism units and on furniture and kitchenware due to wrong classification of places resulting in excess payment of Rs.1.64 crore. In addition, there was loss of lease revenue to Government of Rs.15.00 lakh and non-creation of infrastructure worth Rs.six crore by the Lessee due to setting aside of a valid lease deed. Also, there was blocking of Government funds of Rs.1.77 crore with Government agencies on account of non-commencement of entrusted works.

(Paragraph 3.7)

10. Lapses/Irregularities in construction of houses for slum dwellers in Housing Department

Incorrect fixation of unit cost for houses and inadequate provision of funds resulted in stoppage of works and unfruitful expenditure of Rs.4.15 crore. Besides, 445 houses though completed, were not allotted due to non-finalisation of list of beneficiaries resulting in further unfruitful expenditure of Rs.2.30 crore.

Abandonment of work during construction stage due to non-fulfilment of conditions of loan and non-viability of the scheme resulted in infructuous expenditure of Rs.52.00 lakh.

(Paragraph 3.8)

11. Hirehalla - Linger project

Inadequate project investigations, inordinate delay in finalisation of designs and acquisition of lands for the Hirehalla project at Kinnal village in Koppal district resulted in cost and time overrun of the project and resultant delay in extending irrigation facilities. Undue benefit of Rs.6.01 crore was also extended to Karnataka State Construction Corporation Limited.

(Paragraph 3.9)

12. Infructuous/wasteful expenditure and overpayment

Purchase of stores by the Divisional Officer, Minor Irrigation Division, Belgaum in violation of financial rules and codal provisions resulted in an irregular expenditure of Rs.2.43 crore.

(Paragraph 4.1.1)

The inaction of Government to resume balance works of Breakwaters at Mangalore Port after abandoning it in an unsafe condition resulted in a wasteful expenditure of Rs.2.36 crore.

(Paragraph 4.1.2)

Public Works Department converted an existing causeway across river Hagari near Kudarahal village in Siraguppa Taluk of Bellary district into a causeway-cum-barrage without ensuring its structural stability. This led to collapse of the entire structure resulting in a wasteful expenditure of Rs.73.26 lakh and an avoidable expenditure of Rs.83.99 lakh on re-construction of the causeway.

(Paragraph 4.1.3)

Purchase of stores, stationery and tools and plant were made by the Executive Engineer, Public Works Division, Bidar in violation of financial rules and codal provisions. This led to unaccounted stock of Rs.61.57 lakh and unused surplus stock of Rs.26.69 lakh.

(Paragraph 4.1.4)

Incorrect valuation of certain structures/buildings taken over by the National Highway Engineering Division, Bangalore resulted in an excess payment of Rs.1.83 crore.

(Paragraph 4.1.5)

The action of the Divisional Officer, Irrigation Project Construction Division, Hebbala in Gulbarga district to spend project funds on unauthorised construction of jeepable paths and approach roads and service roads of main canal resulted in an irregular expenditure of Rs.2.76 crore.

(Paragraph 4.1.6)

Failure of the Department to assess the actual pressures for the rising mains of Karanja Lift Irrigation Scheme and select pipes of appropriate design resulted in an expenditure of Rs.2.66 crore becoming largely infructuous.

(Paragraph 4.1.7)

The unauthorised action of the Chief Engineer, Irrigation Central Zone, Munirabad to provide a cover duct to the irrigation canal at the instance of a Local Authority without receiving funds led to creation of an unwarranted financial burden of Rs.1.86 crore to Government.

(Paragraph 4.1.8)

13. Violation of contractual obligations/undue favour to contractors

The unjustified payment of separate mobilisation and demobilisation charges for the work of dredging Boat Basin of Second Stage Fishing Harbour at Malpe Port in Udupi Taluk resulted in an unintended benefit of Rs.72.49 lakh.

(Paragraph 4.2.1)

Injudicious decision of the National Highways Division, Belgaum to bear the extra cost of construction of cofferdam in violation of contractual obligation resulted in undue benefit of Rs.64.50 lakh to a contractor.

(Paragraph 4.2.2)

Karnataka Urban Water Supply and Drainage Board incurred extra liability of Rs.1.17 crore due to incorrect application of contractual clause for extra items of works executed and paid Rs.98.00 lakh till date in respect of two Water Supply Schemes.

(Paragraph 4.2.3)

14. Avoidable/extra expenditure

High Power Committee constituted by Government accepted and paid higher rates than those paid by Project Director, District Primary Education Programme in respect of printing of text books resulting in extra expenditure of Rs.1.47 crore besides extending undue gain of Rs.65 lakh to printers on books meant for sale.

(Paragraph 4.3.1)

Karnataka Housing Board appointed a Chartered Accountant for compilation of statistical data for 1992-2000 in respect of Ashraya Scheme. This was unwarranted as these details were already on record. Besides, there was no transparency in his appointment and in determining fees. This resulted in avoidable expenditure of Rs.87.56 lakh.

(Paragraph 4.3.2)

Failure of Public Works Department to give effect to the revised specifications in the execution of road surfacing works resulted in payment to contractors at higher rates, which led to an avoidable extra expenditure of Rs.3.01 crore.

(Paragraph 4.3.3)

Unjustifiable and arbitrary stand taken by Karnataka Urban Water Supply and Drainage Board for laying costlier MS pipes in lieu of cheaper PSC pipes resulted in avoidable extra cost of Rs.6.56 crore in respect of three water supply schemes.

(Paragraph 4.3.5)

Delays and lapses of six Government agencies at various stages led to mismanagement of loan borrowed from Housing and Urban Development Corporation and avoidable payment of penalties of Rs.3.99 crore.

(Paragraph 4.3.7)

15. Idle investment/idle establishment/blockage of funds

Test-check of Inspection Bungalows and Circuit Houses in the State revealed injudicious investment on construction of additional accommodation, purchase irregularities & shortage of Inspection Bungalow materials and inadequate revenue receipts as compared to their maintenance cost.

(Paragraph 4.4.2)

16. Regulatory issues and other points

Public Sector Banks made excess payment of family pension of Rs.1.16 crore in 581 cases as of March 2002.

(Paragraph 4.5.1)

17. Internal Control System

Review of Internal Control System of Horticulture and Forest Departments revealed inadequate staff for internal audit wing, lack of training, absence of a Departmental Internal Audit Manual, lack of audit planning and approach.

(Paragraph 5.1)



CHAPTER I

FINANCES OF THE STATE GOVERNMENT

In Summary

Large Revenue and Fiscal Deficits year after year indicate continued macro imbalances in the State. In Karnataka, both Revenue and Fiscal Deficits have declined in 2002-03 (current year for the purpose of this Report). This was mainly due to curtailment of Plan revenue expenditure. In fact the Balance from Current Revenue (BCR), which was positive during 2000-01, became negative during 2001-03. A negative BCR adversely affects the plan size and reduces the availability of resources for infrastructure. The ratio of Revenue Receipts to total expenditure averaged 74.78 *per cent* in 1998-2003. Revenue of the State consists mainly of its own taxes and non-tax revenue, central tax transfers and grants-in-aid from Government of India. Overall Revenue Receipts increased from Rs.11,230 crore in 1998-99 to Rs.16,169 crore in 2002-03 at an average trend rate of 9.50 *per cent* per annum. There were, however, significant inter year variations in growth rates. During the current year, Revenue Receipts grew by 5.53 *per cent*. This was due to 5.95 *per cent* increase in tax revenue, 16.82 *per cent* increase in non-tax revenue and an increase of 6.21 *per cent* in State's share in Union Taxes and Duties. Arrears of revenue were high at Rs.3,390 crore and represented 29 *per cent* of tax and non-tax Revenue Receipts. On an average, around 72.70 *per cent* of the revenue came from the State's own resources, while the central tax transfers and grants-in-aid together contributed merely 27.30 *per cent* of the total Revenue Receipts.

Overall expenditure of the State increased from Rs.14,480 crore in 1998-99 to Rs.22,379 crore in 2002-03 at an average trend rate of 12.89 *per cent* per annum. The rate of growth peaked at 19.66 *per cent* in 1999-2000 and declined thereafter to 5.44 *per cent* in 2002-03. In fact, the major burden of a curtailment in the growth of total expenditure has been borne by a decline in the proportion of development expenditure to total expenditure. The proportion of development expenditure declined from 64.16 *per cent* in 1998-99 to 57.93 *per cent* in 2002-03. Revenue Expenditure, which constituted 86.49 *per cent* of total expenditure, grew at a trend rate of 12.21 *per cent* over the period with a growth of 1.13 *per cent* in 2002-03. Interest payment increased by 104 *per cent* from Rs.1,617 crore in 1998-99 to Rs.3,292 crore in 2002-03 primarily due to continued reliance on borrowings for financing the deficit. In fact, the ratio of fiscal liabilities to Gross State Domestic Product (GSDP) crossed 30 *per cent* during the year and would increase further once off-budget borrowings are accounted for.

The State passed 'The Karnataka Fiscal Responsibility Act, 2002', which came into being from 1 April 2003 which provides for the responsibility of the State Government to ensure fiscal stability and sustainability through limits on State Government borrowings, debt and deficits, greater transparency in fiscal operations of the State Government and use of a medium term fiscal frame work. Though, it is not uncommon for a state to borrow for widening its infrastructure and for creating income generating assets, an ever increasing ratio of fiscal liabilities to GSDP together with a large revenue deficit could lead the State's finances into a debt trap. As generation of additional internal resources, realisation of arrears in revenue and curtailment of non-development expenditure are the best means available, 'The Karnataka Fiscal Responsibility Act, 2002', is a step in the right direction.

1.1 Introduction

The Finance Accounts of the Government of Karnataka are laid out in 19 statements, presenting receipts and expenditure, revenue as well as capital in the Consolidated Fund, Contingency Fund and the Public Account of the State Government (*Appendix 1.1-Part A*). The layout of the Finance Accounts is depicted in Box 1.

Box 1

Layout of Finance Accounts

Statement No.1 presents the summary of transactions of the State Government – receipts and disbursements, revenue and capital, public debt receipts and disbursements etc. in the consolidated fund, contingency fund and public account.

Statement No.2 gives the summarised position of capital outlay outside Revenue account showing progressive expenditure to the end of 2002-03.

Statement No.3 gives financial results of electricity schemes.

Statement No.4 indicates the summary of debt position of the State, which includes borrowings accounted under internal debt, Government of India loans, other obligations and servicing of debt.

Statement No.5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No.6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, government companies, local bodies and other institutions.

Statement No.7 gives the summary of cash balances and investments made out of such balances.

Statement No.8 depicts the summary of balances under consolidated fund, contingency fund and public account as on 31 March 2003.

Statement No.9 shows the revenue and expenditure under different heads for the year 2002-03 as a percentage of total revenue/expenditure.

Statement No.10 indicates the distribution between the charged and voted expenditure during the year.

Statement No.11 indicates the detailed account of revenue receipts and capital receipts by minor heads.

Statement No.12 gives account of revenue expenditure by minor heads under plan and non-plan, capital expenditure by major heads under plan and non-plan.

Statement No.13 depicts the detailed account of capital expenditure incurred during and to the end of 2002-03.

Statement No.14 shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, co-operative banks and societies etc. up to the end of 2002-03.

Statement No.15 depicts the capital and other expenditure to the end of 2002-03 and the principal sources from which the funds were provided for that expenditure.

Statement No.16 gives the detailed account of receipts, disbursements and balances under heads of account relating to debt, contingency fund and public account.

Statement No.17 presents detailed account of debt and other interest bearing obligations of the Government.

Statement No.18 provides the detailed account of loans and advances given by the Government, the amount of loan repaid during the year, the balance as on 31 March 2003, and the amount of interest received during the year.

Statement No.19 gives the details of Earmarked balances.

1.2 Trend of Finances with reference to previous year

Finances of State Government during the current year compared to previous year were as under:

(Rupees in crore)

2001-02	Sl. No	Major Aggregates	2002-03
15,321	1.	Revenue Receipts (2+3+4)	16,169
9,853	2.	Tax Revenue	10,440
1,094	3.	Non-Tax Revenue	1,278
4,374	4.	Other Receipts	4,451
35	5.	Non-Debt Capital Receipts	928
35	6.	Of which Recovery of Loans	928
15,356	7.	Total Receipts (1+5)	17,097
14,981	8.	Non-Plan Expenditure (9+11+12)	16,010
14,662	9.	On Revenue Account	15,570
2,683	10.	Interest Payments	3,292
207	11.	On Capital Account	202
112	12.	Loans disbursed	238
6,244	13.	Plan Expenditure (14+15+16)	6,369
3,943	14.	On Revenue Account	3,245
1,899	15.	On Capital Account	2,734
402	16.	Loans disbursed	390
21,225	17.	Total Expenditure (8+13)	22,379
5,869	18.	Fiscal Deficit (17-7)	5,282
3,284	19.	Revenue Deficit (9+14-1)	2,646
3,186	20.	Primary Deficit(+)/Surplus(-) (18-10)	1,990

1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the State Government of Karnataka for the year 2002-03 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements, Contingency Fund transaction and public accounts receipts and disbursements as emerging from various statements of Finance Accounts.

Table 1: Summary of receipts and disbursements for the year 2002-03

(Rupees in crore)

2001-02	Receipts	2002-03	2001-02	Disbursements	2002-03		
Section-A: Revenue							
15,321.25	I. Revenue receipts	16,168.76	18,605.70	I. Revenue expenditure	15,569.48	3,245.02	18,814.50
9,853.27	Tax revenue	10,439.71	6,215.31	General Services	7,097.18	14.94	7,112.12
1,093.42	Non-tax revenue	1,277.67	6,428.81	Social Services	4,495.61	1,830.64	6,326.25
2,623.38	Share of Union Taxes and Duties	2,786.20	5,397.78	Economic Services	3,402.98	1,399.44	4,802.42
1,751.18	Grants from Govt. of India	1,665.18	563.80	Grants-in-aid / Contributions	573.71	--	573.71
Section-B: Capital							
--	II Misc. Capital Receipts	--	2,105.67	II Capital Outlay	202.44	2,733.56	2,936.00
34.70	III Recoveries of Loans and Advances	928.00	514.47	III Loans and Advances disbursed	237.43	390.15	627.58
5,146.36	IV Public debt receipts*	5,432.74	711.77	IV Repayment of Public Debt	1,695.95	--	1,695.95
53.49	V Contingency Fund (recoupment)	7.89	7.89	V Contingency Fund	--	--	--
28,501.77	VI Public account receipts	2,7879.38	27,107.24	VI Public account disbursements	--	--	26,824.79
959.88	Opening Cash Balance	964.71	964.71	Closing Cash Balance	--	--	482.66
50,017.45	Total	51,381.48	50,017.45	Total	17,705.30	6,368.73	51,381.48

* includes net ways and means advances

1.4 Audit Methodology

Audit observations on the accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2002-03, wherever necessary, show these in the light of time series data and periodic comparisons. Major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and loans and advances etc. have been presented as percentages to the Gross State Domestic Product (GSDP) at current market prices. For tax revenue, non-tax revenue, revenue expenditure etc, buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Applications of resources (iii) Assets and Liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

In addition, the section also contains a paragraph on indicators of financial performance of the Government. Some of the terms used in the Chapter are explained in *Appendix 1.1-Part B*.

1.5 State finances by key indicators

1.5.1 Resources by volumes and sources

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts are comprised of miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions/commercial banks etc. and loans and advances from Government of India as well as accruals from Public Account.

Table 2 shows that the total receipts of the State Government for the year 2002-03 were Rs.50,409 crore, of which the revenue receipts were Rs.16,169 crore only, constituting about 32 *per cent* of the total receipts. The balance of receipts came from Public Account receipts (55 *per cent*) and borrowings (11 *per cent*).

Table 2 – Resources of Karnataka

		(Rupees in crore)
I Revenue Receipts		16,168.76
II Capital Receipts		6,360.74
a	Miscellaneous Receipts	--
b	Recovery of Loans and Advances	928.00
c	Public Debt Receipts	5,432.74
III Public Account Receipts		27,879.38
a	Small Savings, Provident Fund etc.	1,398.96
b	Reserve Fund	338.39
c	Deposits and Advances	13,428.25
d	Suspense and Miscellaneous	10,605.99
e	Remittances	2,107.79
Total Receipts		50,408.88

1.5.2 Budget analysis

The actuals of Revenue/Capital receipt/expenditure compared with the estimates are given in the table below:

(Rupees in crore)				
Sl.No.	A – Revenue Account	Budget estimates	Actuals	Variation Increase (+) Decrease (-)
I	Receipts			
	Tax Revenue	11,887.05	10,439.71	(-) 1,447.34
	Non-tax Revenue	1,665.98	1,277.67	(-) 388.31
	State's share of Union Taxes and Duties	2,925.00	2,786.20	(-) 138.80
	Grants-in-aid from Central Government	2,320.42	1,665.18	(-) 655.24
	Total A-I	18,798.45	16,168.76	(-)2,629.69
II	Expenditure			
	General Services	7,774.58	7,112.12	(-) 662.46
	Social Services	6,827.16	6,326.25	(-) 500.91
	Economic Services	6,127.82	4,802.42	(-) 1,325.40
	Grants-in-aid and Contributions	674.08	573.71	(-) 100.37
	Total A-II	21,403.64	1,8814.50	(-) 2,589.14
	A – Revenue Account Deficit	2,605.19	2645.74	(+) 40.55
	B – Capital Account – Receipts and Disbursements			
	Internal Debt (Net)	3,155.70	3,601.76	(+) 446.06
	Loans and Advances from Government of India (Net)	1,843.10	135.03	(-) 1,708.07
	Recoveries of loans and advances (Net)	(-) 204.88	300.42	(+) 95.54
	Public Account (Net)	785.00	1,054.59	(+) 269.59
	Capital outlay (Net)	3,029.01	2,936.00	(-) 93.01

It can be seen from the table that there was a shortfall in revenue receipts by 14 *per cent* (Rs.2,629.69 crore) as compared to the estimates. The Government managed to control the growth in revenue expenditure which was 12 *per cent* less than that estimated (Rs.2,589.14 crore). This resulted in revenue deficit being very near to the estimated figure.

There was a shortfall in realisation of revenue receipts under all the components viz. Tax revenue (12 *per cent*), Non-tax revenue (23 *per cent*), State's share of Union taxes and duties (5 *per cent*) and Grants-in-aid from Central Government (28 *per cent*). Similarly, shortfall against estimates of revenue expenditure was noticed under all the sectors, the shortfall under Economic Services (22 *per cent*) was maximum.

The outlay on capital expenditure was Rs.2,936 crore which was short of the estimate by Rs.93 crore.

On capital account, the borrowings, accounted for under Internal debt of the State Government, were higher by 14 *per cent* (Rs.446.06 crore) against the estimates. This was on account of the inability of the State Government to draw the third tranche of the Karnataka Economic Re-structuring Loan of about Rs.1,200 crore. Under loans and advances, the recovery of past loans was more than the disbursements. This was on account of receipts from Karnataka Power Corporation Limited (Rs.878.35 crore). Under Public Account, the variation was mainly on account of more accretions under small savings and provident fund, though the actual contribution was less by 12 *per cent* (Rs.78 crore).

It was admitted that despite constraints in revenue mobilisation, the Government have been able to contain the deficit due to containing its expenditure.

1.5.3 Revenue receipts

Statement-11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts of the State consist mainly of its own taxes and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy is indicated in Table 3.

Table 3: Revenue Receipts – Basic Parameters

(Values in Rupees crore and others in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue Receipts	11,230	12,906	14,823	15,321	16,169	14,090
Own taxes	61.83	60.00	61.01	64.31	64.57	62.34
Non-Tax Revenue	13.09	12.48	11.20	7.14	7.90	10.36
Central Tax Transfers	17.13	16.53	17.36	17.12	17.23	17.08
Grants-in-aid	7.95	10.99	10.43	11.43	10.30	10.22
Rate of Growth	5.81	14.92	14.85	3.36	5.53	9.50
Revenue Receipts/GSDP	12.79	13.54	14.14	14.00	13.64	13.65
Revenue Buoyancy	0.259	1.747	1.489	0.758	0.667	0.970
GSDP Growth	22.43	8.54	9.97	4.43	8.29	9.79

Overall revenue receipts of the State increased from Rs.11,230 crore in 1998-99 to Rs.16,169 crore in 2002-03 at an average trend rate of 9.50 *per cent* per annum. The increase in tax revenue during the year over 2001-02 was mainly on Stamps and Registration fees (Rs.260 crore), Taxes on sales, trade etc (Rs.204 crore) and State excise (Rs.117 crore).

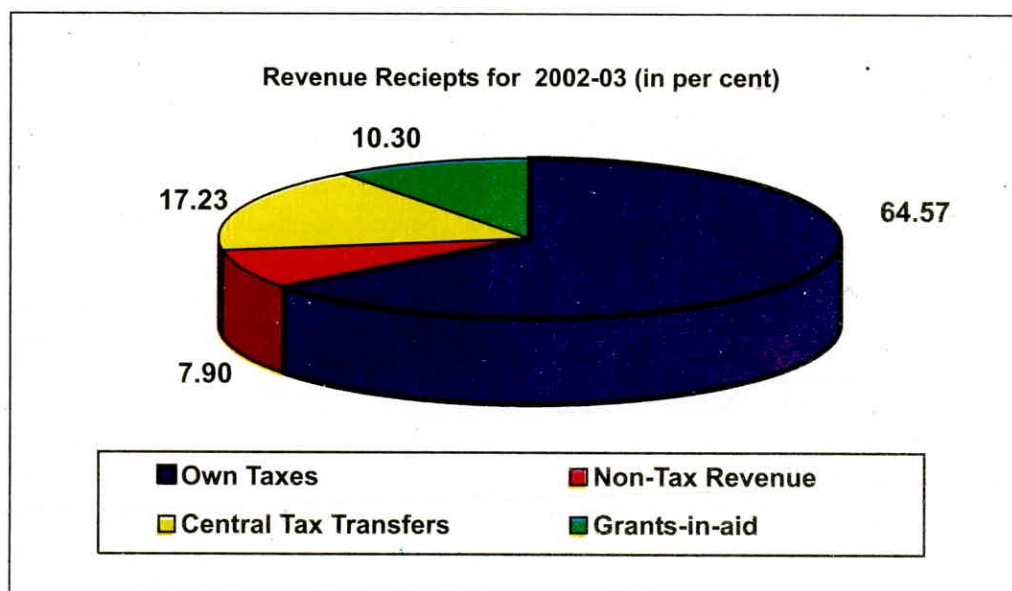
While on an average around 72.70 *per cent* of the revenue had come from the State's own resources, central tax transfers and grants-in-aid together continued to contribute merely 27.30 *per cent* of the total revenue. Taxes on sales, trade etc., were the major source of State's own tax revenue having contributed 52 *per cent* of tax revenue followed by State Excise (20 *per cent*) and Stamps and Registration Fees (11 *per cent*) etc., during the year. Of non-tax revenue, other general economic services (20 *per cent*), miscellaneous

general services (18 *per cent*), housing (5 *per cent*) and other administrative services (4 *per cent*) were principal contributors.

Annual growth of revenue receipts after declining to a moderate 3.36 *per cent* in 2001-02 increased to 5.53 *per cent* during the year. The revenue receipts to GSDP ratio after reaching a peak of 14.14 in 2000-01, declined to 13.64 in 2002-03 with five year average ratio being 13.65 *per cent*. Overall, a good average growth rate in revenue receipt and GSDP has kept the revenue buoyancy very nearly equal to one during the five year period.

Composition of the revenue receipts of the State and relative share of the four components over last five years is indicated above. The share of tax revenue to total revenue had shown an increasing trend from 2000-01 onwards and it was 64.57 *per cent* during 2002-03. The share of non-tax revenue in the total revenue of the State witnessed a drastic fall from 13.09 *per cent* in 1998-99 to 7.90 *per cent* during 2002-03. Though there had been an increase of revenue under State's share of Union taxes and duties up from Rs.1,924 crore in 1998-99 to Rs.2,786 crore during 2002-03, as a percentage of revenue receipts it has almost remained stagnant in all these years. Contribution of grants-in-aid declined moderately in the current year. This decline in the contribution was due to less receipts under grants for State/Union Territory plan schemes (Rs.298.14 crore), grants for central plan schemes (Rs.106.64 crore) and grants for centrally sponsored schemes (Rs.23.91 crore) while more grants were received under non-plan grants (Rs.207.81 crore).

Composition of revenue receipts during 2002-03 is indicated graphically below:



Besides, the arrears of revenues increased by 202 *per cent* from Rs.1,122 crore in 1998-99 to Rs.3,390 crore at the end of 2002-03. Comparing the arrears for the year 2001-02 (Rs.2,634 crore) with 2002-03 (Rs.3,390 crore), there has been an increase of 29 percent. The arrears of revenue up to 31 March 2003 were 29 *per cent* of the revenue receipts (tax and non-tax) during 2002-03. Of the arrears, Rs.459 crore (14 percent) were pending for more than five years and pertained to State excise. Mounting of arrears indicated a slackening of the revenue-realising efforts of the State Government.

The source of revenue under different heads and GSDP during 1998-2003 is indicated in Table 4.

Table 4 – Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
1998-99	11,230	138	2,424	16,679	30,471	87,807
1999-00	12,906	145	3,173	21,662	37,886	95,310
2000-01	14,823	101	3,371	24,797	43,092	1,04,815
2001-02	15,321	35	5,146	28,502	49,004	1,09,461
2002-03	16,169	928	5,433	27,879	50,409	1,18,540

The percentage composition of revenue receipts to the total receipts went down from 37 *per cent* in 1998-99 to 32 *per cent* during the year while that under debt receipts went up from eight to 11 *per cent*. Public account receipts though went up from Rs.16,679 crore to Rs.27,879 crore, in terms of percentage composition they remained at 55 *per cent*.

1.6 Application of resources

1.6.1 Trend of growth

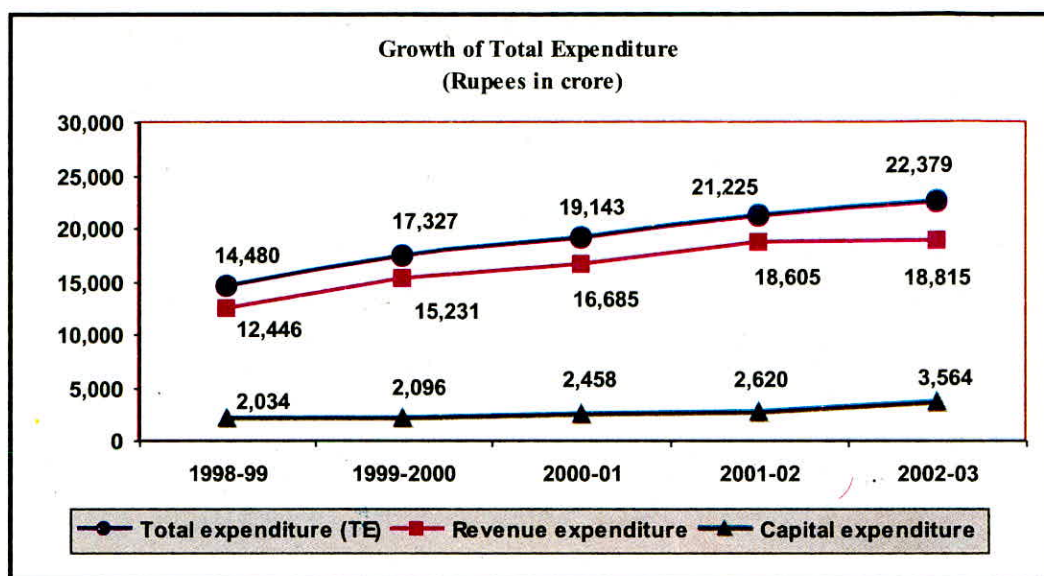
Overall expenditure of the State comprising the revenue expenditure, capital expenditure including loans and advances increased from Rs.14,480 crore in 1998-99 to Rs.22,379 crore in 2002-03, at a trend rate of 12.89 *per cent* per annum. The trend rate of growth of total expenditure was more than the trend rate of growth of revenue receipts during this period. There was also a decline in the rate of growth of expenditure from the peak of 19.66 *per cent* attained in 1999-2000 to 5.44 *per cent* during the current year. Total expenditure GSDP ratio continued to increase from 16.49 *per cent* in 1998-99 to 18.88 *per cent* in 2002-03 due to a relatively lower growth of the latter. There was also a decline in the percentage of revenue receipts with respect to total expenditure from 77.56 *per cent* in 1998-99 to 72.25 *per cent* in 2002-03 indicating that over two-thirds of the State's total expenditure was met from its current revenue, leaving the balance to be financed by borrowings.

Average buoyancy of the total expenditure with GSDP during 1998-2003 was 1.316 indicating that for every one percentage point increase in GSDP, expenditure increased by 1.316 *per cent*.

The total expenditure of the State, its trend and annual growth, ratio of expenditure to State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts is indicated in Table 5 below as also the composition of total expenditure comprising revenue expenditure and capital expenditure graphically.

Table 5: Total Expenditure – Basic Parameters (Value: Rupees in crore and others in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Total Expenditure (TE)	14,480	17,327	19,143	21,225	22,379	18,911
Rate of Growth	17.79	19.66	10.48	10.88	5.44	12.89
TE/GSDP	16.49	18.18	18.26	19.39	18.88	18.33
Revenue Receipts/TE	77.56	74.48	77.43	72.18	72.25	74.78
Buoyancy of Total Expenditure with						
GSDP	0.793	2.301	1.051	2.454	0.656	1.316
Revenue Receipts	3.060	1.317	0.706	3.237	0.982	1.357

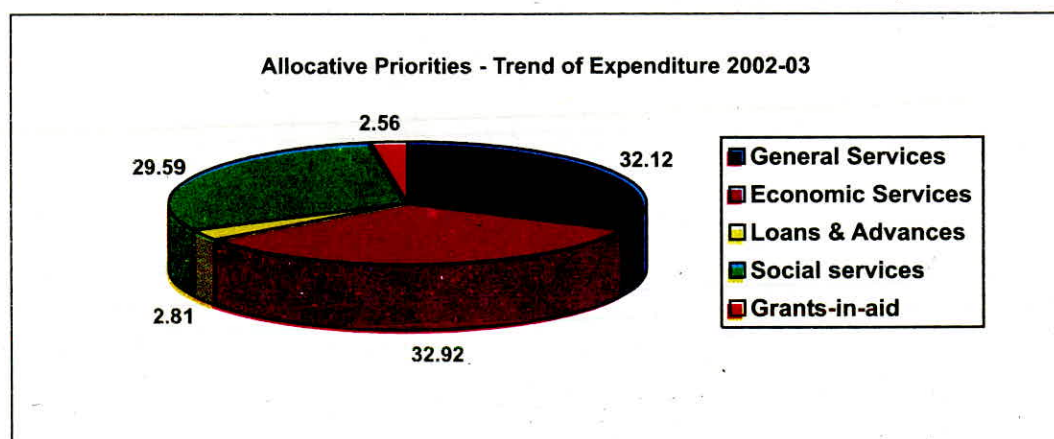


In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative share of these components in total expenditure is indicated in Table 6.

Table 6: Components of expenditure – Relative Share (in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
General Services	28.74	31.07	29.69	29.53	32.12	30.23
Social Services	35.30	33.80	33.59	31.29	29.59	32.71
Economic Services	31.66	30.91	31.28	34.10	32.92	32.18
Grants-in-aid	2.30	2.39	2.77	2.66	2.56	2.53
Loans and advances	2.00	1.83	2.67	2.42	2.81	2.35

The movement of relative share of these components of expenditure indicated that while the share of social services in total expenditure declined from 35.30 per cent in 1998-99 to 29.59 per cent in 2002-03, the relative share of economic services, grants-in-aid and loans and advances increased marginally. Expenditure on general services including interest payment generalised as non-developmental, together accounted for nearly 32 per cent of total expenditure in 2002-03 as compared to about 29 per cent in 1998-99. The components of expenditure during 2002-03 is indicated graphically below:



1.6.2 Incidence of Revenue expenditure

In total expenditure, revenue expenditure had the predominant share. Revenue expenditure is incurred to maintain the current level of services/activities and does not represent any addition to the State's service network. Overall revenue expenditure of the State increased from Rs.12,446 crore in 1998-99 to Rs.18,815 crore in 2002-03, at an average trend rate of 12.21 *per cent* per annum. Rate of growth of revenue expenditure fluctuated sharply during the period and reached its maximum in 1999-2000 at 22.38 *per cent* and then it had declined. During 2002-03, there was a mere one *per cent* increase in expenditure due to decline in expenditure under Plan Sector as certain payments were postponed to future years. However, despite this fluctuating growth rate, revenue expenditure – GSDP ratio increased from 14.17 *per cent* in 1998-99 to 15.87 *per cent* in 2002-03. (It averaged 15.85 *per cent* during 1998-2003). However, there was a decrease in the ratio of revenue expenditure to total expenditure from 85.95 *per cent* in 1998-99 to 84.07 *per cent* in 2002-03. On an average 86.49 *per cent* of total expenditure of the State was in the nature of expenditure on current consumption. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in Table 7 below:

Table 7: Revenue Expenditure – Basic Parameters (Value: Rupees in crore and others in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue Expenditure (RE)	12,446	15,231	16,685	18,605	18,815	16,356.40
Rate of Growth	14.29	22.38	9.55	11.51	1.13	12.21
RE/ GSDP	14.17	15.98	15.92	17.00	15.87	15.85
RE as <i>per cent</i> of TE	85.95	87.90	87.16	87.66	84.07	86.49
RE as <i>per cent</i> to Revenue Receipts	110.83	118.01	112.56	121.43	116.36	116.09
Buoyancy of Revenue Expenditure with						
GSDP	0.637	2.619	0.957	2.596	0.136	1.247
Revenue Receipts	2.458	1.499	0.643	3.425	0.204	1.285

The increase in revenue expenditure during the year was mainly due to more expenditure on interest payments (Rs.609 crore), pension and other retirement benefits (Rs.132 crore), miscellaneous general services (Rs.101 crore), relief on account of natural calamities (Rs.78 crore), general education (Rs.43 crore) and other rural development programmes (Rs.34 crore) etc.

Revenue expenditure accounted for 85.96 *per cent* of total funds available during 2002-03. This was higher than the share of revenue receipts (73.87 *per cent* in total receipts) of the State Government, which has led to revenue deficit. Though the ratio of revenue expenditure to revenue receipts declined from peak of 121.43 *per cent* in 2001-02 to 116.36 *per cent* in 2002-03, dependence of the State on borrowings, for meeting its current expenditure continues primarily due to the fact that salaries (Rs.5,043 crore), interest payments (Rs.3,292 crore), and pensions (Rs.1,773 crore) alone consumed 63 *per cent* of total revenue receipts of the State during the year.

High salary expenditure

Salaries alone accounted for about 31 *per cent* of the revenue receipts of the State. The expenditure on salaries increased from Rs.3,907 crore in 1998-99 to Rs.5,043 crore in 2002-03 as indicated in Table 8 below:

Table 8**(Rupees in crore)**

Heads	1998-99	1999-2000	2000-01	2001-02	2002-03
Salary expenditure*	3,906.51	4,575.53	4,629.97	4,974.87	5,042.64
As percentage of GSDP	4.45	4.80	4.42	4.54	4.25
As percentage of Revenue Receipts	34.79	35.45	31.24	32.47	31.19

* Includes expenditure accounted under ZP Sector also

As could be seen from the table, salaries as a percentage of GSDP had declined marginally from 4.45 in 1998-99 to 4.25 during 2002-03.

Huge expenditure on pension payments

Pension payments have increased by 82 *per cent* from Rs.972 crore in 1998-99 to Rs.1,773 crore in 2002-03.

Year-wise breakup of expenditure incurred on pension payments during the years 1998-99 to 2002-03 was as under:

Table 9

Year	Expenditure (Rupees in crore)	Percentage to total revenue receipts
1998-1999	972	8.65
1999-2000	1,539	11.92
2000-2001	1,583	10.68
2001-2002	1,641	10.71
2002-2003	1,773	10.96

With the increase in the number of retirees, the pension liabilities are likely to increase further in future. The State Government has not constituted any fund to meet the rising pension liabilities of the retired State employees. Considering the rate at which pension liabilities are increasing, reforms in the existing pension schemes assume critical importance.

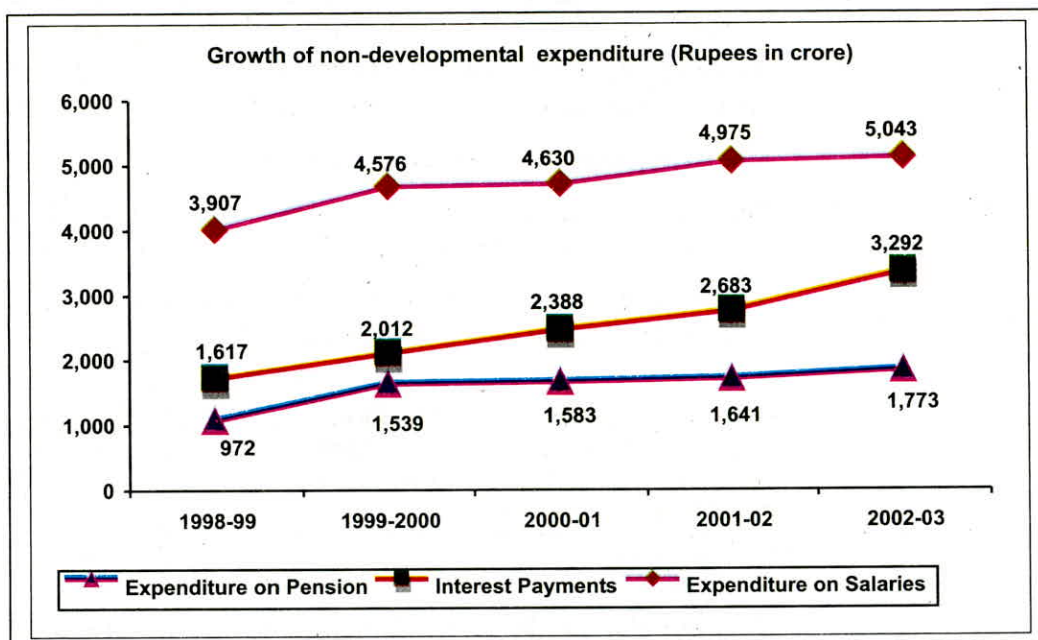
Interest payments

The Eleventh Finance Commission (August 2000) has recommended that as a medium term objective, states should endeavour to keep interest payment as a ratio to revenue receipts to 18 *per cent*. It was, however, observed that interest payments as percentage of revenue receipts ranged between 14 and 20 during the last five years, with a sharp increase of about three *per cent* during 2002-03 compared to previous year with reference to revenue receipts. In fact, interest payments now comprise more than 20 *per cent* of revenue receipts.

Table 10

Year	Interest Payment (Rupees in crore)	Percentage of interest payment with reference to	
		Revenue Receipts	Revenue Expenditure
1998-1999	1,617	14.40	12.99
1999-2000	2,012	15.59	13.21
2000-2001	2,388	16.11	14.31
2001-2002	2,683	17.51	14.42
2002-2003	3,292	20.36	17.50

In absolute terms, Interest payments increased steadily by 104 *per cent* from Rs.1,617 crore in 1998-99 to Rs.3,292 crore in 2002-03 primarily due to continued reliance on borrowings for financing the fiscal deficit. The increase in interest payments was mainly due to increased interest on Internal Debt (Rs.370 crore), loans received from Central Government (Rs.205 crore) and Small Savings, Provident Funds etc. (Rs.33 crore). Large interest payments, increasing year after year, due to continued reliance on borrowing for meeting the deficits crowd out the expenditure on primary education, health and social welfare schemes. A graphic representation of the progress of selected components of non-developmental expenditure is indicated below:



Subsidies by the Government

Though the finances of the State are under strain, Government has been paying subsidies to various Corporations etc. During the last five years, Government paid the subsidies under various schemes as under. The expenditure on subsidies stand accounted below Social/Economics Services Sector under revenue expenditure.

Table 11

(Rupees in crore)

Sl. No.	Particulars	1998-99	1999-2000	2000-01	2001-02	2002-03
1.	Power	672	771	877	2,305	1,847
2.	Food	171	291	295	206	176
3.	Transport	36	35	48	145	64
4.	Industries	18	53	69	17	25
5.	Others	89	74	225	188	118
	Total	986	1,224	1,514	2,861	2,230
1.	Percentage increase (+)/ decrease (-) over previous year	-	24	24	89	-22
2.	Percentage of subsidy to total revenue expenditure	8	8	9	15	12

During the current year, subsidies constituted 12 *per cent* of the revenue expenditure. The subsidy element was equal to 84 *per cent* of the revenue deficit of the State Government during the current year. The decrease in

subsidy during the year was mainly on account of postponing the subsidy payable under power on account of resource constraints.

1.7 Expenditure by allocative priorities

The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure emerging from Statement 12 of Finance Accounts reflects the allocative priorities of the State. Higher the ratio of these components to total expenditure, better is deemed to be the quality of expenditure. Table 12 below gives the percentage share of these components of expenditure in State's total expenditure.

Table 12: Quality of expenditure (per cent to total expenditure)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Plan Expenditure	28.13	26.51	27.83	28.21	27.49	27.64
Capital Expenditure	12.29	10.46	10.45	10.17	13.50	11.59
Developmental Expenditure	64.16	60.93	62.35	60.27	57.93	60.86

Plan expenditure showed a relative decline from 28.13 *per cent* of total expenditure in 1998-99 to 27.49 *per cent* in 2002-03. Capital expenditure increased from 12.29 *per cent* in 1998-99 to 13.50 *per cent* in 2002-03. There was a decline in the share of developmental expenditure.

Out of the developmental expenditure (Rs.13,989 crore), social services (Rs.6,622 crore) accounted for 47 *per cent* of expenditure during the year. Education, Sports, Art and Culture, Health and Family Welfare, Water Supply, Sanitation and Housing and Urban Development consumed about four-fifths (80 *per cent*) of the expenditure on social sector.

Table 13: Social Sector Expenditure

	(Rupees in crore)				
	1998-99	1999-2000	2000-01	2001-02	2002-03
Education, Sports, Art and Culture	2,671 (3.04)	3,015 (3.16)	3,489 (3.33)	3,506 (3.20)	3,571 (3.01)
Health and Family Welfare	819 (0.93)	977 (1.02)	1,005 (0.96)	1,086 (0.99)	1,004 (0.85)
Water Supply, Sanitation, Housing and Urban Development	667 (0.76)	808 (0.85)	782 (0.75)	769 (0.70)	743 (0.63)
Total	4,157	4,800	5,276	5,361	5,318

Per cent to GSDP in brackets

Similarly, the expenditure on Economic Services (Rs.7,367 crore) accounted for about 53 *per cent* of the expenditure, of which, Energy (Rs.1,907 crore), Irrigation and Flood Control (Rs.2,235 crore) and Transport (Rs.819 crore) accounted for 67 *per cent* of the expenditure on Economic sector:

Table 14 Economic Sector Expenditure

	(Rupees in crore)				
	1998-99	1999-2000	2000-01	2001-02	2002-03
Energy	689	788	939	2,337	1,907
Irrigation and flood control	1,577	1,807	1,986	1,716	2,235
Transport	427	522	695	778	819
Total	2,693	3,117	3,620	4,831	4,961

1.7.1 Financial assistance to local bodies and other institutions

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/ authorities by and large receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State and Co-operative Societies Act, Companies Act, 1956 etc., to implement certain programmes of the State Government. The grants are intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

The quantum of assistance (Grant-in-aid) provided to various bodies in the last five years was as under:

Table 15: Financial assistance to local bodies and other institutions

(Rupees in crore)

Description	1998-99	1999-2000	2000-2001	2001-2002	2002-03
Panchayat Samitis and Zilla Panchayats/Municipalities	3,813.18	4,591.43	4,867.29	4,461.63	5,160.08
Educational Institutions (including Universities)	348.37	411.08	586.31	499.85	646.99
Co-operative Societies and Co-operative Institutions	7.21	10.81	5.25	3.34	5.00
Other Institutions and bodies (including statutory bodies)	714.82	833.27	992.24	2,464.01	1,863.28
Total	4,883.58	5,846.59	6,451.09	7,428.83	7,675.35
Percentage growth over previous year	13	20	10	15	3
Revenue receipts	11,230.44	12,906.45	14,822.72	15,321.25	16,168.76
Assistance as a percentage of revenue receipts	43	45	44	48	47
Revenue expenditure	12,445.61	15,231.75	16,684.95	18,605.70	18,814.50
Percentage of assistance to revenue expenditure	39	38	39	40	41
Percentage of assistance to Panchayat Raj Institutions/ Municipalities etc. to total assistance	78	79	75	60	67

A notable feature of the revenue expenditure of the State was that 38 to 41 *per cent* of it comprised assistance to local bodies etc., during 1998-2003. The assistance rose from Rs.4,883.58 crore in 1998-99 to Rs.7,675.35 crore in 2002-03 and the rate of growth varied between three and 20 *per cent*. The increase was Rs.246.52 crore during 2002-03 over 2001-02 (three *per cent*). Assistance to Panchayat Raj Institutions/ Municipalities accounted for 67 *per cent* of the total assistance during 2002-03. The salary component constituting major portion of the assistance rose from Rs.2,156.97 crore in 1998-99 to Rs.2,574.46 crore during 2002-03. The assistance to other institutions and bodies includes 'Assistance to Electricity Board' which is in the nature of subsidy (Rs.1,847 crore), discussed in detail under para 1.6.2.

Delay in furnishing utilisation certificates

The financial rules of Government require that where grants are given for specific purposes, certificates of utilisation are to be obtained by the departmental officers from the grantees and after verification, these should be forwarded to Accountant General (Accounts & Entitlement) (AG) within 18 months from the date of sanction of the grant unless specified otherwise.

Of 710 utilisation certificates due in respect of grants-in-aid of Rs.316.65 crore paid during 1986-87 to 2001-02, only 73 utilisation certificates for Rs.5.94 crore were furnished to AG by 30 September 2003 and 637 certificates for Rs.310.71 crore were in arrears. Department-wise and year-wise break up is given in **Appendix 1.2**.

Submission of accounts by Autonomous Bodies

The status of submission of accounts by the autonomous bodies and submission of Audit Reports thereon to the State Legislature as of November 2003 is given in **Appendix 1.3**.

Audit arrangements

The accounts of 60 bodies/authorities, which were received for the year 2001-02, attracted audit by Comptroller and Auditor General of India. Of these, 27 bodies/authorities, audit of which was due, were audited during 2002-03.

Eight hundred and five annual accounts of 213 bodies/authorities for 2002-03 and earlier years had not been received as of November 2003 by the Accountant General (Audit). The details are given in **Appendix 1.4**. Of these bodies/authorities, 275 accounts pertaining to 49 bodies/authorities did not submit their accounts for five years or more.

1.7.2 Misappropriations, defalcations, etc.

During the year 2002-03, four cases of misappropriations, embezzlements etc., involving a sum of Rs.37 lakh reported and four cases involving a sum of Rs.2 lakh were disposed off from the pending cases, during October 2002 to September 2003. Details are given in **Appendix 1.5**.

1.7.3 Write off of losses, etc.

During 2002-03, Rs.6.79 lakh representing losses due to non-recovery of audit fee, loan & share amount, shortages in stock of grains, etc., were written off in 12 cases by competent authorities as reported to audit. The relevant details were as under:

Table 16

Sr. No.	Department	Number of cases	Amount (In Rupees)
1.	Co-operation	4	14,641
2.	Food & Civil Supplies	4	2,03,679
3.	Forest	1	1,000
4.	Transport	1	64,024
5.	Collegiate Education	1	1,974
6.	Water Resources	1	3,93,420
	Total	12	6,78,738

1.8 Assets & Liabilities

The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings etc., owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement 16 read with details in Statement 17 of Finance Accounts show the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. **Statement-I** presents an abstract of such liabilities and the assets as on 31 March 2003, compared with the corresponding position on 31 March 2002. While the liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Fund, the assets comprise mainly the capital expenditure and loans and advances given by the State Government. The liabilities of Government of Karnataka depicted in the Finance Accounts, however, do not include pension, other retirement benefits payable to serving/retired State employees, guarantees/ letters of comforts issued by the State Government and borrowing through special purpose vehicles termed as 'off-budget borrowings'. Statement-I shows that while liabilities grew by 14 *per cent*, the assets increased only by eight *per cent* which indicated that a large part of liabilities are without an asset backup. Statement - IV depicts the Time Series Data on State Government Finances for the period 1998-2003.

1.8.1 Financial results of irrigation works

The financial results of six major irrigation and 18 medium irrigation projects with a capital outlay of Rs.1,408 crore at the end of March 2003 showed that revenue realised from these projects during 2002-03 (Rs.11.18 crore) was only 0.79 *per cent* of the capital outlay which was not sufficient to cover even the direct working expenses (Rs.17.14 crore)

1.8.2 Incomplete projects

According to the information made available by certain public works/irrigation divisions, as of 31 March 2003 there were 35 incomplete projects/works in which Rs.163.66 crore were blocked. The initial cost of these projects/works was estimated at Rs.84.01 crore and the revised cost in respect of 18 works was not available. This showed that the Government was spreading its resources thinly, which failed to yield any return. Details of incomplete works are available in additional statement to Finance Accounts for 2002-03.

1.8.3 Investments and returns

As on 31 March 2003, Government had invested Rs.6,150.37 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. Government's return on this investment was meagre and ranged between 0.21 to 0.35 *per cent* of investment as indicated in Table 17 below.

Table 17: Return on Investment (Rupees in crore)

Year	Investment at the end of the year	Return	Percentage of return	Rate of interest on Government borrowing (per cent)
1998-1999	3,107.19	7.72	0.25	12.15 & 12.50
1999-2000	3,565.73	12.04	0.34	11.08, 11.85 & 12.25
2000-2001	4,215.27	8.93	0.21	10.52, 10.82 & 11.57
2001-2002	4,840.34	10.57	0.22	7.8, 8, 8.3, 9.1 & 10.35
2002-2003	6,150.37	21.33	0.35	7.8, 7.9, 6.8, 6.95 & 6.75

During the year, the State Government invested Rs.1,310.03 crore in statutory corporations (Rs.0.15 crore), Government Companies (Rs.1,296.44 crore) and cooperative institutions (Rs.13.74 crore). The investment of Rs.1,296.44 crore made in Government companies contained amounts relating to discharge of liabilities in respect of certain companies[⊕] (Rs.484.78 crore) towards off-budget borrowings. These discharges are exhibited in the accounts (Statement No.13) as capital expenditure/investments, inflating capital expenditure to that extent.

1.8.4 Loans and advances by State Government

In addition to its investment, Government has also been providing loans and advances to many of these bodies. Total outstanding balance of the loans advanced was Rs.4,256.04 crore as on 31 March 2003 (Table 18). Overall, interest received against these advances declined to 0.47 per cent during 2002-03.

Table 18: Average Interest Received on Loans Advanced by the State Government (Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Opening Balance	3,342.04	3,494.74	3,666.62	4,076.69	4,556.46
Amount advanced during the year	290.40	316.59	511.30	514.47	627.58
Amount repaid during the year	137.70	144.71	101.23	34.70	928.00
Closing Balance	3,494.74	3,666.62	4,076.69	4,556.46	4,256.04*
Net Addition (+) / Reduction (-)	152.70	171.88	410.07	479.77	(-) 300.42
Interest Received (Rupees in crore)	219.33	271.07	129.42	112.11	19.98
Interest received as per cent to outstanding loans and advances	6.28	7.39	3.17	2.46	0.47
Average rate of interest paid by the State	12.33	11.73	10.97	8.71	7.24
Difference between interest paid and received	6.05	4.34	7.80	6.25	6.77

* Differs from the closing balance as shown in Statement 1 by Rs.0.01 crore due to rounding

1.8.5 Commercial activities

Lack of accountability for the use of public funds in departmental commercial undertakings

Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are to prepare *pro forma* accounts in the prescribed format annually showing the

[⊕] Karnataka State Police Housing Corporation (Rs.13.40 crore), Krishna Bhagya Jala Nigam Limited (Rs.443.33 crore), Karnataka Road Development Corporation (Rs.14.28 crore) and Rajiv Gandhi Rural Housing Corporation (Rs.13.77 crore)

results of financial operation so that the Government can assess the results of their working. The Heads of Departments in the Government are to ensure that the undertakings, which are funded by the budgetary release, prepare the accounts on timely basis and submit the same to Accountant General for audit.

As of March 2004, there were nine such undertakings with the Government of Karnataka. Rs.1.15 crore had been invested by the State Government in four undertakings at the end of the financial year up to which their accounts were completed. The department-wise position of preparation of accounts in respect of these undertakings was as follows:

Table 19

Department	No. of undertakings under the department	Accounts not finalised (name of undertakings)	Year upto which accounts finalised	Investment as per last accounts (Rupees in crore)
Finance	3	Karnataka Government Insurance Department, Motor Branch – 2002-03	2001-02	No Government investment
		Karnataka Government Insurance Department, Official Branch – 2001-02 and 2002-03	2000-01	
		HSLIF Branch (merged with above with effect from 1.4.93) – 1992-93	1991-92	
Commerce & Industries	6	Government Silk Filatures, Santhemara Hally – Nil	2002-03	0.22
		Government Silk Filatures, Mambally – 2002-03	2001-02	0.30
		Government Silk Filatures, Chamarajanagar - 2001-02 and 2002-03	2000-01	0.24
		Government Silk Filatures, Kollegal – Nil	2002-03	0.16
		Government Silk Twisting and Weaving Factory, Mudigundam – 1997-98 to 2002-03	1996-97	0.18
		Government Central Workshop, Madikeri – 2002-03	2001-02	0.05
		Total		

It would be seen that one undertaking relating to Commerce & Industries Department had not furnished their accounts for six years. Accounts of one undertaking of Commerce & Industries Department for two years, one undertaking of Finance Department for two years and two each undertakings of Finance Department and Commerce & Industries Department for one year were in arrears.

1.8.6 Management of cash balances

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. Karnataka had the WMA limit of Rs.375 crore from 1 April 2002 and Rs.460 crore from 3 March 2003. During the year, the State has used this mechanism for 170 days as against 40 days only in the last year although it raised borrowings of Rs.1,610.57 crore from the market on five occasions. Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. The State used the OD facilities on one occasion for a day during

the year. In a nutshell, the State's cash management worsened this year compared to the previous year, indicating mismatches in its resource and expenditure management.

Table 20: Ways and Means Advances and Overdrafts of the State and Interest paid thereon (Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Ways and Means Advances					
Availed in the Year	-	79.93	-	735.88	4,045.45
Outstanding	-	-	-	-	-
Interest Paid	-	0.02	-	0.91	5.22
Overdraft					
Availed in the Year	-	-	-	-	47.84
Outstanding	-	-	-	-	-
Interest Paid	-	-	-	-	0.01
Number of Days State was in Overdraft	-	-	-	-	1

Non-release of grants

During 2002-03, Government of India released Rs.47.24 crore for implementation of various central plan schemes and Rs.629.22 crore for centrally sponsored schemes as grants to the State Government. However, Rs.18.85 crore relating to central plan schemes and Rs.199.70 crore relating to centrally sponsored plan schemes were remaining in the Consolidated Fund of the State without being spent for the purpose for which it was received.

1.8.7 Undischarged Liabilities

Fiscal liabilities – public debt, public account and guarantees

The Constitution of India provides that State may borrow within the territory of India, upon the security of its consolidated fund, within such limits, as may from time to time, be fixed by an Act of Legislature. An Act under Article 293 of the Constitution had been passed by the State Legislature (Act 11 of 1999) laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. As per the Act, the total outstanding Government guarantees as on first April of any year shall not exceed 80 *per cent* of the State's Revenue Receipts of the second preceding year as in the books of the Accountant General, Karnataka. This ceiling is however not applicable to additional borrowings for implementation of Upper Krishna Project as per Bachawat Award. Statement-IV (Pages 30-31) lists the amounts of guarantees given by the Government and the amount outstanding at the end of each year during 1998-2003. The maximum amount of guarantees given by the Government was Rs.20,973 crore and the amount outstanding at the end of 2002-03 was Rs.13,314 crore. (This includes the guarantee of Rs.5,703.00 crore given to Krishna Bhagya Jala Nigam Ltd. which is a committed liability of the Government as budgetary support was provided for discharge of loan and interest). The amount of outstanding guarantees increased by 66 *per cent* during 1998-2003. During 2002-03 an amount of Rs.2.60 crore was discharged by the Government towards the liability of Tungabhadra Sugar Works Limited on account of invocation of guarantee by State Bank of Mysore, Shimoga branch.

Table 21 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters. It would be observed that the overall fiscal liabilities of the State increased from Rs.18,617 crore in 1998-99 to Rs.37,234 crore in 2002-03 at an average annual rate of 19.36 percent. These liabilities as ratio to GSDP increased from 21.20 *per cent* in 1998-99 to 31.40 *per cent* in 2002-03 and stood at 2.30 times of its revenue receipts and 3.17 times of its own resources comprising its own tax and non-tax revenue.

Table 21: Fiscal Imbalances–Basic Parameters (Rupees in crore and Ratios in *per cent*)

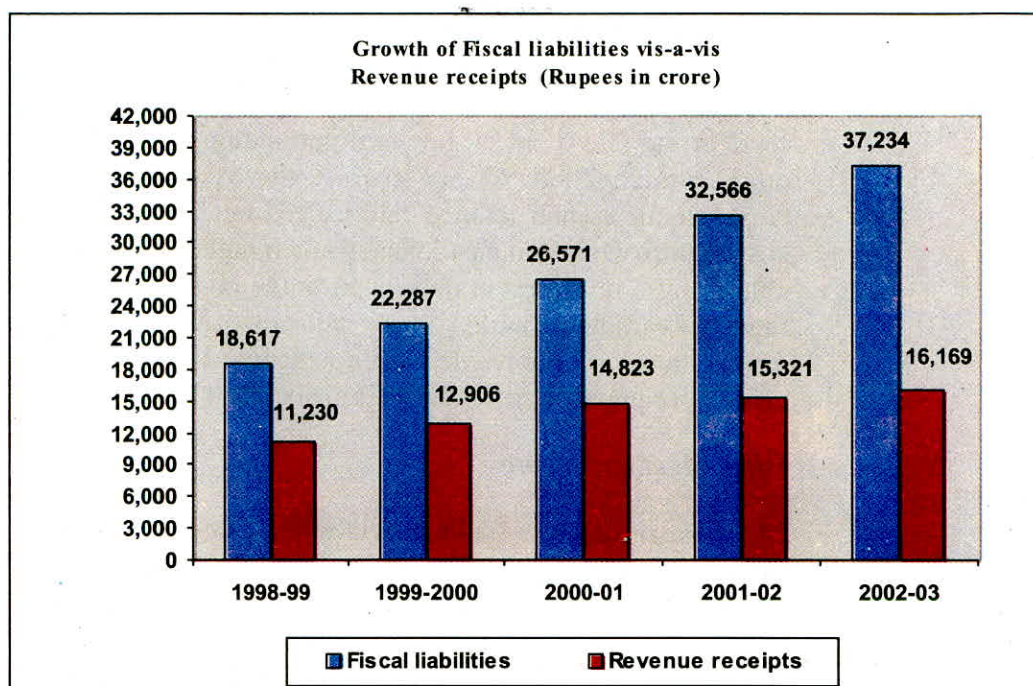
	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Fiscal Liabilities	18,617	22,287	26,571	32,566	37,234	27,455
Rate of growth	19.13	19.71	19.22	22.56	14.33	19.36
Ratio of Fiscal Liabilities to						
GSDP	21.20	23.40	25.40	29.80	31.40	29.60
Revenue Receipts	165.80	172.70	179.30	212.60	230.30	189.00
Own Resources	221.30	238.20	248.30	297.50	317.80	259.70
Buoyancy of Fiscal Liabilities to						
GSDP	0.853	2.307	1.927	5.090	1.728	1.978
Revenue Receipts	3.291	1.321	1.294	6.716	2.590	2.039
Own Resources	1.993	1.761	1.334	9.879	2.035	1.832

The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans there may be an obligation of the State to fulfill these commitments. Currently the fiscal liabilities including the contingent liabilities exceed more than three times the revenue receipt of the State. The direct fiscal liabilities of the State have grown much faster compared to its rate of growth of GSDP, revenue receipts and own resources. On an average, for each *per cent* increase in GSDP, Revenue Receipts and own resources the direct fiscal liabilities of the State had gone up by 1.978, 2.039 and 1.832 *per cent* respectively.

Increasing liabilities had raised the issue of sustainability of the fiscal liabilities. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. In case of Karnataka, average interest on fiscal liabilities was at 9.51 *per cent* during 1998-2003 while the rate of growth of GSDP was 9.79 *per cent* as indicated in Table 22 and also in the graphic representation of the fiscal liabilities and revenue receipts.

Table 22: Debt sustainability – Interest rate and GSDP Growth (in percent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Weight Interest Rate	9.44	9.84	9.78	9.07	9.43	9.51
GSDP Growth	22.43	8.54	9.97	4.43	8.29	9.79
Interest spread	12.99	(-) 1.30	0.19	(-) 4.64	(-) 1.14	0.28



Another important indicator of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest. Table 23 below gives the position of the receipt and repayment of internal debt and loans and advances from Government of India after providing for the interest and repayments which varied from 16 *per cent* to 42 *per cent* during 1998-2003. The net funds available declined to the lowest level of 16 *per cent* of total fresh loans during 2002-03.

Table 23: Net Availability of Borrowed Funds (Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Internal Debt*						
Receipts	871.96	2,244.92	2,295.58	2,969.48	3,888.52	2,454.10
Repayment (Principal + interest)	442.93	648.08 ^o	859.35	1,193.45 ^o	1,618.53 ^o	952.47
Net Fund Available	429.03	1,596.84	1,436.23	1,776.03	2,269.99	1,501.62
Net Fund Available (Percent)	49	69	63	60	58	61
Loans and Advances from Government of India excluding ways & means advance						
Receipt	1,551.99	927.72	1,075.65	2,176.88	1,544.22	1,455.29
Repayment (Principal + Interest)	1,276.71	1,498.62	1,652.09	1,799.41	2,932.84	1,831.93
Net Fund Available	275.28	(-) 570.90	(-) 576.44	377.47	(-) 1,388.62	(-) 376.64
Net Fund Available (Percent)	18	-	-	17	-	7
Total Public Debt						
Receipt	2,423.95	3,172.64	3,371.23	5,146.36	5,432.74	3,909.38
Repayment (Principal + Interest)	1,719.64	2,146.70	2,511.44	2,992.86	4,551.37	2,784.40
Net Fund Available	704.31	1,025.94	859.79	2,153.50	881.37	1,124.98
Net Fund Available (Percent)	29	32	26	42	16	29

* excluding Ways and Means Advances

^o includes interest paid on Ways and Means Advances/Overdrafts availed from RBI amounting to Rs.2 lakh, Rs.18 lakh and Rs.4.14 crore during 1999-2000, 2001-02 and 2002-03 respectively.

The State Government raised market loans of Rs.1,610.57 crore during the year. The weighted average rate of interest during the year was 9.43 *per cent* whereas the State Government borrowed Rs.1977.84 crore from National Small Savings Fund at the rate of 10.50 *per cent* per annum and Rs.1,544.22 crore at the rate of 11.50 *per cent* per annum from Government of India. As on 31 March 2003, 67 *per cent* of the existing market loans of the State Government carried interest rate exceeding 10 *per cent*. Thus, the effective cost of borrowings on past loans is much higher than the rate at which they are able to raise resources at present from the market. The maturity profile of the State Government market loans indicate that about 30 *per cent* of the total market loans are repayable within next five years while the remaining 70 *per cent* are required to be repaid within six to 10 years.

Off-budget borrowings

The Constitution of India provides for State Governments to borrow from Open Market, Financial Institutions and Government of India, upon the security of the Consolidated Fund, within such limits, if any, as may from time to time be fixed by an Act of Legislature of the State. Apart from the borrowings under the constitutional provision, Government of Karnataka had borrowed funds through few companies/corporations from the market and certain financial institutions. These companies/corporations borrowed funds from the market/financial institutions for implementation of various State Plan Programmes projected outside the state budget. The discharge of these liabilities was covered by guarantee given by the State Government. Although, the estimates of the plan programmes of the State Government projected that funds for these programmes would be met out of the own resources of the corporations/companies concerned outside the state budget, in reality the borrowings of most of these concerns were ultimately the committed liabilities of the State Government (termed 'off-budget borrowings') as they had no resources of their own.

During 2002-03, the projected size of the State Plan Schemes was Rs.8,611 crore, of which Rs.5,908 crore were supported by resources from the state budget and the balance of Rs.2,703 crore was to be met from the resources of certain companies/corporations. However only Rs.1,621 crore was raised during the current year. In fact, the volume of off-budget borrowings have declined from Rs.1,805 crore in 1998-99 to Rs.1,621 crore in 2002-03.

The details of total off-budget borrowings of the companies/corporations for the years 1996-2003 and the repayments of principal during the same period are indicated below:

(Rupees in crore)

Company/Corporation	Borrowings up to 2001-02	Borrowings during 2002-03	Total	Repayment of principal
Krishna Bhagya Jala Nigam	4,900	803	5,703	763
Karnataka Neeravari Nigam	936	221	1,157	85
Karnataka Road Development Corporation	150	150	300	21
Karnataka State Industrial and Investment Development Corporation	37	-	37	-
Slum Clearance Board	47	62	109	-
Rajiv Gandhi Rural Housing Corporation	231	191	422	29
KEONICS (Mahithi Bonds)	60	-	60	-
Karnataka Residential Education Institution Society	40	36	76	-
Karnataka Police Housing Corporation	114	78	192	55
Karnataka Land Army Corporation	60	80	140	-
Karnataka Renewable Energy Development Limited	194	-	194	39
Total	6,769	1,621	8,390	992

Taking into account these off-budget borrowings of the State excluding repayment of Rs.992 crore, the internal debt of State would increase to Rs.21,480 crore, public debt to Rs.33,567 crore, and total liabilities to Rs.44,632 crore as against Rs.14,082 crore, Rs.26,169 crore and Rs.37,234 crore respectively. In view of this the ratio of fiscal liabilities to GSDP would increase to 37.65 from 31.40 during the year. Thus, the fiscal situation of the State Government is not correctly exhibited in the accounts.

1.9 Management of deficits

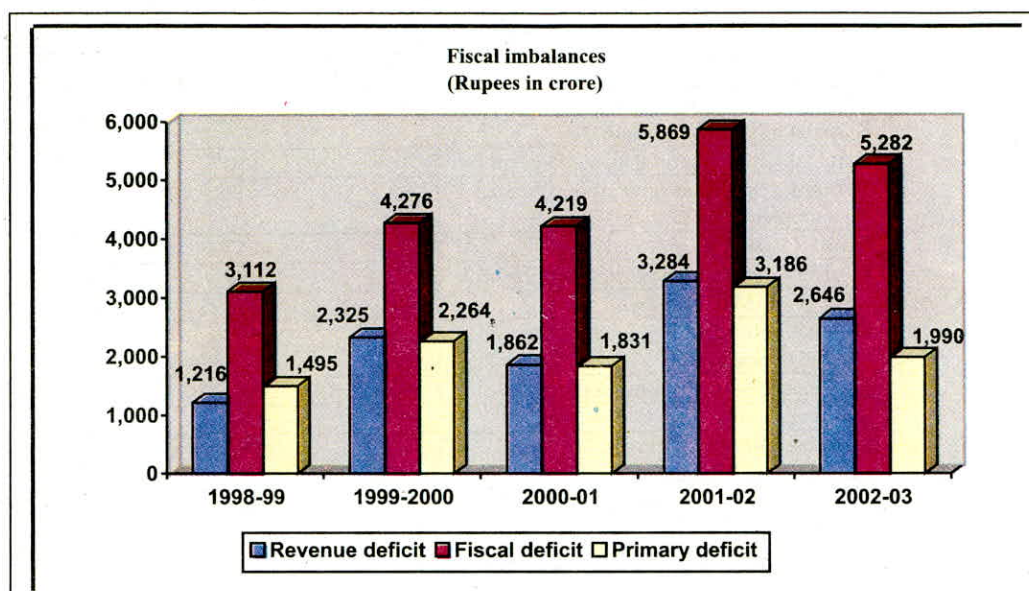
Fiscal imbalances

The deficits in Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised are applied are important pointers to the fiscal health.

The revenue deficit (Statement 1 of Finance Account) of the State, which is the excess of its revenue expenditure over revenue receipts, increased from Rs.1,216 crore in 1998-99 to Rs.2,646 crore in 2002-03. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, also increased from Rs.3,112 crore in 1998-1999 to Rs.5,282 crore in 2002-03. State also had a primary deficit which increased from Rs.1,495 crore in 1998-99 to Rs.1,990 crore in 2002-03 as indicated in Table 24 and also through graphic representation.

Table 24: Fiscal Imbalances – Basic Parameters
(Value: Rupees in crore and Ratios in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue deficit (RD)	1,216	2,325	1,862	3,284	2,646	2,267
Fiscal deficit (FD)	3,112	4,276	4,219	5,869	5,282	4,552
Primary Deficit (PD)	1,495	2,264	1,831	3,186	1,990	2,153
RD/ GSDP	1.38	2.44	1.78	3.00	2.23	2.20
FD/ GSDP	3.54	4.49	4.03	5.36	4.46	4.41
PD/ GSDP	1.70	2.38	1.75	2.91	1.68	2.09
RD/ FD	39.07	54.37	44.13	55.96	50.09	49.80



Persistent revenue deficit indicated that the revenue receipts of the State were not able to meet its revenue expenditure and Government had to borrow funds to meet its current obligations. The ratio of revenue deficit to fiscal deficit has increased from 39.07 per cent in 1998-99 to 50.09 per cent in 2002-03. As proportion to GSDP, revenue deficit had increased to 2.23 per cent in 2002-03 and fiscal deficit to 4.46 per cent.

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 25 below presents a summarised position of Government Finances over a period 1998-2003, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of its resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. Revenue receipts comprises not only the tax and non-tax resources of the State but also the transfers from Union Government. It indicates sum total of the resources which the State has access to, for which there is no direct service-providing obligations while others are related to its activity to recover user charges for the social and economic services provided by it and its entitlement from the central pool of resources.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resources mobilisation. The ratio of revenue expenditure and development expenditure to total expenditure declined in 2002-03 as compared to 1998-2000 while its capital expenditure as percentage to total expenditure has increased to 13.50 per cent in 2002-03. Increase in capital expenditure was mainly under Irrigation and Flood Control (Rs.503 crore) and Transport (Rs.160 crore).

However, capital expenditure was overstated to the extent of discharge of liabilities towards off-budget borrowings included in investment. Revenue buoyancy has been low and own tax to GSDP ratio has declined during 2002-03 over the previous year indicating a tendency to meet deficits by borrowing instead of improving tax compliance and coverage.

Table 25: Ratios of Fiscal Efficiency (in per cent)

Fiscal Ratios	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Resources Mobilisation						
Revenue Receipts (RR)/GSDP	12.79	13.54	14.14	14.00	13.64	13.65
Revenue Buoyancy	0.259	1.747	1.489	0.758	0.667	0.970
Own Tax/GSDP	7.91	8.13	8.63	9.00	8.81	8.53
Expenditure Management						
Total Expenditure/GSDP	16.49	18.18	18.26	19.39	18.88	18.33
Revenue Receipts/ Total Expenditure	77.56	74.48	77.43	72.18	72.25	74.78
RE/Total Expenditure	85.95	87.90	87.16	87.66	84.07	86.49
Capital Expenditure (CE)	12.29	10.46	10.45	10.17	13.50	11.39
Development Expenditure/Total Expenditure (RE+CE)	64.16	60.95	62.35	60.27	57.93	60.86
Buoyancy of TE with RR	3.060	1.317	0.706	3.237	0.982	1.357
Buoyancy of RE with RR	2.458	1.499	0.643	3.425	0.204	1.285
Management of Fiscal Imbalances						
Revenue deficit (Rs. in crore)	1,216	2,325	1,862	3,284	2,646	2,267
Fiscal deficit (Rs. in crore)	3,112	4,276	4,219	5,869	5,282	4,552
Primary Deficit (Rs. in crore)	1,495	2,264	1,831	3,186	1,990	2,153
Revenue Deficit/Fiscal Deficit	39.07	54.37	44.13	55.96	50.09	49.80
Management of Fiscal Liabilities						
Fiscal Liabilities (FL)/GSDP	21.20	23.40	25.40	29.80	31.40	29.60
Fiscal Liabilities/RR	165.80	172.70	179.30	212.60	230.30	189.00
Buoyancy of FL with RR	3.291	1.321	1.294	6.716	2.590	2.039
Buoyancy of FL with Other Receipts	1.993	1.761	1.334	9.897	2.035	1.832
Interest Spread	12.99	(-) 1.30	0.19	(-) 4.64	(-) 1.14	0.28
Net Fund Available	29	32	26	42	16	29
Other Fiscal Health Indicators						
Return on Investment	7.72	12.04	8.93	10.57	21.33	
BCR (Rs. in crore)	705	(-) 601	319	(-) 879	(-) 645	
Financial Assets/Liabilities	0.93	0.85	0.80	0.74	0.71	

The BCR, which was positive during 2000-01 declined and became negative during the years 2001-02 and 2002-03. A negative BCR adversely affects the plan size and reduces the availability of resources for additional infrastructure. Though both revenue and fiscal deficits declined during the year, this was mainly done by deferring plan expenditure to future years. Interest payments increased by Rs.609 crore during the year and the increase was higher than the increase in revenue expenditure during the year. However, large revenue and fiscal deficits year after year, together with low or no return on investments indicate that the State is gradually getting into a debt trap. The State's continuous low return on investment indicates an implicit subsidy and use of high cost borrowing for investments, which yields very little to it. The State Government has tried to soften its budget constraint through borrowings from special purpose vehicles like Krishna Bhagya Jala Nigam Limited (KBJNL) and Karnataka Neeravari Nigam Limited (KNNL) etc. The ratio of fiscal liabilities to GSDP crossed 30 per cent during 2002-03 which would increase further once off-budget borrowings are taken into account.

STATEMENT-I
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF
KARNATAKA AS ON 31 MARCH 2003

(Rupees in Crore)

As on 31.3.2002	Liabilities		As on 31.3.2003
10,480.64		Internal Debt	14,082.40
	5,538.12	Market Loans bearing interest	7,047.32
	2.67	Market Loans not bearing interest	3.19
	690.01	Loans from Life Insurance Corporation of India	660.39
	791.38	Loans from other Institutions	935.20
	3,458.46	Loans from RBI – Spl. Securities issued to National Small Savings fund of the Central Government.	5,436.30
11,951.88		Loans and Advances from Central Government -	12,086.91
	161.83	Pre 1984-85 Loans	124.34
	4,335.78	Non-Plan Loans	3,349.69
	7,256.50	Loans for State Plan Schemes	8,417.27
	55.55	Loans for Central Plan Schemes	51.50
	142.22	Loans for Centrally Sponsored Plan Schemes	144.11
72.11		Contingency Fund	80.00
4,698.53		Small Savings, Provident Funds, etc.	5,325.27
3,888.09		Deposits	4,031.29
1,568.06		Reserve Funds	1,729.19
1,110.39		Suspense and Miscellaneous balances	1,144.70
3.60		<i>Shortfall with Reserve Bank Deposit</i>	
5.45		Remittances in transit *	8.20
33,778.75		Total	38,487.96*
	Assets		
19,498.83		Gross Capital Outlay on Fixed Assets -	22,434.83
	4,838.98	Investments in shares of Companies, Corporations, etc.	6,149.01
	14,659.85	Other Capital Outlay	16,285.82
4,556.46		Loans and Advances -	4,256.03
	1,335.73	Loans for Power Projects	504.61
	3,170.90	Other Development Loans	3,661.51
	49.83	Loans to Government servants and Miscellaneous Loans	89.91 [@]
15.80		Other Advances	8.81
36.75		Remittance balances	29.93
973.75		Cash -	490.86
	5.71	Cash in treasuries	3.76
	5.11	Departmental Cash Balance including permanent Advances	3.06
	-	Deposits with Reserve Bank of India	74.99
	941.28	Cash Balance Investments	387.62
	21.65	Investment from earmarked funds	21.43
8,697.16		Deficit on Government Accounts	11,267.50
	5,483.18	Accumulated Deficit up to March 2002	8,697.16
	3,284.45	Add Revenue Deficit of the current year	2,645.74
	70.47	Deduct Other adjustments	75.40
33,778.75		Total	38,487.96

* - The liabilities shown above does not include contingent liabilities like guarantees extended by the Government and off budget borrowings which are discussed separately in Para 1.8.7

[@] - The adverse balance under the Major Head 7610-Loans to Government Servants etc., has increased from Rs.1.46 crore in 2001-02 to Rs.7.99 crore during 2002-03.

[∞] This reflects an adjusting entry on account of remittances between Treasuries and Currency chest remaining unadjusted as on 31 March 2003

STATEMENT-II

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2002-2003

(Rupees in Crore)

Receipts			Disbursements					
2001-2002		2002-2003	2001-2002					2002-2003
	Section-A: Revenue				Non-plan	Plan	Total	
15321.25	I. Revenue receipts	16168.76	18605.70	I. Revenue expenditure-				18814.50
9853.27	(i) -Tax revenue 10439.71		6215.31	General services	7097.18	14.94	7112.12	
1093.42	(ii) -Non-tax revenue 1277.67		3501.41	Social Services-				
				-Education, Sports, Art and Culture	3055.98	508.03	3564.01	
			986.32	-Health and Family Welfare	655.88	297.77	953.65	
2623.38	(iii) -State's share of Union Taxes & Duties 2786.20			-Water Supply, Sanitation, Housing and Urban Development	31.23	544.81	576.04	
			713.41	-Information and Broadcasting	15.98	3.28	19.26	
			19.07	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	213.72	277.33	491.05	
212.74	(iv) -Non-Plan grants 420.55		545.95	-Labour and Labour Welfare	35.55	28.67	64.22	
			70.09	-Social Welfare and Nutrition	454.26	170.75	625.01	
733.43	(v) -Grants for State Plan Schemes 570.17		563.32	-Others	33.01	-	33.01	
			29.24					
805.01	(vi) -Grants for Central and Centrally sponsored Plan Schemes 674.46		6428.81	TOTAL	4495.61	1830.64	6326.25	
				Economic Services-				
			1088.11	-Agriculture and Allied Activities	739.90	337.20	1077.10	
			478.71	-Rural Development	97.86	424.69	522.55	
			88.75	-Special Areas Programmes	31.72	15.12	46.84	
			190.76	-Irrigation and Flood Control	137.84	68.89	206.73	
			2336.69	-Energy	1844.73	62.19	1906.92	
			345.88	-Industry and Minerals	152.38	162.60	314.98	
			513.62	-Transport	328.92	66.87	395.79	
			3.07	-Science, Technology and Environment	-	7.80	7.80	
			352.19	-General Economic Services	69.63	254.08	323.71	
			5397.78	Total	3402.98	1399.44	4802.42	
			563.80	-Grants-in-aid and Contributions	573.71	-	573.71	
3284.45	II. Revenue deficit carried over to Section B	2645.74						
18605.70	Total	18814.50	18605.70	TOTAL	15569.48	3245.02		18814.50
	Section-B - Others							
959.88	III Opening Cash balance including Permanent Advances and Cash Balance Investments & investments from earmarked funds.	964.71						
Nil	IV Miscellaneous Capital receipts	Nil	2105.67	II Capital Outlay-				2936.00
			51.54	General Services-	-	75.85	75.85	
				Social Services-				
			4.47	-Education, Sports, Art and Culture	0.31	6.40	6.71	
			99.52	-Health and Family Welfare	-	50.47	50.47	
			55.93	-Water Supply, Sanitation, Housing and Urban Development	2.00	165.32	167.32	

Receipts			Disbursements					
2001-2002		2002-2003	2001-2002					2002-2003
			0.03	-Information and Broadcasting	-	1.01	1.01	
			48.38	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-	55.10	55.10	
			2.65	-Social Welfare and Nutrition	-	13.62	13.62	
			1.32	-Other Social Services	-	1.07	1.07	
			212.30	Total	2.31	292.99	295.30	
				Economic Services-				
			27.64	-Agriculture and Allied Activities	-	22.95	22.95	
			0.02	-Rural Development	0.10	-	0.10	
			1524.86	-Irrigation and Flood Control	200.03	1828.43	2028.46	
			16.88	-Industry and Minerals	-	16.08	16.08	
			264.66	-Transport	-	423.08	423.08	
			7.77	-General Economic Services	-	74.18	74.18	
			1841.83	TOTAL	200.13	2364.72	2564.85	
34.70	V. Recoveries of Loans and Advances-	928.00	514.47	III Loans and Advances disbursed-				627.58
	-From Power Projects 878.35		2.94	-For Power Projects			47.23	
9.95	-From Government Servants 10.19		6.32	-To Government Servants			3.67	
24.75	-From others 39.46		505.21	-To Others			576.68	
			3284.45	IV Revenue deficit brought down				2645.74
5146.36	VI Public debt receipts-	5432.74°	711.77	V Repayment of Public Debt-				1695.95
2969.48	-Internal debt other than Ways and Means Advances and Overdraft 3888.52		231.20	-Internal debt other than Ways and Means Advances & Overdraft			286.76	
2176.88	-Loans and Advances from the Central Government 1544.22		480.57	-Repayment of Loans and Advances to Central Government			1409.19	
53.49	VII Contingency Fund (recoupement) 7.89	7.89	7.89	VI Expenditure from Contingency Fund				-
28501.77	VIII Public Account Receipts-	27879.38	27107.24	VII Public Account Disbursements-				26824.79
1286.33	-Small Savings and Provident funds etc. 1398.96		713.61	-Small Savings and Provident Funds etc.			772.22	
232.55	-Reserve funds 338.39		95.77	-Reserve Funds			177.25	
10754.95	-Suspense and Miscellaneous 10605.99		10836.44	-Suspense and Miscellaneous			10496.28	
2077.58	-Remittances 2107.79		2158.47	-Remittances			2100.96	
14150.36	-Deposits and Advances 13428.25		13302.95	-Deposits and Advances			13278.08	
			964.71	VIII Cash Balance at end-				482.66
			0.27	-Cash in Treasuries and Local Remittances			(-) 4.44	
			(-) 3.60	-Deposits with Reserve Bank			74.99	
			5.11	-Departmental Cash Balance including Permanent Advances			3.06	
			941.28	-Cash Balance Investment			387.62	
			21.65	Investment from earmarked funds			21.43	
34696.20	Total	35212.72	34696.20	Total				35212.72

° - During the year, the State Government availed Rs.4093.29 crore of ways and means advances from Reserve Bank of India and the entire amount was repaid during the year.

STATEMENT III SOURCES AND APPLICATIONS OF FUNDS

(Rupees in crore)			
		Sources	
2001-2002			2002-2003
15,321.25		1. Revenue receipts	16,168.76
34.70		2. Recoveries of Loans and Advances	928.00
4,434.59		3. Increase in Public debt	3,736.79
1,394.53		4. Net receipts from Public account	1,054.59
	572.72	Increase in Small Savings, PF etc	626.74
	847.41	Increase in Deposits and Advances	150.17
	136.78	Increase in Reserve funds	161.14
	(-) 81.49	Net effect of Suspense and Miscellaneous transactions	109.71
	(-) 80.89	Net effect of Remittance transaction	6.83
45.60	-	5. Net effect of Contingency fund transaction	-
		6. Closing cash balance (Decrease)	482.05
21,230.67		Total	22,370.19
		Applications	
18,605.70		1. Revenue expenditure	18,814.50
514.47		2. Lending for development and other purposes	627.58
2,105.67		3. Capital expenditure (Net)	2,936.00
-		4. Net effect of Contingency fund transaction	(-) 7.89
4.83		5. Increase in closing cash balance	-
21,230.67		Total	22,370.19

Explanatory Notes for Statement I, II and III:

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Statement I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and others pending settlement etc.
4. There was a difference of Rs.474.48 lakh (debit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". A net difference of Rs.42.10 lakh (debit) had since been reconciled and adjusted. The remaining difference of Rs.432.38 lakh (credit) is under reconciliation.
5. The balance shown under Deposits included a sum of Rs.26.31 crore being the amount outstanding under 106 inoperative accounts below the Major Head 8443-Civil Deposits -106-Personal Deposits.

STATEMENT IV **TIME SERIES DATA ON STATE GOVERNMENT FINANCES**

	(Rupees in crore)				
	1998-99	1999-2000	2000-2001	2001-2002	2002-03
Part.A – Receipts	11,230	12,906	14,823	15,321	16,169
I. Revenue Receipts					
(i) Tax Revenue	6,943 (62)	7,744 (60)	9,043 (61)	9,853 (64)	10,440(65)
Taxes on Agricultural Income	49 (1)	35 (-)	24 (-)	3 (-)	1 (-)
Taxes on Sales, Trade etc.	4,265 (61)	4,683(60)	5,386 (60)	5,269 (53)	5,474 (52)
State Excise	1,005 (14)	1,215 (16)	1,523 (17)	1,977 (20)	2,094 (20)
Taxes on vehicles	387 (6)	449 (6)	502 (6)	712 (7)	676 (6)
Stamps and Registration fees	548 (8)	566 (7)	638 (7)	855 (9)	1,115 (11)
Land Revenue	38 (1)	39 (1)	43 (-)	50 (1)	60 (1)
Other Taxes	651 (9)	757 (10)	927 (10)	987 (10)	1,020 (10)
(ii) Non Tax Revenue	1,470 (13)	1,611 (12)	1,660 (11)	1,094 (7)	1,278 (8)
(iii) State's share in Union taxes and duties	1,924 (17)	2,133 (17)	2,574 (17)	2,623 (17)	2,786 (17)
(iv) Grants in aid from Government of India	893 (8)	1,418 (11)	1,546 (11)	1,751 (12)	1,665 (10)
II. Capital Receipts					
2. Miscellaneous Capital Receipts (non debt)	Nil	Nil	Nil	Nil	Nil
3. Total revenue & Non debt capital receipts (1+2)	11,230	12,906	14,823	15,321	16,169
4. Recoveries of Loans and Advances	138	145	101	35	928
5. Public Debt Receipts	2,424	3,173	3,371	5,146	5,433
Internal Debt (excluding Ways & Means Advances and Overdrafts)	872 (36)	2,245 (71)	2,295 (68)	2,969 (58)	3,889 (72)
Loans & Advances from Government of India	1,552 (64)	928 (29)	1,076 (32)	2,177 (42)	1,544 (28)
6. Total receipts in the Consolidated Fund (3+4+5)	13,792	16,224	18,295	20,502	22,530
7. Contingency Fund Receipts	15	27	15	54	8
8. Public Account Receipts	16,679	21,662	24,797	28,502	27,879
9. Total receipts of the State (6+7+8)	30,486	37,913	43,107	49,058	50,417
PART B. EXPENDITURE/DISBURSEMENT					
10. Revenue expenditure	12,446	15,231	16,685	18,605	18,815
Plan	2,541 (20)	2,992 (20)	3,481 (21)	3,943 (21)	3,245 (17)
Non Plan	9,905 (80)	12,239 (80)	13,204 (79)	14,662 (79)	15,570 (83)
General Services (incl. Interest Payments)	4,126 (33)	5,333 (35)	5,634 (34)	6,215 (33)	7,112 (38)
Social Services	4,657 (37)	5,479 (36)	6,132 (37)	6,429 (35)	6,326 (34)
Economic Services	3,331 (27)	4,004 (26)	4,388 (26)	5,397 (29)	4,803 (25)
Grants in aid and Contributions	332 (3)	415 (3)	531 (3)	564 (3)	574 (3)
11. Capital Expenditure	1,744	1,779	1,947	2,106	2,936
Plan	1,451 (83)	1,517 (85)	1,705 (88)	1,899 (90)	2,734 (93)
Non Plan	293 (17)	262 (15)	242 (12)	207 (10)	202 (7)
General Services	35 (2)	50 (3)	48 (3)	52 (2)	76 (3)
Social Services	455 (26)	377 (76)	299 (15)	212 (10)	295 (10)
Economic Services	1,254 (72)	1,352 (21)	1,600 (82)	1,842 (88)	2,565 (87)
12. Disbursement of Loans and Advances	290	317	511	514	628
13. Total (10+11+12)	14,480	17,327	19,143	21,225	22,379
14. Repayments of Public Debt	405	491	521	712	1,696
Internal Debt (excluding Ways & Means Advances and Overdrafts)	107 (26)	147 (30)	101 (19)	231 (32)	287 (17)
Net transactions under Ways & Means Advances and Overdraft	-	-	-	-	-
Loans and Advances from Government of India *	298 (74)	344 (70)	420 (81)	481 (68)	1,409 (83)
15. Appropriation to Contingency Fund	-	-	-	-	-
16. Total disbursement out of Consolidated Fund (13+14+15)	14,885	17,818	19,664	21,937	24,075
17. Contingency Fund disbursements	27	15	53	8	-
18. Public Account disbursements	15,553	20,044	23,260	27,107	26,825
19. Total disbursement by the State (16+17+18)	30,465	37,877	42,977	49,052	50,900
PART C. DEFICITS					
20. Revenue Deficit (1-10)	1,216	2,325	1,862	3,284	2,646
21. Fiscal Deficit (3+4-13)	3,112	4,276	4,219	5,869	5,282
22. Primary Deficit (21-23)	1,495	2,264	1,831	3,186	1,990
PART D. OTHER DATA					
23. Interest Payments (included in revenue expenditure)	1,617	2,012	2,388	2,683	3,292
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	1,122 (13)	1,826 (20)	1,894 (18)	2,634 (24)	3,390 (29)
25. Financial Assistance to local bodies etc.	4,884	5,847	6,451	7,429	7,635
26. Ways and Means Advances/Overdraft availed (days)	-	4	-	40	170
27. Interest on WMA/Overdraft	-	0.02	-	0.91	5.32

28. Gross State Domestic Product (GSDP)	87,807	95,310	1,04,815 [⊗]	1,09,461 [⊕]	1,18,540 [⊕]
29. Outstanding Debt (year end)	18,617	22,287	26,571	32,566	37,234
30. Outstanding Guarantees (year end)	8,023	9,829	13,004	12,279	13,314
31. Maximum amount Guaranteed (year end)	13,368	13,334	16,425	20,823	20,973
32. Number of incomplete projects (as per material in Finance Accounts)	77	112	97	103	35
33. Capital blocked in incomplete projects	2,811	3,894	3,295	4,814	6,141 [◆]

Note: Figures in brackets represent percentages (rounded) to total of each sub heading

* - Includes Ways and Means Advances from Government of India

⊗ - Provisional

⊕ - Quick estimates

⊕ - GSDP figures for 2002-2003 have been adopted as in medium term fiscal plan.

◆ - This includes Rs.5,978 crore invested in Upper Krishna Project now executed by Krishna Bhagya Jala Nigam Ltd, a Government Undertaking.



CHAPTER – II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged and voted items of budget.

Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2002-03 against 62 grants/appropriation was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-) /Excess (+)
Voted	I. Revenue	18,380.89	1,722.50	20,103.39	15,667.70	(-)4,435.69
	II. Capital	3,348.45	366.84	3,715.29	3,043.23	(-)672.06
	III. Loans & Advances	482.34	298.63	780.97	*627.57	(-)153.40
Total Voted		22,211.68	2,387.97	24,599.65	19,338.50	(-)5,261.15
Charged	IV. Revenue	3,357.75	8.24	3,365.99	3,350.14	(-)15.85
	V. Capital	6.68	1.70	8.38	2.16	(-)6.22
	VI. Public Debt	2,208.93	2,501.81	4,710.74	5,789.24	(+)1,078.50
Total Charged		5,573.36	2,511.75	8,085.11	9,141.54	(+)1,056.43
Grand Total		27,785.04	4,899.72	32,684.76	**28,480.04	(-)4,204.72

** The figures of actual expenditure are gross figures and include the recoveries adjusted as reduction of expenditure under revenue Rs.203.34 crore and capital Rs.109.39 crore and also include a sum of Rs.10.94 crore being the amount of equity converted as loan.

* Differs from the figure shown in Statement-II of Chapter I by Rs.0.01 crore due to rounding.

The total expenditure stands inflated atleast to the extent of Rs.309.93 crore as under.

- A sum of Rs.31.84 crore drawn through NIL payment vouchers in March 2003 transferred to Deposit Accounts without actual expenditure.
- A sum of Rs.216.77 crore being the amount of cess collected for purpose of development of infrastructure within the State was transferred through book adjustment to Public Account under the major head 8229 – Development and Welfare Funds, Infrastructure Initiative Fund. The said amount as well as the infrastructure cess of Rs.121.85 crore, Rs.148.27 crore, Rs. 178.31 crore and Rs.192.80 crore collected during

1998-99, 1999-2000, 2000-01 and 2001-02 respectively were also retained in this account.

- *A sum of Rs.49.23 crore relating to Karnataka Power Transmission Corporation Limited (KPTCL) and Bangalore Mass Rapid Transport Limited (BMRTL) transferred from the Consolidated Fund through book adjustment was retained in the public account of the State without being released to the said concerns.*
- *An amount of Rs.12.09 crore drawn on abstract contingent bills for which detailed contingent bills were not received as of March 2003.*

The overall savings of Rs.4,204.72 crore mentioned above were the net result of savings of Rs.5,295.68 crore in 62 grants and appropriations offset by excess of Rs.1,090.96 crore in eight grants/appropriations. The savings/excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers requiring them to explain the significant variations; explanations were not received.

2.3 Analysis of savings

2.3.1 Out of overall savings of Rs.4,204.72 crore (13 *per cent* of the total provision) saving of Rs.1,294.49 crore (31 *per cent*) under various grants was mainly due to:

- Provision for vacant posts under salaries (Rs.91.64 crore-14 Grants)
- Economy measures (Rs.23.82 crore-16 Grants)
- Decrease in demand for EBPL food-grains (Rs.18.74 crore-One Grant)
- Short/non-release of funds/letter of credit (Rs.133.45 crore-Four Grants)
- Delays in approval/issue of sanction order/implementation orders etc. (Rs.11.16 crore- Five Grants)
- Non-transfer of amount to Personal Deposit account (Rs.10.78 crore – One Grant)
- Failure to complete technical/tender formalities (Rs.18.09 crore - Four Grants)
- Less receipt of pension cases (Rs.268.68 crore – One Grant)
- Withdrawal/reduction in subsidy payments (Rs.18.80 crore – Three Grants)
- Non/less release of funds by Government of India (Rs.12.63 crore - Four Grants)
- Non-establishment of High Court bench/new offices (Rs.11.22 crore – Three Grants)
- Treatment of Grant-in-aid amount released by Government of India as loan to State Government for Accelerated Power Development Programme (Rs.50.40 crore – One Grant)
- Work of printing of lottery tickets having been taken up by sales agents (Rs.15.00 crore – One Grant)
- Payment of prize money only from August to March (Rs.225.00 crore – One grant)
- Due to payment of 34 *per cent* commission on sales of lottery tickets (Rs.82.92 crore – One Grant)
- Due to less availment of overdrafts than anticipated from Reserve Bank of India (Rs.302.16 crore –One Grant)

In 60 grants, explanations for savings in 801 cases and excess in 455 cases were not furnished by the Departmental Officers.

Further, scrutiny of surrender orders issued by Finance Department revealed that there were savings due to non-release of funds/non/short release of LOC in respect of six grants amounting to Rs.146.08 crore. Illustrative cases exceeding Rs.one crore in each case is listed in **Appendix 2.1**.

In 30 grants, expenditure fell short by more than Rs.10 crore and also by more than 10 per cent of the total provision in each case as indicated in **Appendix 2.2**. Savings under various sub-heads in these grants amounted to Rs.3,121.59 crore of which Rs. 674.18 crore were anticipated.

2.3.2 Excess requiring regularization

Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.1,104.19 crore for the years 1989-90 to 2001-02 had not been regularised so far (November 2003). This was breach of Legislative control over appropriations:

(Rupees in crore)

Year	Number of grants/ Appropriation	Grant/Appropriation numbers	Amount of excess required to be regularised as commented in the Appropriation Accounts/Audit Reports	Real excess	Remarks
1989-90	12/5	7,8,10,24,27,46,47,49,53,20,35,56,23,45, 12, Interest payments	25.89	25.89	
1990-91	13/4	6,7,10,13,20,32,45,46,47,52,27,33,35,47,4	35.73	35.68	Excess reduced on account of reconciliation of expenditure
1991-92	13/3	7,11, 14,22,23,36,45,46,47,51,57,27,24, 41, 43	58.99	58.47	-do-
1992-93	12/3	6,9,27,32,34,41,43,44,45,46,50,52,25,33, 34,48	107.47	107.47	
1993-94	7/3	22,36,46,49,54,13,29,49,24,43, Internal debt, Loans and advances from Central Government and Inter State Settlements	57.47	57.47	
1994-95	4/6	21,35,3,48,15,24,46,47,55	8.35	7.95	Due to erroneous budget provision
1995-96	9/2	2,33,39,43,45,49,1,46,52,21,44	27.79	27.79	
1996-97	9/3	2,16,33,43,49,51,8,24,25,45,1,21,43,44	104.40	104.40	
1997-98	11	12,33,37,39,43,49,51,24,27,32,55	84.01	84.01	
1998-99	12	9,17,33,37,39,40,4,25,46,43,52	35.86	34.74	Excess reduced on account of reconciliation of expenditure
1999-2000	11/2	10, 16, 19, 33, 34, 39, 48, 49, 65, 66, 8, 43,	333.22	333.22	
2000-2001	11	5, 15, 24, 35, 38, 49, 7, 10, 42, 30, 44	114.46	114.46	
2001-2002	10	5, 10, 13, 15, 24, 30, 35, 42, 44, 50	112.64	112.64	
Total			1,106.28	1,104.19	

Excess over provision during 2002-03 requiring regularisation

The excess of Rs.1,090.49 crore under seven grants and appropriations (excluding Rs.47 lakh under Grant No.32 Home (excluding Police Department)) which is not real excess due to shift of expenditure to this grant from grant No. 44 Public Works (excluding Ports and Inland Transport where allocation was provided) during the year requires regularisation under Article 205 of the Constitution. Details are given below:

Sl. No.	No. and name of Grant/appropriation	Total Grant/appropriation	Actual expenditure	Excess
Amount in Rupees				
Revenue (Voted)				
1.	53-Sugar	36,79,000	39,81,519	3,02,519
Capital (Voted)				
1.	13-Kannada and Culture	1,50,00,000	1,58,72,792	8,72,792
2.	60-City Municipal Councils, Town Municipal Councils and Town Panchayats	10,91,83,000	16,83,15,000	5,91,32,000
Revenue (Charged)				
1.	15-Pension and Other Retirement Benefits.	1,30,89,000	2,55,34,079	1,24,45,079
2.	30-Forest, Ecology and Environment	12,24,38,000	16,71,13,355	4,46,75,355
3.	44-Public Works (excluding Ports and Inland Transport)	47,30,000	56,79,686	9,49,686
Capital (Charged)				
1.	44-Public Works (excluding Ports and Inland Transport)	41,00,000	56,03,431	15,03,431
2.	55-Internal Debt, Loans and Advances from Central Government and Inter State Settlements.	47,10,74,18,000	57,89,24,43,749	10,78,50,25,749
	TOTAL	47,37,96,37,000	58,28,45,43,611	10,90,49,06,611

The main reasons for the excess expenditure were;

- Grant No.15 - Receipt of more pension debit accounted under States Re-organisation Act 1956, in respect of the State of Maharastra (Rs.1.28 crore).
- Grant No.30 – Transfer of more receipts under compensatory plantations to Karnataka Forest Development Fund (Rs.3.99 crore).
- Grant No.44 - Incurring of more expenditure under Public Works-General –Maintenance and Repairs – Buildings- Special Repairs – Governor (Rs.0.11 lakh) and Capital outlay on Public Works –General-Construction-Governor-Construction (Rs.14 lakh).
- Grant No.55 – More transactions under Ways and Means Advances from RBI (Rs.201.19 crore) and adjustment of high cost borrowings under small savings loans under Debt Swap Scheme during the year (Rs.831.02 crore).
- Grant No.60 - Due to error in obtaining the provision under the relevant grant the excess being technical in nature (Rs.5.91 crore).

The excess under grant nos.15, 30 and 44 had occurred during 2001-02 also for the same reasons, but no action was initiated by the concerned departments for obtaining the supplementary provision to cover the excess.

Government stated (December 2003) that the reasons for excesses were mainly due to delayed inter Government adjustments, unanticipated exigencies under Ways and Means Advances and uncertainty of amount of repayment under Debt Swap Scheme and budgeting error.

2.3.3 Original budget and supplementary provisions

Supplementary provision (Rs.4,899.72 crore) made during this year constituted 18 *per cent* of the original provision (Rs.27,785.04 crore) as against seven *per cent* in the previous year.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions

Supplementary provision of Rs.91.65 crore made in 25 grants involving 59 detailed/object heads proved unnecessary in view of aggregate saving of Rs.181.83 crore as detailed in *Appendix 2.3*.

Few cases where supplementary provision obtained proved wholly unnecessary are indicated below:

(Rupees in crore)

Sl. No.	Number and name of the Grant	Detailed/Object Heads where supplementary provision were obtained	Amount	Purpose for which obtained
1.	36 – Housing (Revenue-Voted)	2216-03-800-03-422- Special Component Plan (SCP)	16.67	For release of GOI Grants received under SCP
2.	39 – Minor Irrigation (Excluding ground water) (Capital-voted)	4702-00-101-1-02-139 and 4702-00-101-1-08-139 – Major works	10.07	Supplementary provision obtained for major works
3.	44 – Public Works (Excluding Ports and Inland Transport) (Capital-Voted)	5054- 03-337-02-172- Roads	19.62	For third stage work – Special package programme for Bellary district

In 22 grants involving 52 detailed/object heads, supplementary provision of Rs.152.25 crore obtained proved insufficient leaving an aggregate uncovered excess expenditure of Rs.147.35 crore (*Appendix 2.4*)

In 31 grants involving 59 detailed/object heads, as against additional requirement of Rs.337.76 crore, supplementary grant for Rs.629.30 crore was obtained resulting in saving of Rs.291.54 crore (*Appendix 2.5*).

A few cases where supplementary provision obtained proved excessive are indicated below:

(Rupees in crore)

Sl. No.	No. and Name of the Grant	Detailed/object Heads where Supplementary provision were obtained	Amount	Purpose for which obtained
1.	32 - Home (Excluding Police Intelligence) (Revenue-Voted)	2055-00-115-0-00-125- Modernisation	45.21	Modernisation of Police force
2.	42 - Revenue (Excluding Wakf, Haj and Muzarai) (Revenue-Voted)	2245-80-800-01-104- Contributions	63.78	Release of funds received from GOI
3.	44 - Public Works (Excluding Ports and Inland Transport) (Capital-Voted)	5054-04-800-1-04-172 – Roads	6.20	Development of Roads in Sugar factory areas

2.3.5 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed.

In 95 cases, re-appropriation of funds was made injudiciously resulting in final excess/savings in each case by more than Rs.25.00 lakh (listed in **Appendix 2.6**) of which:

In 14 cases, additional funds of Rs.415.43 crore provided through re-appropriation proved insufficient as the final expenditure exceeded the provision by Rs.214.04 crore.

In 33 cases, additional funds of Rs.30.53 crore provided by re-appropriation resulted in final savings of Rs.95.69 crore and the re-appropriation proved unnecessary.

In 37 cases, the savings were not properly assessed as there was a final savings of Rs.48.24 crore even after the withdrawal of Rs.25.51 crore through re-appropriation.

In 11 cases, the withdrawal of Rs.60.66 crore through re-appropriation proved injudicious as the final expenditure exceeded the net provision by Rs.55.66 crore.

2.3.6 Anticipated savings not surrendered

According to rules framed by Government, the spending departments are required to surrender the grants/Appropriation or portion thereof to the Finance Department as and when the savings are anticipated. However, out of total saving of Rs.5,271.28 crore in 86 cases involving 57 grants/appropriation, Rs.892.86 crore (16.94 *per cent*) only was surrendered on the last day of the financial year leaving a balance of Rs.4,378.42 crore unsurrendered (**Appendix 2.7**).

In the following cases against a total saving of Rs.13.89 crore, the amount actually surrendered was Rs.15.95 crore resulting in excess surrender of Rs.2.06 crore (14.83 *per cent*) indicating injudicious surrender of savings.

(Rupees in crore)			
Grant No.	Total savings	Amount surrendered	Excess surrender
22 – Governor, Ministers and Public Service Commission (Revenue-Voted)	1.35	1.43	0.08
25 – Power Projects (Revenue-Charged)	1.02	1.04	0.02
30 – Forest, Ecology and Environment (Capital-Voted)	6.86	8.70	1.84
34 – Tourism and Haj (Revenue-Voted)	4.66	4.78	0.12
	13.89	15.95	2.06

2.3.7 Un-reconciled expenditure

To enable departmental officers to exercise proper control over expenditure, there are standing instructions of Government that expenditure recorded in their books should be reconciled by them with those recorded in the books of the Accountant General (Accounts and Entitlement).

During 2002-03, out of 420 Controlling Officers, 117 had not reconciled expenditure of Rs.174.23 crore (0.80 per cent of the total expenditure of Rs.21,750.50 crore) and 131 Controlling Officers had reconciled their expenditure figures for part of the year, leaving an expenditure of Rs.1,369.42 crore un-reconciled. Similarly, 19 Controlling Officers who had disbursed Rs.627.45 crore of loans and advances had not reconciled their expenditure figures.

Failure to reconcile the expenditure figures by the departments would result in cases of frauds and defalcations, if any, remaining undetected.

2.3.8 Errors in Budgeting

In two grants Rs.6.50 crore were inadvertently obtained under the grants other than to which they were related as detailed below:

Sl.No.	Number and Name of the Grant under which provision was made	Amount (Rupees in Crore)	No. and Name of the Grant under which provision was to be made
1	37 – Urban Development Authorities (Excluding Bangalore Development Projects) City Corporations (excluding Bangalore City Corporation), Town Planning Department	6.00	60 – City Municipal Councils, Town Municipal Councils and Town Panchayats
2	49 – Women and Child Welfare	0.50	44- Public Works (Excluding Ports and Inland Transport)

Such errors in budgeting resulted in saving or excess under the grants concerned as expenditure was accounted for correctly under the relevant grants.

2.4 Defective Re-appropriation

During 2002-03, 325 re-appropriation orders involving an amount of Rs.735.02 crore were issued. Of these, 125 orders aggregating Rs 698.36 crore were issued on 31 March 2003, the last day of the fiscal year. 119 re-appropriation orders of the value of Rs 121.79 crore were not considered in accounts as those either exceeded the power of sanction, involved item of new service, not signed by competent authority, or not having prior approval of Finance Department. Illustrative cases are listed in **Appendix 2.8**.

2.5 Rush of Expenditure

The financial rules require that expenditure should be evenly distributed throughout the year. The rush of expenditure particularly in the closing

months of the financial year is regarded as a breach of financial rules. The position in respect of expenditure (Revenue) for the four quarters and also for the month of March 2003 is depicted in **Appendix 2.9** which shows that the expenditure incurred in March 2003 in 17 cases ranged between 26 and 89 *per cent* of the total expenditure during the year indicating a tendency to utilise the budget at the close of the financial year.

2.6 Budgetary Control

A review of budgetary procedures and control over expenditure was conducted in respect of the following grants.

Grant No	Name of the Grant
15	Pension and other Retirement Benefits
29	Food and Civil Supplies
46	Rural Development & Panchayat Raj

The review revealed the following:

2.6.1 Grant No. 15 - Pensions and Other Retirement Benefits (All Departments)

Pensions and other retirement benefits form a major chunk of expenditure for the Government of Karnataka. The Budget Provision, actual disbursement and unspent provision under the Voted and Charged portion of the Grant during the last three years (2000-03) were as shown below:

Year	Total Provision	Actual disbursement	Unspent provision	(Rupees in lakh)
				Excess over Budget Provision
2000-01	Voted – 1,56,980.00	1,58,223.00	--	1,243(0.79)
	Charged- 133.00	3.34	129.66(97)	--
2001-02	Voted – 1,80,950.46	1,63,673.75	17,276.71(9.55)	--
	Charged –121.95	324.07	--	202.12(166)
2002-03	Voted – 1,93,843.07	1,77,005.19	16,837.88(8.69)	--
	Charged – 130.89	255.34	--	124.45(95)

Note: Figures in brackets indicate percentage.

The unspent provision under Voted heads ranged between 8.69 *per cent* and 9.55 *per cent*, during 2002-03 and 2001-02 respectively while in 2000-01, there was an excess of 0.79 *per cent*. Under Charged heads there was an unspent provision of 97 *per cent* in 2000-01 and for the other years there was an excess over Budget Provision ranging from 95 *per cent* to 166 *per cent*. No portion of the savings was anticipated and surrendered.

A scrutiny of the Appropriation Accounts for the years 2000-03 revealed that the Department ended with large unspent provisions and large excesses indicative of unrealistic budgeting and slackness. The unspent provisions ranged between four and 100 *per cent* during the last three years. The Sub-heads where large unspent provisions were noticed are listed in **Appendix 2.10**. The Sub-heads under which large excesses occurred are listed in **Appendix 2.11**.

There were persistent unspent provisions under three Sub-heads as detailed in **Appendix 2.12**.

There were persistent excesses under two Sub-heads as detailed below:

(Rupees in lakh)

Sub-Head	2000-01	2001-02	2002-03
2071-01-115-1 General Services	111.53	218.40	873.19
2071-01-115-2 Social Services	873.79	88.83	371.72

2.6.2 Grant No.29 - Food and Civil Supplies

The supply and distribution of food grains and enforcement of related activities are the main core areas of the Department of Food and Civil Supplies and Consumer Affairs and the main source of revenue of the Department of Food and Civil Supplies and Consumer Affairs is the budget allocation made by the Government.

The budget provision, actual disbursement and unspent provision under Voted portion of the grant during the last three years are shown below:

(Rupees in lakh)

Year	Total Provision	Actual disbursement	Unspent provision
2000-01	32,132.41	31,565.33	567.08 (2)
2001-02	31,749.68	22,765.52	8,984.16 (28)
2002-03	32,624.28	20,338.45	12,285.83 (38)

Note: Figures in brackets indicate percentage

The unspent provision under revenue heads during the last three years ranged between two and 38 percent.

As per para 264 of the Karnataka Budget Manual the unspent provision in a grant or appropriation are to be surrendered to the Government as soon as they are foreseen without waiting for the end of the financial year. However, contrary to this, the department surrendered unspent provisions on the last working day of the respective financial year as shown in **Appendix 2.13**.

A scrutiny of the Appropriation Accounts for the years 2000-03 revealed that the department ended with large unspent provisions indicative of unrealistic budgeting and slackness in implementing the schemes/activities of the department. Schemes/Sub-heads under which large unspent provisions occurred during the last three years are listed in **Appendix 2.10** and the unspent provisions ranged between 1.5 and 100 *per cent*. In addition, there were persistent unspent provision during 2000-03 under three sub-heads as shown in **Appendix 2.12**.

2.6.3 Grant No.46 – Department of Rural Development and Panchayat Raj

The Department of Rural Development and Panchayat Raj implements schemes for generation of self employment, provision of housing and minor irrigation assets to the rural poor as also social assistance schemes. The department also provides support services and other quality inputs such as assistance for strengthening of DRDA Administration, Panchayat Raj institutions, training and research, human resources development, development of voluntary action etc., for the proper implementation of the programme.

The main source of revenue of the Department of Rural Development and Panchayat Raj is the budget allotment made by the Government of Karnataka.

The budget provision, actual disbursements and unspent provisions under Voted portion of the grant under capital heads during the last three years are shown below:

(Rupees in lakh)			
Year	Total Provision	Actual Disbursement	Unspent Provision
2000-01	11,839.00	11,598.52	240.48 (2)
2001-02	11,160.00	5,270.74	5,889.26 (53)
2002-03	7,570.50	3,760.78	3,809.72 (50)

Note: Figures in brackets indicate percentage

The unspent provision under capital heads during the last three years ranged between two and 53 *per cent*.

As per para 264 of the Budget Manual, the unspent provision in a grant or appropriation should be surrendered to Government as soon as they are foreseen without waiting for the end of the year. However, contrary to this, surrenders were made on the last working day of the financial year as indicated in **Appendix 2.13**.

It is also seen that there was a rush of expenditure as detailed below:

(Rupees in lakh)				
Head of Account	Year	Total Expenditure	Expenditure in March	Percentage of Expenditure in March
4215-01-102-1-80	2000-01	1,852.63	850.00	46
424-Rural Water Supply schemes-Danida Assisted	2001-02	906.53	436.53	48
	2002-03	200.00	124.95	62
4515-00-103-1-01 Rural Development-1-Payments under Karnataka Land Reforms Act 1961 Payments in cash to landlords for lands vested in Govt-100-Financial assistance/relief-110-Compensation.	2000-01	96.17	96.17	100
4515-00-103-1-04 Payments to landlord through small savings certificates-100-financial assistance/relief-110-compensation.	2000-01	60.71	60.71	100
4215-01-102-1-84 Integrated Rural Water supply and Environmental Sanitation Project-Jalanirmala-426-Rural Sanitation	2002-03	1,637.00	898.00	55

A scrutiny of the appropriation accounts for the years 2000-03 revealed that the department ended with large unspent provisions indicating unrealistic budgeting assumptions and slackness in implementing the schemes/activities of the department. Schemes/heads under which large unspent provision occurred are shown in **Appendix 2.10** and that the percentage of unspent provision ranged between 26 to 100 *per cent* during the last three years. There were persistent unspent provisions during 2000-03 under one detailed head given in **Appendix 2.12**.

During 2001-02, under the Head of Account 4215-01-102-1-82 Rural Water supply scheme- Netherlands, there was a provision of Rupees one crore. Supplementary provision of Rs.7.33 crore was made making the total provision to Rs.8.33 crore. Final expenditure was only Rs.6.17 crore leaving a balance of Rs.2.16 crore. Thus the supplementary provision of Rs.7.33 crore was excessive by Rs.2.16 crore. These observations were pointed out to the department in August 2003 and no reply was received (November 2003).

2.7 New Service/New Instrument of Service

Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature. The Government have issued orders based on recommendations of Public Accounts Committee laying down various criteria for determining items of 'New Service/New Instrument of Service'. These, inter alia, stipulate that the expenditure over the grant/appropriation exceeding twice the provision or Rupees one crore, whichever is more, should be treated as an item of 'New Service'.

In 36 cases involving 13 grants, expenditure totaling Rs.138.21 crore which should have been treated as 'New Service/New Instrument of Service' was met without the approval of the Legislature (*Appendix 2.14*).

2.8 Expenditure without provision

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs.27.06 crore was incurred without provision either in original or in supplementary demand in 161 cases involving 25 grants test-checked in audit.

A few significant cases where expenditure was incurred without budget provision are indicated below:

Sl. No.	Grant No. & Name	Head of Account	Amount (Rs. in crore)
1.	7 Small Scale Industries	2851 Village and Small Industries 102 Small Scale Industries 80 Grant for establishment of Laser Technology at Mysore (Government Tool room Training Centre-French aided) 101 Grants-in-aid	0.38
2.	7 Small Scale Industries	6851 Loans for Village and Small Industries 102 Small Scale Industries 1 Loans to Karnataka State Small Scale Industries Development Corporation Limited 80 Loans to Government Tool room Training Centre	0.89
3.	8 Sericulture and Textiles	2852 Industries 08 Consumer Industries 202 Textiles 3 Government Silk Filature, Chamarajanagar 02 Raw materials	0.88
4.	8 Sericulture and Textiles	2852 Industries 08 Consumer Industries 202 Textiles 4 Government Silk Filature, Mamballi 02 Raw materials	1.02

It was observed that expenditure in respect of items 1 and 2 above, represented grant/loan portion of the additional central assistance for externally aided projects which had been debited in 'civil deposits for purchases abroad' in the accounts of Controller of Aid Accounts, Department of Economic Affairs. Similar excess was noticed under the grant portion during earlier years also. However, Government failed to take notice of the observations and to make provision to carry out adjustment in the book of accounts.

2.9 Advances from Contingency Fund

The Contingency Fund of the State of Karnataka was established under the Karnataka Contingency Fund Act, 1957, in terms of provisions of Articles 267 (2) and 283 (2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, the postponement of which, till its authorisation by the Legislature would be undesirable. The Fund is in the nature of an imprest and its corpus is Rs.80 crore at present.

The Budget Manual lays down that proposals for sanctioning advances from the Contingency Fund may be made by the Administrative Departments of the State Government when they are in a position to justify the circumstances under which (a) provisions could not be made in the annual or supplementary budget (b) the expenditure could not be foreseen and (c) the expenditure could not be postponed till the necessary approval of the Legislature is obtained. The Controlling Officers are required to reconcile the expenditure booked by the Accountant General (Accounts & Entitlement) in the accounts. During the year 2002-03, 27 sanctions were issued for withdrawal of total amount of Rs.79.87 crore.

A review of the operation of Contingency Fund disclosed that sanctions for advances were issued though the money was not needed and in respect of eight sanctions amounting to Rs.10.03 crore, amount to the extent of Rupees four crore only were drawn leaving an amount of Rs.6.03 crore un-drawn.

Few cases where the advances sanctioned from Contingency Fund were not at all utilised in full are indicated below:

Cases of non-drawal of advances from Contingency Fund

Sl.No.	Amount of sanction (Rupees in crore)	Purpose
1.	0.23	Construction of additional cattle pass at Giriyal Road of Hubli-Dharwad Bypass Road
2.	2.99	Establishment of software technology park in Hubli
3.	0.35	Safety measures of retired employees of Public Sector Undertakings
4.	0.28	Budget Provision for Swayamsiddha Yojane Scheme

Cases of partial drawal of advances from Contingency Fund

Sl.No.	Amount sanctioned	(Rupees in crore)	
		Amount drawn	Amount not drawn
1.	0.20	0.27	0.18
2.	0.25		
3.	5.00	3.08	1.92
4.	0.73	0.65	0.08
Total	6.18	4.00	2.18

The practice of sanctioning advances from Contingency Fund as above continued inspite of instructions issued by the Finance Department to avoid indiscriminate resort to advances from Contingency Fund.



CHAPTER III

PERFORMANCE REVIEWS

This Chapter presents five performance reviews and four long paragraphs. The performance reviews include review on 'Preservation of Wildlife and Administration of National Parks and Sanctuaries in Karnataka', review on 'Implementation of the Drugs and Cosmetics Act/Rules', review on 'Karnataka Health Systems Development Project', review on 'Prevention and Control of Fire' and review on 'Welfare of the Handicapped'. Long paragraphs include 'Lapses in implementing programme for control of coconut mite', 'Irregularities in the implementation of programmes in Tourism Department', 'Lapses/Irregularities in construction of houses for slum dwellers' and 'Lingering Hirehalla Project'.

FOREST, ENVIRONMENT AND ECOLOGY DEPARTMENT

3.1 Preservation of Wildlife and Administration of National Parks and Sanctuaries in Karnataka

Highlights

The protection, propagation and Development of Wildlife and its environment in Karnataka are entrusted to the State Forest Department. For this purpose, the Wildlife (Protection) Act, 1972 empowers the State Government to declare and administer any wildlife area as either a National Park or a Sanctuary. A separate Wildlife Wing was set up (1992) in the State for effective implementation of wildlife conservation measures enshrined in the Act.

Due to absence of Management plans or delay in their formulation, works like survey and demarcation, rationalisation and re-organisation of boundaries of Parks and Sanctuaries, relocation and rehabilitation of human settlements could not be prioritised for planned implementation.
(Paragraph 3.1.5)

The problems of biotic and human interference in core zones of National Parks/Sanctuaries continued as relocation of villages and rehabilitation of human settlement had not been made.
(Paragraph 3.1.6)

Lack of planned and prioritised preservation and conservation measures resulted in endangered species remaining unprotected and some wildlife areas with rich bio-diversity not receiving due attention.
(Paragraph 3.1.7)

Various prohibited activities like mining, quarrying, construction of dam, leasing etc., within the wildlife areas continued with adverse effect on wildlife habitat and environment.
(Paragraph 3.1.9)

Anti-poaching camps were not equipped fully with required arms and ammunitions for protecting animals from poaching and illicit trade in their body parts.

(Paragraph 3.1.10)

3.1.1 Introduction

The Wildlife (Protection) Act 1972 (hereinafter referred to as the Act) and Wildlife (Transaction and Taxidermy) Rules, 1973 framed thereunder aim at conservation of wildlife essential to genetic diversity. In pursuance of this objective, the State Government, under this Act, can declare any area of adequate ecological, faunal, floral, geomorphological, natural or zoological significance, as either a Sanctuary or a National Park for the purpose of protecting, propagating or developing wildlife or its environment. The Act also empowers the State Government to fix boundaries of a Sanctuary/ National Park, which cannot be altered except by a Resolution passed by State Legislature.

There are five Parks and 21 Sanctuaries in the State spread over an area of 2,432 sq kms and 3,888 sq kms respectively. A separate Wildlife Wing was set up in the State in 1992. The territorial jurisdiction of various protected areas notified between 1974 and 2000 were, however, not transferred from Forest Department even after 1992 and was finally done between 1995 and 2001. The territorial jurisdiction of Sharavathi Sanctuary notified in June 1978 had still not been transferred to the wing.

3.1.2 Organisational set-up

The Wildlife Wing in the State is headed by Principal Chief Conservator of Forests (Wildlife), Bangalore who works under general superintendence and control of the Forest, Ecology and Environment Department. The Wing comprises 10 Circles each headed by a Conservator of Forests, divided into nine Divisions each headed by a Deputy Conservator of Forests and three Sub Divisions each headed by an Assistant Conservator of Forests.

3.1.3 Scope of audit

A review on preservation of wildlife and administration of Parks and Sanctuaries in the State was undertaken during September 2002 to May 2003 by test-check of records at eight wildlife divisions¹, three sub divisions² and Office of the Principal Chief Conservator of Forests (Wildlife), Bangalore covering the period from 1998 to 2003. Important points noticed are discussed in subsequent paragraphs.

¹ Bannerghatta, Kanakapura, Chickmagalur, Shimoga, Bandipur, Dandeli, Karkala and Chamarajanagar

² Madikeri, Ranebennur and Mysore

3.1.4 Budget provision, allotment and expenditure

Plan budget, actual release of plan funds and the expenditure incurred on wildlife conservation activities during the period (1998-99 to 2002-03) were as under:

(Rupees in crore)

Year	Budget provision	Release of funds	Percentage of shortfall/excess	Expenditure	Savings
1998-99	24.62	13.43	45.45	11.98	1.45
1999-2000	22.61	18.48	18.27	17.43	1.05
2000-01	23.55	21.27	09.68	17.55	3.72
2001-02	24.35	27.14	11.46*	20.49	6.65
2002-03 (Provisional)	19.55	26.82	37.19*	25.83	0.99

* Excess over budget provision

While the reasons for excess/shortfall in release of funds over budget provision were not forthcoming, the savings at the end of each year were explained to be due to belated release of funds.

3.1.5 Management plans

Due to absence of Management plans or delay in their formulation, works like survey and demarcation, rationalisation of boundaries of Parks and Sanctuaries, relocation and rehabilitation of human settlements could not be prioritised for planned implementation

Guidelines issued by the Wildlife Institute of India in 1976 envisage preparation of Management Plans in two phases, the first being a developmental phase concentrating on basic infrastructure and the second being a scientific management phase focussing on systematic growth of Parks/Sanctuaries. The Plans were required to be approved by State Government before their implementation. The Department, however, did not prepare Management Plans in respect of two Parks and 16 Sanctuaries until the year 2000, although these wildlife areas were notified between 1974 and 1994. In respect of two other Parks (Anshi and Bannerghatta), the Management Plans were yet to be approved.

In the absence of Management Plans, basic infrastructure works like survey and demarcation, rationalisation and re-organisation of boundaries of Parks and Sanctuaries, as also relocation and rehabilitation of human settlements could not be prioritised for planned implementation.

Besides, neither had eco-sensitive zones within the radius of 10 kms from the boundaries of Parks and Sanctuaries for supporting wildlife in protected areas been identified, nor had any eco-tourism policy for regulating tourism in protected areas been formulated though envisaged in National Wildlife Action Plan 2002-06.

3.1.6 Development of National Parks and Sanctuaries

Consolidation of boundaries

Soon after an area is declared a Sanctuary or a National Park, its boundaries are to be surveyed, demarcated and consolidated for purposes of protection, propagation and development of wildlife. The position in respect of one Park and four Sanctuaries was as under:

Name of the National Park/Sanctuary	Date of Notification by Government	Extent of boundary (sq km)	Status of boundary demarcation	Extent of encroachments in ha	No. of families
Kudremukh National Park	June 2001	157.5	*	225	269
Talakaveri Wildlife Sanctuary	June 1994	105	Nil	10.5	7
Pushpagiri Wildlife Sanctuary	June 1994	92.66	Nil	2.87	2
Mookambika Wildlife Sanctuary	June 1974	250	45 sq km	7.45	9
Kaveri Wildlife Sanctuary	October 1994	294	Nil	444.26	869

* Physical survey under progress

It would be seen that boundary consolidation works had not been taken up in any of the Parks and Sanctuaries, except marginally in Mookambika Sanctuary, although they were notified between 1974 and 2001. The Divisional officers attributed the non-execution/slow progress to paucity of funds.

Rationalisation and re-organisation of boundaries

The areas notified by Government as protected areas excluded many areas with rich bio-diversity but included many areas with high population pressure, which adversely affected the conservation activities. Some of the potential areas such as Someshwara Reserve Forest, Naganakalbore Reserve Forest, Baregundi Reserve Forest (Kundapur Division) and Kilandur Reserve Forest (Sagar Division) were not included as protected areas despite having rich bio-diversity.

Rehabilitation of Human Settlements from Parks/Sanctuaries

Guidelines of Wildlife Institute of India stipulate that the area of a Park/Sanctuary has to be classified into three zones viz., Core, Buffer and Tourism. The Core Zone is centrally located and is surrounded by buffer and tourism zones so as to preserve the habitat in as near natural conditions as possible. As per Section 27 of the Act, entry and residence into the wildlife areas should not adversely affect the protection, propagation or development of wildlife. The human habitations in Parks and Sanctuaries as also in their core zones accordingly are required to be rehabilitated outside the protected areas. Test check of records of Kudremukh Wildlife Division revealed that 18 enclosures³ of human settlement existed in the Core Zones. At Ranebennur Black Buck Sanctuary, Core Zone area of 14.89 sq kms was used by cattle of adjoining areas for grazing, thereby adversely affecting the habitat. The Department replied that there was no funding support for undertaking rehabilitation works for these Core Zone areas. Scrutiny also revealed that 138 villages inhabited by as many as 45,000 individuals were existing in an area of 76 sq kms of three Parks and three Sanctuaries thereby influencing adversely the protection of wildlife area.

The Department stated that in respect of these Parks/Sanctuaries, inhabitants could be evacuated from these wildlife areas only on voluntary basis and no rehabilitation was contemplated.

Illegal grazing in protected areas

Section 35 (7) of the Wildlife Protection Act, 1972 prohibits grazing in Parks/Sanctuaries by any livestock. However, the livestock population in the villages adjoining Parks or Sanctuaries do illicit grazing which depletes the

³ Mookambika (4 enclosures) and Someshwara Sanctuaries (14 enclosures)

The problems of biotic and human interference in core zones of National Parks/Sanctuaries continued as relocation of villages and rehabilitation of human settlement had not been made

fodder wealth with adverse effect on wildlife herbivores and the ecology. In test-checked eight Parks and Sanctuaries mentioned below, no protection measures like cattle proof trench, fencing etc., had been done for checking illegal grazing, which led to depletion of fodder thereby endangering the existing food chain in the areas.

Sl.No.	Name of Park/Sanctuary	No. of villages in and around Sanctuary	Cattle population (in lakh)
1	Anshi National park	12	0.03
2	Kudremukh National Park	30	0.12
3	Mookambika Wildlife Sanctuary	20	0.50
4	Someshwara Wildlife Sanctuary	14	0.20
5	BRT Sanctuary	20	0.40
6	Dandeli Wildlife Sanctuary	25	0.05
7	Kaveri Wildlife Sanctuary	14	0.06
8	Ranebennur Black Buck Sanctuary	NA	0.91

The Department stated that remedial measures like raising fodder plots on the fringes of the Parks with improved variety of grasses were being planned (Kudremukh and Anshi National Parks and Dandeli Wildlife Sanctuary) to reduce the cattle grazing in a phased manner.

The Management Plan (2001-2006) of Kaveri Wildlife Sanctuary also included a programme of weeding out the deleterious weeds, which invade the wildlife areas and suppress fodder growth. No action was, however, taken by the Department statedly due to paucity of funds.

3.1.7 Wildlife conservation

Lack of planned and prioritised preservation and conservation measures resulted in endangered species remaining unprotected and some wildlife areas with rich bio-diversity not receiving due attention

Wildlife conservation measures initiated by the Department (1998-2003) revealed lack of planning and prioritisation, as various important preservation and conservation measures had not been taken up. These are discussed below:

- The Biligiri Rangaswamy Temple Sanctuary known to be a very good tiger reserve and having excellent potential to propagate and develop tiger population, was omitted to be included in the 'Project Tiger' scheme being implemented (1973) in the State. Proposals sent to Central Government in this regard belatedly in 1999 were yet to be approved.
- Mandagadde Bird Sanctuary is an island harbouring several species of rare birds with excellent potential for breeding and propagation of birds. However, its existence is threatened with submergence, due to ongoing construction work at Upper Tunga Project. A project to elevate the island above the level of the impounding water was proposed for which project authorities deposited (1994) Rs.20 lakh with the Department. The Department has not, however, initiated any action to save the island from being submerged, even after nine years of Dam construction work, which is in progress.
- The population of Great Indian Bustard, one of the endangered bird species inhabiting the Ranebennur Black Buck Sanctuary was fast declining from 14 birds in 1979 to five birds in 1995. Urgent measures to rehabilitate this vulnerable species as envisaged under the National Wildlife Action Plan had not been taken up so far.
- Similarly, Mookambika and Someshwara Wildlife Sanctuaries were identified as ideal habitats for 'Lion Tailed Macaques' species, which

forewarns ecological degradation in the wildlife habitat. These animals were identified as endangered species requiring immediate conservation measures. However, no such measures were initiated by the Department.

To enable free seasonal migration of elephants from one area to another, it is essential to restore and maintain corridors linking the protected area to the adjoining forest areas. Studies conducted by the Asian Elephant Conservation Society of Indian Institute of Science, Bangalore in 1980 revealed that elephant corridors in the State were diminishing. However, no action was taken upto 2001 when Government approved (March 2001) a Management Plan for restoring these elephant corridors. The Management Plan belatedly approved was not however, implemented, as action to acquire private lands and to shift the resettlements outside wildlife areas had not been taken by the Department (May 2003). In reply, it was stated that these areas would be proposed for restoration in the coming years.

3.1.8 Wildlife animal census

Census of animals indicates the effectiveness of conservation measures undertaken. Management Plans envisage undertaking of periodical census of animals in wildlife areas. However, this was not done for all the animals in all the wildlife areas except during 1997-98. In the absence of periodical census, the impact of conservation measures implemented by the Department could not be assessed. The wildlife census of 2002-03 revealed that there was a marginal increase of tigers from 395 in 1997-98 to 401 in 2002-03 but a sharp decline in the elephant population from 6,098 in 1997-98 to 5,845 in 2002-03. In Dandeli alone, the number of elephants had declined from 148 in 1996-97 to 45 in 2001-02, spotted deers from 1,700 in 1996-97 to 1,429 in 2001-02 and Sloth Bears from 400 in 1996-97 to 82 in 2001-02. Reasons for this sharp decline were not investigated by the Department.

3.1.9 Prohibited activities in Parks and Sanctuaries

Prohibited activities are being carried out in National Parks and Sanctuaries in the State. These include mining, quarrying, poaching and illegal trading, as discussed below:

Mining, quarrying and construction of dam inside protected areas

Sections 29, 32 and 35 of the Act provide that no person shall destroy, exploit or remove any wildlife from a Sanctuary/Park or use any chemicals or explosives, which may injure or endanger any wildlife in a Sanctuary/Park. Contrary to these statutory provisions, illegal quarrying, unauthorised mining and construction of dams within the wildlife area continued, as detailed below:

- ***Bannerghatta National Park (BNP), Bangalore***

Government notified (January 1991) areas existing within a radius of one kilometer from the boundary of BNP as 'Safe Zone' for protecting wildlife and accordingly, banned issue of quarry lease within it. The Safe Zone areas were, however, actually identified in September 1998, without demarcating their boundaries. Consequently, 73 cases of illegal quarrying were noticed in

Various prohibited activities like mining, quarrying, construction of dam, leasing etc., within the wildlife areas continued with adverse effect on wildlife habitat and environment

29 locations in the safe zones. The Department did not take any action to prevent quarrying except for levying fine after occurrence of illegal events.

• **Kudremukh National Park (KNP)**

Kudremukh Iron Ore Company Limited (KIOCL) was allotted (November 1975) 3,203.55 ha of reserve forest land on lease basis in KNP area for extraction of iron ore. The Company was required to operate only in broken areas, as per the terms of the working permit granted by Government in July 1999. The Department, however, noticed (March 2002) that the Company was operating outside the assigned area within the Park and had mined an additional area of 56.28 ha illegally (October 1999 to March 2002). This action was violative of statutory provisions⁴. A Forest Offence Case (FOC) was booked in March 2002 and the Department assessed the environmental loss at Rs.19.33 crore, which was not yet recovered.

Government allowed (1974) KIOCL to construct a dam of 65 metres height in a leased area with a submersion of 265 ha of forest land. In 1994, the Company unauthorisedly raised the height of the dam to 100 metres resulting in submersion of an additional 340 ha of reserve forest. The Department did not take any action to protect the valuable forest lands but only booked cases against the Company assessing an environmental loss of Rs.115.86 crore, which was still outstanding for recovery.

Similarly, forest offence cases had been booked by Department against KIOCL for construction of fresh roads and breaking new areas for borrow pits, as these activities were violative of the Act. The environment loss was assessed at Rs.3.96 crore but the recovery was still pending.

Government of Karnataka approved (April 2003) the proposal (1998) of KIOCL for development of KNP by providing funds to the extent of Rs.20 crore spread over a period of 10 years. The division prepared Annual Plan of Operations for the KNP based on the yearly outlay of Rs.two crore per year. This plan could not be implemented in full as the Company provided only Rs.six crore during 1998-99 to 2002-03 as against Rs.10 crore. As a result, developmental works viz., habitat improvement, soil conservation works, boundary consolidation etc., could not be fully executed.

Encroachment in wildlife areas

As per the provisions of Section 27 and 35 (8) of the Act, no person shall enter or reside in a Sanctuary or a Park except in accordance with the conditions of a permit granted under Section 28 of the Act. Government of India in their letter dated 15 May 1996 made it clear that regularisation of encroachment of wildlife areas was not permissible under the Act and as such the State Government was required to evacuate all such encroachments expeditiously.

Test-check of records revealed that of the total 3,321 ha of encroached wildlife area, Department had evacuated only 90 ha (March 2003) despite setting up of a Monitoring Committee in July 2002 for taking remedial action in the matter. In Kaveri Sanctuary where maximum encroachments were noticed (446.26

⁴ Section 24 of Forest Act, 1963, Section 35 (6) of Wildlife (Protection) Act, 1972 and Section 2 of Forest Conservation Act, 1980

ha), no Survey and Demarcation (S&D) works had been executed exposing the wildlife area to encroachments.

In Kudremukh National Park where S&D works were just initiated, 20 new cases of encroachments were noticed but the extent of wildlife area encroached was yet to be assessed by the Department.

Non-surrender of leased Protected Area

Government had leased out (March 1984) 30,000 ha of forest land, which included 4,265 ha of protected areas to MPM⁵ for raising captive plantations of pulp wood for a period of 40 years. According to the Lease Agreement, MPM had to surrender 12.5 *per cent* of the yield to Government in lieu of lease rent. In 1992, MPM was directed to make payment of lease rent by way of surrendering 12.5 *per cent* of the area held by them instead of surrendering 12.5 *per cent* of the yield and surrender the entire holding of 4,265 ha by 1998-99. However, MPM surrendered only 819 ha of wildlife area from 1991-92 to 2000-01. The remaining area of 3,446 ha was yet to be transferred to Shimoga Wildlife Division despite the directions issued by Government (September 2002). Reasons for inordinate delay in recovering the remaining areas were not forthcoming.

3.1.10 Wildlife protection

The main threat to wildlife in Parks and Sanctuaries is from poaching and illicit trading in animals and their body parts. A new Chapter (V A) has been added to the Act to impose prohibition on trade or commerce in trophies, animal articles etc., derived from certain animals. Killing or trade of animals listed in schedules I to IV of the Act is punishable with varying penalties.

The Department established anti-poaching camps providing them with arms, ammunition and communication network. Audit scrutiny however, revealed that apart from shortfall in the supply of arms and ammunition⁶, nearly 30 *per cent* thereof was unserviceable. In seven wildlife divisions, 86 poaching cases were reported between 1998-2003.

3.1.11 Administration of Zoos

No zoo can operate without being recognised by the Central Zoo Authority of India (CZA). In Karnataka 10 mini unrecognised zoos were still in operation (January 2003) despite the directions (July 2002) of Environment and Forests Ministry to close down unrecognised zoos and rehabilitate the animals kept in such zoos. Thus, unauthorised operation of unrecognised zoos continued in violation of the norms specified by CZA of India.

Private zoos are also in operation at Mangalore, Donimalai and Kolar. Zoos at Donimalai and Kaiwara had been ordered for closure since they did not

⁵ Mysore Paper Mills Limited

⁶ In two Parks and five Sanctuaries, only 16 arms, 550 ammunition and 54 communication equipment were provided against the envisaged number of 41 arms, 3,600 ammunition and 105 communication equipment

Anti-poaching camps were not equipped with required arms and ammunitions for protecting animals from poaching and illicit trade in their body parts

conform to the norms laid down by CZA in areas like housing, upkeep and veterinary care of the animals etc. While the proposal for recognition of the zoo at Mangalore was pending with CZA, the other two private zoos were still in operation despite the directions of CZA to close them. In reply, the Department stated (May 2003) that action is being taken to shift the animals to recognised Zoos.

3.1.12 Wildlife Management Training

To achieve the objectives of wildlife management, proper training was to be imparted in wildlife management involving arms training, habitat improvement, understanding the behavioural pattern of animals, migratory pattern, food and breeding habits, census methods etc.

Scrutiny in eight test-checked divisions/sub-divisions⁷ revealed that officers and staff had not been trained to a large extent. Out of 26 protected areas with a technical staff of 311, only seven were managed by trained officers having only 13 trained technical staff. In 16 protected areas⁸, none of the frontline staff like foresters, forest guards were trained in use of fire arms, intelligence gathering etc., thereby adversely affecting the effective protection of wildlife areas.

3.1.13 Research and Monitoring

The Department had not established any centre for Research and Monitoring. The establishment of research and monitoring unit with laboratory and library would facilitate collection of basic data, animal and floral census, eco-analysis and documentation of flora and fauna. The data could be used for continuous planning and management. Research facilities through consultancy programmes with Universities, specialist institutions like Wildlife Institute of India and through other contractual arrangements had also not been provided for promoting protection and development of wildlife. It was stated that field research being site specific was carried out in individual parks.

3.1.14 Response of Government

The points brought out in the above paragraphs were referred to Government in August 2003 and their reply is awaited (December 2003).

⁷ Kanakapura, Dandeli, Bandipur, Bannerghatta and Chickmagalur divisions; Madikeri, Mysore and Ranebennur sub-divisions

⁸ Kaveri, Dandeli, Bhadra, Mookambika, Someshwara, Nugu, Adichunchanagiri, Melukote, Pushpagiri and Talakaveri Wildlife Sanctuaries; Ranganathittu and Arabithittu Bird Sanctuaries; Anshi, Bandipur, Bannerghatta and Kudremukh National Parks

3.1.15 Conclusions

The objective of conserving wildlife and the environment in accordance with the provisions of Wildlife (Protection) Act, 1972 was not achieved by the Department in full due to absence or delay in formulation of Management Plans and Department's inability to tackle the problems of biotic and human interference in protected areas, as also to stop prohibited activities of mining, quarrying etc., in these areas. Lack of planning and prioritisation of preservation and conservation measures also contributed to non-achievement.

3.1.16 Recommendations

- Government may ensure preparation of long term Management Plans for all the National Parks and Sanctuaries to ensure their development in a systematic and scientific manner.
- The Boundary Consolidation Works pending in all the National Parks and Sanctuaries may be got completed in a time bound manner to protect wildlife areas.
- Time bound measures may be taken to rehabilitate human settlements from the wildlife areas so as to provide protection to the wildlife fauna and flora against any biotic and human interference.
- Effective measures may be taken to equip the anti-poaching camps with the required arms and ammunition and also to ensure their availability in those wildlife areas, which are more vulnerable to poaching.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.2 Review of implementation of the Drugs and Cosmetics Act/Rules

Highlights

Huge deficiencies in inspection, drawal and analysis of sample drugs and laxity in monitoring compliance with the results of analysis indicated that Department of Drugs Control had not discharged enforcement functions effectively. Improper decisions favouring licensees, reporting results of analysis after expiry of validity date of drugs and abnormal delay in a few other cases facilitated marketing of drugs found 'not of standard' quality. Drugs Controller had no information regarding number of seizures of sub-standard/fake drugs. In test-checked Circle Offices, such drugs were seized only in 48 cases (seven per cent) out of 671 'not of standard' drugs. Abnormally low percentage of seizures indicated lack of determination to prevent marketing of drugs found 'not of standard' quality. Drug testing laboratory was found deficient in equipment, manpower and methods of analysis, as a result of which 2,032 samples could not be analysed and were given 'no opinion' report. Performance of intelligence wing was unsatisfactory considering that action in respect of 826 cases (86 per cent) out of 961 complaints was pending for periods ranging from one to seven years.

There were shortfall in drawing samples and their analysis, drugs found 'not of standard' were neither seized nor replaced. Improper decision of Drugs Controller in three cases of drugs found 'not of standard' quality resulted in undue favour to licensees.

(Paragraph 3.2.5)

Out of 961 complaints received from public, pharma associations, hospitals, cases for prosecution were launched in 135 cases only.

(Paragraph 3.2.6)

Drugs Controller failed to detect selling of drugs at rates higher than those fixed by National Pharmaceutical Pricing Authority.

(Paragraph 3.2.7)

In disregard of instructions of State Government, Director issued 75 licences for manufacture of Ayurvedic/Unani drugs, though the required quality control wing was not set-up by them. No quality control measures were in place in respect of Homoeopathy and Ayurvedic drugs.

(Paragraph 3.2.8)

3.2.1 Introduction

In the context of large number of Indian and foreign companies undertaking manufacture/sale of drugs and cosmetics, a need arose for regulation of the

activity. Government of India, therefore, enacted Drugs and Cosmetics Act, 1940 (Act) and framed Drugs and Cosmetic Rules, 1945 (Rules). The main objective of Act and Rules was to regulate manufacture, storage and sale, distribution of drugs and cosmetics. Following are some of the main features of the Act:

- Regulatory measures to ensure availability of standard and quality drugs and cosmetics at reasonable prices
- Licensing of manufacture/sale/distribution etc.
- Establishing Drugs Testing Laboratory
- Punitive measures for non-compliance with provisions of Act/Rules

Provisions contained in other Acts viz., The Drugs and Magic Remedies (objectionable advertisement) Act (DMR Act), Drug (Price Control) Order 1995 are also applicable for manufacture, sale etc,

3.2.2 Scope of Audit

Grant of licences, inspections, recall of substandard drugs and cosmetics and prosecutions were the main areas of audit examination. The implementation of Act for the period 1998-2003 was reviewed during January 2003 to July 2003 through test-check of records of State Drugs Controller, Karnataka, Drug Testing Laboratory (DTL) at Bangalore, 10 Circle Offices, and one District Office out of 31, three divisions of Blood Banks and Intelligence Wing.

3.2.3 Implementation arrangement

The Drugs Controller (DC) is functioning under the administrative control of Principal Secretary to State Government, Health and Family Welfare Department. DC is the Head of the Department. In respect of Indian System of Medicine, Director is the Head of the Department. The Director is assisted by two Drugs Inspectors (DI) at the State level. In respect of Drugs Control Department, number of officers in position in the cadre of Assistant Drugs Controller (ADC) to Additional DC, were almost same as sanctioned strength. However, in the cadre of Drugs Inspectors (DI) and technical staff of Drug Testing Laboratory (DTL), sanctioned strength was reduced from 56 to 46 and 76 to 67 during 1998-2003 and the deficiency of men in position was 27 and 14 *per cent* respectively. No efforts had been made to provide sufficient staff for proper implementation of the Act.

3.2.4 Standing of the Law/Enforcement

Relationship with other laws

Advertisements claiming to cure/prevent certain ailments/diseases mentioned in schedule to DMR Act are prohibited. Schedule J to Rule 106 of Drugs and Cosmetic Rules which is not applicable to Homoeopathy, Ayurvedic and Unani drugs, also contain names of certain diseases/ailments which no drug may claim to prevent or cure. However, the names of ailments and diseases mentioned in these two schedules are not identical. There is need to ensure

uniformity between the two schedules in order to initiate action against advertisements on Ayurvedic, Homoeopathy and Unani drugs claiming to cure/ prevent any disease/ailment mentioned in Rule 106 but not in DMR Act.

Infirmities in Act/Rules for prosecution

Prosecution of manufacturer outside the jurisdiction of a Drugs Controller of a State

In case, manufacturing units of sample drugs found 'not of standard' are located outside the jurisdiction of DC of a State, the test reports are forwarded to DC of the concerned State for further action. This involves delay and possibility of not filing cases before expiry date of drug. DC for Karnataka stated (October 2003) that details (constitution of firm, persons responsible for manufacture, methods of analysis etc) would not be available in respect of such units and cases were transferred to DC of concerned State according to guidelines of Drugs Consultative Committee (DCC). However, it is imperative that DC under whose jurisdiction sample drug was tested, file cases against manufacturer and pursue the case. It is observed that the guidelines issued by DCC prescribed that either DC in whose jurisdiction sample was tested or manufacturer is located could file cases. Further, there are various case laws of courts regarding prosecution of manufacturers by courts in whose jurisdiction sample was tested/dealer situated irrespective of place of manufacture. In view of these facts, there is need for suitable provision in the Act empowering DC of a State to file cases against manufacturers irrespective of their location.

Furnishing a copy of Reports of Analysis and a portion of sample

According to existing provisions, sample drawn is divided into four parts, of which one part is sent to Government Analyst, one to person from whom sample was drawn, one to person whose name is disclosed under Section 18A (not being a manufacturer or dealer) and the last one is retained for being produced before the court. Similarly the Government Analyst furnishes his report in triplicate of which one is given to the person from whom sample is collected, one to the person named under Section 18A and the last one retained by DI. However, there could be a case where number of accused persons are more and all of them could not be provided with a copy of the report and sample. In that case, it would not be possible to secure conviction of the accused without furnishing copy of the Analyst's report and portion of the sample. There are case laws in this regard which imply that serving copy of the report and portion of the sample is mandatory. Hence there is need for suitable amendment to Sections 23 and 25.

3.2.5 Implementation of the Act

Licensing functions

- ***Deficiency in licensing procedure***

Rules do not contain provisions to issue licences to selling units of Ayurvedic, Unani and Sidda medicines and cosmetics whereas such provisions exist in

respect of allopathic drugs and cosmetics. The provisions thus, differentiates between selling units of the two systems. Thus, there is need to bring Ayurvedic, Unani and Sidda drugs/cosmetics selling units under licensing procedure.

- ***Non-renewal of licences***

An original or renewed licence was valid upto 31 December of the year following the year in which it was granted or renewed (five years in respect of licences granted/renewed after September 2001). If the application for renewal of licence was not made within six months of its expiry, licence would be deemed to have expired. It was seen in audit that 95 licensees did not apply for renewal of their licences whose validity expired during December 1995 to December 2001. DC passed orders for cancellation of these licences during September 2000 to April 2003 after delay ranging from nine to 58 months as detailed below:

Number of licences	1	7	28	17	21	1	20
Month in which expired	Dec. 1995	Dec. 1996	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001
Period of cancellation	Oct. 2000	Oct. 2000	Oct. 2000	Oct. 2000	Sep. 2000 (1) Oct. 2000 (20)	April 2003	Nov. 2002 to April 2003
Delay in cancellation (in months)	58	46	34	22	9 to 10	28	11 to 16

Premises of these licensees were not inspected either after expiry of validity period or cancellation of licences. No surveillance/survey was in vogue to ensure that such licensees closed their activity after expiry of the licence. DC attributed (October 2003) this non-inspection to shortage of staff.

- ***Licences pending renewal***

One hundred and forty seven[♦] applications were pending for renewal of licences from December 1999 to December 2002. DC attributed (October 2003) pendency to non-inspections on account of inadequate staff and non-compliance by applicants to show cause notices etc. The plea was not tenable as delay in disposing of the applications for renewal of licences enabled the applicants to continue their activity even if some of the conditions for renewal were not fulfilled and it was the responsibility of the DC to ensure fulfilment of conditions.

- ***Non-cancellation of licences in respect of blood banks***

In respect of blood banks also, original licence continued to be valid if applied within six months of expiry of original licence unless cancelled. Twenty seven blood banks applied for renewal of licences for 2000-02. These applications were still (December 2003) pending for various reasons[♦]. Scrutiny of inspection reports of nine blood banks revealed that these blood banks continued to function without certain essential equipment (Dielectric tube sealer, Blood agitator). Position in respect of remaining 18 blood banks

Applications for renewal of licence submitted by 27 blood banks were pending

[♦] Two from December 1999, five from December 2000, 20 from December 2001, nine from January 2002, five from May 2002, 106 from December 2002

[♦] (a) non-receipt of compliance to verification reports, (b) not conducting joint inspections and (c) under review

could not be verified in absence of inspection reports. Failure of DC to conduct inspection and not ensuring compliance to inspection reports facilitated these blood banks to function without continued fulfillment of licence conditions.

Inspections

• Manufacturing and selling units

As prescribed under Act/Rules, DIs were to inspect every manufacturing and selling units twice a year (reduced to once a year from September 2001) so as to ensure that licensees comply with Act/Rules/good manufacturing practices. However, there were huge shortfalls in inspections as indicated below:

Year	Number of			Number of		
	Manufacturing units existing	Inspections prescribed	Inspections conducted	Selling units existing	Inspections prescribed	Inspections conducted
1998-99	732	1,464	290 (80)	12,747	25,494	14,053 (45)
1999-2000	697	1,394	339 (76)	13,659	27,318	15,053 (45)
2000-01	707	1,414	201 (86)	15,009	30,018	14,074 (53)
2001-02	600	600	273 (55)	15,500	15,500	16,001
2002-03	635	635	220 (65)	17,921	17,921	14,579 (19)

Note: Figures in bracket indicate percentage of shortfall

Huge shortfall in inspections were indicative of ineffective monitoring on working of these units

Assistant Drugs Controllers (ADCs)/DIs had not maintained any control register indicating period and other details of inspection unit-wise. In the absence of such register, whether every unit was inspected periodically as per norms could not be verified. However, it could be derived from the above data that at least 327 to 506[⊕] manufacturing units during 1998-2003 and 935⁺ and 3,342^ψ selling units were not inspected even once during 2000-01 and 2002-03 respectively considering one inspection per unit. Even after reducing scale of inspection, deficiency persisted. DC attributed huge deficiency of inspections to shortage of DIs. However, percentage of vacancy of DIs was only 27 per cent and as such there was no justification for overall shortfall of 55 to 86 per cent in inspection.

• Blood banks

According to instructions issued (February 2000, January 2003), by DC, every DI was to inspect two blood banks per week. As against 960 inspections in Bangalore Division and 480 inspections to be conducted each in respect of Gulbarga, Hubli and Mysore Divisions on the basis of DIs in position[⊙], shortfall was 83, 68, 48 and 38 per cent during 1998-2003.

[⊕] 732-290 = 442, 697-339 = 358, 707-201=506, 600-273=327, 635-220 =415

⁺ 15,009-14,074 = 935

^ψ 17,921-14,579 = 3,342

[⊙]

Division	Number of DIs in position					Total
	1998-99	1999-00	2000-01	2001-02	2002-03	
Bangalore	2	3	3	1	1	10
Mysore	1	1	1	1	1	5
Hubli	1	1	1	1	1	5

Sampling/analysis

Vital functions aimed at detecting 'not of standard' drugs not performed to a large extent

- **Shortfall in sample analysis**

Act/Rules envisaged drawal of drug samples for analysis from manufacturing and selling units to ensure that drugs conform to prescribed standard and quality. Details of samples drawn, analysed etc., as against targets in respect of Allopathic medicines were as follows:

Year	Number of chemists in position	Targets	Number of samples drawn	Samples analysed	Rejected	Not of standard
1998-99	8	2,400	1,973 (18)	1,796	4	163
1999-00	21	6,300	2,623 (58)	2,201	29	241
2000-01	21	6,300	2,899 (54)	3,019	17	253
2001-02	19	5,700	2,848 (51)	2,852	40	486
2002-03	27	8,100	3,119 (62)	3,273	85	267
Total		28,800	13,462 (53)	13,141*	175 [⊕]	1,410

Note: Figures in bracket indicates percentage of shortfall

* Includes 2,032 samples (15.5 per cent of samples tested) declared as 'no opinion'

[⊕] Rejected for want of facilities

While the shortfall in drawing samples against targets was 53 per cent, there was shortfall in analysis of 17 per cent (including samples declared as no opinion). Out of 13,462 samples, only 432[⊕] were drawn from manufacturing units as against 732 to 635 units in existence in each year from 1998-2003. Thus, samples were not drawn from large number of manufacturing units ranging from 696 (95 per cent) in 1998-99 to 531 (84 per cent) in 2002-03. Similarly, samples were also not drawn from selling units ranging from 81 to 85 per cent[⊕]. Thus, the most vital statutory function aimed at detecting 'not of standard[⊕]' drugs was largely not performed.

DC attributed (April 2003) shortfall and delay in analysis to shortage of chemicals and supporting staff, non-receipt of method of analysis for propriety and multi-gradient drugs from manufacturers. As there was no shortage of funds for purchase of chemicals and Department/State Government had not initiated action for recruitment of staff, reply was not tenable. DC had not also exercised authority vested with him under Act/Rules to obtain necessary details on the methods of analysis from manufacturers.

- **Non-drawal of legal samples**

Under National Survey on Quality of Essential Drugs (Central Scheme), DIs were to draw one strip of sample drug referred as informal sample and send them to Deputy Drugs Controller, Central Drugs Standards Organisation

⊕ 36 in 1998-99, 95 in 1999-00, 174 in 2000-01, 23 in 2001-02 and 104 in 2002-03

⊕ Total samples	1,973	2,623	2,899	2,848	3,119
Less relating to manufacturing units	36	95	174	23	104
	1,937	2,528	2,725	2,825	3,015
Selling units	12,747	13,659	15,009	15,500	17,921
Percentage	85	81	82	82	83

⊕ Drugs 'not of standard' means not conforming to standards prescribed in Indian/British/United States Pharmacopoeia

(DDC), Chennai. DDC, Chennai was to arrange analysis of such samples through Central Drug Testing Laboratory, Kolkata. DDC, Chennai forwarded to DC, five^{*} test reports declaring samples as 'not of standard' quality and also the concerned DIs of Bellary and Hassan who had sent these samples to the former.

DC instructed DIs of only these two districts to draw legal sample (four strips of sample drugs following the procedure prescribed in Section 23 of the Act) after delay of three months in one case and 21 months in another case. DC did not take any action on the remaining three test reports. ADCs/DIs of other districts were not instructed for drawing sample of these drugs. ADCs/DIs even in Hassan and Bellary districts did not draw the samples but furnished non-availability of drugs. Thus, the belated instructions and failure to take action on remaining reports by DC facilitated marketing of 'not of standard' quality drugs and rendered exercise of drawal and analysis of informal samples by DDC, Chennai futile. DC stated that copies of the reports were sent to DCs of Maharashtra, Delhi, Gujarat and Andhrapradesh in whose jurisdiction such manufacturers were located. However, DC, Karnataka had no details of action taken.

Drug testing laboratory (DTL)

DTL had been functioning in Bangalore under the supervision of DC with the objective of testing and analysing sample drugs referred to it from various ADCs/DIs and report results of analysis. However, there were deficiencies in manpower, equipment and other facilities leading to delay in analysis, furnishing no opinion report and rejection of samples etc., as discussed below.

Delay in analysis and reporting results in respect of drugs found 'not of standard' quality

DC was to arrange allocation of samples received in DTL, Bangalore among its different branches, to ensure timely analysis and reporting of results. DTL was to deliver reports of analysis of sample drug to concerned officers on the same day on which sample drug was analysed. There were abnormal delays in allocation, analysis of samples and reporting the results as indicated below:

- Delay in allocation of samples ranging from 15 to 60 days (374) and 61 to 90 days (42)
- Delay in analysis of samples ranging from three to six months (3,004), seven to 12 months (1,127), 13 to 24 months (420)
- Delay in reporting results of analysis to Circle Office, Bangalore from DTL ranged from 10 to 15 days (20) and 16 to 30 days (six) though both were located within the same building.

Abnormal delay in sample analysis and reporting results thereof facilitated marketing of substandard drugs, delayed/ prevented prosecutions

Month of report	Name of drug/batch number	Source of drawing sample
March 2001	Analgin	Ambika Medical Stores
February 2002	Erithromycin, 23, 00562-75 -498	1. Rajat medicals, Nelamangala 2. City Drug House, Hassan, 3. Gururaghavendra Medicals, Mysore
March 2002	Ampicillin C/31	Prasad Medical Stores, Channarayapatna

- Reporting the results of analysis to other circle offices were delayed by 10 to 15 days (28) more than 15 days (84).
- On receipt of reports of analysis from DTL and other States, DC issued showcause notices to 21 concerned manufacturers located in Karnataka after delay ranging from 30 to 60 days (13) and 61 to 90 days (six). In respect of manufacturers outside Karnataka, delay in reporting result of analysis ranged from 30 to 450 days (19).
- In respect of nine sample drugs, results of analysis were reported to concerned officers within and outside the State after expiry date of drugs, while in another 44 sample drugs, in the same month in which validity of drugs expired though sample drugs were received in DTL one to four months before expiry date. Evidently, this indicated lack of prioritisation by DTL and facilitated marketing of such drugs and ruled out prosecutions. Thus, the whole exercise of drawing and analysis were rendered futile.

(Note: Figures in bracket indicates number of samples/reports).

Lack of facilities at DTL

Underutilisation of available manpower, idle equipment and lack of facilities/insufficient trained personnel rendered performance of DTL ineffective

Two thousand and thirty two sample drugs (15.5 per cent of samples tested) after testing for one or two ingredients were declared as 'no opinion' due to lack of facilities for testing remaining ingredients. Another 175 sample drugs were also rejected for reasons like insufficient quantity (eight), receipt of sample after expiry date (seven), samples not being a drug (11), technical grounds/instruments not available (38) and reference standards/methods of analysis not available (103), chemicals not available (eight). The procedure adopted by DTL for conducting sterility test (by direct inoculation method using lamino flow of air) was different from that prescribed by good manufacturing practices due to non-availability of necessary facilities. DTL was not equipped with facilities for analysing blood, sera and vaccine also.

Vacancies

Details regarding sanctioned strength in technical and non-technical cadres and men in position were as follows:

Cadre	Sanctioned strength		Working strength				
	1998 to 2000	2001-2003	1998-99	1999-2000	2000-01	2001-02	2002-03
Technical staff	76	67	34	49	50	50	58
Non-technical staff	52	49	44	44	40	39	38

As against overall deficiency of 55 per cent* in sample analysis, the vacancy was 21* per cent (Technical staff) and 20 per cent* (Non-technical staff) during 2001-03. With the available staff, 20,100 samples could have been analysed as against 9,144 during 2001-03. This indicated underutilisation of even available manpower.

- * Total samples to be drawn from 2001-03 = 20,100
 Total samples analysed from 2001-03 = 9,144
 Percentage of shortfall = 55

- * Technical staff Non-technical staff
 $50+50+58 = 158/3 = 53/67 = 79$ $40+39+38 = 117/3 = 39/49 = 80$

Idle equipment

While on one hand several samples could not be analysed for want of facilities, on the other, 12 equipment costing Rs.26.42 lakh remained idle for periods ranging from two to 52 months (as of March 2003) for want of repairs. No action has been taken for repairs despite availability of funds under Equipment Maintenance and Material Supplies. Certain tests like partial analysis of Vitamin B1 and B2, Antibiotics, Chemicals/Ingredients could not be conducted for want of Spectrofloro meter, High performance liquid Chromograph and Gas Chromograph.

Training

As against 34 to 58 technical officers in position during 1998-2003, 11 officers were trained. No specific programme had been prepared to impart training to staff.

Ineffective follow-up action on analysis reports in respect of sample drugs found "not of standard"

Improper decision of DC on sample analysis report

DC favoured
manufacturers
through decisions
disregarding
Act/Rules

According to Section 25(4) of Act/Rules in respect of sample drugs reported as 'not of standard' quality by Government Analyst, if a person from whom the sample was drawn, furnished within 28 days of receipt of such report, evidence in contravention of the report, Court may on its own or at the request of either Department or person could refer sample to Central Drug Testing Laboratory for analysis. However, in the following three cases of drugs reported as 'not of standard' quality, decision taken by DC was improper and contrary to provisions of Act/Rules:

Sl.No	Particulars	Audit comment
1	A. Medrich Formulations Ltd., Bangalore	Though DC had no authority to arrange re-analysis of sample drugs, he ordered (March 2002) for the same. According to Section 25 of the Act, reanalysis was permissible only on orders of court. DC further ordered drawal of second set of samples though there was no provision in the Act. DC stated (October 2003) that as a technical officer he decided on re-analysis/drawal of second set of samples. The reply was not tenable as his action contravened provisions of Act/Rules besides, facilitating marketing of such sub-standard drugs.
	B. Polyvitamin Tablets	
	C. 12.9.2001 from DTL, Bangalore	
2.	A. Bal Pharma Ltd, Bangalore	On receipt of explanation from the licensee challenging test report (attributing the defect to storage conditions), DC ought to have filed case in the court for a decision on the test report as required under Section 25(4) of the Act. Contrary to this, DC ordered drawal of sample out of the control sample though he had no authority/provision in the Act. Neither the records indicated whether the control sample was drawn and tested as ordered by DC, nor reply (October 2003). No further action was also taken.
	B. Spasmonar tablets	
	C. 2.5.2002 by DTL, Bangalore	
3.	A. Medrich Sterilab Ltd, Bangalore	DC delayed by 2 months issue of show-cause notice to the licensee on the test report received from Drugs Controlling Authorities, Delhi. DC's acceptance of explanation of the licensee challenging test report on the ground of indicating incorrect weight in test report was improper as drugs failed beyond permissible limit ^o . However, this was later investigated (June 2003) jointly by Drugs Control Authorities of Delhi and Karnataka State. Manufacturer had filed (September 2003) case in the High Court of Karnataka.
	B. Augumentin syrup	
	C. 24.10.2002 by Government Analyst, Ghaziabad	

A = Name of the firm, B= Name of the Drug, C= Date of reporting

^o Weight as per lable 28.5 mg/5 ml, Actual weight as per test report 15.2 mg/5ml, variation 13.3 mg, permissible variation 2.85 mg

Failure to seize/prevent marketing of drugs 'not of standard' quality

Out of 671 cases of drugs found 'not of standard' quality in test-checked Circles/Divisions, drugs were seized/replaced in 48 cases only

Out of 1,595 sample drugs (1,410 detected by DTL, Bangalore and 185 reports received from other States) found 'not of standard' quality details regarding number of cases where such drugs were either seized/replaced were not available with DC. DC stated (July 2003) that it was difficult to furnish the same. The reply evidently indicated that DC had not monitored this important activity. However, in test-checked circles/divisions involving 671 sample drugs found 'not of standard' quality, there were no seizures at all in six circles, one case in each of three circles and 45 cases of seizure in another five circles. Thus, percentage of seizure in test-checked circles was seven.

Poor progress on prosecution cases

Out of 1,595 sample drugs, manufacturers of 276 sample drugs (185 + 91) were located in Karnataka. Of these, action against 84 cases (nine cases of 1998-99, five cases of 1999-2000, 26 cases of 2000-01, 23 cases of 2001-02 and 21 cases of 2002-03) were pending with DC. Reasons for the same had not been furnished. In remaining cases, DC issued warning (113), suspended/cancelled the licences (60), cases filed in court (nine). No action was taken on remaining cases (10).

Laxity in follow-up actions, delay in reporting, ineffective discharging of enforcement functions

In respect of 1,319 sample drugs, manufacturers were located outside the State. Analysis reports were sent to DCs of respective states though DC in Karnataka could have filed cases against manufacturers according to various case laws. The DC also did not pursue the matter with Drugs Controlling Authorities of other States and the action taken by the latter was also not available. Thus, there was no system to monitor compliance with analysis reports.

3.2.6 Performance of intelligence wing

An intelligence wing was created during August 1998 with 11 staff (four DDCs, seven DIs). Functions of intelligence wing inter alia consisted of detection of spurious, misbranded, 'not of standard' drugs, investigation of complaints and blood bank monitoring.

Scrutiny of records revealed the following:

- As against 961 complaints received from public, hospitals and pharma associations, cases for prosecution were launched in respect of 135 only during 1998-2003 and all these cases are still pending. Investigation of remaining 826 complaints (86 per cent) were pending from 1998-99 (96), 1999-2000 (194), 2000-01 (195), 2001-02 (167) and 2002-03 (174). Reasons for pendencies had not been furnished to audit.
- A team headed by an ADC, Circle-I, Bangalore investigated a complaint against Karnataka State Small Industries Marketing Corporation (KSIMC) and a few dealers registered with it regarding sale of disposable hypodermic syringes and needles without licence and also on its quality. The team submitted (October 1998) report to DC who sought (July 2000)

permission of State Government after delay of 21 months to initiate action against KSIMC and latter granted (August 2003) permission after further delay of three years. Action against officers of KSIMC is yet to be initiated. No action had been initiated against dealers also though no such permission was required.

3.2.7 Non-compliance with the Drugs Price Control Order/ Guidelines

Approval of new formulations without informing National Pharmaceutical Pricing Authority

DC failed to report to NPPA grant of licences for new drugs

Government of India issued Drugs Price Control Order, 1995 and further guidelines (October 1999) which inter alia empowered National Pharmaceutical Pricing Authority (NPPA) to fix maximum retail price for drugs. According to the guidelines, DC was to report cases of granting licence for manufacture of new drugs/formulations or new dosage for existing scheduled formulations. Though DC granted (October 1999 to December 2002) licences for manufacture of 154 new drugs/formulations, the same was not intimated to NPPA.

Failure to detect marketing of drugs at higher rate

In one case, ie., Ibuprofen (400 mg)+ Paracetamol (333 mg) tablets, NPPA had fixed (July 2002) price of Rs.5.24 plus excise duty and local tax per strip containing 10 tablets. Against this, six* firms marketed the drug at the rate ranging from Rs.7.26 to Rs.13.80. DPC cell/intelligence wing failed to detect selling of drug at higher rate. DC stated that his officers had not come across the said formulation (Ibuprofen 400 mg + Paracetamol 333 mg) after August 2002. However, scrutiny revealed that one firm had informed DC during May 2003 that they had been manufacturing the said formulation and furnished price list (as of April 2003) which indicated the price at Rs.12.94 per strip. The contention of DC was therefore contrary to that borne in his own records. Evidently, monitoring of this aspect was quite ineffective.

Idle staff

State Government created (August 1998) a drug price control cell (Cell) with seven officers (one DC, two ADCs, four DIs) to investigate 137 cases of overpricing of drugs reported (1997-98) by ADC, Tumkur. However, these cases could not be investigated as manufacturers filed (December 1998) cases in High Court and NPPA notifications fixing prices were set aside (July 2000). Yet Cell was continued. During 1999-2002 Cell had not conducted any searches/seizures to detect cases of overpricing though they were empowered. Thus, Cell virtually remained non-functional resulting in nugatory expenditure of Rs.9.78 lakh.

* Allule Remedies, Talent Lab, Recon, Re kuvina Lab, Bal Pharma, Sky Marketing

3.2.8 Indian system of medicine and Homoeopathy

Irregular appointment of licensing authority in respect of Homoeopathy system

According to Act/Rules (49A), graduate qualified in Pharmacy or Pharmaceutical Chemistry or Medicine was to be appointed as licensing authority for Homoeopathic units. However, contrary to the provisions, State Government had appointed (order of October 1984) a graduate in Ayurvedic medicine as licensing authority for Homoeopathy system. Director, while admitting appointment as illegal attributed the same to non-amendment of provisions.

Grant of licences

Details of licences granted and renewed for manufacturing units under Ayurvedic/Unani and Homoeopathy by Director were as follows:

Year	Ayurvedic and Unani		Homoeopathic	
	Fresh licences	Renewals	Fresh licences	Renewals
1998-99	21	80	1	6
1999-00	36	94	3	4
2000-01	35	93	-	6
2001-02	23	115	1	4
2002-03	17	110	4	3

Scrutiny of records revealed following lapses:

Ayurvedic/Unani drugs had not been subject to quality control measures

Ayurvedic/Unani manufacturing units in existence as of June 2000 were to provide quality control section (QCS) within two years or obtain quality control certificate (QCC) from State Government approved laboratory. New licences were not to be granted unless QCS/QCC was provided. However, State Government had not approved any laboratory for this purpose so far and 261 units (Ayurvedic-252, Unani-nine) engaged in manufacturing as of June 2002, had also not provided the said facility. These included 75 licences issued subsequent to June 2000. Grant of these licences to those who had not provided QCS was contrary to Rules and therefore irregular. Renewal of licences in respect of existing Ayurvedic manufacturing units on obtaining undertaking to the effect that licensees would provide quality testing section was also irregular. Director replied (June 2003) that Ayurvedic/Unani units had expressed their inability to establish quality control sections as they were small units. Evidently drugs manufactured by these units had not been subjected to any quality control measures.

Inspections

Act/Rules prescribed inspection of every manufacturing unit twice a year under Ayurvedic/Unani system. In respect of Homoeopathy system, both manufacturing and selling units were to be inspected twice a year reduced to

once a year from September 2001. However, inspections were less than the scale prescribed as detailed below:

Year	Ayurvedic/ Unani and Homoeopathy (manufacturing) units in existence	Inspections		Homoeopathy selling units	Inspections	
		Prescribed	Conducted		Prescribed	Conducted
1998-99	262	524	144 (73)	170	340	190 (44)
1999-00	258	516	98 (81)	170	340	130 (62)
2000-01	278	556	110 (80)	172	344	35 (90)
2001-02	272	534	105 (80)	165	165	50 (70)
2002-03	272	533	135 (75)	164	164	44 (73)

Note: Figures in bracket indicates percentage of shortfall

Director attributed (May 2003) huge shortfall in inspections to shortage of staff. However, no proposal was sent to State Government to fill up the vacant posts. It was also observed that DI for Ayurvedic/Unani system had inspected Homoeopathic units which adversely affected the quality of inspection.

Non-drawal of samples

Though Act provided for drawal of sample drugs for analysis from both manufacturing and selling units under Homoeopathy system and only from manufacturing units under Ayurvedic system, samples were not drawn under both systems during 1998-2003 as State Government did not notify Government Analysts till July 2002. Even after notifying (July 2002) DIs and providing facility for analysis, samples were not drawn at all. Evidently, standard and quality of drugs had not been ensured.

3.2.9 Monitoring

Monitoring implementation of various functions was ineffective as evident from the following:

- Abnormal delays at all stages in analysis of sample drugs and reporting results. No measures had been taken to avoid such delays.
- In respect of reports referred to other States, no data regarding number of cases against whom prosecution were launched, seizure of drugs etc., was available and no system was in place to watch receipt of compliance in respect of such reports.
- Failure to prevent marketing of drugs found 'not of standard' quality.
- 86 per cent of complaints received were pending for one to seven years with intelligence wing.

3.2.10 Conclusions

There were huge deficiencies in inspections, drawal of sample analysis and delays in reporting results of analysis. Marketing of drugs 'not of standard' had also not been prevented. Drug Testing Laboratory was deficient in terms of manpower and equipment. Action taken by intelligence wing on complaints was grossly inadequate.

3.2.11 Recommendations

- A suitable provision needs to be incorporated in the Act/Rules empowering DC to obtain necessary data from manufacturers located outside their jurisdiction and file cases before courts having jurisdiction in places from where samples for analysis are drawn.
- DC should ensure proper surveillance before renewal of licences.
- Drugs Testing Laboratory needs to be strengthened in terms of manpower and equipment.

3.2.12 The matter was referred to Government in August 2003; reply is awaited.

3.3 Karnataka Health Systems Development Project

Highlights

The Karnataka Health Systems Development Project (Project) was launched in April 1996 with the assistance of World Bank at an estimated cost of Rs.546 crore to strengthen the secondary level of health care by providing in-patient and out-patient care with diagnostic and treatment facilities that were not available at the primary level. The project was to become operational by the end of 2001-02. Due to slow progress, however, the implementation of the project was extended by two years. The project is expected to be completed by March 2004.

Cost of civil construction works such as renovation and expansion of existing hospital buildings increased by Rs.234.42 crore due to changes in scope of work after the works were started/under execution.

(Paragraph 3.3.6)

Deviations to original plan of procurement, distribution and poor utilisation of equipment and non/short procurement of drugs affected adversely the delivery of health care services to the needy. Vehicles like jeeps and cars were procured in contravention of prescribed norms while ambulances for 24 hospitals were not procured.

(Paragraph 3.3.7)

Ineffective functioning of referral system in the first referral hospitals and non-availability of an IEC (Information, Education and Communication) strategy failed to educate and inform the public of the facilities and the extent of health care service available in these hospitals.

(Paragraph 3.3.9)

Lack of adequate training to the staff to handle sophisticated equipment in the first referral hospitals resulted in non-utilisation of available equipment. In other cases, managers and physicians trained abroad on teaching skills were not utilised for the benefit of the project.

(Paragraph 3.3.13)

Monitoring and evaluation of project performance was not effective.

(Paragraph 3.3.15)

3.3.1 Introduction

The National Health Policy (1983) emphasises the role and responsibility of the State Governments in providing basic health facilities. The Public Health Care services in Karnataka consist of three tiers viz., primary, secondary and tertiary. Primary Health Centres (PHCs) provide basic health services at grass root level with emphasis on prevention. The secondary level of health services consists of hospitals located at community, area, sub-divisional and district levels. These are also called first referral hospitals, which provide in-patient and out-patient care with the diagnostic and treatment facilities that are not available at the primary level. Tertiary hospitals at the top of the structure

are staffed and equipped to provide more specialised treatment and include teaching hospitals also.

As facilities available at first referral hospitals remained poor, people were compelled to proceed to higher level hospitals for availing treatment that could otherwise be made available at first referral hospitals. Realising the need to strengthen the vital link of referral care, Government of Karnataka launched (April 1996) a programme called 'Karnataka Health Systems Development Project' (KHSDP) with the assistance of World Bank at an estimated cost of Rs.546 crore for implementation over a period of six years.

3.3.2 Objectives

The broad objectives of the project are:

- Improving the health care system through improvements in the quality, effectiveness and coverage of health services at 204 secondary or first referral hospitals through expansion/renovation.
- Strengthening management and implementation capacity.
- Improving referral mechanism and linkages with primary and tertiary level.
- Improving access for disadvantaged sections of society.
- Achieving better efficiency in the allocation and use of health resources.

In order to achieve the above objectives, the project envisaged providing adequate financial resources to the health sector, introduction of annual health check-up programmes to Scheduled Caste and Scheduled Tribe population, up-gradation of clinical and support services by outsourcing, collection of user charges for augmenting resources for health care besides imparting training to project staff in clinical skills.

3.3.3 Organisational set-up

A Project Governing Board (PGB) was established for taking major policy decisions, developing broad outlines for project implementation, reviewing and monitoring the over all project progress. A Steering Committee headed by the Secretary to Government, Department of Health and Family Welfare was constituted to undertake planning activities for the project and to carry out the functions of the PGB. A Project Administrator is in overall charge of the project and is assisted on technical side by an Engineering Wing headed by a Chief Engineer and on hospital side by an Additional Director/Joint Director, supported by four Deputy Directors and on Administration/Finance by a Chief Administrative Officer/Chief Finance Officer with supporting staff.

3.3.4 Audit coverage

Records maintained at Project Administrator's office, Chief Engineer's office, three Engineering Divisions, five District Health and Family Welfare Offices (DHFWO) were test checked during December 2002 to May 2003 from

inception of the project to March 2003 besides conducting review at 50 hospitals. The findings of the review are discussed below:

3.3.5 Project cost and time schedule

The project was undertaken (April 1996) with the assistance of World Bank at an estimated cost of Rs.546 crore and was proposed to be implemented in six years (March 2002). Due to slow progress in implementation of the project, World Bank agreed to extend assistance for two more years (March 2004). The cost of the project was revised to Rs.595 crore (February 2002) and an expenditure of Rs.582.12 crore was incurred up to the end of March 2003. The original cost, the revised cost of the major components and the expenditure thereof are as stated below:

(Rupees in crore)						
Sl No.	Project component	Original cost	Percentage of the original project cost	Revised cost	Percentage of the revised project cost	Expenditure up to March 2003
1	Investment costs	120.58	22.09	355.00	59.67	336.53
	Civil works (Renovation and expansion)					
2	Goods and equipment	160.12	29.34	113.00	18.99	96.55
3	Consultants, studies, training	30.06	5.51	23.30	3.92	15.94
4	Recurring costs	99.32	18.20	103.60	17.41	133.10
5	Physical contingencies and price escalation	135.72	24.87	-	-	-
	GRAND TOTAL	545.80		594.90		582.12

3.3.6 Programme implementation

The programme implementation consisted of execution of civil works to renovate and expand the first referral hospitals, and upgrading clinical services through procurement of equipment, drugs, ambulances, vehicles, furniture, etc.

Civil works

The Staff Appraisal Report (SAR) on the project estimated the cost of civil works involving renovation and expansion of 204 hospitals at Rs.120.58 crore. However, on detailed re-estimation, the cost went up by 84.94 per cent to Rs.223 crore, which was further revised to Rs.355 crore in the revised project cost (February 2002). Out of 204 hospitals taken up for renovation and expansion, 186 hospitals were completed (March 2003) and 166 of them had been handed over, even though the project originally contemplated completion of all civil works by 2000.

The abnormal increases in the cost of civil works were due to inaccurate estimates at appraisal stage and change in scope of works after tendering, leading to additional quantities of work and extra items of work, payments at current schedule of rates plus tender premium quoted by contractors etc. Finalisation of designs and drawings, preparation of plans and estimates including Bill of Quantities of work to be included in the tender agreement were entrusted to empanelled architects at a cost of Rs.7.49 crore (out of which Rs.5.79 crore had been paid to the end of March 2003). However, owing to preparation of designs, drawings, plans and estimates by architects without reference to the actual site conditions, large scale deviations were noticed and the additional quantities and extra items of work were executed

Cost of civil construction works such as renovation and expansion of existing hospital buildings increased by Rs.234.42 crore due to changes in scope of work after the works were started/ under execution

involving an extra expenditure of Rs.68.32 crore. In view of this, payment of consultancy charges to empanelled architects proved to be unproductive.

Some of the other irregularities noticed in the execution of civil works were as follows:

- During the renovation and expansion of Taluk Level Hospital (TLH) at Hungund, there was delay in deciding, after the award of work to an agency, as to whether the building should be constructed in the existing premises or at a new site. This resulted in avoidable extra cost of Rs.21 lakh being payment at revised rates as per the terms of agreement.
- The High Level Working Committee of the project had prescribed norms for providing space in each category of hospital. Accordingly, the total plinth area to be constructed for eight new hospitals was 17,859 sqm. However, the actual area constructed was 28,580 sqm involving an extra cost of Rs.7.40 crore. No reasons were assigned for constructing plinth area in excess of the prescribed norms.
- An expenditure of Rs.1.34 crore had been incurred on renovation and expansion of District Hospital, Gadag, which was situated on land belonging to a trust.
- Guidelines of World Bank allow execution of works on 'Force Account' (based on local quotation) only when the value of work to be executed did not exceed Rs.18 lakh. In six cases, it was noticed that Force Account was invoked even when the value of works executed exceeded Rs.30 lakh individually (totalling Rs.2.15 crore). Failure to follow prescribed open tender procedure resulted in the project losing the benefit of prevailing competitive rates.
- About Rs.one crore was spent on construction of Office buildings for Superintending Engineer and Chief Engineer at Bangalore, Divisional Office at Mysore and renovation of Project Office, which were not covered in the scope of the project resulting in irregular diversion of funds of Rs.one crore.
- Extra items of work in 31 works were carried out without approval of competent authority, despite instructions of Project Governing Board (October 2000) to that effect. The total expenditure incurred on such irregular works was Rs.16.89 crore.

3.3.7 Upgrading clinical effectiveness

The upgrading of clinical services includes supply of equipment, drugs, ambulances, vehicles, furniture etc., for which a provision of Rs.160.12 crore was made in the original project estimate. This was scaled down to Rs.113 crore in the revised project estimate, for which reasons were not assigned.

Review revealed non-utilisation or underutilisation of equipment, non-procurement or short procurement of drugs, ambulances and excess procurement of vehicles. The shortfall/deficiency noticed in audit in each category are detailed below:

Equipment – Procurement and utilisation

A High Level Working Committee prescribed norms for equipment and furniture to be provided in each type of upgraded hospital based on bed strength. A procurement plan was prepared by the consultants after assessing the requirement of each hospital. However, scrutiny of records revealed that:

Deviations to original plan of procurement, distribution and poor utilisation of equipment and non/short procurement of drugs adversely affected the delivery of health care services to the needy

- There were deviations to original procurement plan. While equipment worth Rs.1.06 crore were procured in excess of the assessed requirements, a number of other essential items (X-Ray machine, emergency resuscitation kits, autoclaves, ophthalmoscopes, generators, ventilators) were either not procured or were procured short of assessments made despite adequate allocation of funds. Thus, the benefits of upgraded facilities at first level referral hospitals did not accrue to the public.
- Scrutiny in 50 test-checked hospitals revealed that in four hospitals, major surgeries could not be performed due to short supply/non-supply of essential equipment. Consequently, the cases were referred to other hospitals. In the test-checked hospitals, equipment such as ECG machines, ultra sound scanners, dental units etc., worth Rs.1.65 crore procured between 1997-98 and 2001-02 remained unutilised for two to five years due to non-availability of specialists/doctors/trained staff and incomplete infrastructure. In five test-checked hospitals, the equipment procured between April 1998 and December 2002 were yet to be unpacked (June 2003).
- It was noticed that purchase of equipment was not synchronised with the creation of related infrastructure (1996-99). An amount of Rs.18.26 crore was spent on procurement of equipment even before providing the basic infrastructure. Equipment worth Rs.94.00 lakh were later diverted to other major hospitals not covered under the project during 1997-2003. No reasons were given for such diversions.
- While procuring 29 Ultrasound Scanners at a cost of Rs.1.50 crore through HCL Packers Limited (October 1997), the project authorities did not avail customs duty exemption despite availing the services of procurement consultants. This resulted in an avoidable extra expenditure of Rs.48.00 lakh. The project authorities had also not obtained refund of Rs. five lakh being unutilised balance of Letter of Credit (LoC) opened with bankers. Similarly, unutilised balance of Rs.10.00 lakh out of the LoC opened for procurement of 26 Ultra Sound Scanners through Wipro GE Medicals during 1999-2000 had also remained unclaimed.
- Maintenance of sophisticated equipment in hospitals is covered by Annual Maintenance Contract (AMC), which are renewed periodically. Project Steering Committee had suggested to do away with AMCs and instead involve the technical staff available in the equipment maintenance workshops for maintenance work. Despite these instructions, the project authorities extended the AMC beyond one year, incurring an avoidable extra expenditure of Rs.27.00 lakh (2001-02). Further, a central equipment workshop with office was also constructed at a cost of Rs.65 lakh at Bangalore. However, maintenance of equipment was not referred to central workshop since most of them were covered under Annual Maintenance Contract.

To an audit query, it was contended that the continuance of- AMC was inevitable, as the available technical staff was not adequately trained. It was also stated that it would take five to six months of training to be imparted by the Bio-medical Engineers on contract basis. Had the technical staff been trained during the first year of AMC, the expenditure on AMCs could have been avoided.

Procurement and supply of drugs

Non-availability of essential drugs/medicines was identified as a major constraint in utilising facilities by patients at first referral hospitals. The project cost of Rs.41.81 crore for supply of drugs/medicines was reduced to Rs.26.61 crore in the revised estimate for which reasons were not forthcoming.

During 1996-97, Government Medical Stores procured drugs worth Rs.6.02 crore by irregularly debiting the project funds under 'retroactive financing' activities, as retroactive financing permitted only pre-project activities like initial technical survey of existing hospitals, preparation of preliminary designs etc.

During 1997-99 and 2001-02, drugs worth Rs.17 crore were procured for project hospitals. It was observed that no consistent procedure was followed in the procurement of drugs. These were despatched directly to project hospitals in 1997-98, while in 1998-99, the respective District Health and Family Welfare Officers (DHFWOs) were made consignees for receiving the drugs and distributing them to the hospitals. In 2001-02, the supplies were routed through Government Medical Stores instead of DHFWOs. Procurement of drugs/medicines without indents and frequent changes in the supply procedures resulted in:

- Drugs/medicines on verge of expiry being transferred from six hospitals to 15 PHCs.
- Short receipt of drugs worth Rs.4.01 lakh in 20 DHFWOs.
- Issue/administration of a time barred injection (Tetanus Toxide) in three hospitals³.
- Eighty-eight thousand and five hundred ampules of Injection Diazepam were procured by project authorities during March 1999 and supplied to 88 hospitals. The Drug Controller declared them as substandard quality during October 1999 by which time about 52,000 ampules of this injection had already been administered in various hospitals. Action taken against the firm for supplying substandard drug was not forthcoming.

Lack of a consistent procedure in the procurement of drugs resulted in non/short supply of drugs and time barred drugs

³ District Hospital-Hassan, Community Health Centre-Kutta and General Hospital-Nanjangud

Vehicles

Vehicles like jeeps and cars were procured in contravention of prescribed norms while ambulances for 24 hospitals were not procured

The project envisaged procurement of vehicles (jeeps, cars and ambulances) for which Rs.16.17 crore was allocated. Scrutiny of records revealed that project authorities procured vehicles more than those envisaged under the project. As against 184 jeeps and 10 cars, the project authorities procured 242 jeeps and 13 cars. Thus, an extra expenditure of Rs.1.62 crore was incurred on purchase of vehicles against the prescribed norms. One Maruthi Bolero (value: Rs.6.72 lakh) was allotted to Hon'ble Health Minister (1999) and one car each was allotted to the Chairman, Task Force, Chief Financial Officer and Under Secretary. On the other hand, ambulances to 24 hospitals had not been supplied. Besides, 37 jeeps valued at Rs.1.06 crore and four workshop maintenance vehicles valued at Rs.12.00 lakh were allotted to hospitals/units/officers not covered under the project.

Lack of prioritisation in procurement of vehicles resulted in avoidable extra expenditure of Rs.1.62 crore besides denial of ambulance facilities in 24 hospitals.

3.3.8 Shortage of specialists and para medical staff

Due to shortage of specialists and para-medical staff at first referral hospitals, there was low bed occupancy in these hospitals

As against total requirement of 1981 doctors/specialists in project assisted hospitals, only 1,632 were in position, as of January 2003. Shortages affected services in 147 out of 204 hospitals. Available doctors/specialists were also not judiciously posted to all hospitals, which led to the following disparities/mismatches:

- Against the norm of providing five specialists², 25 hospitals of 30 to 50 beds had no specialists while excess number of specialists had been posted in 26 hospitals.
- No surgeons were available in 73 hospitals. In 19 test-checked hospitals, 23 Operation Theatre facilities provided at a cost of Rs.62 lakh remained idle/underutilised.
- Five³ hospitals were managed by single Doctors.
- While Anesthetists were not available in many of the 50/100-bedded hospitals, four Anesthetists had been posted in four 30 bedded hospitals where no such posts were sanctioned.
- There were shortages in the para-medical staff (Pharmacists 361; X-Ray Technicians 120; Lab Technicians 223; Staff Nurses 717) as of January 2003. Availability of only one staff nurse was noticed at TLH Hukkeri, Ramdurg and Magadi with occasional deputation of additional staff nurse from other places. There were no X-Ray Technicians in 21 hospitals.
- Due to shortage of specialists and para-medical staff at first referral hospitals, the objective of the scheme to improve effectiveness of health

² one Physician, one General Surgeon, one Gynaecologist, one Dental Surgeon and one general duty Doctor

³ ED Hospital, Mysore, TLH at Nargund, Hungund, Kannangi and WCH at Ranebennur

services was not achieved, as evidenced by the low bed occupancy, as detailed below:

No. of hospitals having low bed occupancy (in terms of percentage)				
Bed strength	0 < 20	20 < 30	30 < 40	40 < 50
30	38	14	6	9
50	9	11	8	13
100	3	7	1	2

The low occupancy was more pronounced in 30 and 50 bedded hospitals.

3.3.9 Ineffective functioning of referral system

The project implementation laid greater emphasis on improving the existing referral system through a well defined network, under which the first referral hospitals would provide clinical and technical support to PHCs. The measures to strengthen the referral system included introduction of referral and feedback cards to patients, providing incentives to patients who follow referral procedures, preparation of a 'zoning system' i.e., linking identified PHCs/Community Health Centres with particular Taluk Level Hospitals, etc. The project guidelines also prescribed that an Information, Education and Communication (IEC) strategy should be drawn up to provide information to the targeted group about availability of public health services at various levels especially on referral mechanism and facilities for disadvantaged sections of society (Yellow Card Scheme).

Audit scrutiny however, revealed that the objective of strengthening the referral system could not be achieved due to reasons such as non-availability of specialists, technicians and upgraded facilities, shortage of drugs, longer waiting periods. There was an increase in the number of cases referred out to higher level hospitals especially under surgery and medical categories. The project authorities did not introduce the referral and feedback cards as well as zoning system as contemplated. No action was taken to implement IEC strategy also to provide information to the needy persons. Consequently, over crowding of patients at District Hospitals and Tertiary Hospitals could not be avoided.

3.3.10 Yellow Card Scheme

In order to provide free medical checkup, treatment and supply of essential medicines for Scheduled Caste and Scheduled Tribe persons in the State, Government initially introduced (October 1995) the 'Yellow Card Scheme' in selected five districts⁴ and later extended it to all the districts (August 1997). The system provides compulsory health checkup on a biannual basis in respect of Scheduled Caste and Scheduled Tribe families residing in rural areas. This checkup at sub-centre/village level would screen the targeted population so as to identify and treat diseases at the onset. The scheme also envisages an extensive IEC campaign to secure total participation of the beneficiaries.

⁴ Bijapur, Hassan, Kolar, Mysore and Raichur

Audit scrutiny however, revealed that coverage ranged between 0.85 to 33.90 *per cent* of the total Scheduled Caste/Scheduled Tribe population during 1997-2002 as detailed below:

Sl. No.	Name of the Division	SC/ST population (in lakh)	1997-98		1998-99		1999-00		2000-01		2001-02	
			A	B	A	B	A	B	A	B	A	B
1	Bangalore	31.60	1.72	5.44	3.77	11.93	4.08	12.91	3.64	11.52	4.35	13.77
2	Mysore	17.49	1.93	11.03	2.43	13.89	4.36	24.93	2.25	12.86	5.93	33.91
3	Belgaum	16.57	1.75	10.56	2.50	15.09	2.35	14.18	4.66	28.12	3.33	20.10
4	Gulbarga	21.19	0.18	0.85	2.60	12.27	3.20	15.10	3.05	14.39	3.77	17.79
Total		86.85	5.58		11.30		13.99		13.60		17.38	

A – Number of persons examined in lakh; B – Percentage of coverage

The progress achieved in test-checked hospitals was found to be not encouraging. In Chamaraajanagar District, the progress was 2.41 to 7.76 *per cent* during 1998-2002. In Tumkur District it was between 2.41 and 9.89 *per cent* and in Kolar District having highest SC/ST population in the State, it was 1.04 to 7.73 *per cent*. The coverage varied between 1.09 to 16.65 *percent* of the population. In seven Districts, no camps were held during 2002-03. The reasons were not forthcoming.

Poor achievement was attributed to holding camps at village headquarters, belated release of funds and lack of transportation facilities. Monitoring of the progress of implementation was also inadequate.

A survey of the scheme conducted by an external agency (ORG-MARG) highlighted poor attendance owing to ignorance in the community about the camp date and venue (55 *per cent* of the beneficiaries were not aware of the programme). The report also highlighted absence of doctors, lady medical officers, lab technicians in camps, lack of lab testing materials, absence of trained ANMs⁵ (only 49 *per cent* were trained) etc., which affected the functioning of the camps.

3.3.11 Collection and utilisation of user charges

The project envisaged collection of user charges for augmenting public resources for health care specially for funding non-salary recurrent costs like repairs, maintenance of equipment, vehicles, purchase of drugs/x-ray films.

Between 1997-2003, out of an amount of Rs.8.50 crore collected in 170 hospitals, an amount of Rs.4.41 crore only had been utilised in 128 hospitals. The balance funds are kept in bank accounts in the names of the Chief Executive Officer/Zilla Panchayat and the District Surgeon. Efforts made to maximise the collection of user charges and ensure their optimum utilisation were not forthcoming.

⁵ Auxiliary Nursing Maids (Junior Health Assistants-Female)

Non-clinical services were contracted out injudiciously, although enough work force was available with the Department

3.3.12 Contracting of non-clinical services

The project contemplated outsourcing of selected health services on contract basis. Initially contracting of non-clinical services was taken on experimental basis in Devanahalli hospital, which was later extended to 172 hospitals at an average cost ranging from Rs.7,750 to Rs.1.92 lakh per month.

A Committee under the Chairmanship of Secretary to Government of Karnataka, Health and Family Welfare Services decided (August 1999) that non-clinical services may be contracted out where large number of vacancies in Group 'D' cadre existed. However, the project authorities failed to evolve proper criteria for contracting out non-clinical services, and the facility was extended to all hospitals mainly on account of reluctance of the Group 'D' officials to do house keeping jobs. It was observed in audit that in 37 hospitals where vacancy of Group 'D' was even less than 30 *per cent*, the services were contracted out at an expenditure of Rs.1.51 crore. Project Administrator during his inspection (2002) of TLH, Magadi also observed that non-clinical services had been contracted although enough work force (Group 'D' staff) was available with the department and requested for review of position in other hospitals. No action had been taken to review the situation.

Lack of adequate training to the staff to handle sophisticated equipment in the first referral hospitals resulted in non-utilisation of available equipment. In other cases, managers and physicians trained abroad on teaching skills were not utilised for the benefit of project

3.3.13 Training

The project envisaged comprehensive training programmes based on the recommendations of working groups constituted to ensure upgrading of skills at rural, sub-divisional and district hospitals on hospital management. However, such a comprehensive training was yet to be given to the project staff.

The project also provided for short term training abroad to improve the teaching skills of managers and physicians. It was observed that in four cases, the services of the officers trained abroad at a cost of Rs.17.56 lakh were not utilised in the project, as they were transferred outside the project. Consequently, Rs.17.56 lakh spent on their training abroad proved unfruitful.

Contrary to the norms provided under training, a Deputy Director of the project was deputed in June 1998 for a regular PG Course in International Programme in Public Health Policy and Management at University of Southern California at an expenditure of Rs.20.11 lakh.

3.3.14 Consultancy contracts and professional services

For smooth implementation of the project, services of consultants and professionals for various activities were also provided for in the project. Accordingly, consultants for finance and project management were engaged separately during the project period. Audit scrutiny revealed the following:

Finance Management Consultancy services were contracted initially for a period of one year in 1997 at a cost of Rs.15.00 lakh, which was later (January 1998) enhanced to Rs.25.50 lakh per annum and fixed at Rs.24.00 lakh per annum from February 2001. The consultants were required to deliver financial software and provide necessary training to staff. The decision to

The project authorities unjustifiably continued the consultancy contracts for Finance and Project Management despite having Financial Advisers and Project Management Experts

continue the consultancy services beyond one year at a cost of Rs.56.33 lakh was despite existence of a full-fledged accounts wing headed by a Chief Finance Officer. The software belatedly delivered by the consultants had not been used in any of the divisions except in Bangalore in 2001-02.

Similarly, the services of STEM (Symbiosis of Technology Environment and Management) contracted for one year for project management activities, were continued for a further period of two years till December 2000 at a cost of Rs.33 lakh. It was so despite existence of a full fledged Engineering wing headed by a Chief Engineer and a Deputy Chief Architect, Joint Director (Equipment); Additional Director (Medical), Bio-Medical Engineers etc.

Monitoring and evaluation of project performance was not effective

3.3.15 Monitoring and evaluation

Monitoring the progress of implementation of the project was done at taluk levels, district levels and by a steering committee at central level besides review by PGB. In addition, sub-committees were also formed to monitor progress of referral system and yellow card scheme. Formats were also prescribed to collect data on various aspects of the project. However, due to various discrepancies and disparities in the data received from hospitals, the progress of project implementation could not be effectively monitored.

3.3.16 Other topics of interest

Diversion of funds

Funds to the extent of Rs.3.80 crore were unauthorisedly diverted for improvements, repairs and maintenance works to existing buildings (both residential and non-residential) such as staff quarters, office buildings, training centres, seminar hall and furnishing the conference hall and the offices of Health Department, which are not covered in the project activities.

3.3.17 Response of Government

Above points were referred to Government in August 2003 and their remarks are awaited (December 2003).

3.3.18 Conclusions

Lack of planning in the execution of civil works resulted not only in cost and time overrun but also reallocation of funds for civil works at the cost of other components of the project. Deviations to original plan of procurement, distribution and poor utilisation of equipment coupled with non/short procurement of drugs and deficiencies in deployment of doctors affected adversely the delivery of health care services. Ineffective functioning of referral system in the first referral hospitals and non-implementation of IEC strategy also affected adversely the delivery of medical services and achieving the envisaged objective of the project.

3.3.19 Recommendations

- Imbalances and mismatch in the posting of Doctors and para-medical staff and availability of drugs, equipment, ambulances etc., need to be corrected so as to strengthen the existing Referral System. Posting of specialists also needs to be rationalised in each category of hospital.
- Procurement of services of a professional agency may be considered for speedy implementation of IEC strategy to ensure optimum utilisation of the Referral System set up by the project.
- Financial resources of the project need to be strengthened by maximising the collection of user charges and by utilising them inter alia, for maintenance of equipment. Government may ensure optimum utilisation of the central equipment workshops set up in each district besides reviewing the continuance of AMCs.
- Government may investigate the reasons for poor coverage of Scheduled Caste and Scheduled Tribe population under the 'Yellow Card Scheme' and ensure effective implementation of the scheme so as to fully realise the intended objectives.
- A consistent procedure in the procurement and supply of drugs to hospitals may be followed for ensuring timely availability of drugs and proper control over inventory.

HOME DEPARTMENT

3.4 Prevention and control of fire

Highlights

Fire Services Department was constituted under the overall control of Home Department by State Government to save life and property from fire. Though, the Department was required to be kept in full readiness to effectively combat fire incidents with adequate men, machinery and other infrastructure, there were acute shortages in these aspects, as compared to norms prescribed by Standing Fire Advisory Committee (SFAC) as well as state norms. Though, non-adoption of SFAC norms was attributed to dearth of resources, Department failed to adhere even to state norms. Also, Department could not effectively enforce fire preventive measures due to lack of co-ordination among Fire Services Department, Local Bodies and Licencing Authorities. As a result, a few important high-rise buildings in Bangalore City were functioning without required fire preventive facilities and stood largely exposed to fire risks.

Out of Rs.22.53 crore obtained from General Insurance Corporation, Fire Services Department utilised Rs.5.37 crore only for intended purpose and details of utilisation for balance loan was not furnished. Progress of utilisation of Finance Commission grant was also poor.

(Paragraph 3.4.4)

There were shortages of 53 and 61 per cent each in respect of availability of fire stations and equipments as compared to State norms.

(Paragraph 3.4.5)

There was 44 per cent shortage of manpower compared to operational requirement of 106 available fire stations.

(Paragraph 3.4.7)

Functioning of Departmental workshop was poor. While salary expenditure of staff during 1998-2003 was Rs.80.36 lakh, repair works turned out in the workshop was worth only Rs.9.52 lakh.

(Paragraph 3.4.9)

Local bodies/other authorities failed to adhere to safety measures for prevention of fire accidents.

(Paragraph 3.4.11)

3.4.1 Introduction

The Karnataka State Fire Force Department (Department) constituted under the Karnataka Fire Force Act, 1964 came into effect from 15 May 1971. The overall control of the Department is vested with Home Department of State Government.

The activities of the Department were mainly connected with fire prevention, extinguishing and rescue operation of persons trapped in fire, collapsed buildings etc. Different types of appliances such as water tenders, trailer pumps, mobile tank units, water lorries, ambulances etc., are in use in the service. This is essentially a service oriented organisation dedicated to the saving of life and property from fire.

3.4.2 Organisational Set-up

Director of Fire Services was the Head of the Department. He was assisted by Additional Director and Deputy Inspector General of Fire Services in administrative functions. Besides, there were Deputy Director (Administration), three Chief Fire Officers (Technical) (CFOs), nine Regional Fire Officers (RFOs), 27 District Fire Officers (DFOs) and 67 Station Fire Officers (SFOs). Each fire-fighting appliance in fire stations was under direct charge of a Leading Fireman (LFM) and the rest of the crew work under his immediate supervision.

3.4.3 Audit coverage

Records for the period 1998-2003 were test-checked during January to May 2003 in the office of the Director of Fire Services, four[⊗] out of nine Regional Offices, two out of three offices of CFOs, six out of 27 DFOs, 35 out of 67 Taluk and Rural fire stations, Departmental Workshop and Training College, at Bangalore. The results of test-check are brought out in the succeeding paragraphs.

3.4.4 Financial Management

Non-utilisation of Budgetary allocations in full

Budgeted funds allocated by State Government to the Department and expenditure thereof for the period 1998-2003 were as detailed below:

(Rupees in crore)

Year	Allocation		Expenditure		Savings		Percentage of Savings (Plan & Non-plan)
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan	
1998-99	2.00	29.23	0.38	21.69	1.62	7.54	29
1999-2000	2.00	35.99	0.81	25.01	1.19	10.98	32
2000-01	1.71	30.69	0.22	24.45	1.49	6.24	24
2001-02	1.71	31.42	0.81	24.74	0.90	6.68	23
2002-03	1.70	29.65	0.58	24.14	1.12	5.51	21

There were savings of 21 to 32 per cent in annual budget grants due to non-opening of fire stations

The expenditure was inclusive of repayment of loan and interest on General Insurance Corporation (GIC) loan raised by State Government during 1981-97. There were persistent savings during 1998-2003 ranging from 21 to 32 per cent. The same was attributed to non-opening of additional fire stations though State Government had approved and released funds for the purpose in the respective annual budgets. The reasons were not on record.

⊗ Bangalore-I, Bangalore-II, Mysore and Hubli

Improper utilisation of GIC loan

Poor utilisation of GIC loan

Out of loan raised from GIC of Rs.22.53 crore, only Rs.5.37 crore was spent by the Department.

State Government had raised loan of Rs.22.53 crore from GIC during 1981-97 for modernisation of fire services out of which only Rs.5.37 crore was released by the State Government to the Department which was utilised for the intended purpose. State Government also did not furnish details for utilisation of balance loan of Rs.17.16 crore. The Department had, however, furnished utilisation certificate for only Rs.77.50 lakh till date.

Avoidable payment of penal interest-Rs.99.56 lakh

It is seen that loan amount with interest was repaid by the Department from its budgetary allocations. Penal interest of Rs.99.56 lakh between March 1995 and September 2002 to GIC was also paid due to non-adherence to time schedule in respect of loan repayment resulting in avoidable expenditure. This was attributed to the delay in release of funds from State Government ranging from three to 15 months which had not been explained.

Finance Commission grant

There was poor progress in utilisation of Finance Commission grant

Government of India allocated Finance Commission's grant of Rs.12 crore^Φ to State Government for upgradation of fire services to be released in installments during 2000-04 subject to submission of utilisation certificates. As against grant of Rs.9.65 crore required to be released by March 2003, only Rs.4.82 crore (Rs.2.41 crore in March 2001, Rs.2.41 crore in October 2001) was released by Government of India so far. Reasons for delayed release and non-release of further grant by Government of India were not on record. Though the grant was intended for opening of new fire stations, Department utilised the same for construction of permanent building and staff quarters in respect of 10 already existing fire stations. Further, Karnataka Police Housing Corporation, Bangalore (KPHC) to whom Department entrusted construction work and advanced (March 2002) Rs.4.72 crore for the purpose, had spent only Rs.1.47 crore for the purpose till date.

3.4.5 Programme management (Infrastructure)

Non-opening of required fire stations

SFAC norms were to be accepted by the States in establishing fire stations etc. However, SFAC norms had not been adopted by Government of Karnataka, stating that it would be impossible to create such large number of fire stations in view of dearth of resources. Therefore, State Government norms of providing minimum of one fire station in every district and taluk headquarters on priority basis and one fire station for every 40 kms radius (ie, one fire station for every 5,028 sq.kms) or for every 50,000 population in rural areas were adopted. The details of fire stations established *vis-à-vis* those required as per State norms were as indicated below:

^Φ Rs.4.83 crore in 2000-01, Rs.2.41 crore each in 2001-02 and 2002-03 and Rs.2.35 crore in 2003-04)

Particulars of norms adopted etc.	No. of fire stations required	No. of fire stations established till date	Shortfall
Under State Norms			
No. of District Hqrs. in the State - 27	For Urban area = 187	District Hqrs. - 27	118
No. of Taluk Hqrs. in the State - 148	Rural area = $\frac{1,88,108}{5,028} = 37$	Additional fire station in District Hqrs. based on fire risk - 12	
No. of identified fire risk areas in District Hqrs. - 12	Total = 224	Taluk Hqrs. - 63	
		Rural areas - 4	
Total - 187		Total - 106	

There were shortages of 53 and 61 per cent each in respect of availability of fire stations and fire-fighting equipment respectively compared to state norms

SFAC norms provided for carrying out fire risk analysis in urban areas for providing additional fire stations if need be, so that fire accidents could be attended to within maximum permissible response time of five minutes. The Department carried out the required fire risk analysis only in three out of 27 district headquarters and established 12 additional fire stations in those three districts. However, the Department was yet to carry out fire risk analysis in respect of remaining 24 district headquarters. For instance, in Hubli-Dharwad City with urban area comprising of 190 sq.kms, though 166 fire accidents took place during 1998-2003 in Dharwad and property worth Rs.3.60 crore was destroyed in fire, only one fire station was established at Hubli to cover the entire area. Thus, the concept of maximum response time of five minutes prescribed for reaching the spot in the event of any fire within the city area has been totally ignored in this case. Although, records indicated that all these fire incidents were attended in time by the Department, evidently there was inordinate delay in reaching the places of fire all the way from Hubli to Dharwad.

Similarly, in respect of rural areas, the norm of one fire station for every 5,028 sq.kms area adopted by Department was not in conformity with SFAC norm of 50 sq.kms per fire station and maximum response time of 20 minutes prescribed in SFAC norms for rural areas. Further, out of 106 fire stations established in the State, 12 had been functioning in rented buildings while 59 in temporary sheds. Scrutiny of records of test-checked stations revealed that these stations were deprived of water facilities also in their premises.

Shortages in fire-fighting equipment

As per the State norm adopted by the Department, State should have three categories of fire stations and each category should possess equipment and shift system as indicated below:

1.	All Taluk and Rural Stations	2 unit fire stations* with 2 shift system with 2 Water Tender (WT), 2 Portable Pumps (PP) and 1 Towing Tender (TT).
2.	All District Headquarters Stations	3 unit fire stations with 2 shift system with 2 WT, 2 PP, 1 TT and 1 Water lorry (WL)
3	4 fire stations in Bangalore considered as high risk area	4 unit fire stations with 3 shift system with 4 WT, 2 PP, 1 TT and 1 WL

* Unit fire station means a fire station having one pumping unit (one water tender)

The details of equipment required, available and the shortages were as shown below:

Type of equipment	Equipment required for all 224 fire stations required to be setup as per State norms	Equipment required for existing 106 fire stations as per State norms	Number of equipment available as on date	Shortfall compared to requirement in respect of all 224 fire stations	Shortfall compared to requirement in respect of 106 available fire stations
Water Tender	456	220	187	269	33
Portable Pumps	448	212	178	270	34
Towing Tender	224	106	55	169	51
Water Lorry	39	39	40	(-) 1	(-) 1
Total	1,167	577	460	707 (61%)	117 (20 %)

Special Equipment

As per State norms adopted, at least one number each of the special appliances mentioned below were to be placed at the disposal of each of the nine RFOs of the State to enable fire-fighting in respect of high-rise buildings. The details of shortages of special equipment noticed were as detailed below:

Sl.No.	Type of special appliances	Requirement	No. available as on date	Shortfall
1.	Turn table ladder	9	1	8
2.	Hydraulic platform	9	1	8
3.	Control van	9	1	8
4.	Foam crash tender	9	2	7
Total		36	5	31

"Bran to sky lift" which was stated to be very essential to fight fire in high-rise buildings, costing Rs.five crore was pending approval at Government level for a long time. Further, in urban areas having high-rise buildings like Bangalore, Mysore and Mangalore though 625 number of fire hydrants were provided, they were not in working condition due to non-maintenance by concerned local bodies despite being reminded by the Department.

Functioning of Communication system

Wireless sets were in use in the Department for communication purposes. Out of 524 sets purchased during 1988 to 2000, 321 sets were required to be replaced with new ones due to frequent repairs and aging of the components. Government was yet to accord approval for new purchase. One hundred and ninety one wireless sets, however, continued to be used without licences being got renewed from December 2001 onwards.

Non-availability of other essential fire-fighting tools

Essential fire-fighting tools such as (1) Breathing apparatus (2) Aluminium Suit (3) Suction hose and ropes required for fire-fighting operation were lacking in test-checked fire stations. No efforts were made by the concerned fire stations/Department to procure the same.

Providing of accommodation at premises

Though as per norm, all fire-fighting personnel were to be provided with rent free accommodation within fire station premises, 1,569 (75 per cent) out of 2,099 personnel were deprived of rent free accommodation till date.

3.4.6 Fire management

The details of fire incidents reported, attended, human lives lost, property lost and property saved during last five years in the State as a whole were as indicated below:

Year	Fire incidents reported	Fire incidents attended	Human lives		Property lost	Property saved
			Lost	Saved		
			(Rupees in crore)			
1998-99	5,387	5,387	77	110	NA	NA
1999-2000	8,177	8,177	488	661	45.04	124.74
2000-01	14,881	14,881	213	344	77.00	263.76
2001-02	9,552	9,552	280	752	88.00	222.72
2002-03	9,956	9,956	352	774	599.43	279.89

Lack of water source in the premises of fire stations

In test-checked Mysore and Hubli regions, 21 out of 29 stations test-checked did not have water source in their premises for carriage at the time of emergency.

3.4.7 Manpower Management***Shortages in manpower***

State Government had adopted a different norm other than that prescribed under SFAC for categorising fire stations. Details of staff required as per State norms and shortages noticed thereof were as detailed below:

Sl. No.	Designation	Staff requirement for 106 available fire stations as per State norms	No. of posts sanctioned	Working strength	Vacancy position compared to existing 106 fire stations
1.	Regional Fire Officer (RFO)	9	9	8	1
2.	Station Fire Officer (SFO)	106	114	34	72
3.	Asst. Station Fire Officer (ASFO)	114	108	96	18
4.	Leading Fireman (LFM)	561	487	473	88
5.	Fireman (FM)	2,271	2,142	1,181	1,090
6.	Fireman Driver (FD)	593	551	306	287
7.	Driver Mechanic (DM)	102	77	9	93
Total		3,756	3,488	2,107	1,649 (44 per cent)

There was 44 per cent shortage of manpower compared to actual manpower required under the State norms

Thus, it was noticed that number of posts sanctioned by Government was deficient by 268 compared to manpower required for existing fire stations as per norms. Overall deployment of manpower in the State was deficient by 44 per cent compared to actual manpower required for 106 existing fire stations.

As against 20 administrative vehicles available in the Department, there were only seven sanctioned posts of Fireman Drivers (FD) for these vehicles. Hence, Department had diverted 13 FDs of fire stations to drive these administrative vehicles, which was not in order.

Though Government approved fresh recruitment of 657 and 554 firemen in March 1998 and February 2001 respectively, the Department recruited only 22 firemen attributing administrative reasons for non-filling up of the other posts.

Besides, acute shortages of Firemen and FDs throughout the State adversely affected fire-fighting operations as indicated below:

A fire occurred at multi storeyed building on Residency Road in Bangalore on 29 May 1996. Due to shortage of FDs in the workshop, Engineering officer-in-charge of workshop himself drove the Snorkel unit thereby causing delay of 27 minutes in reaching the spot due to his inexperience in driving such vehicles.

A fire incident occurred at Harapanahalli in Bellary District on 22 February 2000. Due to shortage of FDs, the Assistant Sub Officer of the station himself drove the water tender to attend the fire call. The vehicle met with an accident. Further, the vehicle was rendered unavailable for fire-fighting and repairs costing Rs.3.15 lakh had to be incurred on the vehicle.

A fire accident occurred at M/s.Bata Ltd., showroom in Tumkur on 2 September 2001. As against sanctioned strength of eight FDs, only three were working. On receipt of fire call, one FD who was on duty was sent to the spot with only one water tender. Services of additional fire-fighting vehicles could not be made use of due to shortage of FDs. Property worth Rs.1.25 crore was involved in this fire incident of which property worth Rs.56.15 lakh was destroyed in fire.

3.4.8 Inadequacy in Training and Awareness propagation facilities

Department has a fire services college established in 1971. Its objective was to impart training for newly recruited Firemen on fire-fighting, fire prevention, rescue operation etc., and also to conduct special courses and awareness programmes for general public. The college had only two qualified trainers viz., Commandant (Training) and one Instructor (Training) and the other six staff of Training College were unqualified. Lack of adequate number of qualified trainers had hampered imparting of effective training.

3.4.9 Unviable running of the Departmental Workshop

Functioning of departmental workshop was poor. While salary expenditure of staff during 1998-2003 was Rs.80.36 lakh, repair works turned out in the workshop was worth only Rs.9.52 lakh

Departmental workshop was set-up in 1967 in Bangalore for repair and maintenance of all vehicles of Department. Against sanctioned strength of 23 staff, the working strength was only 11. In view of shortage of staff and unfeasibility of bringing vehicles/equipment of outstations for repair/maintenance, outstation vehicles were got repaired through private workshops during 1998-2003 incurring expenditure of Rs.2.03 crore. Repairs of vehicles/equipment stationed in Bangalore were also got done through private workshops during 1998-2003 incurring expenditure of Rs.21.00 lakh. It was also noticed that while staff salary expenditure and other expenses of Rs.80.36 lakh was incurred during 1998-2003 relating to the workshop, repair works of vehicles/ equipments carried out at the workshop during the same period was Rs.9.52 lakh only. The investments made on the workshop remained idle proving the functioning of separate workshop unjustifiable.

Non-repair of crucial imported machinery

Turn Table Ladder and Snorkel unit which were essential for fire-fighting operation in high-rise buildings and imported from outside in 1982 and 1985 respectively were not in working condition since 1993 and 1997 respectively and required major repairs. Government/Department were yet to take decision either to get these machinery repaired for use or for their final disposal.

3.4.10 Civil Works

The following civil works of the Department entrusted to contractors for execution through the Public Works Department (PWD) were lingering for six to 12 years:

Sl. No.	Name of work	Estimated cost and date of administrative approval accorded by the Department	Date of entrustment to contractor by the PWD	Present position of the work
1.	Construction of fire station building at Holenarasipura	Rs.17.10 lakh (March 1997)	Not available	The work is still incomplete and lingering for over six years.
2.	Construction of 27 residential quarters at Challakere	Rs.66.76 lakh (December 1994)	December 1994, due for completion by December 1996	-do-
3.	Fire preventive and fire protection works to Multi Storeyed Building complex (Government building at Bangalore)	Rs.46.00 lakh (November 1987)	December 1990, due for completion by September 1991	The work is still incomplete and lingering for over 12 years.

Reasons for non-completion and up to date expenditure incurred in respect of these works were not available on record in the Department.

3.4.11 Non-adherence to safety measures for prevention against fire

For prevention of fire and adoption of safety measures in respect of high-rise buildings, warehouses, cinema halls, offices, factories etc., State Government had enacted legislation under Section 13(1) of Fire Services Act, 1964 and also issued notification (September 1971) and Standing Order (March 1989) requiring the owners or occupiers of such fire risk premises to take precautionary measures failing which Department is empowered to refer the matter to Police Department for initiating action under Section 285 of Indian Penal Code (IPC). The following omissions/lacunae on the part of Department in enforcing the above provisions were noticed:

- Though Department was required to conduct periodical inspection of 100 such fire risk places every year and advise owners/occupiers to take preventive measures, no such inspections were conducted by Department. Fire incident occurred (October 2000) at cracker godown at Annasandra Palya, Bangalore which was not periodically inspected, destroying property worth Rs.13.00 lakh.
- Department was to ensure suitable provisions being incorporated by local bodies in their building bye-laws regarding fire prevention and safety measures in respect of high-rise office and other public buildings. Only Bangalore City Corporation (BCC) and Bangalore Development Authority (BDA) had incorporated (October 1984 and January 1995 respectively) necessary provisions in their building bye-laws for obtaining 'no objection certificate' (NOC) from Fire Services Department prior to issue of licences. Other local bodies of the State have not incorporated these provisions in their bye-laws.
- In respect of petrol bunks, godowns for explosives, film studios, amusement activities, high-rise buildings etc., within Bangalore City, under the provisions of respective Acts and Rules, the owners had to obtain NOC from the Department after payment of prescribed fee before licence was issued by licencing authorities. It was, however, noticed that during 1998-2003, out of 2,554 applications received for issue of NOC, Department did not issue NOC for 1,394 cases, main cause being non-receipt of prescribed fee. Test-check revealed that in many of these cases of non-receipt of fee, the licensing authorities had issued licences to the owners bypassing obtaining of NOC from the Department.
- Important high-rise buildings in Bangalore (Multi-Storeyed Building Complex, Public Utility Building, Hotel Oberoi) were functioning on the basis of building licences issued by BCC without final clearance certificate being issued by Fire Services Department. In respect of all these buildings, the Department on inspection, found that the buildings were highly vulnerable to fire and required thorough modifications. However, the suggestions made by Department were not complied with so far by the concerned authorities though a fire incident occurred at Hotel Oberoi (May 1993) destroying property worth Rs.1.25 crore. As such, there was no sanctity left for NOC/advice being issued by the Department.

Except Bangalore City Corporation and BDA, other local bodies in the State did not incorporate provision for obtaining NOC from Department in their bye-laws

In respect of issue of licences to petrol bunks, explosive godowns etc., Deputy Commissioner, Commissioner of Police and BCC bypassed obtaining of required NOC from Department

Use of buildings without clearance certificate from Department

Fire incidents occurred in 11 Government and 20 private buildings destroying property worth Rs.11.02 crore due to non-adoption of fire preventive measures.

- During 1998-2003, in 11 Government and 20 private buildings in the State, fire incidents occurred resulting in loss of property worth Rs.11.02 crore due to non-adoption of prescribed fire preventive measures. Department stated that it could not do much to prevent the above fire incidents except providing fire-fighting services when fire incidents took place. The reply was not tenable as the Department failed to report these cases to the Police Department for further action as required under Section 285 of IPC.

3.4.12 Conclusions

Infrastructure and manpower-wise there were acute shortages. While SFAC norms were not adopted due to financial constraints, Department failed to adhere even to State norms. Major chunk of GIC loan specifically raised to strengthen the Department was diverted by Government for their other programmes/activities. The Department on their part failed to utilise Finance Commission grants at the rate required and also to fill up posts of Firemen though approved by Government (March 1998 and February 2001). Thus, Government/ Department had not taken sufficient action for strengthening the Department. Fire preventive measures were not effectively enforced.

3.4.13 Recommendations

- Government should take action to strengthen the Department at least to the extent required under State norms.
- Government may consider winding up of the Departmental Workshop.
- Government should consider that all local bodies of the State incorporate necessary provisions in their building bye-laws for obtaining of NOC from the Department prior to issue of building licenses.
- Department should refer all cases of violation of fire preventive measures to Police Department for action under Section 285 of IPC and Government to monitor such cases to finality.

3.4.14. The matter was referred to Government in August 2003; reply is awaited.

WOMEN AND CHILD DEVELOPMENT DEPARTMENT

3.5 Review on Welfare of the Handicapped

Highlights

In Karnataka, there were 3.56 lakh disabled persons as per the Report on Survey of Persons with Disabilities (1991). Though the Government of Karnataka implemented the provisions of the People with Disabilities Act, 1995 (Central Act) and dedicated schemes- Central and State keeping in view the Welfare of the Disabled, deficiencies in the implementation of the Act such as inadequate action by the Government for early detection and Prevention of Disability, non initiation of steps for reservation of vacancies in the Poverty Alleviation Schemes were noticed. There was no allocation of funds during 1998-2003 for providing transport facilities to disabled children.

Action taken by the Government for early detection and prevention of disability was found to be inadequate. Only 20 per cent of 1.37 lakh disabled children in the age group of 0-14 years had access to education and only a meager sum of Rs.0.63 lakh had been allocated for supply of books and uniforms for them.

(Paragraph 3.5.6)

3.5.1 Introduction

Disability is an impairment that interferes with the functions expected at one's age with the social environment. Keeping in view the welfare of the disabled, Government of India passed three Acts viz; (a) Rehabilitation Council of India Act 1992, (b) Persons with Disabilities Act(PWD Act) 1995 and (c) National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation & Multiple Disabilities Act, 1999. Besides the three Acts, certain dedicated schemes and programmes[^] for the welfare of handicapped were also formulated. The Persons with Disabilities Act 1995 and dedicated schemes and programmes are to be adopted and implemented by all the states.

In Karnataka, apart from implementation of the provisions of the Persons with Disabilities Act 1995 (PWD Act 1995), in so far as they are relatable to states,

[^] (i) Scheme of Assistance to Disabled Persons for Purchase/Fitting of Aids and Appliances (ADIP Scheme). (ii) Scheme to promote Voluntary Action for Persons with Disabilities, (iii) Scheme of National Award for People with Disabilities, (iv) Centrally Sponsored Scheme of Employment of Handicapped, (v) National Programme for Rehabilitation of Persons with Disabilities(NPRPD), (vi) District Disability Rehabilitation Centre Programme (DDRC Programme), (vii) Assistance through NHFDC, (viii) United Nations Development Programme

and dedicated schemes formulated by the Centre, certain schemes which are purely state schemes^Ω were also implemented.

As per the Report on Survey of Persons with Disabilities (1991), the total number of people with different disabilities in the entire State of Karnataka stands at 3,55,819 which constitutes roughly about one *per cent* of the population of the state. The details of number of disabled category-wise are as follows:

Sl. No.	Category	Number of disabled	Percentage
1.	Orthopaedically handicapped (OH)	2,04,915	57.60
2.	Hearing impaired (HI)	51,832	14.60
3.	Visually impaired (VI)	44,284	12.40
4.	Mentally retarded (MR)	36,850	10.40
5.	Leprosy cured (LC)	10,662	3.00
6.	Persons with multiple disabilities (PMD)	7,276	2.00

3.5.2 Organisational Set-up

In Karnataka, the programmes and schemes for the welfare of the Handicapped were implemented through the Directorate of the Welfare of Disabled and office of the Commissioner for Persons with Disabilities. The Principal Secretary, Department of Women and Child Development was holding additional charge as the Commissioner for Persons with Disabilities and was looking into the complaints received regarding deprivation of rights of PWDs and non-implementation of laws and rules under Section 60 of the PWD Act. The programmes and schemes at the District and Taluk level were implemented through District Disabled Welfare Officer and Child Development Programme officer (Department) respectively.

The State Government constituted the State Co-ordination Committee (SCC) in September 1997 in accordance with the provisions of section 13(2) of the PWD Act to review and coordinate the activities of the Government and Non Governmental Organisations (NGOs) relating to persons with disabilities and State Executive Committee (SEC) in April 1998 for carrying out the decision of the SCC.

3.5.3 Scope of the review

The main thrust of the review is on the effective implementation of the PWD Act, 1995 and efficiency in implementation of various other programmes, projects /schemes for the welfare of the handicapped.

^Ω (i) Braille Printing Press, Sound Library for the Blind and Incentive Award to Merited Disabled Students, (ii) Hostel for Disabled Employees, (iii) Monthly Financial Assistance to Disabled Persons, Social Service Complex, Voluntary Organisation for the Old, Infirm and Disabled and Insurance Scheme for the Mentally Retarded, (iv) Identity Cards to the Disabled, Community Based Rehabilitation Services and Medical Relief Fund for Corrective Surgery for treatment of disabilities.

3.5.4 Audit Coverage

A review of the programmes, schemes and institutions for the 'Welfare of the Handicapped' over a period of five years from 1998-99 to 2002-03 in Karnataka state was conducted by a test-check of records in the offices of the Director of Welfare of Disabled, Commissioner for Persons with Disabilities and District Disabled Welfare Officers under Women and Child Development Department of nine districts* from January 2003 to May 2003.

3.5.5 Funding Pattern

The Government of India provides financial support in respect of the dedicated schemes formulated by it. Funds for Schemes formulated by the State Government in pursuance of the various provisions of Persons with Disability Act 1995 are provided by the respective States. The funds allocated and utilised for the programmes are as under.

Year	Government of India		Government of Karnataka	
	Allocation	Expenditure	Allocation	Expenditure
1998-99	NA	NA	37.58	37.95
1999-00	6.06	6.08	36.55	42.69
2000-01	9.94	7.91	40.03	41.75
2001-02	11.10	9.05	44.01	45.16
2002-03	7.02	7.44	42.84	50.58
Total	34.12	30.48	201.01	218.13

(Rupees in crore)

The scheme-wise details are shown in *Appendix 3.1* and *Appendix 3.2*.

Strength of legal support – Implementation of PWD Act

The PWD Act enacted by the Parliament in 1995 is a comprehensive piece of legislation which inter-alia aims at identification, information sharing, generation of public awareness, accessibility of facilities, education, training and employment, prevention of disability, etc. The Act provides for certain steps for the prevention of occurrence of disabilities, free education to disabled children and schemes and programmes for non-formal education and research for designing and developing new assistive devices, setting up of Teachers' Training Institutes, provision of transport facilities and supply of books etc to disabled children, amanuensis to blind students with visual handicap through educational institutions, identification of posts to be reserved for persons with disabilities and reservation thereof, special employment exchanges, reservation in poverty alleviation schemes, preferential allotment of land for the disabled and non-discrimination etc.

* Bangalore(Rural), Bangalore(Urban), Belagum, Gulbarga, Kolar, Mandya, Mysore, Shimoga & Tumkur

3.5.6 Results of Audit

Prevention and Early Detection of Disabilities/Steps taken for prevention of occurrence of disabilities

With a view to prevent the occurrence of disability, Section 25 of the PWD Act 1995, lays down that government shall undertake surveys, investigations and research concerning the cause of occurrence of disabilities; screen all children once a year for identifying “at risk cases”, take measures for pre-natal and post-natal care, educate the public through preschool, primary health centres, village level workers and anganwadi workers and create awareness through TV, radio, etc. on the causes of disabilities and the preventive measures to be adopted.

The action taken by the State Government for early detection and prevention of disability was found to be inadequate as only one Survey was conducted (2001) by National Institute of Mental Health and Neuro Sciences, Bangalore (NIMHANS) in only one taluk of one district (HD Kote Taluk, Mysore District). Screening of all children for identifying “at risk cases” was conducted in only five districts[⊖] by the Directorate of Welfare of the Disabled and Department of Women and Child Development. Details of training, facilities for the staff at Primary Health Centres for prevention and detection of disabilities were not furnished by the department.

Education

Provision of free education etc/Schemes and Programmes for non-formal education etc

As required by Section 26 of the PWD Act 1995, the State Government and the local authorities have to

- ensure that every child with disability has access to free education till the age of 18 years;
- endeavour to promote the integration of students with disabilities in normal schools;
- endeavour to equip the special schools for children with disabilities with vocational training facilities.

As per the 1991 census, in Karnataka, 1.37 lakh disabled were in the age group of zero to 14 years. The Directorate of Urdu and Other Minority Language Institutions was implementing the Department of State Educational Research and Training Scheme under which 19,836 disabled children were integrated in 3,125 schools under the supervision of 1,106 special trained resource teachers. Ninetyseven special schools were opened in 22 out of 27 districts of the state in which 7,796 school children with disabilities were enrolled and provided with special books free of cost. Thus, only 0.28 lakh children[⊕] were studying in schools meant for the disabled, which was about 20

Out of 1.37 lakh disabled children, 0.28 lakh disabled children (20 per cent) only were studying in schools meant for the disabled

[⊖] Bangalore(Rural), Chamarajanagar, Koppal, Mysore and Raichur.

[⊕] 7,796 disabled children – 97 special schools

19,836 disabled children – 3,125 special schools under DSERT Scheme

per cent of the total disabled children. Vocational training was provided only in 16 schools with a total strength of 1,066 children. Even though Section 27 of the PWD Act 1995 lays down that the state government shall formulate schemes for conducting part time classes, there was no facility for part time classes for disabled children.

Research for designing and developing new assistive devices, teaching aids etc

Section 28 of the PWD Act 1995 provides that the State Government shall initiate research for the purpose of designing and developing new assistive devices, teaching aids, special teaching materials etc to give equal educational opportunities to disabled children.

During 2001-03 Government had allocated a meager sum of Rs.65.17 lakh as grant-in-aid for the five* NGOs engaged in developing and designing new assistive devices and special teaching aids to promote educational opportunities of disabled children.

Setting up of Teacher Training Institute

Section 29 of the PWD Act 1995 provides that the State Government shall set up adequate number of teachers training institutes and assist National Institutes and Voluntary Organisations to develop training programmes for teachers dealing with disabled children to ensure availability of requisite trained man-power to special schools and establish integrated schools for children with disabilities.

Shortage of trained teachers to deal with disabled children was around 78 per cent

As per norms, 8,956 trained teachers were required to deal with 1.37 lakh disabled children in the age group of zero to 14 years against which the working strength of trained teachers was only 2,955[†]. The shortage of trained teachers was around 78 per cent.

Comprehensive Education Scheme providing for transport facilities, supply of books etc

Section 30 of the PWD Act 1995 provides that the State Government shall prepare a comprehensive education scheme for disabled children making provision for transport facilities and supply of books, etc.

No steps were taken to provide transport facilities to the school going disabled children

While transport facility was not at all provided for school-going disabled children, the budget allocation for supply of uniform, textbooks etc., was made only from 2000-01 onwards and it was very meager. The total allocation during the period 2000-03 was Rs.0.63 lakh for 0.28 lakh school going disabled children, which works out to less than Rs.three per child.

* Mobility India, Bangalore, M.V.Shetty, Mangalore, Mahaveer Jain Hospital, Mysore, JSS Vidyapeeta, Mysore and Anga Karune Kendra, Bangalore.

† Teacher Training Centre for Hearing Handicapped/Teacher Training Centre for Visually Handicapped – 140 teachers, UNDP Scheme – 1,424 teachers, DSERT Scheme – 1,106, IED Scheme – 285.

Provision of amanuensis to students with visual handicap

Under the provisions of Section 31 of the PWD Act 1995, all educational institutions have to provide or cause to be provided amanuensis^ø to blind students and students with low vision. Details in this regard were not furnished.

Employment***Identification/Reservation of posts***

As provided in Section 32 of the PWD Act 1995, the State Government has to identify posts in establishments which can be reserved for persons with disability and review at periodical intervals (not exceeding three years), the list of posts identified and up date it. Further as per Section 33 of the Act, the Government has to reserve vacancies (not less than three *per cent* of the posts) for employment of disabled persons. The Government of Karnataka had identified and reserved 6,639 Group 'C' and 294 Group 'D' posts for persons with disabilities only in November 2002. Even though there were 9,351 number of employable persons with disabilities registered in the special employment exchanges, 304 posts were vacant. The department stated (November 2003) that non filling up of posts was due to ban on recruitment.

Provision of Special Employment Exchanges

The Government established Special Employment Exchanges and Cells in six districts[£] to ensure employment for persons with disabilities in accordance with Section 34 of the Act. Out of 10,631 persons with disabilities registered in these employment exchanges and cell during 1998-99 to 2002-03, only 1,280 persons were provided with employment.

Out of 10,631 disabled persons, only 1,280 disabled persons could get employment

Scheme for promoting Self- Employment of Persons with Disabilities

As per Section 38 of the Act, the Government and Local Authorities shall by notification formulate schemes for promoting self-employment of persons with disabilities. The State Government had implemented two schemes for promoting self employment viz Aadhara Scheme (financial assistance to beneficiaries) and supply of Telephone Booths. The benefits of the schemes were extended to only 3,106 and 241 beneficiaries respectively in the entire state whereas the number of employable disabled in the State was 47,295. Telephone booths ready for supply to the disabled were lying undistributed in two test-checked districts (Mysore and Kolar) and under Aadhara Scheme, loan amounting to Rs.1.70 crore[®] together with interest of Rs.52.68 lakh was pending recovery.

Affirmative Action

Though the State Government accorded approval for allotment of five *per cent* of houses/dwelling units under Ashraya/Ambedkar/Navagrama Schemes

^ø Assistance of a writer to take down dictation

[£] Gulbarga, Mysore, Hubli, Bangalore, Mangalore and Belgaum

[®] Total loan sanctioned during 1998-2003 – Rs.1.80 crore to 3,106 beneficiaries

(August 2002) in accordance with Section 43 of the PWD Act. the department was yet to get a final compliance report.

Research and Manpower Development

No research programme was sponsored by Government of Karnataka for prevention of disabilities, rehabilitation and development of assistive devices as required under Section 48 & 49 of the Act.

3.5.7 Implementation of State Schemes and Central Dedicated Schemes

Scheme of Issue of Identity Cards to the Disabled

Under the Scheme, identity cards were issued to the disabled to enable them to avail the benefits of facilities meant for them. Only 2.50 lakh identity cards were issued though the population of the disabled in the state was around 3.56 lakh.

Scheme of Payment of Maintenance Allowance for the Disabled

The Scheme provided for the payment of maintenance allowance of Rs.100/- per month to the disabled whose income was less than Rs.6,000 per annum subject to verification of eligibility. During 1998-2003, the total expenditure incurred under the scheme was Rs.189.13 crore and this comprised 87 per cent of the total expenditure of the State on welfare of the disabled. The Tahsildars sanctioning maintenance allowance were required to verify annually the eligibility of the beneficiaries of the scheme and submit a report to the Director, Welfare of the Disabled. However, no such reports were available in the office of the Director for Welfare of the Disabled.

Issue of Aids and Appliances

Out of 3.27 lakh deserving disabled persons, aids and appliances were provided to 5,077 persons only

The main objective of the Scheme is to assist the needy disabled persons in procuring durable, sophisticated standard aids and appliances. As per 1991 census, the number of disabled with income less than Rs.8,000 p.a was 3.27 lakh. Since inception of the Scheme (20-7-1964), only 5,077 beneficiaries were provided with aids and appliances.

Scheme of Assistance to Disabled Persons for Purchase/Fitting of Aids (ADIP Scheme)

The objective of the Scheme was to assist the needy disabled persons in procuring aids and appliances that can promote their physical, social and psychological rehabilitation by reducing the effects of disabilities and enhance their economic potential. The Scheme is implemented by the Government through District Rehabilitation Centres (DRC) and through Non Governmental Organisations.

The Scheme provided for ensuring the eligibility of beneficiaries through inspections by the State Commissioner and creation of field agencies for conducting sample check of the beneficiaries. However, it was observed that the State Commissioner had inspected only one NGO out of the five NGOs for

which grant had been allotted and there were no field agencies to conduct sample checking of five to 10 *per cent* of the beneficiaries.

Scheme to promote voluntary action for persons with disabilities:

Financial assistance is provided by the Central Government annually to NGOs working for the welfare of the disabled subject to fulfilment of conditions specified in the Grant-in-Aid Code in respect of certain schemes^Ψ.

Extent of Support

During the years 2000-03, Government of India released a total sum of Rs.20.34 crore as grant-in-aid to NGOs as under.

Years	Number of Districts	Number of NGOs	Amount (Rupees in crore)
2000-01	20	75	6.92
2001-02	21	76	7.18
2002-03	19	73	6.24
Total			20.34

The following irregularities were noticed

As per norms, 90 *per cent* of the honorarium paid by the NGOs to the personnel in lieu of salary was met out of Government grants and the grant towards honorarium was to be enhanced by 10 *per cent* every year. Excess payment of grant towards honorarium was noticed in respect of nine NGOs* amounting to Rs.15.52 lakh.

In the case of 19 NGOs (*Appendix 3.3*) the student -teacher ratio was below the prescribed norms during the years 2000-01 and 2001-02. The department had not insisted upon adherence to the prescribed student -teacher ratio resulting in shortage of teachers. The percentage of shortage of teachers ranged from 18 *per cent* to 86 *per cent* in 2000-01 and from 20 *per cent* to 83 *per cent* in 2001-02.

Records of 10 NGOs in the test-checked districts revealed diversion of grant for payment of Employees Provident Fund of teachers (one NGO), non-recruitment of staff as per norms (two NGOs), non implementation of the training programme for which assistance was received, non maintenance of property register, excess claim of maintenance charges of hostellers (one NGO) and receipt of both Central and State Grants (one NGO).

^Ψ Scheme of Assistance to Organisations for the disabled, Scheme of assistance to voluntary organizations for rehabilitation of leprosy cured persons, Scheme of assistance to voluntary organizations for special school for handicapped children and Scheme of assistance to voluntary organizations for persons with cerebral palsy and mental retardation.

* Dr.Puttaraja Gavayigala Music. School, Gadag-Rs.2.61 Lakh; Renuka Yalamma Vidya Vardaka Sangha, Belgaum-Rs.1.70 Lakh; Manasa Rehabilitation and training centre, Mysore-Rs.2.70 Lakh; N.K.Ganapaiah Handicapped (Deaf and Dumb)Residential school, Hassan-Rs.2.17 Lakh; St AgnesTeachers training InstiMangalore-Rs. 1.04 Lakh; Natioal Association for the Blind-Rs.0.44 Lakh; NTTF Electronic Centre Bangalore-Rs.0.46 Lakh; Shatha Shranga Education Society, Bangalore-Rs.1.29 Lakh and Vadiraja Trust, Kolar-Rs.3.11 Lakh

National Programme For Rehabilitation of Persons with Disabilities (NPRPD)

Funds to the extent of 30 per cent of the releases were only utilised

The NPRPD Scheme was formulated as a State Sector Scheme to create service delivery system at State/District/Block/Gram Panchayat levels and to provide services to Persons with Disabilities with clear linkages of each level with the other. The Scheme provides for Community Based Rehabilitation Workers (CBRW) at the Gram Panchayat level to screen children at risk, pre-natal, post-natal and expectant mothers to avoid occurrence of disability. The Scheme also provides for Multipurpose Rehabilitation Workers (MRW) at the block level to provide simple rehabilitation services and undertake simple repair of assistive devices.

As per the funds utilised statement, only 30 per cent of the funds released by the Government of India were utilised by the State during 1999-2003. Out of a sum of Rs. 3.54[⊗] crore released by the Government of India, a sum of Rs. 88.28 lakh only was utilised and an amount of Rs.2.66 crore was lying unutilised. The evaluation of the scheme had not been taken up till date due to which the fruitful utilisation of Rs.88.28 lakh for the implementation of the scheme could not be ascertained. Non-furnishing of Utilisation Certificate (for Rs.10.65 Lakh) and irregular payment of TA amounting to Rs.3.64 lakh to MRWs/Village Rehabilitation Workers (VRWs) during training period when the entitlement was for only honorarium were noticed.

United Nations Development Programme

The United Nations Development Programme was implemented in 2000-01 to rehabilitate disabled children in the age group of zero to 14 in particular and 14-18 age groups as optional. Out of Rs.1.37 crore released by the Government of India during 2000-01 and 2001-02, only Rs.39.71 lakh was utilised indicative of shortfall in implementation of the programme. The shortfall in implementation of the programme was attributed by the Government to non-training of Child Development Project Officers who were in charge of monitoring the programme.

3.5.8 Monitoring And Evaluation

Monitoring of implementation of the Act/Schemes was inadequate as:

- The State Co-ordination Committee and the State Executive Committee which were required to meet atleast once in six months and once in three months respectively under section 17 of the Act were not meeting as required. The failure to conduct meetings as required under the Act resulted in lack of co-ordination between various departments of the Government and Organisations – Governmental and Non-Governmental-dealing with matters relating to disabilities and ineffective follow up of the decisions regarding welfare of the disabled.

[⊗] excluding Rs.25 lakh for setting up of Referral Centre out of which Rs.22.19 lakh was utilized.

- No action was taken by the State Government on the Commissioner's proposal of formulation of a State Policy on Disabilities
- Periodical review of the activities of the NGOs as required under the PWD Act had not been conducted by the Commissioner for Welfare of the Disabled.
- The list of MRWs and VRWs, training imparted to the MRWs/VRWs, honorarium paid to the MRWs/VRWs, UCs furnished by the districts and such other details required to be maintained as per NPRPD Scheme Guidelines were not maintained.
- The implementation of NPRPD Scheme had not been evaluated by the State and the fruitful utilisation of an amount of Rs.88.28 lakh for the implementation of the scheme could not be ascertained in the state.

3.5.9 Conclusions

- No funds were allocated for transport facilities to disabled children.
- Meager funds were provided for supply of books and uniforms.
- Government had not initiated any step for reservation for the disabled in Poverty Alleviation Schemes.
- No Research Programme was sponsored by the Government for prevention of disabilities and development of assistive devices.

3.5.10 Recommendations

- Government should take steps to reserve a suitable percentage of jobs for the disabled persons in poverty alleviation schemes.
- Government should sponsor research programme for prevention of disabilities and development of assistive devices

3.5.11 The matter was referred to Government in July 2003, reply has not been received.

HORTICULTURE DEPARTMENT

3.6 Lapses in implementing programme for control of coconut mite

In Karnataka, coconut plantations were infested by pests and Eryophoid Mites (Mites). State Government released Rs.18.48 crore (inclusive of Rs.12.00 crore from Government of India through Coconut Development Board) to Zilla Panchayats of 13 major coconut growing districts (Rs.12.06 crore) and to Director of Horticulture (Director) (Rs.6.42 crore) for treating affected coconut palms (palms) using chemicals and bio-pesticides. Expenditure of Rs.14.45 crore (through ZP-Rs.12.06 crore, through Director-Rs.2.39 crore) was incurred during 1999-2003 on the programme.

A review on implementation of the programme revealed following lapses:

3.6.1 Delay in implementation

Remedial measures to control mite was delayed

Though infestation of palms by Mites were noticed at the end of 1998, remedial measures (supply of pesticides etc.,) specifically to control Mites were not taken till February 2000, despite the fact that Mites spread very fast through wind. Constitution of State Level Technical Committee (SLTC)^{*} headed by Director to recommend treatment methods and District Task Force Committee under the chairmanship of Deputy Commissioner of each district to implement programme were also delayed by one year.

3.6.2 Non-adherence of prescribed procedure leading to increase in affected area

All affected palms in contiguous plots/villages were not treated simultaneously and therefore became ineffective

Method of treatment of affected palms was not in conformity with the procedure suggested by SLTC as treatment of affected palms with chemical pesticides was not followed by bio-pesticides. Further, all affected palms in contiguous areas were also not treated simultaneously as field functionaries (District Horticultural Officer/Sr.Assistant Director of Horticulture at taluk level) distributed chemical pesticides as and when farmers approached them and treatment lasted for five months (March to August 2000). Out of 64.65 lakh affected palms, only 34.07 lakh palms were treated at a cost of Rs.2.44 crore. No treatment was carried out from September 2000 to December 2001. Incomplete and deficient treatment contributed to the spreading of Mites to 4.33 crore palms (January 2002).

Though SLTC decided to adopt recommendations of National Steering Committee, they were not implemented

The Department continued (January 2002) treatment of affected palms with chemical pesticides only in staggered manner without considering alternate methods of treatment suggested (November 2001) by National Steering Committee. When 1.23 lakh litres out of total 1.94 lakh litres of chemical pesticides (costing Rs.9.40 crore) were distributed and 120 lakh palms were treated, SLTC decided (May 2002) to stop treatment on the ground that it had

^{*} SLTC consisted of Scientists from University of Agricultural Sciences, Central Plantation Crops Research Institute, Kasargod, Joint Director of Horticulture (Plant Protection), Deputy Director of Horticulture (Plant Protection)

created undesired effects (bark splitting, stem bleeding) where farmers did not follow proper methods of injecting chemical pesticide. Director stated (July 2003) that decision was taken to give chemical treatment despite knowing that such treatment would not eradicate Mites but only contain it. However, even this limited objective of containing the spread of Mites was not achieved as population of affected palms increased from 64.65 lakh to 4.33 crore and yield also declined from 175.42 crore (2000-01) to 152.34 crore nuts (2001-02). Though, Director admitted recurrence of Mites, the population of the affected palms as of March 2003 and yield for 2002-03 had not been assessed. This largely resulted in wasteful expenditure of Rs.8.40 crore^Φ.

3.6.3 *Extra expenditure due to patronising certain brands of chemical pesticides- Rs.32.92 lakh*

Chemical pesticides of four particular brands were preferred though rates were higher

Karnataka Horticulture Federation (KHF) appointed a nodal agency for procurement of chemical pesticides finalised (July 2001) tenders and accepted rates ranging from Rs.299 to Rs.331 per litre of different brands of chemical pesticides. Scrutiny of purchase revealed that Deputy Directors of Horticulture in 13 districts had purchased (January 2002 to April 2002) 1.47 lakh litres of monocrotophos of four particular brands at rates ranging from Rs.305 to Rs.331 per litre out of total quantity of 1.94 lakh litres. When all other 14 brands conformed to tender specification (supply of monocrotophos of 36 per cent), purchase of four particular brands at higher rate was improper. This resulted in extra expenditure of Rs.32.92 lakh* as compared to lowest rate of Rs.299 per litre.

3.6.4 *Excess procurement and non-utilisation of equipment-Rs.81.17 lakh*

Director purchased (December 2001) equipment (drilling machines, bits, syringes etc) required for injecting chemical pesticides to affected palms and supplied them to Taluk Level Officers who distributed the same to farmers through Gram Panchayats. Equipment worth Rs.75.89 lakh were rendered surplus and never put to use due to stoppage of chemical treatment. Further, material (Drilling bits) worth Rs.5.28 lakh which were obtained back from farmers after completing treatment had also been lying idle with Gram Panchayats since May 2002.

The matter was referred to Government but no reply had been received (June 2003).

^Φ Rs.2.44 crore + (1.23/1.94 x 9.4)

Rate (In Rupees)	326	331	305	308	Total	299	Total
Quantity (In litres)	89,474	20,044	35,224	2,554	1,47,296	46,256	1,93,552
Amount (Rupees in lakh)	291.69	66.35	107.43	7.87	473.34		

473.34 minus 440.42 (1,47,296 x 299) = Rs.32.92

INFORMATION, TOURISM AND YOUTH SERVICES DEPARTMENT

3.7 Irregularities in the implementation of programmes in Tourism Department

Tourism Policy as announced by Government of Karnataka in May 1992 (1992 policy), as modified in July 1997 (1997 policy), provided for grant of concessions/incentives to newly established tourism units. Scrutiny (May 2003) of files/records relating to grant of such concessions/incentives in the office of Commissioner of Tourism and other unit offices for the period 1997-2003 revealed following irregularities:

3.7.1 *Inadmissible/Excess payment/Irregularities in subsidy payments – Rs.1.64 crore*

**Inadmissible
subsidy paid to
seven hotels
against norms**

Under paragraph 4(i) of 1992 policy, in category A⁴ places, only new hotels of stars one to three were eligible for investment subsidy at 15 *per cent* of value of their fixed assets. The committee constituted by the Ministry of Tourism, Government of India was to inspect and award star status to the hotels. In respect of seven hotels detailed in **Appendix 3.4** established in category A places, subsidy amounting to Rs.90.75 lakh was paid during October 1995 to August 2001 though they were not star hotels, resulting in inadmissible payment. No reports issued by the Committee constituted by Ministry of Tourism, Government of India were on record in respect of the star status of the above hotels. Further, the Director, Department of Tourism, Government of India confirmed (November 2003) that there were no single star hotels in Karnataka. The Commissioner stated that State Level Committee (SLC) considering the facilities in these hotels admitted them for subsidy without awarding star status. However, scrutiny of proceedings of SLC in respect of these hotels, revealed that on the basis of investment certificate only, these were admitted for subsidy. These hotels were not eligible for subsidy which needs to be recovered.

**Inadmissible
subsidy paid on
furniture and
kitchenware,
which were not
fixed assets**

Under tourism policies of 1992 and 1997, subsidy was available for investments on fixed assets only. However, in respect of 47 new hotels/lodges, subsidy amounting to Rs.48.39 lakh was paid during April 1995 to September 1998 on furniture and kitchenware items, which were not fixed assets, resulting in inadmissible payment of Rs.48.39 lakh. Though, Government wrote (January 2000) to Commissioner endorsing objection raised (October 1999) by audit, the latter failed to take recovery action. However, the Commissioner had agreed (August 2003) to examine these cases for recovering the excess subsidy paid.

**Excess
subsidy paid
due to wrong
classification
of places**

Under 1997 policy, all tourist places in the State were classified into Categories A to E. Investment subsidy was available to new tourism units at rates ranging from 10 to 35 percent of the value of the fixed assets depending upon their place of location. It was noticed that Department adopted wrong

⁴ Places within limits of Corporation of Bangalore, Belgaum, Davanagere, Hubli-Dharwad, Mangalore and Mysore Cities were included in category 'A'.

classification in respect of following four units resulting in excess payment of subsidy of Rs.25.27 lakh as detailed below:

(Rupees in lakh)				
Sl. No.	Name of the Unit and Amount invested in fixed assets	Incorrect category adopted/ percentage and amount of subsidy paid	Category adoptable/ percentage and amount admissible	Excess subsidy paid
1.	M/s. Kamadhenu Towers, Bellare, Sulya Taluk, South Canara District – Rs.45.02	C/25 per cent & Rs.11.26	B/15 per cent & Rs.6.75	4.51
2.	M/s. Indian Adventure, Bison River Resorts, Amballi Village, Joida taluk, North Canara district – Rs.48.65	C/25 per cent & Rs.12.16	B/15 per cent & Rs.7.30	4.86
3.	M/s. Suvarna Arcade, Hassan City – Rs.48.30	E/30 per cent & Rs.14.49	B/15 per cent & Rs.7.25	7.24
4.	M/s. Hotel Sagar Deluxe, Bijapur City – Rs.57.72	E/30 per cent & Rs.17.32	B/15 per cent & Rs.8.66	8.66
Total				25.27

Commissioner admitted (August 2003) wrong classification in one case (M/s. Kamadhenu Towers, Bellare) and to initiate action to recover the excess subsidy. The Commissioner justified classification of hotel at Sl.No.2 of table under category 'C' on the ground that Town Planning Authority, Dandeli which approved the project fell under category C. The contention was not tenable as the location of tourism unit was the criteria for categorisation and not where the office of project approving authority is situated. Location of other two hotels (M/s. Hotel Suvarna, Hassan City and M/s. Sagar Deluxe, Bijapur City) cannot be classified as category E as contended by Commissioner as both Hassan and Bijapur Cities cannot be classified in categories A, C, D or E and hence these places fall under category 'B' only. The excess subsidy of Rs.25.27 lakh had to be recovered from these units.

3.7.2 Irregular sale of land – Loss of Rs.15.00 lakh as lease amount besides non-creation of infrastructure worth Rs.six crore

Loss due to setting aside of a valid Lease Deed to extend undue favour to a private firm

Department handed over (April 1997) four acres of Government land located on the sea coast of Murudeshwar town in North Canara District to Karnataka State Tourism Development Corporation (KSTDC) for construction of a tourist hotel jointly with private sector participation. However, State Government, based on Global Investors meet held in June 2000 approved (July 2000) sale of above land to M/s. Naveen Hotels Ltd., Hubli (Firm) at the prevailing market value. But based on the recommendations of KSTDC (October 2001), Department decided (March 2002) to lease the land on 30 years Build-Operate-And-Transfer (BOT) lease basis to the Firm, instead of outright sale. The Firm also accepted the lease and executed a Lease Agreement with KSTDC on 30 March 2002 with terms and conditions such as – lease rent of Rs.50,000 per year, refundable deposit of Rs.29.78 lakh after 30 years and lessee to invest Rs.six crore on the project in stages. Further, in order to attract private investment in tourism sector, Government issued an Order (GO) dated 4 May 2002, which inter alia, offered to sell Government lands at 50 per cent of market value to private entrepreneurs. The Commissioner, taking advantage of said GO sold the land for a meagre amount of Rs.14 lakh as State Government (Revenue Secretariat) fixed (February 2002) the market price per acre at Rs.seven lakh as against Rs.16 lakh arrived at (December 2001) by the Deputy Commissioner, Karwar and handed over (June 2002) the land to the firm with concurrence of KSTDC, ignoring the Lease Agreement in vogue. Though setting aside of valid Lease

Deed required decision at Government's level, no GO was issued nor the details of Government approval were available on record.

Commissioner stated (August 2003) that the land was sold to the firm at the rate fixed by State Government. The decision of Commissioner in sale of land and setting aside the valid Lease Agreement which was more beneficial to Government that too without approval of Government, was financially imprudent and resulted in loss of Rs.15 lakh as lease revenue besides non-creation of infrastructure costing Rs.six crore which the lessee was required to create and handover the same to the Department after the expiry of the lease period.

3.7.3 Blocking of Funds

Non-commencement of works by Government agencies even after four years

Government of India released (February 1999 to March 2002) Rs.3.81 crore to State Government for various tourism projects. Funds were to be utilised within 18 months of release. State Government released Rs.1.39 crore to its agencies like KSTDTC, Karnataka Land Army Corporation (KLAC) etc., for construction of Yatri Nivas, Tourist Cottages etc., and the balance of Rs.2.42 crore remained unutilised with State Government. Further, out of Rs.1.39 crore released (February to March 1999) to KLAC/KSTDTC, Rs.56.80 lakh pertaining to construction of three hotels (one each at Bellagavi, Gulbarga and Mangalore) also remained unutilised with these agencies, as work had not even been commenced due to change of location and revision of estimates.

State Government released (November 1994 to March 1997) interest free loan of Rs.1.20 crore to KSTDTC for construction of Tourism Complex on one acre land at Millers Road, Bangalore allotted on lease basis for 99 years by Bangalore Mahanagara Palike (BMP). KSTDTC had not utilised the same as State Government stalled (July 1999) the tender proceedings for entrustment of the construction work and the site was surrendered (March 2001) to BMP on the ground that latter had allotted it to a political party. BMP had also not allotted an alternative site.

3.7.4 Non-use of tourist complex

Tourist complex built without proper assessment of tourist potential was kept vacant for five years

Tourist complex constructed at Melukote (1998) at a cost of Rs.42.36 lakh was vacant since its inception. The complex at Melukote was located in an unsuitable place without approach road from temple premises and was getting damaged due to non-maintenance. Evidently, the above complex was constructed without assessing tourist potential of the place. Thus, expenditure of Rs.42.36 lakh incurred on it had not served the intended purpose.

3.7.5 Unfruitful Expenditure

A private firm did not submit feasibility report even after a lapse of more than four years of stipulated date of submission

State Government entrusted feasibility study for the development of Jog Falls to a private consultancy firm* with stipulation to complete the study by March 1999 at an agreed cost of Rs.20.00 lakh of which Rs.six lakh was already paid (February 1999). The firm had not submitted the report even after a lapse of more than four years resulting in unfruitful expenditure of Rs.six lakh.

The matter was referred to Government in July 2003; reply had not been received.

* M/s. Infrastructure Leasing & Financial Services Ltd., Bangalore

HOUSING DEPARTMENT

3.8 Lapses/irregularities in construction of houses involving Rs.17.57 crore for slum dwellers in Bangalore City besides non-achievement of objectives

State Government entrusted (June 1991), construction of 30,000 houses for slum dwellers in Bangalore City to Karnataka Housing Board (KHB). KHB was to raise loan of Rs.84.00 crore from Housing and Urban Development Corporation (HUDCO) on the basis of State Government guarantee. The cost of Rs.33,000 initially fixed per house was revised to Rs.45,000 (December 1994) and to Rs.60,000 (September 1998). KHB took up construction of 4,218 houses only and incurred expenditure of Rs.17.57 crore (HUDCO loan-Rs.9.13 crore, State Government subsidy-Rs.2.22 crore, KHB funds-Rs.6.22 crore). Balance of 25,782 houses had not been taken up. Details regarding houses completed, allotted, vacant, unauthorised occupations, incomplete houses etc., were as follows:

Total number of houses taken up	Number of houses				
	Allotted	Completed but vacant	Unauthorised occupation	Incomplete	Abandoned
4,218	1,287	445	333	684	1,469

Out of 1,287 houses allotted, contribution of Rs.47.92 lakh only had been recovered from 1,223 allottees resulting in non-recovery of Rs.3.46 lakh from 64 beneficiaries. Test-check of records revealed the following:

3.8.1 Unfruitful expenditure of Rs.4.15 crore on incomplete houses

Incorrect fixation of unit cost and inadequate provision of funds, caused stoppage of work for nearly five years

Construction of 684 houses in one slum area (Lingarajapuram) was entrusted to an agency at Rs.1.78 crore excluding cost of steel and cement which KHB had agreed to supply. The agency was to complete the work by April 1994. However, KHB delayed supply of steel and cement. As of September 1997, KHB had supplied 585.60 metric tonnes (MTs) of steel and 42,174 bags of cement as against total quantity of 743 MTs of steel and 78,500 bags of cement respectively. The agency stopped the work in February 1999. Expenditure of Rs.4.15 crore was incurred. KHB stated that site consisted of tank bed resulting in huge expenditure on foundation and assessed cost per house at Rs.82,000 and approached (April 2001) State Government for additional subsidy of Rs.1.45 crore. Till date (August 2003) no funds have been provided and work was at a standstill. Failure of KHB and State Government to assess realistic cost per house based on site conditions, arrange adequate funds and timely issue of material resulted in stoppage of work for nearly five years and unfruitful expenditure of Rs.4.15 crore.

3.8.2 Infertuous expenditure of Rs.52.00 lakh on abandoned work

Abandonment of work due to non-fulfilment of conditions for availing HUDCO loan

Construction of 920 houses in Laggere Slum area belonging to Karnataka State Slum Clearance Board (KSCB) was stopped (May 1995) after incurring an expenditure of Rs.52.00 lakh on foundation work. Due to non-fulfilment of the condition of providing external infrastructure (roads, drains etc.) by KHB and KSCB, HUDCO did not sanction the loan. Principal Secretary to Government, Housing Department informed (December 2001) KHB that after

a lapse of five years, work done was of no technical value and to treat the work as abandoned. Thus, hasty action of KHB in entrusting the work without fulfilment of conditions for availing HUDCO loan resulted in abandonment of work and infructuous expenditure of Rs.52.00 lakh.

3.8.3 Houses occupied by unauthorised persons

**Houses
occupied by
unauthorised
persons**

Three hundred and thirty three houses in six slum areas (Gavipuram-24, Ambedkar Slum, Ulsoor-150, Murphy Town-36, Ulsoor-27, N Block, Rajajinagar-16, Guruppa Garden, JC Road-80) constructed at a cost of Rs.2.04 crore had been occupied by unauthorised persons. KHB had not initiated any action for their eviction, thereby denying benefit of rehabilitation to identified beneficiaries. Details as to when and circumstances in which unauthorised persons took possession of these houses were not furnished to audit.

3.8.4 Failure to allot completed houses

**Houses not allotted
even after eight
years due to non-
finalisation of list
of beneficiaries**

In another six slum areas (Thimmaiah Road-12, Sultan Palya-15, Jayanagar, Austin town-66, Urs colony, Jayanagar-216, Tilaknagar-120, Old Cement Lane, Austin Town-16) construction of 445 houses which were completed in November 1995 had not been allotted even after nearly eight years. While list of beneficiaries for 418 houses was still under finalisation, no reasons had been furnished for not allotting the remaining 27 houses. Failure to synchronise completion, selection of beneficiaries and allotment of houses resulted in unfruitful expenditure of Rs.2.30 crore (subsidy Rs.0.22 crore, loan Rs.2.08 crore) besides denial of benefit of housing facility.

The matter was referred to Government in April 2003; reply had not been received.

WATER RESOURCES DEPARTMENT

HIREHALLA PROJECT

3.9 Lingerin project

Inadequate project investigations, inordinate delay in finalisation of designs and acquisition of lands for the project resulted in cost and time over run of the project and resultant delay in extending irrigation facilities. Undue benefit of Rs.6.01 crore was also extended to Karnataka State Construction Corporation Limited

Hirehalla Medium Irrigation Project envisaged construction of a 3.45 km long earthen dam of 14.20 metres height across Hirehalla and Veerapura Halla, tributaries of the River Tungabhadra, at Kinnal village in Koppal district. The project was to provide irrigation benefits to 8,330 ha of drought prone lands in Koppal and Yelburga taluks, besides helping in arresting the flow of silt into Tungabhadra Reservoir. The project was approved by Government for Rs.6.35 crore in May 1979 and technically sanctioned by the Chief Engineer, Irrigation (Central) Zone, Munirabad in November 1979. Up to 1990-91, however, no substantial progress could be achieved due to non-finalisation of designs for various components of dam works. After clearing execution of earthen dam and spillway portion by Technical Advisory Committee, these works were entrusted (December 1991) to Karnataka State Construction Corporation Limited (KSCC). During execution the design and scope of the project was revised (March 1994) for an estimate of Rs.90 crore. As the project cost increased substantially, financial assistance was sought from Government of India in 1996-97 for funding the project under Accelerated Irrigation Benefit Programme (AIBP) so as to complete the balance works at a cost of Rs.41.88 crore. The project, which was initially scheduled to be completed by March 1999, could not be completed even after revising the target date to March 2002. The outlay on the project up to the end of March 2003 was Rs.159.54 crore¹. While the dam and allied works were completed in all respects, the main canals and distributaries were partially executed. Construction of field irrigation channels was being executed by Command Area Development Authority of Tungabhadra Project. No irrigation potential had been created so far (August 2003). The revised assessed cost of the project was Rs.175 crore for which revised estimate was yet to be prepared.

Major changes in project design led to revision of estimate from Rs.6.35 crore to Rs.90 crore, which will be raised further

The original project estimate, the revised project cost and the expenditure incurred to the end of March 2003 under the major components of the project are detailed below:

(Rupees in crore)						
Sl No.	Components of work	Estimated cost as per original estimate	Estimated cost as per revised estimate (1994)	Estimated cost as of 2002-03	Expenditure to the end of March 2003	Estimated cost of balance works
1	Preliminary expenses	0.05	0.36	0.49	0.49	-
2	Land acquisition	0.96	6.10	32.05	31.55	0.50
3	Dam works	1.57	42.05	42.89	42.04	0.85
4	Spillway	0.78	25.00	51.57	48.77	2.80
5	Link channel	0.01	0.12	0.18	0.18	Completed
6	Sluice	0.02	0.30	0.43	0.43	Completed
7	Canals	0.97	7.25	22.30	20.00	2.30
8	Others ²	1.99	8.82	25.09	16.08	9.01
TOTAL		6.35	90.00	175.00	159.54	15.46

¹ Including a Central loan assistance of Rs.53.32 crore

² Rehabilitation works, roads, distributaries, establishment and miscellaneous

Audit scrutiny revealed the following:

Delay in finalisation of designs for bund slope led to a cost overrun by Rs.16.87 crore

- The design and scope of the project underwent substantial changes after the work was started (1991) by KSCC. The original designs were found not suitable considering the stability of the earthen embankment and both the up and downstream slopes were re-designed for flatter sections at different bund heights considering the safety factors involving an additional financial implication of Rs.16.87 crore. Initial inadequate survey and investigation coupled with delay in finalisation of designs significantly contributed to the increase in cost of the work.

Delay of over 15 years in finalising the designs for spillway led to cost overrun by Rs.26.57 crore

- The designing of spillway taken up in the year 1981 was finalised in 1996 after obtaining the expert opinion of Karnataka Engineering Research Station (KERS) and Central Water Power Research Station (CWPRS). Substantial delay contributed to the revision of estimated cost of Rs.25 crore (at 1994 rates) on spillway to Rs.51.57 crore.

- The land requirement for the project was originally assessed at 3,080 acres at an estimated acquisition cost of Rs.95.65 lakh. But considering the additional land requirement in view of increased bund slopes and acquisition of borrow areas for casing soil, the total land requirement was revised to 4,654 acres and the cost thereof was revised to Rs.6.10 crore which further went up to Rs.32.05 crore at 2002-03 rates. Delay in acquisition of lands also contributed to increase in original cost.

Benefit-cost Ratio dwindled to less than permissible limits

- Increase in the cost of the project rendered the project economically unviable, as benefit-cost ratio dwindled from 1.11 to 0.71. The cost per hectare increased from Rs.0.076 lakh at 1975-76 rates to Rs.1.92 lakh at 2002-03 rates, which is likely to increase further in view of substantial work remaining to be done (Rs.15.46 crore).

Direct entrustment to KSCC lead to undue benefit of Rs.3.05 crore to KSCC

- Project works entrusted to KSCC without inviting tenders at an overhead charges of 10 per cent over CSR³ did not prove economical. These works were sublet by KSCC to private agencies for execution at one per cent below CSR. Thus, KSCC was unduly benefited by the differential cost of work executed through private agencies to the extent of Rs.3.05 crore for works done during the period from December 1991 to December 1994.

Government decided to re-entrust the balance works to KSCC despite the prevailing more competitive offers with consequential avoidable expenditure of Rs.1.15 crore

- Similarly, while re-entrusting the balance works of spillway and earthen embankment estimated to cost Rs.19.86 crore (December 1996), no action was taken to invite tenders or to consider the offer of the private agencies who had offered to execute these works at one per cent below CSR 1993-94 for embankment works and CSR 1995-96 for spillway works. Government did not avail the benefit of prevailing competitive market rates and instead re-entrusted the balance works to KSCC at the rate of five *per cent* above the CSR. This resulted in an avoidable extra expenditure of Rs.1.15 crore.

³ Current Schedule of Rates

Irregular payment of overhead charges at higher rates to KSCC resulted in undue benefit of Rs.1.23 crore to KSCC

- The rate of overhead charges payable to KSCC were revised to 12 per cent and 10 per cent of CSR with effect from 1 April 1997 and 1 April 1999, respectively, while the works were in progress. These rates were payable only in respect of those works for which agreements were executed with KSCC after 1 April 1997 and 1 April 1999 respectively. The enhanced overhead charges (Rs.20.21 crore) at 12 per cent and 10 per cent were paid irregularly for balance works entrusted in December 1996 as well, thereby unduly benefiting KSCC by Rs.1.23 crore.
- The Department also irregularly paid KSCC Rs.58 lakh being payment at CSR (from January 2000 to December 2002) although KSCC delayed execution of works by four years and was liable to pay fine as per the contractual conditions.

Thus, inadequate project investigation, delay in finalisation of designs and acquisition of land led to huge cost and time over run. No irrigation facilities could be provided even after a lapse of 24 years and incurring an expenditure of Rs.159.54 crore, as of March 2003.

The matter was brought to notice of Government in July 2003 and their reply is awaited (December 2003).



CHAPTER IV

AUDIT OF TRANSACTIONS

Audit of transactions of the Departments of Government, 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 under broad objective heads.

4.1 Infertuous/wasteful expenditure and over payment

MINOR IRRIGATION DEPARTMENT

4.1.1 Irregular expenditure on purchases

Purchase of stores by the Divisional Officer, Minor Irrigation Division, Belgaum in violation of financial rules and codal provisions resulted in an irregular expenditure of Rs.2.43 crore

A review of records (April 1998 to December 2002) of Executive Engineer, Minor Irrigation Division, Belgaum revealed that materials like MS Outlet Gates, Gauge Plates, Pressure Relief Valves, Wooden Planks, Sponge Rubber, Transformer Oil etc., were procured at a cost of Rs.2.43 crore during 1998-2002. Audit scrutiny revealed that the purchases were made irregularly in violation of financial rules, as discussed below:

The Purchases were neither made through SPD* as per prescribed procedure nor were tenders invited, as required under rules. Instead purchases were made after obtaining limited quotations from local suppliers. Bulk of the purchases were made during 2001-02 (Rs.128.83 lakh) and most of it was made by the Divisional Officer at his level only by obtaining quotations from the local dealers (August 2001 and February 2002). The Superintending Engineer accorded ex-post facto approval (February 2002).

The purchases were split by Executive Engineer/Superintending Engineer to obviate the necessity of obtaining sanctions of competent authority. Purchases were also not covered by proper indents to justify the large scale procurement of materials nor were they approved by the Purchase Committee.

The Division also purchased materials from unregistered firms. The invoices for supplies were defective and did not have details such as supply order number, date, Delivery Challan number, mode of transport etc. The invoices for certain items did not contain detailed specifications. Consequently, the suitability of the materials purchased and the correctness of the rates paid could not be ensured in Audit. The Divisional Officer also procured materials far in excess of the Reserve Stock Limit of Rs.10 lakh. Materials worth Rs.2.32 crore was kept outside the divisional stock account and charged to works directly, thereby violating codal provisions. Materials such as office furnishings, fire extinguishers, road delineators etc., valued at Rs.12.80 lakh

* Stores Purchase Department

were purchased irregularly by debiting the charges to works of tanks construction or to the maintenance and repair works of existing tanks.

A comparison of procurement rates paid for some of the material with those finalised in neighbouring circles for similar materials revealed that purchases were made at exorbitant rates leading to avoidable extra expenditure of Rs.66.24 lakh, as detailed in the *Appendix 4.1*.

As the purchases were made without reference to the actual requirements, in violation of the prescribed rules and procedure, at exorbitant rates and without taking the materials to stock account, the genuineness of these purchases was doubtful and the possibility of fictitious payments could not be ruled out.

The matter was brought to notice of Government in May 2003 and their reply was awaited (December 2003).

PUBLIC WORKS DEPARTMENT - COMMUNICATION AND BUILDINGS

4.1.2 Abandoning works in unsafe condition

The inaction of Government to resume balance works of Breakwaters at Mangalore Port after abandoning it in an unsafe condition resulted in wasteful expenditure of Rs.2.36 crore

The work of reconstruction of the damaged portion of North Breakwaters* at Mangalore Port estimated to cost Rs.1.65 crore (DSR 1997-98) was entrusted (January 1999) to a contractor at Rs.2.36 crore with a stipulation to complete the work within 24 months. However, during execution, it was found (February 1999) that as the sea bed at the site had deepened by one metre, the estimates needed to be revised. A comprehensive revised estimate for Rs.11 crore was accordingly prepared (June 1999) by the Department, in consultation with the Central Water and Power Research Station (CWPRS), Pune and the work in its revised scope was again entrusted (July 1999) to the same agency.

While the work was in progress, Government ordered (August 1999) stoppage of the work on the plea of announcement of General Elections and directed the contractor not to resume the work until further orders. The agency was paid (March 2001) Rs.2.36 crore for collecting 31,290 MT of different categories of stones for the work. The balance work included collection of another 92,486 MT of stones, construction of round head of breakwater and covering the trunk of the structure with armour stones so as to bring the work to a safe stage. However, the work was not restarted and continued to be in an unsafe stage (December 2003).

Audit scrutiny revealed that the contractor had not executed the work as per specifications. As also pointed out by CWPRS, right kind of stones had not been collected and the stones collected had been dumped randomly. Despite this, payments at 90 *per cent* of the agreed rates was made to the contractor. The work continued to remain abandoned in an incomplete and unsafe

* A device to arrest tidal action on the sea shore and to provide means of smooth and safe navigation for fishing boats in the sea

condition rendering the entire expenditure of Rs.2.36 crore wasteful, which is likely to become infructuous due to unsafe condition of the work. Reasons for non-resumption of work were not forthcoming.

On this being brought to the notice of Government, it was contended (August 2003) that the breakwater was intact, which was not tenable, as only stones had been collected at the site.

4.1.3 Wasteful expenditure on converting a causeway into a causeway-cum-barrage

Action of the Department to convert an existing causeway into a causeway-cum-barrage without ensuring its structural stability coupled with fixing of substandard gates for the vents of the causeway led to the collapse of the entire structure. This resulted in wasteful expenditure of Rs.73.26 lakh and an avoidable expenditure of Rs.83.99 lakh on re-construction of the causeway

The Hyderabad Karnataka Development Board (HKDB) decided (1995-96) to convert an existing* causeway across river Hagari into a causeway-cum-barrage, which would impound about 70 million cubic feet of water that could be used for irrigating about 1,100 acres of land. The work was taken up (September 1996) by Public Works Division, Bellary at an estimated cost of Rs.82.85 lakh. The work was executed through three piecework agencies at a cost of Rs.73.26 lakh and water was impounded in the barrage in January 1998.

On 7 December 2000, the central portion of the causeway-cum-barrage collapsed, disrupting the traffic on the causeway. The Department after deciding to retain only the causeway, dismantled the barrage, reconstructed the collapsed portion of the causeway at a cost of Rs.83.99 lakh and restored (October 2001) the traffic.

Audit scrutiny of records revealed that the work, which was outside the jurisdiction of PWD, was executed irregularly by the Public Works Division, Bellary without obtaining clearance from Water Resources Development Organisation (WRDO) and the Tungabhadra Project authorities. The causeway, primarily designed as a non-water retaining structure, was converted into a causeway-cum-barrage without ensuring its structural suitability to retain water. The gates of the barrage were neither designed as per standard specifications nor were their design approved by the competent authority before placing orders for fabrication. The Superintending Engineer, Public Works Circle, Bellary entrusted the fabrication, erection and commissioning of gates for the vents of the causeway to three agencies on piecework basis after obtaining limited quotations in contravention of the financial rules. Due to defective and incomplete fabrication and also their poor maintenance, the gates could not be operated smoothly.

Following serious allegations in the execution of work, the Special Vigilance squad of Chief Minister's Secretariat had investigated (August 1999) the matter and reported inter alia, substandard fabrication of gates. It was recommended to rectify the defects early in the interest of the safety of the structure. However, no action was taken in the matter.

* At Kudarahal village in Siruguppa taluk of Bellary district

Consequent to the collapse of the structure (December 2000), the Chief Engineer, Communication and Buildings (North), Dharwad investigated the causes of breach and reported to Government (January 2001) that the collapse was due to impounding of excess water in the barrage, which was constructed without ensuring the stability of the already existing causeway and also due to difficulty in operating the gates.

Had the Department ensured structural suitability of causeway-cum-barrage and designed the gates as per standard specifications and later taken timely action to make the operation of gates smooth, the collapse of the structure could have been averted. This resulted in an expenditure of Rs.73.26 lakh on construction of barrage largely wasteful besides incurring of an avoidable expenditure of Rs.83.99 lakh on re-construction of the damaged causeway.

The matter was brought to the notice of Government in February 2003 and the reply is awaited (December 2003).

4.1.4 Injudicious/irregular purchases

Purchase of stores, stationery and tools and plant were made by the Executive Engineer, Public Works Division, Bidar in violation of financial rules and codal provisions, which included unaccounted stock of Rs.61.57 lakh and unused surplus stock of Rs.26.69 lakh.

A test-check of the records of Public Works Division, Bidar for the period 1998-2003 revealed that stationery articles worth Rs.64.60 lakh and stores and tools and plant (T&P) worth Rs.95.35 lakh were purchased during the period in violation of financial rules and codal provisions. Purchases were made by the Divisional Officer without assessing the actual requirement and by obtaining limited quotations from the local suppliers without calling for open tenders or procuring through Stores Purchase Department. The non-availability of stationery in the Government Press, Gulbarga was also not ascertained by the Divisional Officer before placing orders. The value of purchases was split at Executive Engineer/ Superintending Engineer level so as to obviate the necessity of obtaining sanctions of competent authority. Payments towards these purchases were made unauthorisedly by diverting funds meant for developmental purposes, such as construction of roads, bridges, housing etc.

It was also observed that stores and T&P worth Rs.31.35 lakh were not taken to stock, but shown to have been issued to different Section Officers under Material-At-Site (MAS) Account for use on various works. These materials were however not accounted for by the Section Officers in their MAS accounts resulting in non-accountal of Purchases worth Rs.31.35 lakh. No action had been taken against the concerned officials for non-accountal of huge materials purchased. Stationery worth Rs.30.22 lakh had also remained unaccounted, as the Division had not reconciled the shortages. The effective use of the other stationery (value: Rs.34.38 lakh), which was brought to account and unused balances thereof could not be verified in audit due to non-maintenance of stock and issue accounts. Physical verification of stationery articles had also not been conducted at any time during the above period. As such, the chances of their misuse could not be ruled out.

Stores and T&P, such as enamel paint, aluminium wire, road delineators, leather aprons, hand gloves, tarpaulins, thermometers etc., valued at Rs.26.69

lakh also remained unused. These items were subsequently declared (December 2002) 'Surplus' for use by any other needy divisions. As there was no response from any division, the same were sought to be disposed of through public auction (April 2003) indicating injudicious purchases.

The action of the Executive Engineer in making purchases irregularly and resorting to injudicious purchases had not been investigated.

The matter was brought to the notice of Government in May 2003 and their reply is awaited (December 2003).

PUBLIC WORKS DEPARTMENT - NATIONAL HIGHWAYS

4.1.5 Excess payment of compensation

Incorrect valuation of certain structures/buildings taken over by the Highway Engineering Division along with land for widening the National Highway (NH 4) resulted in an excess payment of Rs.1.83 crore

For widening the National Highway 4 from the existing two lane to four lane, National Highways Division, Bangalore took possession (June 1985) of two acres and two and a half guntas land in Chokkasandra village and three acres and 34 guntas in Dasarahalli village in Bangalore North Taluk. The acquisition proceedings were later finalised (1990) by the Special Land Acquisition Officer (SLAO) awarding a compensation of Rs.32.55 lakh, which was paid to the land owners along with interest from the date of taking possession of lands. However, subsequent to this, some of the awardees represented that the buildings/ structures constructed on the acquired lands had been omitted while finalising award. Government accordingly directed (June 1994) the Department to arrange for payment of compensation for the buildings. The Department therefore identified 12 such buildings in nine cases. After valuing these structures/buildings at Rs.61.33 lakh (April 2001), a compensation of Rs.2.32 crore was paid (July 2002) inclusive of interest of Rs.1.52 crore for the period from June 1985 to May 2002.

Audit scrutiny revealed that the Division valued these properties at the rates and in accordance with the norms prevalent for 2001, as per Government notification dated 03 December 1988, instead of those applicable in February 1988, when preliminary notification was issued under Section 4(1) of the Land Acquisition Act, 1894 for which rates fixed as per Government Circular dated 02 July 1986 were applicable. This resulted in excess payment of compensation and interest amounting to Rs.1.83 crore, as indicated in **Appendix 4.2.**

The failure of the department to value the structures correctly in accordance with the applicable rates resulted in excess payment of Rs.1.83 crore. The excess payment had not been recovered so far (December 2003).

The matter was brought to the notice of Government in May 2003 and their reply is awaited (December 2003).

WATER RESOURCES DEPARTMENT -BENNITHORA PROJECT**4.1.6 Unauthorised expenditure**

The action of the Divisional Officer to spend project funds on unauthorised construction of Jeepable paths and undertake works of approach roads and service roads of main canal which were part of the main canal works as a finished item resulted in an irregular expenditure of Rs.2.76 crore

Irrigation Project Construction (IPC) Division No.4, Hebbala in Gulbarga district undertook works of constructing Jeepable paths and improvement works of already existing paths for finalising alignment of distributories of left and right banks of Bennithora canal. These works (estimated cost Rs.97.36 lakh) numbering 134 were carried out during 1998-2003 after preparing estimates costing less than Rs.two lakh for each work, which were sanctioned by the Divisional Officer. These works were got executed through piecework agencies (43 works) and on 'task work' basis (91 works) at a total cost of Rs.77.09 lakh. In addition to this, Improvements to approach roads to canals and Formation and Improvements to Service Roads/Inspection Path (SR and IP) from km 45 to 60 of LBC and from km 66 to 80 of RBC, respectively were also executed during 1998-2003 on the ground that they were necessary to facilitate smooth conveyance of men and material and for inspection of the works. These 107 works of Improvements to Approach Roads and 76 works of formation and improvements to SR and IP were also got executed on task work/piecework basis at a cost of Rs.1.99 crore.

Audit scrutiny revealed that the works were carried out in violation of financial rules and codal provisions. All these works were neither included in the technically sanctioned project estimates nor was approval to their execution obtained from competent authority. Instead, these works were split up to avoid obtaining such approval. The execution of these works was continued even after Superintendent Engineer, IPC, Gulbarga Circle directed the Divisional Officer (February 2001) not to take up these works, as they were not creating any irrigation potential. It was also noticed that payment to suppliers of construction materials for Jeepable paths was made in cash (Rs.37.60 lakh) instead of issuing 'Account Payee' cheques, as per the prescribed procedure. The Divisional Officer in contravention of the prescribed control measures permitted the Sub-Divisional Officers to handle cash transactions. The scope for falsification of claims and fictitious payments could thus not be ruled out.

In respect of approach roads, it was observed that the rates quoted by the contractors for main canal works covered the cost of construction/improvements to the approach roads. Similarly, the quantities of earth work excavation and embankment included in the tender agreement provided for construction of SR/IP also. Moreover, as SR and IP constitute an integral part of the main canal and are to be constructed simultaneous with the construction of the main canal, execution of these works again on piecework/task work basis and that too by splitting them as works of less than Rs.two lakh was not justified. In the circumstances, the works executed by the Divisional Officer incurring an expenditure of Rs.1.99 crore was irregular and doubtful.

On this being pointed out to Government, it was contended (August/September 2003) that the Jeepable paths though outside approved programme, were essential. As regards SR/IP works, it was contended that though excavation for SR/IPs constitutes part of canal works, these were not entrusted to canal contractors. The contention was not, however, factual as execution of these works were actually entrusted to main canal contractors, as confirmed (October 2003) by the Divisional Officer, IPC, Hebbala.

WATER RESOURCES DEPARTMENT - KARANJA PROJECT

4.1.7 Faulty designs of the rising main leading to infructuous expenditure of Rs.2.66 crore

Failure of the Department to assess the actual pressures for the rising mains of Karanja Lift Irrigation Scheme and select pipes of appropriate design resulted in an expenditure of Rs.2.66 crore becoming largely infructuous

The Karanja Lift Irrigation Scheme (estimated cost: Rs.32 crore) was taken up for execution for irrigating 4,047 hectares of land. The works under the scheme included construction of head works including a four row rising main, erection of pumping machinery, construction of canal over a length of 24 kms and its distributaries. By March 2003, head works including rising mains and canal for a length of five kms had been completed incurring an expenditure of Rs.10.20 crore. The rising mains (expenditure: Rs.2.63 crore) installed in 2000 when put to test however, leaked heavily affecting irrigation adversely. The expert committee to whom the matter was referred by the Department reported (March 2002) that the permanent remedy was to replace the entire four row RCC pipes by a single row of steel pipe. As a temporary measure, the committee advised using of valves, bye-pass etc. The Department as a temporary measure incurred an expenditure of Rs.34.16 lakh, which too did not prove fruitful, as the leakages continued even thereafter.

Audit scrutiny revealed that RCC pipes designed to withstand a maximum site test pressure* of 20 M up to initial reach of 945 metres and 13 M thereafter were selected and used in the rising mains reckoning the respective pressures as 19.08 M and 7.55 M. However, on commissioning of the pumps, as the actual respective pressures were 37 M and 25 M, the pipes gave way leading to heavy leakages. Remedial measures (expenditure: Rs.three lakh) viz., inserting non-return and zero velocity valves in the rising mains to regulate/check the water flow in the pipes did not help in checking the leakages, as they did not provide for a bye-pass to counter surge conditions.

Thus, failure on the part of the Department to assess the actual pressures and select the pipes of appropriate design resulted in expenditure of Rs.2.66 crore on construction of rising mains as largely infructuous.

The matter was brought to the notice of Government in June 2003 and their reply is awaited (December 2003).

* 'Site test pressure' is the pressure applied on the pipes to test their strength and water tightness

WATER RESOURCES DEPARTMENT -TUNGABHADRA PROJECT**4.1.8 Unauthorised works**

The action of the Chief Engineer to incur irregular expenditure on an irrigation canal led to creation of an unwarranted financial burden of Rs.1.86 crore to Government

The Chief Engineer, Irrigation Central Zone, Munirabad decided (December 1997) to provide a cover duct to Basavanna Irrigation Canal following a request by Hospet Urban Development Authority (HUDA) that the open canal in the town was being polluted by local residents posing danger to public health. The scope of the work included silt removal, earthwork excavation, providing concrete bed, RCC beams and columns, side walks and RCC cover slab at an estimated cost of Rs.three crore. However, on demand of funds from HUDA, it was proposed by HUDA to construct a shopping complex over the cover duct and lease out the same to them. The entire work was estimated to cost Rs.5.50 crore and the same was required to be deposited by HUDA before commencement of work. However, the Irrigation Department (Executive Engineer, No.1, Tungabhadra Reservoir Division, Munirabad) with the approval of the Chief Engineer commenced (December 1997) the work departmentally and on piecework basis in anticipation of receipt of any funds from HUDA. This was done on the plea that the work was to be completed within the ensuing canal closure period, and that the available time did not permit preparing detailed estimates and entrusting work on 'open tender' basis.

The Chief Engineer subsequently approved (July 1998) six estimates (each costing less than Rs.50 lakh) aggregating Rs.2.85 crore and sought ex-post facto approval from Government for the work. The Chief Engineer demanded funds of at least Rs.one crore for payments due, as HUDA had not deposited any amount with the department. To this, Government directed (May 1999) Chief Engineer to obtain funds from HUDA only and instructed him not to undertake such works in future without the approval of Government. As payments were not received, two contractors approached (2000) the court and the department paid Rs.97.43 lakh to them (May 2003) under court orders. Contractor's bills for Rs.88.75 lakh were still pending for payment. The Department completed the work of silt removal, earth work excavation, providing concrete bed and RCC beams and columns. However, the work of providing cover slab to the canal was not executed. Non-execution of the cover slab was attributed to non-availability of funds. In the absence of the cover slab, the canal remained open to pollution, defeating the purpose for execution of the work.

The unauthorised action of the Chief Engineer in incurring an irregular expenditure of Rs.1.86 crore and creating an unwarranted financial burden of Rs.1.86 crore to Government had neither been regularised nor investigated.

The matter was brought to the notice of Government in June 2003 and the reply is awaited (December 2003).

* Running for a length of 1.6 km in Hospet town in Bellary district

4.2 Violation of Contractual obligations/undue favour to contractors

PUBLIC WORKS DEPARTMENT - COMMUNICATION AND BUILDINGS

4.2.1 Unintended benefit to contractor

Acceptance of tender at rates higher than the rates payable for similar work resulted in injudicious expenditure of Rs.72.49 lakh

The work of dredging boat basin of Second Stage Fishing harbour at Malpe in Udupi taluk estimated to cost Rs.3.11 crore was entrusted (April 2000) to a firm at their tender cost of Rs.2.46 crore with a stipulation to complete the work by March 2001. The work was actually completed in November 2001 at a total cost of Rs.2.36 crore.

It was observed in audit that the department after inviting tenders (July 1999) for an estimated dredging work of 2.60 lakh cum accepted (June 2000) tendered rate of Rs.69.50 per cum of a firm apart from lump sum mobilisation/de-mobilisation charges of Rs.40 lakh quoted by it. In addition, 10 *per cent* increase in the quoted rates was also accepted by the department in lieu of certain conditions of contract imposed by the tenderer while offering the rates, which were later withdrawn on negotiation. All this put the effective composite rate for 2.60 lakh cum dredging work at Rs.94.43 per cum which was much higher than the rate of Rs.55 per cum fixed (1998) for another dredging work, the indexed rate of which at 10 *per annum* increase would work out to Rs.66.55 per cum.

Audit scrutiny revealed that while putting the work to tender, the estimated cost of the work was put at a unit rate of Rs.115.72 for cum of dredging work excluding mobilisation/de-mobilisation charges and idle time charges which was shown separately in lump sum of Rs.eight lakh and Rs.two lakh, respectively. This estimated rate was arrived at on the basis of composite rate¹ of Rs.59.40 per cum for dredging work paid to Dredging Corporation of India during 1991-92 to which inflation at the rate of 10 *per cent* was added for each year. While doing so, the rate of Rs.55 per cum fixed by the division for another dredging work in 1998 which included mobilisation and de-mobilisation charges and idle time charges was not taken into account.

Had the rates for the work been estimated prudently and later tender accepted taking into account the rates prevalent in the recent past for such works, the department would have been saved from an injudicious expenditure of Rs.72.49 lakh².

On this being pointed out to Government, it was contended (July 2003) that the separate mobilisation and de-mobilisation charges of Rs.40 lakh quoted by the contractor were accepted as huge machinery had to be mobilised by the firm from a distant place to the work site. The contention is not tenable, as in

¹ Which included mobilisation/de-mobilisation and idle time charges

² Difference between the effective composite rate of Rs.94.43 per cum and the indexed rate of Rs.66.55 per cum

all such works the movement of machinery to the work site is a normal component of dredging work.

PUBLIC WORKS DEPARTMENT- NATIONAL HIGHWAYS

4.2.2 Undue favour to the contractor

Injudicious decision of the Department to bear the extra cost of construction of cofferdam with increased height in violation of contractual obligation resulted in grant of undue benefit of Rs.64.50 lakh to a contractor

Construction of a new bridge across river Tungabhadra at Madalaghatta in Bellary district was entrusted (April 1999) to a contractor at tender cost of Rs.8.49 crore with a stipulation to complete the job by October 2001. The work was actually completed in December 2002 and the contractor was paid (January 2003) Rs.9.64 crore.

In the 'Brief Description of the Project' appended to the tender booklet, the Department had notified for the guidance of tenderers, that the period from mid-February to mid-May was considered the best time for executing the foundation works of the bridge as the inflow into the river would be the lowest during that period. The drawings appended to the tender booklet also indicated that the Low Water Level in the river during this period would be 1.20 metres that could enable the contractor to plan and complete the foundation work as well as the entire bridge work within the stipulated time. The tender conditions also stipulated that the tenderer shall ascertain the water level during the year and that he is deemed to have carried out his own investigations to arrive at the rates quoted in the tender. Accordingly, contract agreement¹ entered into with the contractor envisaged construction of cofferdams of required height and depth by him as per standing water at the site of the bridge. The rates quoted by the contractor for the work were accordingly deemed to cover the cost of construction as per site conditions.

Audit scrutiny however, revealed that a payment of Rs.64.50 lakh was made to the contractor as an extra cost for construction of cofferdam² beyond 1.23 metre height. This was done following a representation by the contractor (December 2000) to the Superintending Engineer, National Highways, Dharwad who submitted (January 2001) a proposal to the Chief Engineer, National Highways, Bangalore for allowing the contractor to construct a six metre high cofferdam at an estimated cost of Rs.78 lakh. This was allowed on the condition that the contractor should complete the work in stipulated time. The Chief Engineer approved post facto (March 2001) the Superintending Engineer's proposals on the condition that the contractor should complete the work by October 2001 by which date the contractor was otherwise also obliged to complete the work as per contractual obligation. The contractor completed the cofferdam (February 2001) and was accordingly paid Rs.64.50 lakh for its increased height, as an extra item of work in violation of contractual obligation. However, the construction of bridge was delayed beyond October 2001 and was completed only in December 2002.

¹ Schedule 'B' indicating detailed specifications of the work

² A watertight enclosure pumped dry to permit work below the waterline for construction of piers

Thus, failure to enforce the contractual obligations resulted in extending undue benefit of Rs.64.50 lakh to the contractor on the plea of completing the bridge work in time, which was however, not achieved.

When this was brought to notice of the Government, the Government stated (July 2003) that the decision was taken in the interest of early completion of work. The reply was not tenable; as the decision was not consistent with the terms of contract agreement, and work was not completed in time, but instead delayed by 13 months.

URBAN DEVELOPMENT DEPARTMENT

4.2.3 Excess payment on extra items executed

Board incurred extra liability of Rs.1.17 crore due to incorrect application of contractual clause for extra items of works executed and paid Rs.98 lakh till date

Details of two Water Supply Schemes (WSS) implemented by Karnataka Urban Water Supply and Drainage Board (Board) were as follows:

Name of the WSS	Period of entrustment to contractor	Contract amount	Total length of PSC pipelines	Length and period of laying MS pipes in lieu of PSC pipes	
				Length	Period
WSS to Davanagere City	August 1999	Rs.27.14 crore at SR of 1998-99 + 35.92 per cent tender premium	26,479 metres	5,585 metres	February 2001
WSS to Basavakalyan	January 1999	Rs.6.18 crore at SR of 1998-99 + 23.05 per cent tender premium	4,110 metres	1,585 metres	June 2001

SR= Schedule of Rates, MS = Mild steel, PSC=Pre-stressed concrete

While WSS to Davanagere City entrusted to Contractor A due for completion in June 2001 was still in progress (November 2003), the other WSS entrusted to Contractor B was completed (August 2002). Board changed specification of pipes from PSC to MS to the extent indicated above after 19 months and 13 months respectively of entrustment of work to contractors on the ground that pipeline in certain reaches passed through water logged/hilly area and congested roads. Laying of MS pipes was entrusted to same contractors at Rs.3.56 crore (estimated as per SR of 2000-01 + tender premium 35.92 per cent) and Rs.1.25 crore (estimated at SR of 2001-02 + tender premium 23.05 per cent) in respect of Davanagere and Basavakalyan respectively through supplementary agreements. Substitution of PSC by MS pipes constituted extra item of work as per codal provisions. Payment for such extra works was to be regulated as per the prevailing SR (SR of 2000-01 and 2001-02 for WSS Davanagere and Basavakalyan respectively in the instant cases) as stipulated in clause 21.1 of special conditions of contracts. State Government and Board contended (June 2003 and September 2003) that mere substitution of MS pipes in lieu of PSC pipes could not be construed as extra item of work and rate allowed was in conformity with clause 21.1 *ibid*. This contention was not correct, as item replacing an existing item of work partly or wholly, was to be treated as extra item only and there was no provision for payment of tender premium for extra items of work under clause 21.1. Also MS and PSC pipes were specified as different items and carried different rates in the SR. As such, payment of tender premium for extra item of work was irregular and

resulted in excess payment of Rs.1.17 crore^ψ out of which Rs.98.05 lakh had already been paid.

4.3 Avoidable/extra expenditure

EDUCATION DEPARTMENT

4.3.1 Extra expenditure of Rs.1.47 crore on printing of minimum learning level and other text books

Rates accepted by HPC for printing of text books were higher than those paid by Project Director, DPEP

The Project Director (PD) who was implementing authority for District Primary Education Programme (DPEP-a World Bank assisted project) printed (January to May 2001) at rates ranging from Rs.5.52 to Rs.15.45 per book for Minimum Learning Level (MLL) books for free distribution in 11 districts covered under DPEP. The Commissioner for Public Instruction (CPI) and Director, Department of State Educational Research and Training (Director) arranged printing/distribution of both MLL and non-MLL books in non-DPEP districts. Besides, CPI/Director arranged for sale of these books also. A High Power Committee[⊗] (HPC) constituted for the purpose, entrusted printing of text books of several titles at a cost of Rs.23.92 crore to private printers through local competitive bidding divided into 37 packages and each package was a separate contract. HPC accepted rates ranging from Rs.5.93 to Rs.17.35 per book.

Scrutiny of records in the Office of CPI/Director revealed following:

Printing of text books meant for free distribution

Rates for MLL and non-MLL books meant for free distribution were higher when compared to the rates finalized and allowed under DPEP by Re:0.41 to Rs.1.90 per book of different titles though technical specification of text books and bid conditions were identical with those printed under DPEP (*Appendix 4.3*). Though, contracts were awarded only to local bidders in both cases, HPC did not ascertain rates finalized by PD, DPEP and negotiate rates with bidders while approving contracts for printing of books for non-DPEP districts. This resulted in extra expenditure of Rs.1.47 crore on printing of 127.67 lakh text books (MLL books-69.33 lakh, non-MLL books-58.34 lakh meant for free distribution).

Printing of books meant for sale

Rates accepted by HPC for printing books for both free distribution and sale purpose were same. These rates as discussed earlier were higher than rates

ψ WSS, Davanagere $\frac{35.92}{135.92} \times \text{Rs.}3.56 \text{ crore} = \text{Rs.}94.08 \text{ lakh, Paid Rs.}76.11 \text{ lakh}$

WSS, Basavakalyan $\frac{23.05}{123.05} \times \text{Rs.}1.25 \text{ crore} = \text{Rs.}23.41 \text{ lakh, Paid Rs.}21.94 \text{ lakh}$

= Rs.117.49 lakh Rs.98.05 lakh

⊗ Commissioner for Public Instruction as Chairman, Directors of Primary and Secondary Education, Text Books, Printing Press, School of Printing as members and Deputy Director of Text Books as Secretary

fixed under DPEP. Printers sold 53.28 lakh books to students at higher rates ranging from Rs.5.93 to Rs.17.35 as against Rs.5.52 to Rs.15.45 per book. Thus, printers made undue gain of Rs.65.00 lakh in respect of books meant for sale.

Director replied (July 2003) that DPEP books were printed on National Competitive Bidding (NCB) tender basis as per the requirement of World Bank while non-DPEP books were printed on Local Competitive Bidding (LCB) tender basis to encourage local/state printers and justified acceptance of higher rate on certain grounds. Details of the same and audit rebuttal thereof are indicated below:

Sl. No.	Reply of Director	Audit Rebuttal
1.	No. of books to be printed under each minority title in each package ranged from 250 to 1000 only under LCB tenders as against minimum of 5000 books prescribed under NCB tenders. This was uneconomical to LCB tenderers and hence higher rate was received for LCB tenders.	LCB tenders provided for payment of subsidy to compensate printers in respect of titles where printing requirement was less than 5000 copies. Hence, the reply was not tenable.
2.	In respect of LCB tenders, printers had allowed 17 per cent discount to Government.	Only net rates accepted for LCB contracts after unloading discount factor have been compared with rates paid for DPEP books for computing excess expenditure. Hence, reply was untenable.
3.	In respect of LCB tenders royalty at four paise per book was recovered from printers whereas DPEP tenders did not provide for recovery of royalty.	As the LCB/NCB contracts entered into with printers constituted sale of printed material by the printers to Government by making use of copyright held by Government, royalty was recoverable in respect of DPEP books also.
4.	Payment schedule obtaining under World Bank assisted DPEP scheme was prompt and convenient to printers compared to state scheme.	Adequate funds were provided to Director. Scrutiny had revealed that bills were paid between 30 to 40 days. The apprehension expressed by the Director regarding delay had no basis and not a valid reason for accepting higher rate.
5.	As the scope of NCB tenders were vast compared to LCB tenders, more competitive rates were obtained for NCB tenders.	In the context of text books, printers operating within the state had definite cost advantage over printers of other states. This was evident from the fact that out of 13 NCB tenders received for DPEP books, only four belonged to other states and even these four were ultimately rejected as they were not competitive. Hence, the reply was untenable.
6.	LCB tenderers supplied 50 copies of each title free of cost	Benefit derived was quite marginal ($50 \times 37 = 1850$ titles costing Rs.1.75 lakh at an average rate of Rs.11.34 per book) against extra cost of Rs.1.47 crore.

Thus, unjustified acceptance of higher rates by HPC compared to those obtained by PD, DPEP for books of identical specification resulted in extra expenditure of Rs.1.47 crore to State Government besides facilitating the printers to make undue gain of Rs.65 lakh on books meant for sale.

The matter was referred to Government in June 2003; reply had not been received.

HOUSING DEPARTMENT**4.3.2 Unnecessary appointment of Chartered Accountant**

Appointment of Chartered Accountant for compilation of statistical data was unwarranted as these details were already on record. Besides, there was no transparency in his appointment and in determining fees

Karnataka Housing Board (KHB) was the nodal agency from January 1993 for monitoring implementation of Ashraya Scheme (Scheme) which envisaged construction of houses for urban and rural poor. It was responsible for drawal of loan from HUDCO on behalf of State Government, subsidy from State Government and distribution of same among Deputy Commissioners (DC)/Zilla Panchayats (ZP) and maintenance of accounts for the same. However, State Government appointed (May 2000), Rajiv Gandhi Rural Housing Corporation Ltd., as nodal agency for the Scheme. With the change of nodal agency, KHB appointed Chartered Accountant (CA) for audit of Scheme from 1992 to 2000 on the ground that loan accounts of the Scheme were not kept separately and required reconciliation, and paid Rs.87.56 lakh as against the claim of Rs.92.67 lakh (Rs.60.00 lakh as professional fees, Rs.27.56 lakh towards halting, boarding, conveyance and incidental expenses) to the CA.

Scrutiny of records revealed following lapses:

KHB appointed CA without direction from State Government and thus contravened Section 56 of KHB Act. Further, the procedure of empanelment of CA in vogue in Commercial Undertakings of State Government was not followed, resulting in lack of transparency in the appointment of CA and determining fees.

Professional fees of Rs.60.00 lakh (at Rs.50,000 per month per district) was paid (September 2000 to February 2001 and August 2002) for compilation/reconciliation of accounts of the scheme involving Rs.417.53 crore in respect of 27 districts from 1992-2000, as against the admissibility of Rs.26.49 lakh* at Rs.1.55 lakh per annum agreed by Karnataka Warehousing Corporation for similar work involving transaction of Rs.24.43 crore during 2001-02.

Though, charges towards halting, boarding, conveyance and incidental charges payable at Rs.280 per person/day were to be limited to actual expenditure, no vouchers/acquittances in proof of expenditure of Rs.27.56 lakh were on record. Thus, payment of the same without ascertaining actual expenditure was irregular.

Further, certified accounts of KHB indicated details of loan drawn by HUDCO and its repayment, subsidy drawn from State Government and funds released to DCs/ZPs year-wise from 1992-93. Besides, separate files and disbursement ledger for Ashraya Scheme was maintained. DCs/ZPs had also furnished utilisation certificate to State Government on the implementation of the

* For Rs.24.43 crore, professional fees paid was Rs.1.55 lakh during 2000-01
For Rs.417.53 crore, professional fees admissible works out to Rs.26.49 lakh.

scheme. Report prepared by the CA indicated same details i.e. loan drawn, repaid to HUDCO, subsidy received from State Government, funds released to implementing officers and funds remaining unspent with them, which KHB as nodal agency should have obtained every year from implementing officers. Housing Commissioner, KHB stated (June 2003) that as a result of reconciliation of accounts by CA it was possible to identify unspent amount of Rs.117 crore lying with district implementing authorities. However, scrutiny of annual accounts for 2000-01 revealed that the unspent amount was a part of Rs.173.44 crore released during 2000-01. Appointment of CA for compilation of statistical data which were already on record was, therefore, wholly unwarranted and resulted in avoidable expenditure of Rs.87.56 lakh.

The matter was referred to Government in June 2003; reply had not been received.

PUBLIC WORKS DEPARTMENT - COMMUNICATION AND BUILDINGS

4.3.3 Avoidable extra expenditure due to non-adherence to the revised work specifications

Failure to give effect to the revised specifications in the execution of road surfacing works resulted in payment to contractors at higher rates, which led to an avoidable extra expenditure of Rs.3.01 crore

The State Public Works Department executed works of improvement and strengthening of roads under NABARD assisted Rural Infrastructure Development Fund (RIDF) programme during December 2000 to November 2002. The works inter alia, involved execution of an item of work viz., Single Coat Surface Dressing as per the prevailing specifications of Indian Road Congress (IRC).

The work of Single Coat Surface Dressing comprises application of a layer of bituminous binder sprayed on a previously prepared base followed by a cover of stone chippings properly rolled to form a wearing course conforming the specifications of IRC. The specifications inter alia, provided for using 0.15 cum of stone chippings of 13.2 mm nominal size bitumen of 18 kgs per 10 sqm road surface. These specifications were however, revised by Ministry of Road Transport and Highways (MORTH) in November 2000, which provided for using 19 mm nominal size stone chippings and bitumen of 12 kgs per 10 sqm road surface.

Audit scrutiny of records of 22 test checked Public Works Divisions revealed that 244 works involving 71.58 lakh sqm of Single Coat Surface Dressing were executed by them during the period from January 2001 to November 2002, according to the pre-revised IRC specifications, as the revised norms were not given effect to. This resulted in payment to contractors at the higher rate of Rs.21 per sqm (plus tender premium) as against Rs.16.80 per sqm*

* Rate	Rs.21.00 per sqm
Less	Rs.04.80 – cost of 0.60 kg bitumen @ Rs.8,000/MT
	Rs.16.20
Add	Rs.00.60 – Difference in cost of road metal
Net	Rs.16.80 per sqm

payable under revised IRC specifications. This led to an avoidable extra expenditure of Rs.3.01 crore.

When this was pointed out in audit, the Department accepted the omission and issued necessary corrigendum and circular instructions (November and December 2002) directing Field Officers to act upon the revised IRC specifications with immediate effect. However, the Chief Engineer, Communication and Buildings (South), Bangalore contended (May 2003) that there was no avoidable extra expenditure, as the payments made to the contractors using the basic rate of Rs.21 per sqm was arrived at after reducing the pre-revised rates by 25 *per cent*, which was sufficient to cover the extra expenditure pointed out in audit. The reply was not tenable, as the reduction in basic rate could not be attributed to the revision of specifications and was a normal reduction effected while approving rates for works.

The matter was brought to the notice of Government in June 2003 and their reply is awaited (December 2003).

PUBLIC WORKS DEPARTMENT - NATIONAL HIGHWAYS

4.3.4 Avoidable extra expenditure due to payment at higher rates

Failure of the department to include essential items of work in the project estimates despite clear guidelines by the Ministry resulted in their execution at higher rates involving an avoidable extra expenditure of Rs.34.72 lakh

The National Highways Division, Bijapur took up (October 2000) the work of widening NH 63 from km 200 to 223 and from km 240 to 267 at an estimated cost of Rs.5.74 crore. The road under widening was running in black cotton soil for most of its length and the existing single carriage way had several types of defects with the overall riding quality being very poor. The guidelines issued by the Indian Road Congress (IRC) envisaged that a layer of sand blanket of 225 mm thickness may be provided to the soil foundation (sub grade) while forming roads in such expansive soils as black cotton soil so as to prevent extensive damages to the road. As such, provision of a sand blanket of suitable thickness was essentially required to be included in the estimates of these widening works.

The work of widening the road was entrusted to an agency for execution at their tendered cost of Rs.3.37 crore, which was based on 1999-2000 Schedule of Rates, without including provision for sand blanket. However, during actual execution of the work, it was decided to provide a layer of sand blanket of 225 mm thickness for both the reaches and a layer of 75 mm thick Grade III road metal in the reach from km 240 to 267. These works were got executed as 'extra items' through the same agency at higher rates incurring an expenditure of Rs.1.37 crore (March 2002/September 2003). Had this provision been made in the original estimate itself, taking into account the Indian Road Congress specifications applicable in such cases, the Department would have avoided an extra expenditure of Rs.34.72 lakh as a result of making payment on the basis of enhanced 2000-01 rates instead of 1999-2000 rates.

When this was brought to notice of Government, it was stated (June 2003) that the provision of a sand blanket was not felt necessary, as the existing single lane had performed well without a sand blanket. The reply is not tenable, as the Department should have followed Indian Road Congress specifications in the project estimates itself as was done during execution of the work.

URBAN DEVELOPMENT DEPARTMENT

4.3.5 Avoidable extra cost on laying of MS pipes in lieu of PSC pipes

Unjustifiable and arbitrary stand taken by Board for laying of costlier MS pipes in lieu of cheaper PSC pipes resulted in avoidable extra cost of Rs.6.56 crore

Karnataka Urban Water Supply and Drainage Board (Board) prepared each year Schedule of Rates (SR) which contained inter alia, detailed specifications and rates for pre-stressed concrete (PSC) pipes designed to withstand working pressure up to nine kg/sq.cm (Factory test pressure of 18 kg/sq.cm). Though, working pressure was within the limit of nine kg/sq.cm and site conditions were normal and conducive for laying of PSC pipes, Board laid mild steel (MS) pipes costlier than PSC pipes in three Water Supply Schemes (WSS). Details of these WSS were as follows:

Name of WSS/ Working Pressure along the pipeline	Period of entrustment/ Name of the contractor	Specification and Length of MS pipes laid	Specification of PSC pipes suited	Scheduled rate per metre of		Extra expenditure (Rupees in crore)	Period of completion
				MS Pipe	PSC Pipe		
				(In Rupees)			
Improvement to WSS to Beelagi Town/ 7.6 kg	January 2000/ M/s. Laxmi Engineers, Kolhapur	273.1 mm dia. 5.6 mm thickness 12,150 metres	375 mm dia 18 kg per sq.cm test pressure.	1,403	1,120	0.35	October 2001
Regional WSS to Maddur and 39 enroute villages/ 6, 6.3 and 7.6 kgs*	March 2001/ M/s. Larsen & Toubro Ltd	508 mm dia, 6.4 mm thickness 31,860 metres	500 mm dia 18 kg per sq.cm. test pressure	2,810	1,450	4.33	Not yet completed
		406 mm dia, 6.4 mm thickness 11,000 metres	400 mm dia 18 kg per sq.cm. test pressure	2,130	1,170	1.06	Not yet completed
Comprehensive WSS to Chikka Nayakanahally/ 8.3 kgs	August 2000/ M/s. Nagarjuna Construction Company Ltd., Hyderabad	350 mm dia, 6 mm thickness 15,450 metres	375 mm dia, 18 kg per sq.cm. test Pressure	1,650 (Tendered rate)	1,120	0.82	Not yet completed
Total						6.56	

* Raw water pipeline for 12,120 metres -7.6 kg . Pure water pipeline for 19,740 metres -6 kg, Pure water pipeline for 11,000 metres - 6.3 kg

State Government and Board justified (April 2003/October 2003) laying of MS pipes citing reference to circular instructions issued by Managing Director in December 1999 wherein it was inter alia stated that in several works, PSC pipelines with factory test pressure exceeding 12 kg/sq.cm were creating problems during operation and maintenance. They further stated that only PSC pipes were used wherever conditions were favourable. However, specific instances of works that created problems were not cited in the circular. Moreover, the Board continued to include PSC pipes of 18 kg/sq.cm. in its SRs of 2000-01 onwards also. This indicated that PSC pipes were suitable upto a factory test pressure of 18 kg/sq.cm. It was also observed that Board laid MS pipes for a length of 19,740 metres in respect of Water Supply Scheme to Maddur included in the table above, though factory test pressure

involved along the pipeline was only 12 kg/sq.cm which was within the limits of PSC pipes and work was executed after issue of the said circular. Evidently, the said circular was issued in an arbitrary manner.

Thus, the unjustifiable and arbitrary stand taken by the Board for laying of costlier MS pipes in lieu of cheaper PSC pipes resulted in avoidable extra liability/expenditure of Rs.6.56 crore.

4.3.6 Avoidable extra cost due to entrustment of work at exorbitant rates

Board's unjustifiable decision to bypass tender procedure and entrustment of work to a contractor at exorbitant rates resulted in avoidable extra cost of Rs.36.74 lakh

Karnataka Urban Water Supply and Drainage Board (KUWS&DB) entrusted to contractor A (July 1994) laying of 500 mm dia pre-stressed concrete (PSC) pipeline for raw water supply for a length of 13,440 metres at a cost of Rs.1.43 crore, 9.67 *per cent* above SR of 1993-94 under Regional Water Supply Scheme to Gundlupet and enroute villages. The work due for completion in December 1995, was stalled after PSC pipes were laid for a total length of 2,620 metres in different chainages for nearly five years due to delay in land acquisition. In April 1999, Board realized that pipeline was to pass through agricultural fields for total length of 5,000 metres in three chainages different from those where PSC pipes were already laid. Board withdrew from contractor A work in respect of these three chainages and awarded (August 1999) the work of laying mild steel (MS) pipes in these chainages to another contractor B at Rs.2.13 crore without calling for tenders (as against estimate of Rs.1.78 crore prepared on SR of 1998-99).

State Government and Board justified (October 2003) bypassing of tender procedure on grounds of urgency and contractor B agreed to execute this work at Rs.3,634.70 per metre at which rate similar work was executed (1997-98) by him in Chamarajanagar. Also, Board adopted data rate of Rs.2,900 per metre for preparing estimate in this case (three chainages of pipeline for Gundlupet). Board had not allowed such exorbitant rates (25 *per cent* above the data rate) for laying of MS pipes in other works. Reason of urgency for not calling for tenders was also not tenable as other allied components such as headworks, overhead tanks, laying of pipes for pure water raising main were incomplete as on the date of entrusting the work to contractor B and some items are still incomplete till date. Thus, Board's unjustifiable decision of entrusting work without inviting tenders and payment at exorbitant rates resulted in avoidable extra expenditure of Rs.36.74 lakh.

**HOUSING, HEALTH & FAMILY WELFARE, PUBLIC WORKS AND
RURAL DEVELOPMENT & PANCHAYAT RAJ DEPARTMENTS**

4.3.7 Mismanagement of HUDCO loan

Delays and lapses at various stages leading to mismanagement of loan and avoidable payment of penalties of Rs.3.99 crore

Certain Corporations/Agencies borrowed funds from Housing and Urban Development Corporation (HUDCO) on the basis of guarantee furnished by State Government for implementation of Government schemes. Loan agreement entered into with HUDCO by these Corporations/Agencies prescribed inter alia the following conditions:

Levy of commitment charges at 0.1 *per cent* per quarter if Corporations/Agencies failed to draw loan instalment within six months of due dates as stipulated in loan drawal schedule except in the case of Karnataka State Industrial Investment Development Corporation (KSIIDC).

State Government was to provide necessary funds to Corporations/Agencies for repayment of loan with interest as per loan repayment schedule.

Levy of compound and penal interest at 2.5 *per cent* per annum each, in the event of delay in repayment of instalment of loan and interest.

Details of loans sanctioned, drawn and repaid, commitment charges, compound and penal interest levied were as follows:

Sl. No.	Name of the Corporation/Agency	Loan sanctioned (Period)	Loan drawn (Period)	Loan repaid with interest as on December 2002		Commitment charges deducted	Compound and penal interest
				Principal	Interest		
1.	Karnataka Residential Educational Institutions Society (KREIS)	76.30 (October 2000)	51.30 (April 2001 to March 2003)	16.44	13.62	0.18	--
2.	Karnataka State Industrial Investment Development Corporation (KSIIDC)	150.00 (November 2000)	150.00 (December 2000 to September 2002)	5.45	21.27	0.15	0.25
3.	Karnataka Land Army Corporation (KLAC)	160.00 (March 2001)	140.00 (May 2001 to February 2003)	-	20.09	0.15	0.78
4.	Rajiv Gandhi Rural Housing Corporation (RGRHC)	490.00 (1999-2003)	421.15 (March 2000 to March 2003)	9.31	19.91	0.29	0.25
5.	Sri Jayadeva Institute of Cardiology (SJIC)	32.00 (December 1998)	32.00 (February 1999 to August 2002)	11.56	9.28	--	0.97
6.	Karnataka State Police Housing Corporation (KSPHC)	166.87 (1995-96 to 2002-03)	154.06 (1995-96 to 2002-03)	39.52	38.02	--	0.97
Total		1,075.17	948.51	82.28	122.19	0.77	3.22

Scrutiny of records revealed following lapses:

KREIS, RGRHC and KLAC delayed drawal of loan instalments for periods ranging from four to 20 months even after expiry of six months from due date. While KREIS and RGRHC had not furnished any reasons for non-compliance with loan drawal schedule, KLAC attributed (June 2003) delay to Zilla Panchayats/Grama Panchayats who were to identify villages and agencies for execution of works. The reply was not tenable as KLAC ought to have ensured completion of preliminary/ground work before entering into agreement with HUDCO.

- Though the agreement between KSIIDC and HUDCO did not provide for deduction of commitment charges for delay in drawing instalment of loan, latter deducted the same to the extent of Rs.15 lakh. On this being pointed out in audit, KSIIDC approached (September 2003) HUDCO for refund of commitment charges deducted. However, the same has not been refunded so far (December 2003).
- KLAC and SJIC approached after delay of two to three months State Government, for release of funds for repayment of loan. As State Government had not made any provision in the budget and funds were obtained through supplementary grants, release of funds were further delayed by another three months.
- State Government also delayed by one to four months and one to three months, release of funds to KSIIDC and KSPHC respectively despite receipt of proposals timely before scheduled date of repayment of quarterly instalments. KSPHC also repaid the same to HUDCO after a further delay ranging from one to two months.

Failure of Corporations and State Government to ensure repayment of principal and interest as and when it became due and ineffective management of loan resulted in payment of avoidable penalties to the extent of Rs.3.99 crore.

The matter was referred to Government in July 2003; reply had not been received.

4.4 Idle investment/idle establishment/blockage of funds

MINOR IRRIGATION DEPARTMENT

4.4.1 Idle investment on lift irrigation scheme

Defective execution of works and inordinate delay in the rectification of defects led to an idle investment of Rs.31.30 lakh

The Third Stage Lift Irrigation Scheme at Vyasanakere of Hospet taluk in Bellary district estimated to cost Rs.12 lakh was administratively approved (December 1977) and technically sanctioned (March 1979) to irrigate about 800 acres of land from the backwaters of Tungabhadra reservoir. The execution of works under the scheme, which commenced during 1990-91, were completed in January 1996 at a cost of Rs.31.30 lakh.

However, after commissioning (January 1996) the scheme, it was noticed that water was not flowing in the canal and its reaches due to improper gradient in the canal and defective construction of pipe outlets and cross drainage works, as observed by the Superintending Engineer, Minor Irrigation Circle, Gulbarga (April 1996). It was further observed by the Chief Engineer, Minor Irrigation (North), Bijapur (February 1997) that the canal in the rocky reach was not excavated up to the required bed level and the bed level of the irrigation sluice was at a level higher than the canal bed level. The Chief Engineer ordered immediate action be taken to set right the defects and a departmental inquiry.

to be instituted against the officials responsible for the defective work. However, the department has not taken any action to rectify the defects (June 2003). Reasons for inaction in the matter were not forthcoming. Consequently, the scheme could not be commissioned leading to an idle investment of Rs.31.30 lakh for over seven years besides denying benefits of irrigation to the farmers.

The matter was brought to the notice of Government in August 2003 and their reply is awaited (December 2003).

PUBLIC WORKS DEPARTMENT - COMMUNICATION AND BUILDINGS

4.4.2 Working of Inspection Bungalows/Circuit Houses

Test check of Inspection Bungalows and Circuit Houses in the State revealed injudicious investment on construction of additional accommodation, purchase irregularities & shortage of Inspection Bungalow materials and inadequate revenue receipts as compared to their maintenance cost

A test-check of working of Circuit Houses, Inspection Bungalows and Travellers Bungalows in the four Public Works Divisions for the period 1998-2003 revealed under utilisation of the available accommodation and high cost of maintenance despite low revenue. The amount spent on their maintenance and the revenue realised was as shown below:

(Rupees in lakh)

Name of the Division	No. of rooms	Percentage of occupancy (average)	Cost of establishment (1998-99 to 2002-03)	Cost of maintenance	Total	Revenue Realised	Revenue as a percentage of total expenditure
Dharwad	25	18	17.78	9.73	27.51	1.54	5.58
Chamarajanagar	21	26	12.58	2.03	14.61	1.01	6.93
Kodagu	48	28	16.76	19.49	36.25	5.26	14.50
Tumkur	49	20	47.98	21.25	69.23	3.30	4.77
TOTAL	143		95.10	52.50	147.60	11.11	7.52

Despite low occupancy, which ranged between 18 and 28 *per cent*, additional accommodation at a cost of Rs.93.43 lakh was built by three of the four divisions during the period (1998-2003) who further spent Rs.18.58 lakh on furnishing, thereby making an injudicious investment of Rs.1.12 crore. The additional accommodation also did not register occupancy of more than 25 *per cent*. It would also be seen that revenue realised was not commensurate with the maintenance cost.

During the period (1998-2003), the Divisional Officers of Bidar, Bijapur and Dharwad Public Works Divisions purchased materials such as wooden furniture, water heaters, crockeries, bed spreads, blankets etc., worth Rs.1.49 crore for Inspection Bungalows and Circuit Houses in violation of prescribed rules and procedure. The omissions inter alia, included splitting up Purchase Orders to avoid sanction by competent authority, purchases without indents and without inviting quotations/tenders and diversion of funds meant for developmental purposes. A test check in Audit revealed that materials worth Rs.55.36 lakh purchased during this period were not accounted for in stock accounts by the Divisions/Sub Divisions. Physical verification of materials

* Chamarajanagar, Dharwad and Tumkur

was also not conducted at any time and actual existence of stocks was not ascertained, indicating lack of inventory control.

The average annual receipts realised at Cauvery Guest House at Bangalore were Rs.4.56 lakh against an average annual maintenance expenditure of Rs.48.48 lakh. The tariff for rooms was last revised by Government in August 1992 and the Chief Engineer had recommended (November 1998) for revision. Government was yet to take a decision in the matter (July 2003).

Besides, Rs.33.29 lakh being arrears of rent (for the period from 1998-2002) due from Ex-Members of Parliament was yet to be recovered by the Divisional Officer.

The matter was brought to notice of Government in May 2003 and their reply is awaited (December 2003).

4.5 Regulatory issues and other points

FINANCE DEPARTMENT

4.5.1 Inspection of Treasuries

Public Sector Banks made excess payment of family pension of Rs.1.16 crore in 581 cases as of March 2002

The Treasuries and Sub-Treasuries in Karnataka are under the administrative control of the Director of Treasuries, Bangalore. All the District Treasuries (30), Sub Treasuries (184) and the Stamps Depot for the year 2001-02 were inspected by the Accountant General (Accounts & Entitlement) during 2002-03. The following major irregularities and failure in control were noticed during inspection of the Treasuries.

Excess Payment of Family Pension

Under the provisions of Karnataka Government Servants (Family Pension) Rules 1964, when a government servant dies while in service his/her family is entitled to Family Pension at double the normal rate or 50 percent of the pay last drawn by the deceased government servant at the time of death whichever is less, for a period of seven years from the date following the date of death or till the date on which the Government servant would have attained the age of sixty five years had he remained alive, which ever is earlier.

In 581 cases, excess payment of family pension of Rs.115.88 lakh was made by public sector banks at enhanced rates beyond the period indicated in the Pension Payment Orders issued by the Accountant General (A&E) (*Appendix 4.4*).

In six treasuries (Bangalore (U), Bangalore (R), Belgaum, Bellary, Chikkamagalur and Mysore), in 40 cases, inspite of pointing out in earlier inspection, the family pension continued to be paid at a higher rate by the banks resulting in further excess payment of Rs.7.44 lakh for the period 2000-02 (*Appendix 4.5*).

Though, these irregularities were pointed out repeatedly in the Inspection Reports of the concerned Treasuries and also in the successive Audit Reports, no effective steps have been taken by the Treasury Officers/Director of Treasuries to stop the excess payments.

The matter was also brought to the special notice of the Principal Secretary to Government, Finance Department, Government of Karnataka every year. He had stated (August 2000) that the concerned Treasury Officers had been instructed to take appropriate action. However, the excess payments continue.

Un-encashed Cheques

As per Article 75(1) of Karnataka Financial Code, the Treasury Officers are required to prepare, a list of cheques outstanding for more than twelve months from the date of issue along with the alteration memoranda duly indicating the debit and credit heads of account and render it to the Accountant General for effecting necessary adjustments in the accounts.

Twentyone Treasury Officers did not furnish to the Accountant General (A&E) the alteration memos in respect of un-encashed cheques amounting to Rs.62.77 crore relating to period 1978-2002 (**Appendix 4.6**).

Of the above, in three treasuries (Chamarajanagar, Mysore & Udupi) cheques amounting to Rs.14.05 lakh were drawn in favour of Post Masters for issue of National Saving Certificates. This resulted in non-investment of the funds in savings scheme and caused financial loss to the Government Servants from whose pay the amounts were deducted. The matter needs urgent corrective action (**Appendix 4.7**).

Non-receipt of recovery schedules/paid vouchers of General Provident Fund

Recovery schedules in respect of General Provident Fund (GPF) subscription by the Government Servants, for Rs.126.02 lakh (2,485 cases) did not accompany the vouchers sent by 29 treasuries during 2001-02. This has resulted in large number of missing credits in the individual accounts of the subscribers besides delay in finalization of their claims.

Further, vouchers in support of withdrawals from GPF for an amount of Rs.46.14 lakh (317 cases) were not received along with the accounts sent by 25 Treasuries as detailed below. The omission may result in over payment at the time of final settlement of the account of the subscriber. The matter needs urgent corrective action.

Year	Number of Items	Amount (Rupees in lakh)
Upto 1992-93	27	0.75
1993-94	2	0.03
1994-95	20	0.89
1995-96	36	3.96
1996-97	26	2.86
1997-98	35	2.90
1998-99	44	6.22
1999-00	46	5.17
2000-01	29	5.92
2001-02	52	17.44
TOTAL	317	46.14

4.6 General

4.6.1 Outstanding Inspection Reports

Lack of responsiveness of Government to Audit

The Hand book of Instructions for speedy settlement of audit observations (Finance Department) provides for prompt response by the executive to the Inspection Reports (IRs) issued by the Accountant General (AG) to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses etc. noticed during the inspection. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the AG. A half yearly report of pending IRs is sent to the Secretary of the Department to facilitate monitoring of the audit observations in the pending IRs.

Year-wise details of outstanding IRs and Paragraphs as well as serious irregularities therein relating to Revenue, Food and Civil Supplies and Public Works Departments are detailed in **Appendix 4.8** and **Appendix 4.9** respectively.

A review of the IRs which were pending due to non-receipt of replies, in respect of the three departments revealed that the Heads of Offices whose records were inspected by AG, failed to discharge due responsibility as they did not send even the initial replies for 62 IRs 601 paras of Revenue Department, 19 IRs 83 paras of Food and Civil Supplies Department and 32 IRs 394 paras of Public Works Department, thereby indicating their failure to initiate action in regard to the defects, omissions and serious financial irregularities as pointed out in audit.

It is recommended that Government should have a re-look into this matter and ensure that procedure exists for (a) action against the officials who failed to send replies to the IRs/paras as per the prescribed time schedule (b) action to recover loss/over-payment in a time bound manner and (c) revamping the system of proper response to the audit observations in the department.

4.6.2 Non-receipt of accounts

Annual consolidated accounts of stores and stock are required to be furnished by various Departments to the Accountant General by 15th of June of the following year. Delays in receipt of stores and stock accounts have been commented upon in successive Reports of the Comptroller and Auditor General of India. The Public Accounts Committee (1978-80) in their First Report (Sixth Assembly) presented in February 1980 had also emphasised the importance of timely submission of accounts by the Departments.

Nevertheless, the delays persist. The Departments from which the stores and stock accounts had not been received by Audit as of March 2004 are mentioned below:

Serial Number	Department	Year(s) for which accounts are due
1.	Agriculture (Director of Agriculture)	2000-01 to 2002-03
2.	Commerce and Industries (Director of Industries)	2002-03
3.	Health and Family Welfare	
	(i) Director of Medical Education	2002-03
	(ii) Joint Director of Government Medical Stores	1999-2000 to 2002-03
	(iii) Indian System of Medicine and Homoeopathy	2002-03
4.	Home Inspector General of Prisons	2002-03
5.	Revenue (Registration) (Inspector General of Registration and Commissioner of Stamps)	2001-02 and 2002-03
6.	Public Works, Water Resources and Minor Irrigation	*1995-96 to 2002-03

* Accounts due from :

- One Division- for 16 half yearly periods (1995-96, 1996-97, 1997-98, 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03)
- Two Divisions- for 10 half yearly periods (1998-99, 1999-2000, 2000-01, 2001-02, 2002-03)
- Two Divisions- for seven half yearly periods (October 1999 to March 2000, 2000-01, 2001-02, 2002-03)
- One Division- for six half yearly periods (2000-01, 2001-02, 2002-03)
- Four Divisions- for five half yearly periods (October 2000 to March 2001, 2001-02, 2002-03)
- Seven Divisions- for four half yearly periods (2001-02, 2002-03)
- Eight Divisions- for three half yearly periods (October 2001 to March 2002, 2002-03)
- 22 Divisions - for two half yearly periods (2002-03)
- 52 Divisions - for one half yearly period (October 2002 to March 2003)



CHAPTER V

INTERNAL CONTROL SYSTEM

5.1 Horticulture Department and Forest, Environment & Ecology Department

5.1.1 Introduction

The Internal Control/Audit System is evolved by Government to ensure that the implementing officers in the course of discharging their duties, comply with the prescribed rules and procedure and safeguard the financial interest of Government. The Internal Auditors, as an independent entity examine and evaluate the level of compliance to the departmental rules and procedure and bring to the notice of the Head of the Department, the irregularities observed *etc.*, for expeditious corrective action. Though, internal audit mechanism existed in certain departments prior to 1992, Government of Karnataka issued (December 1992) guidelines for effective functioning of Internal Audit Wing (IAW) in all Government departments. The working of IAW of Horticulture and Forest Departments was reviewed during September 2003. Important points noticed are brought out in the succeeding paragraphs.

5.1.2 Organisational set up of Internal Audit Functionaries

Chief Conservator of Forests and Director of Horticulture were to arrange for an adequate departmental audit of Forest and Horticulture Departments respectively to ensure that departmental regulations are properly applied in practice.

Horticulture Department

The Department did not have an IAW till 1995. However, following the advice from Public Accounts Committee regarding the non-conduct of internal audit of revenue earning horticultural farms, Government sanctioned (January 1995) seven posts for IAW to be filled on deputation basis from the State Accounts Department (SAD) as against 20 posts proposed by Director of Horticulture. The IAW is functioning since 1995 headed by the Accounts Officer (deputationist from SAD) under the overall control of Director of Horticulture.

Forest, Environment and Ecology Department (Forest Department)

The IAW is functioning in the Department since 1977 headed and monitored by the Chief Accounts Officer (CAO) of the Department under the overall control of the Principal Chief Conservator of Forests (PCCF), Bangalore.

5.1.3 Availability of Internal Auditing Standards

There was no Internal Audit Manual in the above two departments codifying the practices and procedure relating to conduct of internal audit. The circular

instructions issued by Government (December 1992) were largely followed, which *inter alia* provided that:

- All unit offices are audited annually;
- Man days required are to be fixed on the basis of volume of transactions in the auditee organisation;
- Quantum of audit checks to include detailed examination of one monthly accounts and general coverage of the entire year under audit;
- Internal Audit Reports are issued within a month from the date of conduct of audit and replies thereto are furnished by the auditee office within a time limit of one month;
- A Control Register is to be maintained in IAW to watch the outstanding paragraphs and money value objections and their receipts and clearances;
- Encashments and remittances are verified by IAW invariably;
- Correctness of reconciliation of expenditure is checked by IAW.

5.1.4 Non-independence of the staff of IAW

As per the guidelines of the Government, the IAW had to function under the Controller of Accounts etc., and where such system is not in vogue, under the overall responsibility of administrative department concerned. However, though the post of Controller of Accounts exists, in Horticulture Department, the IAW continued to function under the overall control of the Department and Controller of Accounts had no say either in programming of internal audit or monitoring of compliances to internal audit objections. Even in respect of non-compliance to internal audit objections involving loss to Government, the cases were monitored at the level of Joint Director/Director of the Department itself and seldom referred to Controller of Accounts. Thus, the IAW of the Department was not independent to the extent envisaged in the guidelines issued by Government.

5.1.5 Inadequacy of inputs for Internal Audit

For effective functioning, IAW was to be equipped with adequate manpower, codes and manuals, periodical training of staff *etc.* Audit scrutiny of IAW in the two departments revealed deficiencies in the working of IAW as detailed below:

Establishment

The sanctioned strength and the existing manpower in IAW of the two departments were as follows:

Horticulture Department

Year	Sanctioned strength (All posts to be filled on deputation basis from SAD)			Men in position				
	Audit Officer	Superintendents	FDAs [⊗]	Audit Officer	Superintendents.		FDAs	
					From SAD	From Dept.	From SAD	From Dept.
1998-99	1	2	4	1	2	-	2	-
1999-2000	1	2	4	1	2	-	2	-
2000-01	1	2	4	1	2	4	1	1
2001-02	1	2	4	1	2	4	-	1
2002-03	1	2	4	1	2	4	-	1

Forest Department

Year	Sanctioned strength		Men in position	
	Superintendents	FDAs [⊗]	Superintendents	FDAs [⊗]
1998-99	4	8	1	5
1999-2000	4	8	3	5
2000-01	4	8	3	4
2001-02	4	8	3	3
2002-03	4	8	4	1

There was a shortfall of FDAs as on March 2003 in both the Horticulture and Forest Departments.

Internal Audit Manual

A manual of Internal Audit to provide a comprehensive idea on approach to audit was not forthcoming in the two departments. In respect of Horticulture Department, on this being pointed out during the review, the Department issued (October 2003) instructions specifying duties and responsibilities for the staff of IAW.

Training

Training is an integral part of development of personnel and enables them to equip with knowledge of rules and regulations. No training had been provided to Internal Audit staff to enrich their knowledge and to improve their audit skills in both the departments.

5.1.6 Planning and pendency in Internal Audit Coverage**Audit Plan**

As per the guidelines of Government, all auditee units of departments were to be annually audited and no unit to be left unaudited for more than two years. Also internal audit of units had to precede external audit by the Accountant General. Thus, there was need for framing of annual audit plans based on risk parameters. It was however, noticed that the two departments did not devise the required risk based audit plan during 1996-2003. In Horticulture Department, though the Department stated that units for audit were selected

[⊗] FDAs – First Division Assistants

giving priority to revenue earning horticultural farms etc., there was nothing on record to indicate that audit plan was prepared and followed. In the case of Forest Department, the selection of units for audit was stated to be based on expenditure. Thus, the selection was not based on any risk analysis.

Shortfall in Internal Audit Coverage

Horticulture Department

There were 344 DDOs (auditee units) in the department. Percentage of units covered in internal audit during the period 1996-2003 was poor ranging from 6.4 to 52.9 per cent as detailed below:

Year	No.of offices audited	No.of offices pending	Percentage of coverage
1996-97	23	321	6.7
1997-98	22	322	6.4
1998-99	36	308	10.5
1999-2000	49	295	14.2
2000-01	89	255	25.9
2001-02	122	222	35.5
2002-03	182	162	52.9

Though, improvement in internal audit coverage from 2000-01 onwards was due to deployment of additional staff (four Superintendents and one First Division Assistant) to IAW from within the department, no concurrence of State Government was obtained for the internal diversion of staff as the Government's concurrence was necessary on the ground that only SAD staff had to function in IAW. Further, there were 58 offices, wherein audit was pending for three years or more which included 16 revenue earning horticultural farms as indicated below:

Division	Audit pending for one year (2002-03)	Pending for two years (2001-03)	Pending for three years or more (2000-01 & earlier)
Bangalore	44	27	28
Mysore	42	5	20
Belgaum	37	13	4
Gulbarga	44	4	6
Total	167	49	58

This was contrary to Government's guidelines that no unit was to be left un-audited for more than two years. The Department replied that priority was given to audit of horticultural farms. The Department stated that the poor progress was due to inadequate staff provided for IAW and that action would be taken to strengthen IAW.

Forest Department

There were 99 DDOs (auditee units) in the Department. The extent of audit coverage during the period 1998-2003 was as detailed below:

Year	No. of DDOs	No. of units programmed for audit	No. of units audited	No. of units programmed but not audited	Short fall	Percentage of shortfall
1998-99	99	33	19	14	80	81
1999-2000	99	32	21	11	78	79
2000-01	99	17	19	-	80	81
2001-02	99	30	18	12	81	82
2002-03	99	29	16	13	83	84
TOTAL	495	141	93*	50	402	

* Two units not programmed but audited during 2000-01 are included in this figure

The shortfall in audit ranged from 79 to 84 *percent*. This included 70 Timber Depots, out of which 24 depots were under orders of closure (November 2002). But, the IAW audited only 10 of them and the audit of the remaining timber depots had not been done even once. In view of this, any loss of revenue to Government on sale of timber could not be detected by IAW. The Department stated that the shortfall was due to inadequate staff provided for IAW.

5.1.7 Delay in issue of Inspection Reports

Forest Department

The Inspection Reports (IRs) to the DDOs were to be issued within one month after completion of audit and the DDOs were to furnish compliance within a month. Test-check (September 2003) revealed that there was delay of two to 14 months in issue of IRs in respect of 47 DDOs. In respect of 15 DDOs, despite completion of internal audit (2001-03) the IRs were not issued for four to 18 months. There was delay of two to 42 months in furnishing compliance by 39 DDOs. The timeliness of response to the audit observations and volume of pendency during the period 1998-2003 are detailed below:

Year	No. of institutions audited	No. of IRs issued	IRs replied within one month	IRs replied after one month	Non-receipt of replies
1998-99	19	14	-	12	02
1999-2000	21	19	-	11	08
2000-01	19	22	-	15	07
2001-02	18	07	-	05	02
2002-03	16	16	-	05	11
TOTAL	93	78	-	48	30

The department replied that the IRs could not be issued pending their review by the CAO. The reply is not tenable as belated issue of IRs defeats the very purpose of early detection of irregularities and initiating expeditious corrective action.

Horticulture Department

In respect of Horticulture Department, timely issue of IRs to the DDOs and whether internal audit preceded external audit by the Accountant General (Audit)-I as required under Government's guidelines could not be verified as the relevant control registers were not maintained in the IAW.

5.1.8 Pendency in Internal Audit Compliance

A control register in prescribed form had to be maintained by Heads of Department to monitor the outstanding paras and money value objections observed by Internal Audit. This requirement was also reiterated in the guidelines issued by Government (December 1992). This had not been maintained in the two departments. However, the statement of money value objections furnished by the two Departments indicated the following position as of 2002-03.

Horticulture Department

(Rupees in lakh)

Year	Objections		Objections settled		Pending objections	
	Number	Amount	Number	Amount	Number	Amount
Upto 1998-99	242	62.51	52	37.21	190	25.30
1999-2000	136	40.42	60	11.42	76	29.00
2000-01	146	46.27	23	7.98	123	38.29
2001-02	205	53.97	50	23.33	155	30.64
2002-03	200	28.31	80	3.00	120	25.31
Total	929	231.48	265	82.94	664	148.54

Forest Department

(Rupees in lakh)

Year	Objections		Objections settled		Pending objections	
	Number	Amount	Number	Amount	Number	Amount
Upto 1996-97	297	851.70	54	52.53	243	799.17
1997-98	30	126.40	06	24.47	24	101.93
1998-99	64	1,347.96	03	1.50	61	1,346.46
1999-2000	57	771.12	-	-	57	771.12
2000-01	08	310.45	-	-	08	310.45
2001-02	166	535.36	49	197.23	117	338.13
2002-03	239	233.65	52	80.46	187	153.19
Total	861	4,176.64	164	356.19	697	3,820.45

In Forest Department, regarding number of objections cleared during 1999-2000 and 2000-01, the department stated (September 2003) that the matter would be examined. Thus, due to non-maintenance of the required control register in the two departments, the correctness of figures furnished by the Departments could not be ensured in audit.

5.1.9 Recourses and Penal action taken at the instance of Internal Audit in Horticulture Department

The details of major irregularities noticed in internal audit which were referred to the Director of Horticulture for necessary compliance/penal action and their pendency as of September 2003 were as indicated below:

Year	No.of cases referred	No.of cases finalised	No.of cases pending settlement
Upto 1997-98	65	52	13
1998-99	66	55	11
1999-2000	54	34	20
2000-01	59	44	15
2001-02	58	15	43
2002-03	73	30	43
Total	375	230	145

Of the 145 cases pending, 11 cases involved monetary value of Rs.4.40 crore, the particulars of which are detailed in *Appendix 5.1*.

5.1.10 Evaluation of working of IAW

Inadequate staff for internal audit, lack of training to audit staff, absence of a departmental internal audit manual, lack of audit planning and approach and shortfall in coverage of audit of units did not ensure adequacy and effectiveness of Internal Audit in the two departments. In Horticulture Department, due to non-maintenance of important control registers regarding internal audit of units conducted from time to time and objections raised, the effectiveness with which the IAW worked was not susceptible to proper verification/evaluation by audit.

In Forest Department, as per guidelines issued by Government (December 1992) IAW had to verify Treasury encashments and remittances made by DDOs for test-checked months. The said verification was not done by IAW. There is need for strengthening of internal audit setup in the two departments.

5.1.11 The matter was referred to Government in October 2003; reply awaited.

K. P. Lakshmana Rao

BANGALORE
THE

(K.P. LAKSHMANA.RAO)
Pr. Accountant General (Audit)-I

-9 JUN 2004

COUNTERSIGNED

(Signature)

NEW DELHI
THE 15 JUN 2004

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

APPENDICES

Appendix 1.1**Part A : Structure and form of Government Accounts****(Reference: Para 1.1, Page 2)**

I. Structure: The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorisation from the State Legislature. This part consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans etc).

Part II : Contingency Fund

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislature during the year was Rs.80 crore.

Part III : Public Account:

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State legislature.

II. Form of Annual Accounts:

The accounts of the State Government are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts, present the details of expenditure by the State Government vis-à-vis the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B: List of terms used in the Chapter-I and basis for their calculation

(Reference: Para 1.4, Page 4)

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of parameter (X) Rate of Growth of parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount} / \text{Previous year Amount}) - 1] * 100$
Trend/ Average	Trend of growth over a period of 5 years (LOGEST (Amount of 1997-98: Amount of 2002-03)-1)*100
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate (Average interest paid by the State)	Interest Payment/ $[(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities})/2] * 100$
Interest spread	GSDP growth - Weighted Interest rates
Interest received as <i>per cent</i> to Loans Advanced	Interest Received $[(\text{Opening balance} + \text{Closing balance of Loans and Advances})/2] * 100$
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipts minus all Plan grants and Non-plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction or Avoidance of debt

Appendix 1.2

Utilisation Certificates in respect of grants paid between 1 April 1986 and 31 March 2002 and not received as on 01 October 2003

(Reference: Para 1.7.1, Page 15)

(Amount: Rupees in lakh)

Sl. No.	Department	Year of payment of grant	Due to be received for the total grants paid		Received upto 30 September 2003		Outstanding as on 1st October 2003	
			Number	Amount	Number	Amount	Number	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
I	EDUCATION							
	2203-Technical Education	1992-93	11	6.60	--	--	11	6.60
	TOTAL		11	6.60	--	--	11	6.60
II	INFORMATION, TOURISM & YOUTH SERVICES							
1.	2204 - Sports and Youth Services	1989-90	15	9.10	--	--	15	9.10
		1990-91	1	0.10	--	--	1	0.10
		1996-97	4	1,580.40	--	--	4	1,580.40
		1997-98	6	2,064.77	--	--	6	2,064.77
		1998-99	8	184.75	--	--	8	184.75
		Total	34	3,839.12			34	3,839.12
2.	2220 - Information and Publicity	2001-02	7	23.00	--	--	7	23.00
	TOTAL		41	3,862.12	--	--	41	3,862.12
III	KANNADA & CULTURE							
	2205 - Art & Culture	1986-87	15	12.86	12	7.56	3	5.30
		1987-88	5	5.01	--	--	5	5.01
		1988-89	23	19.48	--	--	23	19.48
		1990-91	26	67.96	5	4.26	21	63.70
		1991-92	3	2.25	--	--	3	2.25
		1993-94	26	52.98	--	--	26	52.98
		1999-00	31	273.75	22	114.10	9	159.65
		2000-01	10	40.77	6	38.70	4	2.07
		2001-02	4	46.65	--	--	4	46.65
	TOTAL		143	521.71	45	164.62	98	357.09
IV	HEALTH & FAMILY WELFARE							
	2210-Medical & Public health	1999-00	21	704.27	14	29.70	7	674.57
		2000-01	22	787.71	3	75.73	19	711.98
		2001-02	10	81.01	--	--	10	81.01
	TOTAL		53	1,572.99	17	105.43	36	1,467.56
V	URBAN DEVELOPMENT							
	2217 - Urban Development	1993-94	6	271.52	--	--	6	271.52
		1994-95	1	25.00	--	--	1	25.00
		1997-98	21	1,459.80	2	285.00	19	1,174.80
		1998-99	4	254.50	--	--	4	254.50
		1999-00	9	175.63	--	--	9	175.63
		2001-02	16	1,043.84	--	--	16	1,043.84
	TOTAL		57	3,230.29	2	285.00	55	2,945.29
VI	SOCIAL WELFARE							
	2235 - Social Security and Welfare	1986-87	1	1.27	--	--	1	1.27
		1992-93	1	0.31	--	--	1	0.31
		1993-94	4	1.61	--	--	4	1.61
		1994-95	4	0.77	2	0.58	2	0.19
	TOTAL		10	3.96	2	0.58	8	3.38

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VII	CO-OPERATION							
1.	2425 - Co-operation	1986-87	1	1.96	--	--	1	1.96
		1988-89	21	4,043.52	--	--	21	4,043.52
		1989-90	20	3,551.68	--	--	20	3,551.68
		Total	42	7,597.16	--	--	42	7,597.16
2.	3475 - Other General Economic Services	1997-98	1	979.13	--	--	1	979.13
		1998-99	2	371.34	--	--	2	371.34
		2001-02	1	56.00	--	--	1	56.00
		Total	4	1,406.47	--	--	4	1,406.47
	TOTAL		46	9,003.63	--	--	46	9,003.63
VIII	PLANNING							
	2515 - Other Rural Development Programmes	1990-91	6	156.58	--	--	6	156.58
		1991-92	39	1,233.84	--	--	39	1,233.84
		1992-93	6	96.20	--	--	6	96.20
		1993-94	33	1,419.37	--	--	33	1,419.37
		1994-95	61	2,327.86	--	--	61	2,327.86
		2001-02	73	7,532.50	--	--	73	7,532.50
	TOTAL		218	12,766.35	--	--	218	12,766.35
IX	SCIENCE AND TECHNOLOGY							
	3425 - Other Scientific Research	1986-87	1	2.05	--	--	1	2.05
		1990-91	7	4.80	--	--	7	4.80
		1993-94	2	2.88	--	--	2	2.88
		1994-95	4	36.85	--	--	4	36.85
		1996-97	35	142.75	--	--	35	142.75
		1997-98	39	213.60	1	1.90	38	211.70
		1998-99	13	93.50	5	31.50	8	62.00
		1999-00	19	84.47	1	5.00	18	79.47
		2001-02	11	116.50	--	--	11	116.50
	TOTAL		131	697.40	7	38.40	124	659.00
	GRAND TOTAL		710	31,665.05	73	594.03	637	31,071.02

Appendix 1.3
Status of Audit
(Reference: Para 1.7.1, Page 15)

Sl. No	Name of the Body	Section under DPC Act	Period of entrustment	Date of entrustment	Years for which accounts due	Year up to which accounts received	Year up to which Audit Report issued
1.	Bangalore Water Supply and Sewerage Board, Bangalore	19(3)	1999-2000 to 2002-03	14.9.2001	2002-03	2002-03	2001-02
2.	Karnataka State Khadi and Village Industries Board, Bangalore	19 (3)	2002-03 to 2006-07	28.11.2002	2002-03	2001-02	2001-02
3.	Bangalore Development Authority, Bangalore	19(3)	1998-99 to 2003-04	12.4.1999	2002-03	2001-02	2001-02
4.	Karnataka Urban Water Supply and Drainage Board, Bangalore	19(3)	2003-04	27.4.2002	2002-03	2002-03	2001-02
5.	Karnataka Industrial Areas Development Board, Bangalore	19(3)	2000-01 to 2002-03	27.11.2001	2002-03	2001-02	2001-02
6.	Karnataka State Legal Service Authority	19(2)	KSLS Act, 1987 amended in 1994	-	2002-03	2001-02	2001-02
7.	Karnataka Slum Clearance Board, Bangalore	19(3)	2002-03 to 2006-07	2.9.2003	2002-03	2001-02	2001-02
8.	Karnataka Housing Board, Bangalore	19(3)	2001-02 to 2005-06	29.7.2003	2001-02 & 2002-03	2000-01	2000-01

Appendix 1.4

**Financial assistance to local bodies and others –
Details of Accounts awaited**

(Reference: Para 1.7.1, Page 15)

Sl. No.	Name of the Department	Years for which accounts had not been furnished	Number of accounts due
1.	Animal Husbandry and Veterinary Services	2000-01 to 2002-03	5
2.	Co-operation	1980-81 to 1985-86 and 1993-94 to 2002-03	192
3.	Commerce and Industries	1980-81 to 1985-86 and 1992-93 to 2002-03	160
4.	Education	1992-93 to 2002-03	286
5.	Forest, Environment and Ecology	2001-02 and 2002-03	2
6.	Health & Family Welfare Services	1998-99 to 2002-03	24
7.	Information, Tourism and Youth Services	1988-89, 1989-90 and 1991-92 to 2002-03	36
8.	Labour	1999-2000 to 2002-03	4
9.	Law	2001-02 and 2002-03	2
10.	Planning	2000-01 to 2002-03	8
11.	Public works and CADA	1999-2000 to 2002-03	11
12.	Revenue	2001-02 and 2002-03	2
13.	Rural Development and Panchayat Raj	2000-01 to 2002-03	3
14.	Science and Technology (State)	2000-01 to 2002-03	4
15.	Social Welfare	1998-99 to 2002-03	11
16.	Urban Development	1994-95 to 2002-03	50
17.	Youth Services and Sports	1999-2000 to 2002-03	5
	TOTAL		805

Appendix 1.5

Department-wise details of misappropriations and defalcations

(Reference: Para 1.7.2, Page 15)

(a) Reported during the year 2002-03

Sl.No	Department	Office in which occurred	Brief particulars of the case	Amount (in Rs.)	Remarks
1.	Public Works	Indi Sub Division, Bijapur	Fraudulent withdrawal of money relating to salary, DC Bills, etc.,	2,65,743	
2.	Horticulture	Assistant Director of Horticulture, Landscape, Lalbagh	Misappropriation of Government money by the staff of the office	25,91,323	
3.	Labour and Employment	Director of Employment and Training, Bangalore	Theft of computers from ITI (Women), Belgaum	5,06,000	
4.	Finance	Assistant Director of Small Savings, Hassan	Discrepancy between the amount shown as payment in treasury records and the amount taken to cashbook	3,25,000	The offence has been admitted by the official
Total				36,88,066	

(b) Disposed off during the year 2002-03

Sl.No	Department	Office in which occurred	Brief particulars of the case	Year in which reported	Amount (in Rs.)	Remarks
1.	Tourism	Tourist officer, O/o the Asst. Director of Tourism, Canteen, Hampi	Misappropriation of funds – Amount not remitted	1981-82	11,026.70	Waived off by Government
2.	Tourism	Tourist Officer, Bijapur	Misappropriation of Government money	1984-85	29,342.69	Waived off by Government
3.	Health & Family Welfare	Superintendent, Bowring & Lady Curzon Hospital, Bangalore	Suspected misappropriation of cash	1981-82	49,927.90	Amount recovered
4.	Commerce & Industries	Sericultural Extension Officer, Huliyurdurga	Misappropriation of Government money	1995-96	1,04,667.00	Amount recovered
Total					1,94,964.29	

Appendix 2.1

Savings due to Non-release of funds

(Reference: Para 2.3.1, Page 34)

(Rupees in lakh)

Sl. No.	Grant No.	Head of Account	Total Savings	Savings due to non/short release of funds
(1)	(2)	(3)	(4)	(5)
1.	38	2701-Major & Medium Irrigation		
		01- Major Irrigation – Canal		
		201-Krishnaraja Sagar Works		
		04-Maintenance and Repairs	216.18	127.98
2	38	2701-Major & Medium Irrigation		
		01- Major Irrigation – Canal		
		207-Hemavathi Project		
		04-Maintenance and Repairs	363.54	320.11
3	38	2701-Major & Medium Irrigation		
		80-General		
		005-Survey and Investigation		
		1-Water resources Development Organisation	287.95	247.09
4	38	4701-Construction on Major & Medium Irrigation		
		01-Major Irrigation – Canal		
		203-Modernisation of Krishnarajsagar Canals		
		4- Other Expenditure	352.42	347.29
5	38	4701-Construction on Major & Medium Irrigation		
		01-Major Irrigation – Canal		
		208-Hemavathi Project (Canal zone) Tumkur		
		4-Other Expenditure	569.51	409.05
6	38	4701-Construction on Major & Medium Irrigation		
		03-Major Irrigation – Canal		
		231-Nanjapur Lift Irrigation Scheme		
		4-Other Expenditure	209.82	209.82
7	38	4701-Construction on Major & Medium Irrigation		
		80-General		
		800-Other Expenditure		
		01-New Schemes	2,937.14	810.98
8	30	2406-Forestry and Wild Life		
		01-Forestry		
		101-Forest Conservation, Development and Regeneration		
		2-Other Schemes	238.67	187.41
9	30	2406-Forestry and Wild Life		
		01-Forestry		
		102-Social and Farm Forestry		
		2-Other Schemes	3,982.32	3,920.51
10	30	2406-Forestry and Wild Life		
		01-Forestry		
		105-Forest Produce		
		04-Supply of Bamboos to Paper Mills	191.06	191.05

(1)	(2)	(3)	(4)	(5)
11	30	2406-Forestry and Wild Life		
		01-Forestry		
		105-Forest Produce		
		02-Supply of firewood and Charcoal (including Iron and Steel Works, Bhadravathi)	117.12	105.00
12	1	2402-Soil and Water Conservation		
		102-Soil Conservation		
		86-ODA assisted Water Shed Programme		
		KAWAD Project	500.00	500.00

Appendix 2.2

**Particulars of Grants/Appropriations in which the expenditure fell short
by more than Rs.10 crore and also by more than 10 per cent of the total
provision**

(Reference: Paragraph 2.3.1, Page 34)

Sl. No.	No. & Name of the Grant/ Appropriation – Amount of savings (Rs. in crore) and percentage to provision	Scheme/Programme under which savings mainly occurred (Above Rs.1 crore only reckoned)	Rs. in lakh	Reasons for savings (wherever furnished)
(1)	(2)	(3)		(4)
1	1 – Agriculture (excluding Malnad Area Development Board) (Revenue-Voted) 118.13 (23.97)	Crop Husbandry – Direction and Administration – Agriculture Department –Salaries	158.20	
		Commercial Crops-Agriculture Department- Lumpsum - State	273.64	
		Extension and Training –Project for Agricultural Training of Farm women and youth with DANIDA assistance – Lumpsum - State	139.15	Non-implementation of the scheme due to technical problems
		Assistance to Local Bodies, Corporations etc. – Provision for vacant posts	164.00	
		Tribal Area Sub-plan- Agriculture Department	119.99	
		Other Expenditure – Agriculture Department – Special Component Plan	600.00	
		Agricultural practices using Israeli Technology – Lumpsum - State	300.00	
		Development of Agriculture under New Macro Management Mode – Lumpsum - State	101.89	
		Soil and Water conservation Soil conservation – Comprehensive Watershed Development Project (World Bank Project) – Special Component Plan	1,787.00	Due to commencement of Sujala Jalayana Sangha only during the last quarter of the financial year
		Tribal sub-plan	428.00	
		Lumpsum - State	7,018.85	
		ODA assisted Watershed Programmes – KAWAD Project – Lumpsum - State	500.00	Due to non-release of funds from Government
		Assistance to local bodies – ZPs and GPS	429.34	
2	2 – Horticulture (Revenue-Voted) 29.20 (29.46)	Crop Husbandry – Direction and Administration – Horticulture Department – Executive Establishment – Salaries	382.16	Due to transfer of supernumary posts to other departments
		Commercial Crops- Horticulture Department - Scheme for Integrated Farming in coconut for productivity/ improvement with Coconut Development Board assistance – Other expenditure	148.36	
		Assistance to local bodies, corporations etc., Zilla Panchayats and Mandal Panchayats (Horticulture Department) – Block Grants	237.16	
		Other Expenditure – Horticulture Department – Development of Horticulture under New Macro Management Mode – lumpsum - State	1,826.64	
		Special Component Plan	114.00	

(1)	(2)	(3)	Rs. in lakh	(4)
3	3 – Animal Husbandry (Revenue-Voted) 39.05 (22.06)	Direction and Administration – Director of Animal Husbandry and Veterinary Services, Drugs and Chemicals	302.75	Rs.281.84 lakh was surrendered/ reappropriated due to non-supply of drugs and chemicals within the stipulated period
		Cattle and Buffalo Development – Animal Husbandry Development - Extension of Frozen Semen Technology and Progeny Testing Programme for Cattle and Buffalo Development	774.30	Due to non-release of funds by Government of India –(Rs.754.48 lakh)
		Assistance to local bodies, corporations etc., Provision for vacant posts – Lumpsum – ZP	113.00	
		Other Expenditure – SCP	126.00	
		CSS of National Ram/Buck and Rabbit Production – Other expenditure	100.00	
		Dairy Development – Assistance to Cooperatives and other bodies – Karnataka Milk Producers Cooperative Federation Limited – Losses of Diaries – subsidies	1,671.00	Due to withdrawal of entire provision in the revised estimates
4	4 – Fisheries, Ports and Area Development (Revenue-Voted) 51.17 (32.66)	Fisheries-Marine Fisheries-Central Excise duty on HSD used by mechanical fish craft	150.00	Surrendered as the project was not approved by Government
		Other Rural Development Programmes – other expenditure- Hyderabad Karnataka Development –Grants-in-aid	1,884.78	
		Special Component Plan	1,092.00	
		Tribal sub-plan	273.00	
		Malnad Area Development - Grants-in-aid for NABARD	697.00	
		Special Component Plan	564.00	
		Tribal sub-plan	141.00	
		Border Area Development Grants-in-aid	102.43	
5	5 – Large & Medium Scale Industries (excluding IT) (Revenue –Voted) 38.63 (14.67)	Consumer industries – Sugar – Sugar Development Fund – Lumpsum - State	2,500.00	
		Establishment of sugar institutions – subsidies	100.00	
		Other expenditure – Infrastructure support and trade promotion – Modernisation	615.09	
	(Capital-Voted) 115.49 (30.57)	Capital Outlay on iron and steel industries- Manufacture- other expenditure –industrial infrastructure for institutions-Investments	679.90	
		Other Capital outlay on Industries and Minerals-Investments in Public Sector and other Undertakings- -Karnataka State Industrial Investment and Development Corporation	100.00	
		Investment in Bangalore International Airport Ltd. through -Karnataka State Industrial Infrastructure and Development Corporation –Investments	2,882.50	
		Bangalore International Airport State Support Project – Finance assistance	2,225.00	
		KSIIDC-BIAP-Cell-Investments	140.00	
		Investment in Karnataka Rail Infrastructure Development Corporation Ltd. Sholapur-Gadag conversion project investment	1,000.00	

(1)	(2)	(3)	Rs. in lakh	(4)
		Hassan-Mangalore Gauge conversion project investment	900.00	
		Cost sharing for new projects-Investments	600.00	
		KRIDE-ROB/RUB projects-Investments	500.00	
		Investments in General Financial Institutions and Trading Institutions-Investment in General Financial Institutions- Investment in PSU and other Undertakings- Investment in infrastructure – Infrastructure Development Corporation (Kar.) Ltd. (IDECK) Investments	1,400.00	
		Development of Minor ports – investments	100.00	
		Other infrastructure project – investment	100.00	
		Loans for Consumer Industries Paper and Newsprint-Loans to Public Sector and Other Undertakings Loans to Mysore Paper Mills Ltd. – Loans to Dutch assisted pulp and paper	535.00	
		Others-Industrial Infrastructure Development	775.00	
		Other Loans to Industries and Minerals – Others- Other loans – Invoking guarantees	240.11	
6.	6 - Mines and Geology (Revenue-Voted) 16.39 (67.22)	Other outlays on Industries and minerals – Industrial Financial Institutions- Assistance to Industrial Financial Institutions -KIADB - Assistance to Karnataka Industrial Area Development Board -Grants-in-aid	1,510.92	Rs.200 lakh surrendered without any specific reasons
7	7 – Small Scale Industries (Revenue-Voted) 36.56 (19.35)	Village & Small Industries – Small Scale Industries – Modernisation/Technology Training – Lumpsum – State	2,420.49	
		Lumpsum provision for SCP (Corporation and Companies viz., LIDKAR, KUIB, KHDC, KSCDS) Special Component Plan	749.00	
		TSP Boards, Corporations and Apex Institutions – Tribal Sub-plan	186.00	
8.	8 – Sericulture and Textiles (Revenue – Voted) 33.02 (19.38)	Social Security and welfare – Social Welfare – Welfare of aged, infirm and Destitutes – Probation and after care services Department – Subsidies to Sari/ Dhoti Scheme – Special Component Plan	123.00	
		Special Component plan for Handloom, Textiles – SCP	121.00	
		Sericulture Industries – State Sericulture Industries – Grainages seed/commercial-Salaries	235.99	
		– Other Expenditure	594.97	Due to drop in the expenditure on the purchase of cocoon grains on account of paucity of mulberry leaves owing to failure of rains- Rs.150 lakh surrendered
		Cocoon Market and Ranges Salaries	121.77	
		Assistance to sericulture (SCP)-Spl Component Plan	106.00	

(1)	(2)	(3)	Rs. in lakh	(4)
		Lumpsum provision for State plan schemes in District Sector Arising out of KSP schemes-Salaries	411.89	
		Seri-2000-(Swiss-Development Co-operative Organisation)-Other Expenditure	188.88	Due to non sanction of scheme by the Govt.
		Sericultural Industries-Karnataka Silk Worm seed cocoons and silk yarn Development and price stabilisation fund-Lump sum provision for price stabilisation Fund authority scheme-Other expenditure	261.10	
		Industries-Consumer Industries Textiles-Govt.Silk filature Kollegal Operation and Maintenance-Hospital Accessories	180.32	
		Govt.Silk Filature-Santhemarahalli Operation and Maintenance-Hospital accessories	180.08	
		Govt.Silk Filature-Chamarajnagar Operation and Maintenance- Hospital Accessories	180.08	
		Govt.Silk Filature- Mamballi Operation and Maintenance- Hospital Accessories	180.08	
9.	14-Taxes on income-Professional Sales and Other Services 21.87 (14.23) (Revenue-Voted)	Collection of Taxes on Income & Expenditure-Other expenditure - Technical assistance-Lumpsum- State	617.91	
		EFC grants for upgrading of commercial Taxes Administration Grants-in-aid	202.69	
		Collection charges-Salaries	700.49	Due to non receipt of approval from Govt. for Scheme of computerisation of Check Post
		Consumer Industries-Sugar subsidies	384.50	
10.	21-Bangalore Development Projects (Capital-Voted) 78.34 (79.85)	Loans for Urban Development other Development schemes- other loans	7,200.00	
		Loans to local bodies corporations, etc-BMRDA Karnataka Infrastructural project loans	633.57	
11.	24-General Admn-(Revenue-Charged) 12.23 (30.29)	Admn of Justice-High Court Establishment of new High Court Bench – Other Expenditure	1,000.00	
12.	25- Power projects-(Revenue-Voted) 1404.46 (42.48)	Other Taxes and duties on commodities and services- Collection charges-Electricity duty-Rebate payable to Karnataka Electricity Board & Licenses	155.13	Surrendered as the funds required to meet pending bills was about Rs.1400 Lakh for which a proposal had been submitted to Govt.
		Power-General-Assistance to Electricity Boards-KEB. Subsidy to Karnataka Electricity Board for loss due to Rural Electrification subsidies	1,339.44	
		Technical assistance for power sector reforms-Lumpsum - State	385.66	

(1)	(2)	(3)	Rs. in lakh	(4)
		Prime Minister Gramodaya Yojana-Rural Electrification-GIA	150.00	
		Other expenditure-Accelerated Power Development Programme KPTCL-GIA	5,707.00	
	(Capital-Voted) 10.37 (18.00)	Loans to power projects-Loans to public sector and other undertakings-Accelerated power Development Project-Loans to KPTCL, Loans to PSUs & other Bodies	667.00	
		Prime Minister's Gramodaya Yojana-Rural Electrification-loans to PSUs & other bodies	350.00	
13.	26-Small Savings, State Lottery & Insurance (Revenue-Voted) 334.41 (65.09)	Other fiscal services , Promotion of small savings Publicity propaganda-Rewards	522.62	Due to non-receipt of expected claims
		State Lotteries-Director of State Lotteries Payment of Prize amount	1,055.80	Due to postponement of prize amount on account of non-transfer of money to Personal Deposit Account.
		Computerised Network Lottery Public Expenses	1,500.00	As the work of printing of tickets was taken up by the sale agents
		Prize Money	22,500.00	Prize money was paid only for the months from August to March
		Payment of commissions to Agents-Commission on sales	8,291.51	Due to Payment of 34 per cent Commission
14.	29-Food & Civil Supplies (Revenue-Voted) 122.86 (37.66)	Food Storage & Warehousing Food subsidies – Differential cost of food grains-subsidies	13,887.86	Rs.1,874.44 lakh surrendered on a/c of reduced expenditure due to decline in demand for and non-lifting of EBPL food grains from godown.
		Other Expenditure-Consumer Fora, Lumpsum-State	104.54	As only two out of nine newly established district Fora became functional.
15.	30-Forest Ecology & Environment (Revenue-Voted) 70.59 (22.76)	Social and Farm Forestry- Forestry & Environment project for Eastern plains (OECF) Special Component plan	805.01	Due to non-receipt of permission from Govt. to issue letter of credit.
		Tribal Sub-Plan	197.11	-do-
		Lumpsum-State	2,795.42	-do-
		Assistance to Local bodies, Corporations, etc. -ZPs & GPs - Block Grants	222.17	
		CSS for soil conservation in River valley projects Grant-in-aid to ZPs	167.22	

(1)	(2)	(3)	Rs. in lakh	(4)
		Special Programmes for Rural Development-CSS for Area oriented Fuel wood-Lumpsum-State	220.42	Since GOI merged the scheme under National Afforestation Programme in the Xth Five Year Plan.
		Afforestation along with River Banks under NRCP-Lumpsum-State	137.00	Due to non-release of grant by GOI
		Minor Forest produce Plantation scheme- Other Expenditure	107.19	Since GOI merged the scheme.
		Ecology & Environment - Environmental(Research & Ecological Regeneration)- Educational/Training/extension- Indo Navagian Environment Programme-Lumpsum-State	154.00	
		Others-Other Expenditure Land acquisition for National River Action Plan-Acquisition of Land	442.38	
16.	31-Transport Services (Revenue-Voted) Rs.57.64 (39)	Collection Charges- Issue of computerised and Laminated PVC Driving License cards-Other Expenditure	158.73	
		Road Transport-Other Expenditure Bangalore Metropolitan Transport Corporation - Subsidies	1,686.00	
		Northwest Regional Transport Corporation-Subsidies	1,174.00	
		Subsidy towards students & other concessions extended by KSRTC-Subsidies	1,053.00	
		Free Bus Pass Facility to the Blind-Subsidies	747.00	
		Free bus travel facility to the Handicapped-Subsidies	498.00	
		Free bus pass facility to freedom fighters-Subsidies	255.00	
17	32-Home (Excluding Police intelligence) (Revenue-Voted) 123.63 (13.57)	Criminal investigation & Vigilance- Special units - Salaries	162.42	
		State Head quarters Police Commissioner of Police- Salaries	1,361.91	
		Improvement of Traffic in Bangalore City Lumpsum-State	426.45	Due to delay in the finalisation of tenders
		Lent Establishment Salaries	382.90	
		Commissioner of Police, Mysore- Salaries	328.35	
		Traffic Improvement Lumpsum-State	272.54	
		District Police-Police Radio Grid- Salaries	374.88	
		Kolar Gold fields- Police Salaries	100.66	
		Railway Police-Salaries	149.04	
		Welfare of Police personnel Subsidised Ration to Policemen-Subsidies	155.25	Due to non-distribution of sugar to the beneficiaries.

(1)	(2)	(3)	Rs. in lakh	(4)
		Modernisation of Police Forces Modernisation	4,520.54	
		Other Expenditure Computer Infrastructure-CCI Project- Modernisation	482.78	Rs.187.08 lakh surrendered due to non-receipt of sanction from the Govt. for the proposals placed.
		EFC Grants for up gradation of Police Administration - Grants-in-aid	181.89	
		Special Grants	178.15	
		Opening of Police Stations- Modernisation	236.11	Surrendered/Re- appropriated due to non-receipt of Govt. sanctions to pending proposals
		Social Security & Welfare Other social security & Welfare programmes-Other programmes - Relief to persons affected by Riots- General relief-Financial assistance	117.70	
		District Police- Police Motor Transport-Purchase of new Motor vehicles	147.00	Vehicles were purchased under Modernisation of Police Force Head of A/c.
18.	36- Housing (Revenue-Voted) 41.66 (18.91)	Housing-Rural Housing provision for landless- House sites	250.00	
		Tribal Sub-Plan	140.00	
		Other Expenditure - Subsidy for Ashraya Scheme in Rural Areas Special Component Plan	4,000.00	
		Tribal Sub-Plan	748.00	
		Special Occupational groups SCP	500.00	
		Tribal Sub-Plan	140.00	
		Lumpsum-State	100.00	
		Prime Minister's Gramodaya Yojane-Lumpsum-State	695.61	
		General-Assistance to local Bodies & Corporations-ZPs & GPs Indira Awas Yojana-Lumpsum-ZP	321.86	
		Urban Development - Slum Area Improvement - Assistance to local bodies, Corporation Slum Clearance Board- SCP	250.00	
		Special Component Programme - Slum improvement -Special Component Plan.	133.75	

(1)	(2)	(3)	Rs. in lakh	(4)
19.	37- Urban Development Authorities (Excluding Bangalore Development Project) City Corporation (Excluding BCC), Town Planning Department (Revenue-Voted) 151.21 (20)	Water Supply and Sanitation Assistance to local bodies & Corporations- KUWS&DB Grants for Urban Water supply schemes- SCP Tribal Sub-Plan Lumpsum-State Piped Water supply Scheme(Urban)- KUWS & DB- Grants-in-aid Urban Development General- Direction and Admn- Directorate of Municipal Admn-Urban Mapping – Lumpsum-State Assistance to local bodies, Corporations, Urban Development Authorities, Town Improvement Boards, etc. Grants to urban local bodies under EFC grants-Grants-in-aid Special Component Plan Compensation and Assignments to local bodies and Panchayat Raj Institutions-Other miscellaneous Compensation & assignments- Grants to Urban Local bodies under Financial Assistance/Relief- SFC recommendations Special grants to Corporations, Municipalities and Town Panchayat- Special grants for capital Development Grant-in-aid	1,864.00 310.00 213.00 250.00 150.00 1,383.91 750.00 6,179.90 3,857.00	
20.	38-Major & medium Irrigation (Revenue-Voted) 20.62 (18.91)	Major Irrigation-Commercial Krishnaraja Sagar works- Maintenance and Repairs- Repairs Suspense-Stock debits Hemavathy project-Maintenance and Repairs – Repairs Tunga Bhadra Project Left Bank canal- Maintenance & Repairs-Repairs Tunga Bhadra project Right Bank Extension & Improvements Maintenance & repairs-Repairs Tunga Bhadra Board	127.98 146.01 363.54 175.94 108.84 102.66 337.48	Due to non-receipt of letter of credit Rs.320.11 lakh surrendered due to non-receipt of letter of credit. Due to short release of LOC Rs.89.90 lakh re-appropriated Rs.12.76 lakhs surrendered due to short release of LOC Due to non-preference of claims by AP

(1)	(2)	(3)	Rs. in lakh	(4)
		Survey and Investigation – Water Resource Development Organisation- National Hydrology Project- Lumpsum-State	327.29	Due to non-release of funds by Govt. Rs.80.20 lakh re-appropriated and Rs.247.09 lakh surrendered.
21.	39-Minor Irrigation (excluding ground water) (Capital-Voted) 34.83 (24.71)	Capital Outlay on Minor Irrigation-Surface Water World Bank Aided-Tank Irrigation Projects – Karnataka Tank Development Project (Jala Samavardhane Yojane Sangha)- Major works	2,288.52	Work could not be taken up due to technical reasons. Rs.2,158.28 Lakh surrendered – Rs.130.24 Lakh re-appropriated.
		Water tanks- Construction of New Tanks, pickups etc, CE- Minor Irrigation Bangalore, Major works	603.93	
		Works	125.00	
		NABARD works	730.00	
		Modernisation of Tanks by NABARD- NABARD Works	250.00	
		Raith Kayaka kere- Major works	438.50	
		NABARD Works	250.00	
		Special Component Plan	2,328.61	
		Tribal Area Sub-Plan	506.00	
22.	41- Administration of Justice (Revenue-Voted) 14.66 (10.36)	Other Expenditure EFC grants for upgradation of Judicial Administration - Grants-in-aid	315.75	
23.	44-Public Works (Excluding Ports & Inland Transport) (Revenue-Voted) 291.36 (41.20)	General-Directions of Admn-Machinery& Equipment New Supplies-Hospital Accessories	273.06	
		Repairs & carriages Central Mechanical Organisation Repairs	143.46	
		Maintenance & Repairs- Buildings- Ordinary Repairs-Building Maintenance as per TFC Norms	2,537.84	
		Education	335.02	
		Medical	278.37	
		Technical Education	100.85	
		Building – Special Repairs-Medical	139.73	
		Suspense- Debits- Stock-Stock Debits	5,299.30	
		Miscellaneous- Works Advance MPWA-Debits	665.20	
		Housing- Govt. Residential Buildings- Other Housing- Maintenance & Repairs- Building Maintenance as per TFC Norms- Maintenance	419.80	
		Furnishing	370.43	
		State Highways - Bridges- Repairs to Bridges- Repairs	210.25	

(1)	(2)	(3)	Rs. in lakh	(4)
		Road works-Road Maintenance to meet Tenth Finance Commission Norms-Maintenance	7,071.45	
		Ordinary Repairs of Roads- Repairs	612.28	
		Renewals- Repairs	140.73	
		District and other Roads - Road works- Rural Road works - Prime Minister Gramodaya Sadak Yojana- Roads	10,138.98	
		Rural Roads - Pradhana Mantri Gramodaya Sadak- Roads	456.55	
		Other expenditure - District Roads & Bridges- Repairs to roads in Ayacut Area-Repairs	221.29	
		General-Direction & Administration Pro-rata establishment charges Transferred from 2059 public works	261.90	
		Machinery & Equipment - Pro-rata Machinery & equipment charges transferred from 2059 Public Works	104.43	
		Railway safety works- Construction of Railway over/under bridges in lieu of Railway level crossings	193.60	Due to non-release of funds in time.
		Transfer to Reserve funds & Deposit accounts- Transfer of grants from Central Road fund to Deposit Head Subventions-Inter Account Transfer	601.00	
	(Capital- Voted) 290.87 (29.07)	Capital outlay on public works General-Direction & Administration- State sector schemes- Percentage establishment charges- Transferred from 2059 Public Works	427.27	
		Construction - Construction of Mini Vidhana Soudha in Districts	1,500.00	
		Administration of justice	610.23	
		Public Works	241.30	
		District Administration	221.35	
		Legislature	184.82	"
		Stationery and Printing	167.85	
		Sales Tax	157.80	
		Machinery & Equipment percentage- Machinery & equipment charges	139.85	
		Capital Outlay on Housing Govt. Residential Buildings - Other Housing- construction- Purchase of flats by PWD in Koramangala constructed by KHB under National Games project	2,000.00	
		Administration of Justice	356.96	

(1)	(2)	(3)	Rs. in lakh	(4)
		General- Investments in Public sector and other under takings- Repayments of loans and interest of KHB (National Games)- HUDCO loans- Assistance for repayment	3,420.56	
		Capital outlay on Social Security and Welfare- Social Welfare correctional services- Buildings – Major works	137.93	
		Other expenditure- Construction of Haj Buildings – Construction	300.00	
		Capital outlay on Roads and Bridges- State Highways- Road works- Development of State Highways under World Bank Assistance- Roads	18,606.55	
		Other Road formation- Roads	3,816.16	
		District & other Roads- Other expenditure- District Roads- Development of Roads in Sugar Factory Areas- Roads	620.30	
		General- Investments in public sector and other undertakings Karnataka State Roads Development Corporation- Investments	1,164.00	
		Miscellaneous Loans- Loans to contractors for purchase of Machinery- Other Contractors- Communications & Buildings	288.94	
		Loans- Miscellaneous Loans- State Renewal Fund (VRS and other Reliefs)- Loans to Public Sector undertakings & Local bodies	1,000.00	
24.	46-Rural Development & Panchayat Raj (Revenue-Voted) 270.17 (20.81)	Public Works- General Assistance to local bodies, Corporations, etc. ZPs & GPs	389.76	
		Water supply and sanitation-Rural Water supply Programme- Additional support to ZP sector Pradhana Mantri Gramodaya Yojana- Lumpsum-State	152.56	
		Submission project	151.48	
		Assistance to local bodies, corporations, etc- ZPs & GPs- Grant-in-aid for ZPs	2,061.57	
		Lumpsum-State	1,779.00	
		Lumpsum- G.P.	150.00	
		Sewage and Sanitation- Sanitation services – Panchasutra- Lumpsum-State	731.00	
		Assistance to local bodies, Corporations, etc, ZPs & MPs- Centrally Sponsored Scheme of Rural sanitation programme-GIA to ZPs	716.82	

(1)	(2)	(3)	Rs. in lakh	(4)
		Special Programme for Rural Development Programme- Direction and Administration- Monitoring Cell for IRD- Integrated Waste land Development Programme- Other Expenditure	469.16	
		Rural Employment- Other expenditure- Assistance to local bodies, corporations ZPs & GPs- State Employment- Assurance Scheme (Nemmadi)- Grants-in-aid for ZP	446.80	
		Jawahar Grama Samrudhi Yojana- Lumpsum- ZP	399.86	
		Land reforms- Regulation of Land holding and tenancy-Other schemes- Computerisation of land records- Modernisation	354.73	
		Assistance to local bodies, Corporations, etc, ZPs & GPs- GIA for ZP	3,587.95	
		Development Grants-Lumpsum- State	2,937.83	
		Grants to Panchayat Raj Institution under EFC grants – Lumpsum- ZP	1,047.89	
		ZPs Maintenance grants-Grants-in-aid for ZP	326.87	
		Grants to Taluk Panchayats	119.18	
		Block Grants—(Per capita grant and Anthyodaya)	112.93	
		Provision for vacant posts- Lumpsum	115.00	
		Other Expenditure- Maidan Development Board-Special Component Plan	144.00	
		Hill areas- Western Ghats- Assistance to local bodies, Corporations etc, ZPS & GPs- CSS of Western Ghats Development Programme-GIA for ZPs	177.51	
		Other Special Area Programme- State legislatures local area Development Programme- Lumpsum –State	8,827.50	
		Minor irrigation- General Assistance to local bodies corporations ZPs & GPs- Block Assistance	714.75	
		Non-conventional source of energy- Bio-energy-National Programme for Bio-gas Development	889.62	
		Roads and Bridges- General Assistance to local bodies, Corporations, etc.- Block assistance to ZPs and GPs	3,859.32	

(1)	(2)	(3)	Rs. in lakh	(4)
	(Capital Voted) 38.10 (50.32)	Capital outlay on water supply and sanitation- Water supply- Rural water supply scheme with Bilateral assistance- Integrated Rural Water supply and sanitation project (Jala Nirmala)- Lumpsum-State	3,713.00	
25.	47- Labour & Wakf (Revenue-Voted) 65.60 (35)	Medical & Public Health- Urban Health Services-Allopathy- Employees State Insurance scheme -Dispensary unit -Salaries	389.52	Non-filling up of vacant posts
		Drugs and Chemicals	176.37	
		Other Expenditure -Salaries	101.32	Non-filling up of vacant posts
		Lumpsum-State	178.41	
		Hospital Unit-Salaries	278.40	Non-filling up of vacant posts
		Labour & Employment- Labour Industrial Relations- enforcement of Labour laws- Lumpsum-State	349.76	Rs.174.05 lakh surrendered due to non-receipt of sanction from Govt. to implement labour schemes.
		Other social services-Administration of Religious and Charitable Endowments Acts-Repairs and improvements for Wakfs Institutions- GIA	100.00	Due to enforcement of economy measures
		Wakf Board- GIA	110.00	Due to enforcement of economy measures
		Constitution of tribunals under Wakf Act- Other expenditure	100.41	Due to enforcement of economy measures
		Other General Economic services Urban Oriented Employment Programme- Swarna Jayanthi Shahari Rozgar Yojana-Urban Wage Employment Programme-Lumpsum-State	1,821.16	
		Special Component Plan	121.00	
		Urban Self Employment Programme- Lumpsum-State	1,590.59	
		Special Component Plan	121.00	
26.	48- Social Welfare. (Revenue-Voted) 58.40 (16.63)	Welfare of SC,ST and Other Backward Classes- Welfare of SC- Economic Development SCP for SCs including Dr.Ambedkar Centenary Programme- Lumpsum- State	1,988.73	
		Assistance to Public Sector and other undertakings- SC/ST- Development Corporation- State Plan schemes- Self Employment Scheme- GIA	392.13	
		Education- Centrally Sponsored coaching & Allied schemes	153.14	

(1)	(2)	(3)	Rs. in lakh	(4)
		Encouragement to merit SC students- Lumpsum-State	299.44	Rs. 150 Lakh surrendered due to non-release of grant by GOI.
		Residential schools-Lumpsum-State	120.00	
		Spl. Central assistance for SCP-SCP	597.26	
		Other Expenditure- Community Irrigation scheme – Other expenditure	210.00	
		Machinery for enforcement of untouchability Offences Act 1955	147.38	
		Assistance to local bodies, Corporations, etc. ZPs & GPs- CSS of Post-Matric scholarship for ST – Lumpsum- ZP	303.41	
		Special Central assistance to TSP	102.72	
		Housing- Construction of Houses to ST- Construction	439.34	
		Other Expenditure - Community Irrigation Scheme-other expenditure	106.00	
		Welfare of Backward Classes- Other Expenditure-Community Irrigation/Individual Irrigation scheme (Minorities)- Other Expenditure	209.00	
		Backward classes- Other expenditure	189.98	
		Karnataka Minorities Development Corporation- Subsidies	105.25	
		Karnataka Backward Classes Development Corporation- Subsidies	100.00	
	Capital-Voted 11.44 (17.19)	Capital Outlay on welfare of SCs, STs & OBCs- Welfare of the SCs- Investment in Public sector & other undertakings- Karnataka SCs/STs Development Corporation – Investment	394.45	
		Education- Construction- Construction of Hostel Buildings- construction	179.20	Due to non-receipt of sanction from Govt.
		Construction of Hostel Buildings- State scheme	179.00	Due to non-receipt of sanction from Govt.
		Construction of residential schools Assistance for repayments	252.50	
27.	49- Women & Child Welfare (Revenue-Voted) 62.39 (20.71)	Social security & Welfare- Social Welfare- Child Welfare Attendance- scholarship for Girls from fifth Std to SSLC- SCP	108.00	
		Women's Welfare- Revolving Fund for Sthree Shakti- Other Expenditure	195.03	
		Assistance to local bodies, Corporations, etc. ZPs & GPs- CSS of Integrated Child Development Scheme- GIA	3,686.17	
		ZPs and GPs	1,034.20	

(1)	(2)	(3)	Rs. in lakh	(4)
		Nutrition- General- Other Expenditure Women & Child Nutrition Component	961.61	
28.	50-Medical Education (Revenue-Voted) 45.32 (17.15)	Medical and Public Health- Urban Health Services- Allopathy- Direction & Admn- Directorate of Health and Family Welfare Services (Medical Branch)- Lumpsum-State	245.90	
		Hospitals & Dispensaries- Hospitals attached to Teaching Institutions- College Hospitals-Salaries	561.59	
		Electricity & Water charges	1,010.54	
		Drugs & Chemicals	461.90	
		Major Hospitals- Purchase of Equipments/Ambulance (Medical Education)- Lumpsum-State	419.81	
		Medical Education-Training & Research- Allopathy- Education including education in pharmacy- Medical College, Bellary-GIA	754.81	
		Nursing schools-Salaries	203.32	
		GIA to private medical colleges towards stipends-GIA	106.71	
		Medical colleges-Salaries	704.95	
		Medical colleges-Scholarships & Stipends	210.87	
29.	51-Health & Family Welfare Services. (Revenue-Voted) 143.38 (17.20)	Medical & Public Health- Urban Health Services-Allopathy- Medical stores Depot-Govt. Medical stores, Bangalore- Drugs & Chemicals	1,213.89	Drugs & chemicals covered under tender were not supplied before 2003.
		Hospitals & Dispensaries-Major Hospitals-Major and District Hospitals- Salaries	634.31	Due to vacant posts
		Drugs and chemicals	380.05	
		Rajiv Gandhi Super specialty Hospital-Raichur-GIA	500.76	
		Karnataka Health Systems Development Project- Salaries	893.31	Vacant posts
		Office Expenses	237.78	Economy measures
		Tuberculosis Institutions- Other Tuberculosis Sanatoria- Salaries	165.32	Vacant posts
		Drugs and Chemicals	102.01	Economy Measures
		Rural Health Services-Allopathy Hospitals & Dispensaries- Taluk level General Hospitals- Salaries	335.42	Vacant posts
		Lumpsum-State	176.00	
		RIDF Works-Major works	197.03	
		Prevention and control of Diseases- Malaria-National Anti-Malaria Programme (Rural)	273.92	Non-filling up of vacant posts
		National Malaria eradication Programme-Salaries	411.65	Vacant posts
		Leprosy-Control Leprosarium Bangalore- Salaries	224.83	Vacant posts

(1)	(2)	(3)	Rs. in lakh	(4)
		Other Expenditure Logistic Project - Lumpsum-State	331.62	Surrendered as the funds for the project were provided by GOI directly to the Dept. concerned.
		Health Nutrition and Population Project- Lumpsum-State	200.00	As approval for the project was not received from GOI
		General Assistance to local Bodies Corporations, etc.- provision for vacant posts-Block assistance- Lumpsum-State	2,756.00	
		Maternity and child health- Reproductive and child Health services-National component-Other expenditure	2,400.00	
		Reproductive and child Health services-Sub-project, Bellary- Other Expenditure	238.60	Rs.51.88 lakh surrendered due to non-supply of vehicles for the project work
		Compensation-IUD- Financial Assistance/Relief	717.57	Due to less No. of FP Operations
		Selected Area Programme including IPP Rehabilitation of Bldg constructed under IDP-I IPP-III – Lumpsum-State	142.99	
		Continuation of Health centre under CHCs created under IPP VIII - Lumpsum-State	130.13	
30.	62-Bangalore City Corporation, Bangalore Water Supply and Sewerage Board and Bangalore Metropolitan Regional Development Authority (Revenue-Voted) 90.55 (63.49)	Urban Development- Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Boards, etc BMRDA- Karnataka Infrastructure project (ADP)- GIA	4,800.00	
		Karnataka Coastal Management & Urban Development- GIA	2,400.00	
		Bangalore Megacity Project- GIA	1,455.00	
		Karnataka Municipal Development Project (WBA)- Lumpsum-State	279.00	
		Development of new projects- Lumpsum-State	150.00	
	(Capital-Voted) 22.78 (12.50)	Loans for water supply and sanitation- Water supply loans to public sector and other undertakings- BWSSB- Cauvery water supply stage V- Loans to BWSSB- Loans to Public Sector under taking and local bodies	1,616.54	
		Augmentation of water supply & sewerage system in Bangalore with French assistance- Loans to PSU & local bodies	439.05	
		Total	3,12,159.37	

Appendix 2.3

Cases where supplementary provision proved unnecessary

(Reference: Paragraph 2.3.4, Page 36)

(Rupees in crore)

Sl. No.	Grant No. and Section	No. of detailed heads	Amount of Grant/Appropriation			
			Original	Supplementary	Expenditure	Saving
1	4 (Revenue-Voted)	02	21.92	3.25	17.80	7.37
2	8 (Capital-Voted)	03	-	1.32	-	1.32
3	10 (Revenue-Voted)	02	0.40	0.15	-	0.55
4	11 (Capital-Voted)	01	-	0.35	-	0.35
5	13 (Revenue-Voted)	01	-	0.05	-	0.05
6	15 (Revenue-Voted)	01	0.20	0.25	0.11	0.34
7	19 (Revenue-Voted)	01	0.20	0.06	0.12	0.14
8	23 (Revenue-Voted)	01	-	0.35	-	0.35
9	24 (Revenue-Voted)	03	0.67	0.41	0.60	0.48
10	28 (Revenue-Voted)	02	0.70	1.74	0.37	2.07
11	32 (Revenue-Voted)	01	-	1.78	-	1.78
12	33 (Revenue-Voted)	01	-	0.10	-	0.10
13	36 (Revenue-Voted)	01	40.00	16.67	16.67	40.00
14	37 (Revenue-Voted)	01	5.00	0.63	3.13	2.50
	37 (Capital - Voted)	01	-	6.00	-	6.00
15	38 (Capital-Voted)	01	46.42	9.50	26.55	29.37
16	39 (Revenue-Voted)	01	-	0.98	-	0.98
	39 (Capital-Voted)	02	0.35	10.07	-	10.42
17	42 (Revenue-Voted)	07	7.29	3.70	3.61	7.38
18	44 (Revenue-Voted)	04	0.31	4.69	0.07	4.93
	44 (Capital-Voted)	04	54.02	20.03	31.60	42.45
	44 (Revenue-Charged)	02	-	0.09	-	0.09
19	45 (Revenue-Voted)	01	15.49	0.04	14.26	1.27
20	47 (Revenue-Voted)	04	0.33	0.06	0.19	0.20
21	48 (Revenue-Voted)	02	11.90	2.63	8.71	5.82
22	49 (Revenue-Voted)	02	-	1.21	-	1.21
23	50 (Revenue-Voted)	01	22.77	2.00	17.22	7.55
24	51 (Revenue-Voted)	05	31.56	2.54	28.35	5.75
25	52 (Revenue-Voted)	01	0.01	1.00	-	1.01
		59	259.54	91.65	169.36	181.83

Appendix 2.4

Cases where supplementary provision proved insufficient

(Reference: Paragraph 2.3.4, Page 36)

(Rupees in crore)

Sl. No.	Grant No. and Section	No. of detailed heads involved	Original Provision	Supplementary Provision	Expenditure	Excess uncovered
1	4 (Revenue-Voted)	04	15.27	19.09	43.23	8.87
	4 (Capital-Voted)	01	0.20	0.40	0.77	0.17
2	5 (Capital-Voted)	01	90.00	57.55	148.36	0.81
3	9 (Revenue-Voted)	03	43.44	6.43	50.26	0.39
4	10 (Revenue-Voted)	01	3.00	0.00	31.50	28.50
5	13 (Revenue-Voted)	01	0.05	0.10	0.50	0.35
6	17 (Revenue-Voted)	01	0.25	0.05	0.37	0.07
7	19 (Revenue-Voted)	02	1.14	0.16	1.60	0.30
8	24 (Revenue-Voted)	02	0.13	0.25	0.47	0.09
9	30 (Revenue-Voted)	03	2.91	2.75	11.22	5.56
10	33 (Revenue-Voted)	01	5.00	0.10	5.21	0.11
11	36 (Revenue-Voted)	01	67.00	8.33	106.95	31.62
12	38 (Capital-Voted)	04	0.55	4.48	7.58	2.55
13	39 (Capital-Voted)	07	4.30	13.25	49.29	31.74
14	40 (Revenue-Voted)	03	6.62	0.50	7.68	0.56
15	41 (Revenue-Voted)	02	0.43	0.11	0.78	0.24
16	42 (Revenue-Voted)	05	0.56	0.73	2.39	1.10
17	43 (Revenue-Voted)	01	0.01	0.06	0.09	0.02
18	44 (Revenue-Voted)	02	2.16	3.76	6.44	0.52
	44 (Capital-Voted)	01	120.00	25.00	170.41	25.41
	44 (Capital-Charged)	01	0.13	0.03	0.30	0.14
19	47 (Revenue-Voted)	01	0.15	0.10	0.32	0.07
20	49 (Revenue-Voted)	02	-	2.00	3.98	1.98
21	51 (Revenue-Voted)	01	0.10	0.10	0.47	0.27
22	60 (Capital-Voted)	01	4.00	6.92	16.83	5.91
		52	367.40	152.25	667.00	147.35

Appendix 2.5

Supplementary provision proved excessive

(Reference: Paragraph 2.3.4, Page 36)

(Rupees in crore)

Sl. No.	Grant No. and Section	No. of detailed heads involved	Amount of Grant/Appropriation			
			Original	Supplementary	Expenditure	Saving
1	1 (Revenue-Voted)	02	2.43	0.85	3.15	0.13
2	2 (Revenue-Voted)	01	0.05	0.27	0.30	0.02
3	4 (Revenue-Voted)	01	3.83	0.20	3.89	0.14
	4 (Capital-Voted)	01	0.15	2.92	2.83	0.24
4	5 (Capital-Voted)	01	1.25	2.00	2.25	1.00
5	8 (Capital-Voted)	02	0.10	9.86	9.86	0.10
6	9 (Revenue-Voted)	01	26.96	11.13	37.06	1.03
7	12 (Revenue-Voted)	02	0.30	0.33	0.44	0.19
8	13 (Revenue-Voted)	01	2.29	0.75	2.34	0.70
9	17 (Revenue-Voted)	01	0.10	0.13	0.20	0.03
10	19 (Revenue-Voted)	02	-	0.10	0.01	0.09
11	23 (Revenue-Voted)	01	0.49	0.07	0.51	0.05
12	24 (Revenue-Voted)	06	2.59	34.42	32.25	4.76
13	25 (Revenue-Voted)	01	-	2.00	1.47	0.53
14	30 (Revenue-Voted)	01	1.00	0.20	1.09	0.11
15	31 (Revenue-Voted)	01	-	1.08	0.58	0.50
16	32 (Revenue-Voted)	01	75.00	52.60	82.39	45.21
17	37 (Revenue-Voted)	01	10.00	6.85	16.08	0.77
18	38 (Capital-Voted)	06	341.36	157.66	355.02	144.00
19	39 (Capital-Voted)	01	0.50	6.20	6.00	0.70
20	41 (Revenue-Voted)	01	0.81	0.35	1.06	0.10
21	42 (Revenue-Voted)	03	22.21	191.62	148.62	65.21
22	44 (Capital-Voted)	03	0.45	76.48	66.93	10.00
23	45 (Capital-Voted)	01	2.77	6.83	8.34	1.26
24	46 (Capital-Voted)	01	-	13.00	12.50	0.50
25	47 (Revenue-Voted)	02	3.34	18.05	19.80	1.59
26	49 (Revenue-Voted)	02	0.50	1.23	1.30	0.43
	49 (Capital-Voted)	01	-	1.60	1.40	0.20
27	50 (Revenue-Voted)	01	4.42	5.93	9.71	0.64
28	51 (Revenue-Voted)	07	4.43	13.09	11.82	5.70
29	52 (Revenue-Voted)	01	0.05	3.99	0.70	3.34
30	54 (Revenue-Voted)	01	0.18	4.33	4.13	0.38
31	59 (Revenue-Voted)	01	-	3.18	1.29	1.89
		59	507.56	629.30	845.32	291.54

Appendix 2.6
Injudicious re-appropriation of funds
(Reference: Paragraph 2.3.5, Page 37)

(Rupees in lakh)

Sl. No.	Head of account	Provision (original plus supplementary)	Re-appropriation	Final grant	Actual expenditure	Excess (+)/ Savings (-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	6003-Internal debt of the State Government 110-Ways and Means advances from Reserve Bank of India 1-Clean and Secured ways and Means advances 127-Repayment of Internal Debt	3,47,272.00	(+)37,154.24	3,84,426.24	4,04,545.00	(+) 20,118.76
2	2049-Interest payment 01-Interest on Internal Debt 101-Interest on Market loan 1-Interst on Current loan 34-12.5% KSDL 2008 (Issue dt 5.10.98) 241-Interest	1,583.75	(+)3,236.68	4,820.43	5,090.54	(+) 270.11
3	2055-Police 109-District Police 1-Police Force 01-Police Establishment in existing districts 041-Travel expenses	1,800.00	(+) 202.04	2,002.04	2,190.02	(+) 187.98
4	2702-Minor Irrigation 80-General 800-Other expenditure 01-Survey works, Minor Irrigation, Bangalore 137-Survey	14.36	(+) 15.85	30.21	217.40	(+) 187.19
5	2702-Minor Irrigation 80-General 001-Direction and Administration 3-World Bank Aided Tank Irrigation projects, Investigation and Special Appraisal establishment 07-Execution, Bijapur (North) -Salaries	782.61	(+) 0.05	782.66	930.34	(+) 147.68
6	3451-Secretariat-Economic Services 090-Secretariat 2-Information Technology Secretariat 01-IT promotion and Development 059-Other expenditure	200.00	(+) 250.00	450.00	539.73	(+) 89.73
7	2055 - Police 001-Direction and Administration 01-Inspector General of Police 101-Grants-in-aid	60.24	(+) 50.00	110.24	196.43	(+) 86.19
8	2702-Minor Irrigation 01-Surface Water 101-Water tanks 02-Maintenance and Repairs 150-Repairs	1,374.79	(+) 233.77	1,608.56	1,693.63	(+) 85.07
9	2055-Police 104-Special Police 01-Karnataka State Reserve Police and Karnataka Armed Reserve Police 060-Other charges	75.00	(+) 1.28	76.28	142.47	(+) 66.19
10	2055-Police 109-District Police 3-Police Motor Transport 192-Repairs of Motor vehicles	307.68	(+) 181.50	489.18	529.03	(+) 39.85
11	2701-Major and Medium Irrigation 80-General 005-Survey and Investigation 1-Water Resources Development Organisation 03-Tools and Plants -Repairs and Carriages	6.86	(+) 2.39	9.25	43.42	(+) 34.17

(1)	(2)	(3)	(4)	(5)	(6)	(7)
12	2055-Police 104-Special Police 01-Karnataka State Reserve Police and Karnataka Armed Reserve Police 191-Fuel and Oil expenses -	130.00	(+) 155.00	285.00	317.71	(+) 32.71
13	2055-Police 109-District Police 1-Police Force 01-Police Establishment in existing districts 050-Office expenses	106.04	(+) 50.22	156.26	188.28	(+) 32.02
14	2011-Parliament/ State/ Union Territory Legislatures 02-State Legislatures 101-Legislative Assembly 05-Other members -Travel expenses	490.49	(+) 10.00	500.49	526.36	(+) 25.87
15	6003-Internal debt of the State Government 105-Loans from RBI for contribution to the Share Capital of the co-operative credit institutions in the State 5-Loans from RIDF 01-Major and Minor Irrigation project 127-Repayment of Internal Debt	10,892.76	(-) 5,057.53	5,835.23	10,069.42	(+) 4,234.19
16	6003-Internal debt of the State Government 101-Market loans 1-Market loans bearing interest 10-11% KSDL 2002 Repayment Internal Debt	10,136.75	(-) 806.98	9,329.77	10,066.85	(+) 737.08
17	2702-Minor Irrigation 80-General 001-Direction and Administration 4-Other Minor Irrigation projects establishment 04-Execution Bijapur (North) -Salaries	244.21	(-) 9.02	235.19	467.19	(+) 232.00
18	2210-Medical and Public Health 01-Urban Health Services-Allopathy 110-Hospitals & Dispensaries 1-Hospitals attached to Teaching Institutions 18-College Hospitals -Hospital Accessories	408.55	(-) 6.50	402.05	549.22	(+) 147.17
19	2202-General Education 03-University and Higher Education 001-Direction and Administration 01-Director of Collegiate Education 500-Lumpsum-State	129.86	(-) 89.16	40.70	81.42	(+) 40.72
20	2030-Stamps and Registration 03-Registration 001-Direction and Administration 1-Inspector General of Stamps and Registration 05-Office expenses	40.51	(-) 2.00	38.51	72.99	(+) 34.48
21	4701-Capital outlay on Major and Medium Irrigation 03-Medium Irrigation -Commercial 341-Amarja project-NABARD 1-Direction and Administration 01-Project establishment -Salaries	117.17	(-) 34.35	82.82	116.08	(+) 33.26
22	4701-Capital outlay on Major and Medium Irrigation 01-Major Irrigation-Commercial 320-Tungabhadra project HCL II Stage 1-Direction and Administration 01-Project establishment -Salaries	85.77	(-) 5.16	80.61	108.30	(+) 27.69
23	2070-Other Administrative Services 115-Guest Houses and Govt., Hostels etc., 1-Guest Houses 01-State Guest Houses 120-Hospitality expenses	160.00	(-) 2.63	157.37	184.47	(+) 27.10

(1)	(2)	(3)	(4)	(5)	(6)	(7)
24	2701-Major and Medium Irrigation 01-Major Irrigation-Commercial 201-Krishnarajasagar Works 02-Maintenance establishment -Salaries	668.03	(-) 50.30	617.73	644.10	(+) 26.37
25	2202-General Education 2-Other Govt., Colleges 01-Other Govt., Colleges 221-Materials and Supplies	29.57	(-) 2.00	27.57	53.28	(+) 25.71
26	4702-Capital outlay on Minor Irrigation 101-Surface Water 2-World Bank Aided Tank Irrigation project 80-Karnataka Tank Development Project (Jala Samvardhane Yojana Sangha) 139-Major works	4,124.00	(-) 130.24	3,993.76	1,646.66	(-) 2,347.10
27	4701-Capital outlay on Major and Medium Irrigation 01-Major Irrigation-Commercial 401-Karanja project-AIBP 4-Other expenditure 03-Canal and Branch-Normal	3,325.69	(-) 71.09	3,254.60	963.23	(-) 2,291.37
28	2049-Interest payment 01-Interest on internal debt 108-Interest on Insurance and Pension funds 1-State Govt., Insurance funds 01-State life Insurance fund 241-Interest	20,531.80	(-)1,983.71	18,548.09	16,600.00	(-) 1,948.09
29	2055-Police 109-District Police 1-Police Force 01-Police Establishment in existing District -Salaries	32,322.18	(-)1,125.00	31,197.18	29,301.10	(-) 1,896.08
30	2075-Miscellaneous General Services 103-State Lotteries 1-Director of State Lotteries 05-Computerised Network Lottery 080-Publicity expenses	1,500.00	(-) 2.00	1,498.00	-	(-) 1,498.00
31	2702-Minor Irrigation 01-Surface Water 1-Chief Engineer, Minor irrigation, B'lore 02-Maintenance and Repairs 150-Repairs	1,875.52	(-) 266.94	1,608.58	1,109.64	(-) 498.94
32	2054-Treasury & Accounts Administration 095-Directorate of Accounts & Treasuries 03-Modernisation of Accounting in Treasuries 500-Lumpsum-State	2,500.00	(-) 32.35	2,467.65	2,050.02	(-) 417.63
33	2851-Village and Small Industries 107-Sericulture Industries 1-State Sericulture Industries 02-Grainages Seed/ Commercial 059-Other expenditure	931.00	(-) 150.00	781.00	336.03	(-) 444.97
34	2401-Crop Husbandry 001-Direction and Administration 2-Horticulture Department 02-Executive Establishment -Salaries	1,763.93	(-) 46.00	1,717.93	1,381.77	(-) 336.16
35	2055-Police 101-Criminal Investigation and Vigilance 03-State Intelligence -Salaries	1,218.98	(-) 81.47	1,137.51	888.18	(-) 249.33
36	2701-Major and Medium Irrigation 80-General 005-Survey and Investigation 1-Water Resources Development Organisation 80-National Hydrology project -Lumpsum-State	610.65	(-) 80.20	530.45	283.85	(-) 246.60
37	2210-Medical and Public Health 01-Urban Health Services-Allopathy 110-Hospital and Dispensaries 2-Major Hospitals 83-Karnataka Health System project -Office expenses	400.00	(-) 30.00	370.00	162.22	(-) 207.78

(1)	(2)	(3)	(4)	(5)	(6)	(7)
38	3451-Secretariat-Economic Services 090-Secretariat 2-Information technology Secretariat 04-e-governance project 059-Other expenditure	510.00	(-) 250.00	260.00	78.23	(-) 181.77
39	2403-Animal Husbandry 001-Direction and Administration 01-Director of Animal Husbandry and Veterinary Services 222-Drugs and Chemicals	835.23	(-) 126.46	708.77	532.48	(-) 176.29
40	2013-Council of Ministers 800-Other expenditure 02-Telephone charges -Telephone charges-Council of Ministers	392.00	(-) 114.00	278.00	144.27	(-) 133.73
41	2052-Secretariat-General Services 090-Secretariat 01-Karnataka Govt., Secretariat 058-Electricity and Water charges	600.00	(-) 90.00	510.00	383.38	(-) 126.62
42	2055-Police 800-Other expenditure 01-Opening of New Police Station 125-Modernisation	252.35	(-) 100.00	152.35	32.24	(-) 120.11
43	4701-Capital outlay on Major and Medium Irrigation 01-Major Irrigation-Commercial 207-Hemavathi project 2-Machinery and Equipment 02-Central Mechanical Organisation 182-Repairs and Carriages	144.10	(-) 52.45	91.65	-	(-) 91.65
44	2202-General Education 103-Govt., Colleges and Institutes 2-Other Govt., Colleges 01-Other Govt., Colleges 500-Lumpsum-State	309.61	(-) 94.11	215.50	128.46	(-) 87.04
45	2054-Treasury & Accounts Administration 095-Directorate of Accounts & Treasuries 02-Strengthening of Treasuries 125-Modernisation	100.00	(-) 1.47	98.53	14.16	(-) 84.37
46.	5051 – Capital outlay on Ports and Light Houses 02 – Minor ports 209 – Development of Mangalore Port 001 –Preliminary expenses 04 – Construction of Wharfs, Jattis and other facilities 059- Other expenditure	195	(-) 28.00	167.00	94.67	(-) 72.33
47	2406-Forestry and Wild life 01-Forestry 105-Forest produce 03-Sandal extraction 500-Lumpsum-State	67.53	(-) 1.50	66.03	4.55	(-) 61.48
48	4701-Capital outlay on Major and Medium Irrigation 01-Major Irrigation-Commercial 207-Hemavathi project 1-Direction & Administration 01-Project establishment -Salaries	1,133.00	(-) 2.21	1,130.79	1,070.34	(-) 60.45
49	4701-Capital outlay on Major and Medium Irrigation 01-Major Irrigation-Commercial 206-Harangi project 1-Direction and Administration 01-Projet establishment -Salaries	506.17	(-) 49.04	457.13	399.68	(-) 57.45
50	2701-Major and Medium Irrigation 80-General 005-Survey and Investigation 8-World Bank Aided Tank-Irrigation project 02-Other expenditure-Survey works-Survey 137-Survey	83.30	(-) 2.39	80.91	24.61	(-) 56.30

(1)	(2)	(3)	(4)	(5)	(6)	(7)
51	2203-Technical Education 108-Examinations 063-Remuneration	171.70	(-)101.82	69.88	19.67	(-) 50.21
52	2014-Administration of Justice 105-Civil and Sessions Courts 02-Establishment of New and Additional Courts 125-Modernisation	200.00	(-) 60.00	140.00	96.00	(-) 44.00
53	2701-Major and Medium Irrigation 01-Major Irrigation-Commercial 229-Cauvery Anicut channels 03-Extension and Improvement 154-Extension and Improvement	85.82	(-) 38.09	47.73	6.58	(-) 41.15
54	2401-Crop Husbandry 109-Extension and Training 22-District Agriculture Training Centre 500-Lumpsum-State	180.00	(-) 17.72	162.28	124.44	(-) 37.84
55	2055-Police 109-District Police 4-Police Radio Grid 180-Machinery and equipment	135.70	(-) 65.35	70.35	36.16	(-) 34.19
56	2401-Crop Husbandry 001-Direction & Administration 1-Agriculture 09-Computer centre at Directorate of Agriculture 11-Plan Development and Research -Lumpsum-State	182.00	(-) 57.50	124.50	90.60	(-) 33.90
57	2202-General Education 02-Secondary Education 001-Direction and Administration 03-Director of Public Instruction 058-Electricity and Water Charges	58.74	(-) 17.92	40.82	8.26	(-) 32.56
58	2210-Medical and Public Health 05-Medical Education Training and Research 101-Ayurveda 1-Education 13-Government-Ayurvedic Medical Colleges -Scholarships and Stipends	67.26	(-) 3.72	63.54	31.36	(-) 32.18
59	2701-Major and Medium Irrigation 01-Major Irrigation-Commercial 401-Karanja project 04-Maintenance and Repairs 150-Repairs	45.95	(-) 2.04	43.91	15.36	(-) 28.55
60	2070-Other Administrative Services 115-Guest Houses and Government Hostels etc., 1-Guest Houses 01-State Guest Houses -Salaries	280.65	(-) 2.37	278.28	250.06	(-) 28.22
61	4701-Capital outlay on Major and Medium Irrigation 01-Major Irrigation-Commercial 208-Hemavathi project (Central Zone)-Tumkur 1-Direction and Administration 01-Project establishment -Salaries	624.79	(-) 1.58	623.21	595.25	(-) 27.96
62	2220-Information and Publicity 60-Others 001-Direction & Administration 01-Directorate of Information & Publicity 500-Lumpsum-State	111.94	(-) 28.00	83.94	57.43	(-) 26.51
63	2406-Forestry and Wild Life 01-Forestry 102-Social and Forestry 2-Other Schemes 80-Forestry and Environment project for Eastern Plains (OECF) 500-Lumpsum-State	7,840.00	(+) 981.00	8,821.00	5,044.58	(-) 3,776.42

(1)	(2)	(3)	(4)	(5)	(6)	(7)
64	4701-Capital outlay on Major and Medium Irrigation 80-General 190-Investment in Public Sector and Other undertakings 800-Other expenditure 01-New schemes -Other expenditure	5,592.28	(+) 20.58	5,612.86	2,655.14	(-) 2,957.72
65	4701-Capital outlay on Major and Medium Irrigation 01-Major Irrigation-Commercial 208-Hemavathi project (Canal zone) Tumkur 4-Other expenditure 03-Canal and Branches 145-Acquisition of Land	472.50	(+) 93.14	565.64	95.87	(-) 469.77
66	2203-Technical Education 105-Polytechnics 01-Polytechnics -Salaries	3,328.12	(+) 245.00	3,573.12	3,128.61	(-) 444.51
67	2406-Forestry and Wild Life 02-Environmental Forestry and Wild Life 110-Wild Life 47-Development of Wild Life Sanctuaries and National Park-CSS 139-Major works	414.00	(+) 370.92	784.92	499.92	(-) 285.00
68	2054-Treasury & Accounts Administration 097-Treasury Establishment 01-Treasury establishment -Salaries	22,96.71	(+) 9.63	2306.34	2138.90	(-) 167.44
69	2230-Labour and Employment 03-Training 101-Industrial Training 01-Industrial Training Institute/Centres 500-Lumpsum-State	1,970.74	(+) 1.30	1972.04	1829.22	(-) 142.82
70	4701-Capital outlay on Major and Medium Irrigation 01-Major Irrigation-Commercial 205-Kabini project 4-Other expenditure 03-Canals and Branches (Charged)	78.00	(+) 33.11	111.11	-	(-) 111.11
71	4701-Capital outlay on Major and Medium Irrigation 01-Major Irrigation-Commercial 208-Hemavathi project (canal zone) Tumkur 2-Machinery and equipment 02-Central Mechanical Organisation -Repairs and Carriages	59.06	(+) 44.41	103.47	-	(-) 103.47
72	2055-Police 109-District Police 1-Police Force 01-Police Establishment in existing District 058-Electricity and Water charges	149.34	(+) 124.16	273.50	188.06	(-) 85.44
73	2701- Major and Medium Irrigation 01-Major Irrigation-Commercial 317-Tungabhadra project-left Bank Canal 02-Maintenance Establishment -Salaries	768.79	(+) 10.36	779.15	697.29	(-) 81.86
74	2055-Police 800-Other expenditure 05-Special Repairs to Police Quarters	211.97	(+) 30.00	241.97	165.48	(-) 76.49
75	4701-Capital outlay on Major and Medium Irrigation 01-Major Irrigation-Commercial 205-Kabini project 1-Direction and Administration 01-Project establishment -Salaries	499.94	(+) 6.81	506.75	435.84	(-) 70.91
76	2049-Interest payment 01-Interest on internal debt 101-Interest on Market loan 1-Interest on current loan -11% KSDL 2002 241-Interest	421.58	(+) 551.59	973.17	910.17	(-) 63.00

(1)	(2)	(3)	(4)	(5)	(6)	(7)
77	2055-Police 108-State Headquarters Police 03-City Police Motor Transport 191-Fuel and Oil expenses	350.00	(+) 153.26	503.26	441.81	(-) 61.45
78	2701-Major and Medium Irrigation 80-General 005-Survey and Investigation 1-Water Resources Development Organisation 80-National Hydrology Project -Salaries	141.89	(+) 0.63	142.52	95.81	(-) 46.71
79	2210-Medical and Public Health 01-Urban Health Services-Allopathy 110-Hospital and Dispensaries 2-Major Hospitals 83-Karnataka Health system project -Repairs of Motor vehicles	75.00	(+) 20.00	95.00	48.74	(-) 46.26
80	2049-Interest payment 01-Interest on internal debt 101-Interest on Market loan 5-Interest on loans from General Insurance Corporation of India 02-Fire Fighting Equipment 241-Interest	214.85	(+) 48.78	263.63	214.85	(-) 48.78
81	2203-Technical Education 108-Examination 050-Office expenses	48.18	(+) 20.00	68.18	21.01	(-) 47.17
82	2202-General Education 02-Secondary education 107-Scholarships 3-Sainik School, Bijapur 111-Scholarships & Stipends	135.83	(+) 16.45	152.28	107.46	(-) 44.82
83	3054-Roads and Bridges 01-National Highways 001-Direction & Administration 3-Execution 01-National Highways -Salaries	955.76	(+) 7.47	963.23	922.51	(-) 40.72
84	4701-Capital outlay on Major and Medium Irrigation 03-Medium Irrigation-Commercial 217-Uduthore Halla Project 4-Other expenditure 03-Canals and Branches -Normal (Charged)	39.00	(+) 1.44	40.44	-	(-) 40.44
85	2055-Police 109-District Police 1-Police Force 01-Police establishment in existing District 060-Other charges	355.63	(+) 46.08	401.71	362.36	(-) 39.35
86	4701-Capital outlay on Major and Medium Irrigation 01-Major Irrigation-Commercial 401-Karanja project-AIBP 1-Direction and Administration 01-Project Establishment -Salaries	493.28	(+) 47.16	540.44	501.61	(-) 38.83
87	2055-Police 101-Criminal Investigation and Vigilance 03-State Intelligence 191-Fuel and Oil Expenses	54.56	(+) 31.74	86.30	49.30	(-) 37.00
88	2070-Other Administrative Services 115-Guest Houses and Govt., Hostels etc., 1-Guest Houses 01-State Guest Houses 050-Office expenses	100.00	(+) 34.23	134.23	98.18	(-) 36.05
89	2055-Police 001-Direction and Administration 01-Inspector General of Police 060-Other charges	19.51	(+) 25.00	44.51	8.85	(-) 35.66

(1)	(2)	(3)	(4)	(5)	(6)	(7)
90	2210-Medical and Public Health 01-Urban Health Services-Allopathy 110-Hospital and Dispensaries 2-Major Hospitals 83-Karnataka Health System Project -Fuel and Oil expenses	150.00	(+) 10.00	160.00	126.43	(-) 33.57
91	2055-Police 101-Criminal Investigation and Vigilance 01-Criminal Investigation Department 191-Fuel and Oil expenses	43.22	(+) 12.50	55.72	29.15	(-) 26.57
92	2701-Major and Medium Irrigation 80-General 800-Other expenditure 1-Visveswararajah Canal-Revenue establishment -Salaries	62.90	(+) 1.93	64.83	33.10	(-) 31.73
93	4701-Capital outlay on Major and Medium Irrigation 01-Major Irrigation-Commercial 203-Modernisation of Krishnarajasagar Canals 1-Direction and Administration 01-Project establishment -Salaries	175.62	(+) 1.61	177.23	150.84	(-) 26.39
94	2055-Police 109-District Police 3-Police Motor Transport 041-Travel expenses	33.00	(+) 36.10	69.10	42.92	(-) 26.18
95	2701-Major and Medium Irrigation 80-General 005-Survey and Investigation 5-Kabini Project 01-Investigation Division -Salaries	99.98	(+) 17.00	116.98	91.20	(-) 25.78

Appendix 2.7
Cases where amount of savings not surrendered
(Reference: Paragraph 2.3.6, Page 37)

(Rupees in crore)

Sl. No.	No. & Name of the Grant (Section)	Amount of savings	Amount actually surrendered	Amount not surrendered	Percentage
(1)	(2)	(3)	(4)	(5)	
1	1 – Agriculture (excluding Malnad Area Development Board)				
	Revenue voted	118.13	113.53	4.6	4
	Capital voted	0.25	-	0.25	100
2	2 – Horticulture				
	Revenue voted	29.20	-	29.20	100
	Revenue charged	0.13	-	0.13	100
3	3 – Animal Husbandry				
	Revenue voted	39.05	12.13	26.92	69
4	4 – Fisheries, Ports & Area Development				
	Revenue voted	51.17	3.25	47.92	94
	Revenue charged	0.02	-	0.02	100
	Capital voted	3.00	1.52	1.48	49
5	5 – Large and Medium Scale Industries (excluding I.T)				
	Revenue voted	38.63	0.21	38.42	99
	Capital voted	115.49		115.49	100
6	6 – Mines and Geology				
	Revenue voted	16.39	2.22	14.17	86
7	7 – Small Scale Industries				
	Revenue voted	36.56	-	36.56	100
	Capital voted	2.54	-	2.54	100
8	8 – Sericulture and Textiles				
	Revenue voted	33.02	2.14	30.88	93
	Capital voted	1.18	-	1.18	100
9	9 – Higher Education, Science & Technology				
	Revenue voted	32.25	22.50	9.75	30
	Capital voted	0.23	-	0.23	100
10	10 – Primary, Secondary & Vocational Education				
	Revenue voted	289.30	40.53	248.77	86
	Capital voted	1.23	-	1.23	100
11	11 – Stationery & Printing				
	Revenue voted	0.84	-	0.84	100
	Capital voted	0.35	-	0.35	100
12	12 – Youth Services				
	Revenue voted	4.27	0.01	4.26	100
13	13 – Kannada & Culture				
	Revenue voted	4.83	3.24	1.59	33
14	14 – Taxes on Income, Professions, Sales and other services				
	Revenue voted	21.87	9.60	12.27	56
15	15 – Pension and Other Retirement Benefits				
	Revenue voted	168.38	-	168.38	100

(1)	(2)	(3)	(4)	(5)	
16	16 – Assistance to Government Servants and Miscellaneous Loans				
	Revenue voted	6.40	-	6.40	100
	Capital voted	9.46	-	9.46	100
17	17 – Treasury and Accounts Administration				
	Revenue voted	7.61	5.60	2.01	26
18	19 – State Excise				
	Revenue voted	3.14	1.12	2.02	64
19	20 – Police Intelligence				
	Revenue voted	3.23	0.13	3.10	96
20	21 – Bangalore Development Projects				
	Capital voted	78.34	-	78.34	100
21	22 – Governor, Ministries and Public Service Commission				
	Revenue charged	1.03	0.96	0.07	68
22	23 – Secretariat				
	Revenue voted	7.82	6.16	1.66	21
23	24 – General Administration				
	Revenue voted	7.90	4.61	3.29	42
	Revenue charged	12.23	10.52	1.71	14
24	25 – Power projects				
	Revenue voted	1,404.46	52.18	1,352.28	96
	Capital voted	10.37	-	10.37	100
25	26 – Small Savings, State Lottery & Insurance				
	Revenue voted	334.42	219.57	114.85	34
26	27 – Muzrai (excluding Wakf and Haj)				
	Revenue voted	2.82	2.49	0.33	12
27	29 – Food and Civil Supplies				
	Revenue voted	122.86	21.32	101.54	83
	Capital voted	5.30	-	5.30	100
28	30 – Forest, Ecology and Environment				
	Revenue voted	70.59	54.36	16.23	23
29	31 – Transport Services				
	Revenue voted	57.64	2.84	54.80	95
30	32 – Home (excluding Police Intelligence)				
	Revenue voted	123.63	18.82	104.81	85
31	33 – Information and Publicity				
	Revenue voted	2.32	1.30	1.02	44
32	35 – Agricultural Marketing				
	Revenue voted	9.64	8.73	0.91	9
33	36 – Housing				
	Revenue voted	41.66	-	41.66	100
	Capital voted	0.10	-	0.10	100
34	37 – Urban Development Authorities (excluding Bangalore Development Projects) City Corporations (excluding BCC) Town Planning Department				
	Revenue voted	151.21	-	151.21	100
	Capital voted	5.76	-	5.76	100

(1)	(2)	(3)	(4)	(5)	
35	38 – Major & Medium Irrigation				
	Revenue voted	20.62	19.82	0.80	4
	Capital voted	177.95	96.15	81.80	46
	Capital charged	6.37	1.72	4.65	73
36	39 – Minor Irrigation (excluding Ground water)				
	Revenue voted	9.07	1.78	7.29	80
	Revenue Charged	34.83	21.58	13.25	38
37	40 – State Legislature				
	Revenue voted	5.79	2.11	3.68	64
38	41 – Administration of Justice				
	Revenue voted	14.66	9.82	4.84	33
39	42 – Revenue (excluding Wakf, Haj & Muzrai)				
	Revenue voted	71.55	2.27	69.28	97
	Revenue Charged	1.26	-	1.26	100
40	43 – Planning, Institutional, Finance and Statistics (excluding Science & Technology)				
	Revenue voted	4.49	2.20	2.29	51
	Capital voted	0.05	-	0.05	100
41	44 – Public Works (excluding Ports & Inland Transport)				
	Revenue voted	291.36	3.54	287.82	99
	Capital voted	290.87	4.65	286.22	98
42	45 – Co-operation (excluding Agricultural Marketing)				
	Revenue voted	8.88	5.72	3.16	36
	Capital voted	8.94	7.96	0.98	11
43	46 – Rural Development and Panchayath Raj				
	Revenue voted	270.17	0.04	270.13	100
	Capital voted	38.10	-	38.10	100
44	47 – Labour and Wakf				
	Revenue voted	65.60	20.27	45.33	69
45	48 – Social Welfare				
	Revenue voted	58.40	2.85	55.55	95
	Capital voted	11.44	3.58	7.86	69
46	49 – Women & Child Welfare				
	Revenue voted	62.39	-	62.39	100
	Capital voted	0.20	-	0.20	100
47	50 – Medical Education				
	Revenue voted	45.32	-	45.32	100
	Capital voted	1.62	-	1.62	100
48	51 – Health and Family Welfare Services				
	Revenue voted	143.38	61.42	81.96	57
	Capital voted	4.23	2.31	1.92	45
49	52 – Information Technology				
	Revenue voted	5.55	-	5.55	100
50	54 – Interest payments				
	Revenue charged	5.17	0.02	5.15	100
51	56 – Ground Water				
	Revenue voted	2.45	1.43	1.02	42
52	57 – Infrastructure Development				
	Revenue voted	0.56	-	0.56	100

(1)	(2)	(3)	(4)	(5)	
53	58 – Civil Aviation				
	Revenue voted	0.09	-	0.09	100
54	59 – Adult Education and Public Libraries				
	Revenue voted	3.64	0.03	3.61	99
55	60 – City Municipal Councils, Town Municipal Councils and Town Panchayats				
	Revenue voted	4.22	-	4.22	100
56	61 – Science and Technology				
	Revenue voted	0.47	-	0.47	100
57	62 – Bangalore City Corporation, Bangalore Water Supply And Sewerage Board and Bangalore Metropolitan Regional Development Authority				
	Revenue voted	90.56	-	90.56	100
	Capital voted	22.78	-	22.78	100
	Total	5,271.28	892.86	4,378.42	--

Appendix 2.8

List of defective re-appropriation orders for the year 2002-03

(Reference: Paragraph 2.4, Page 38)

Sl. No.	Grant	Head of Account	Re-appropriation Order number and date	Total amount of Re-appropriation (Rs.)	Authority by which order was issued	Brief reasons for rejections
1	10	2202- General Education	FD 491/Expr.8/2003 Dt.31-3-2003	5,06,58,000	Finance Dept.	*Want of prior approval of the Planning Dept.
2	38	4701- Capital outlay on Major and Medium Irrigation	PW 05 FC 3/2003 Dt.31-3-2003	7,91,61,000	Under Sect., to GOK, PWD (Finance Cell), Vidhana Soudha, Bangalore-1	*Rejected due to involvement of an item of New Service
3	38	4701- Capital outlay on Major and Medium Irrigation	PW 7(A) FC 3/2003 Dt.31-3-2003	6,17,33,000	Under Sect., to GOK PWD (Finance Cell), Vidhana Soudha, Bangalore-01	*Rejected due to involvement of 2 items of New Service.
4	38	4701- Capital outlay on Major and Medium Irrigation	PW 8 FC 3/2003 Dt.31-3-2003	8,70,09,000	Under Sect., to GoK, PWD (Finance Cell) Vidhana Soudha, Bangalore -01	*Rejected due to involvement of 2 items of New Service
5	38	4701- Capital outlay on Major and Medium Irrigation	PW 8 FC 3/2003 Dt.31-3-2003	3,50,16,000	Under Secretary to GoK, PWD, (Finance Cell), Vidhana Soudha, Bangalore-01	*Rejected due to involvement of an item of New Service.

Reference in which Department was informed:

- * AA/A7/Gr.10/2002-03/12 Dt.16-6-2003
- AA/A10/Gr.38/2002-03/12 Dt.8-7-2003
- * AA/A10/Gr.38/2002-03/13 Dt.8-7-2003
- ∞ AA/A10/Gr.38/2002-03/14 Dt.8-7-2003
- ¥ AA/A10/Gr.38/2002-03/15 Dt.8-7-2003

Appendix 2.9

Statement showing flow of expenditure during the four quarters of 2002-2003

(Reference: Paragraph 2.5, Page 39)

(Rupees in Crore)

Sl.No.	Head of Account	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total	During March 2003	Percentage as expenditure in March 2003 to Total expenditure of 2002-03
1	2015-Elections	4.29	5.74	12.50	19.11	41.64	10.98	26.36
2	2047-Other Fiscal Services	0.88	0.87	5.83	30.39	37.97	29.31	77.20
3	2075-Miscellaneous General Services	1.91	1.15	9.53	128.91	141.50	112.87	79.77
4	2205-Art and Culture	7.34	8.36	8.14	23.32	47.16	16.13	34.21
5	2211-Family Welfare	8.96	34.10	35.07	81.81	159.94	49.25	30.79
6	2217-Urban Development	2.42	15.91	20.97	47.33	86.63	28.98	33.46
7	2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	67.36	114.34	92.27	217.08	491.05	140.63	28.64
8	2250-Other Social Services	0.58	2.68	4.18	16.68	24.12	14.78	61.26
9	2402-Social and Water Conservation	11.46	14.46	17.79	39.62	83.33	27.95	33.54
10	2404-Dairy Development	--	0.78	1.14	1.60	3.52	1.57	44.57
11	2408-Food, Storage and Warehousing	31.63	35.44	35.46	91.50	194.03	61.40	31.65
12	2506-Land Reforms	0.55	1.40	0.95	3.72	6.62	3.03	45.80
13	2551-Hill Areas	0.12	3.87	1.36	9.77	15.12	5.30	35.04
14	2711-Flood Control and Drainage	--	0.19	0.11	0.18	0.48	0.16	33.33
15	2885-Other outlays on Industries & Minerals	--	--	0.24	2.00	2.24	2.00	89.25
16	3435-Ecology and Environment	--	0.16	0.40	5.82	6.38	5.13	80.41
17	3456-Civil Supplies	0.83	0.79	0.81	2.37	4.80	1.66	34.60
	Total	138.33	240.24	246.75	721.21	1,346.53	511.13	--

Appendix 2.10

Sub-Heads affected by large unspent provisions

(Paragraph No.2.6.1, 2.6.2, 2.6.3, Pages 39, 40, 41)

(Rupees in lakh)				
Year/Sub-Heads	Total Provision	Actual Expenditure	Unspent Provision	Percentage of Unspent Provision
Grant No.15				
2000-01				
2071-01-101-4 Payment of pensionary charges to other Governments under SRC Act 1956	118.00	--	118.00	100
2071-01-104-2 Gratuities-Other Gratuities-Karnataka	22,500.00	18,359.93	4,140.07	18.40
2071-01-105-3 Family Pension- Other Family Pensions- Karnataka	10,655.00	8,482.30	2,172.70	20.49
2071-01-110-1 Pensions of Employees of Local Bodies - Payments to Municipal Employees	4,029.00	2,913.26	1,115.74	27.69
2071-01-200-0-5 Other Pensions	509.32	328.55	180.77	35.49
2001-02				
2071-01-101-3 State Government pensions	1,18,284.00	1,08,233.71	10,050.29	8.50
2071-01-102-3 Other Payments	23,581.00	19,466.91	4,114.09	17.45
2071-01-104-2 Other Gratuities Karnataka	20,700.00	17,344.87	3,355.13	16.20
2071-01-105-3 Other Family Pensions Karnataka	9,906.00	9,474.51	431.49	4.38
2071-01-109-1 Triple Benefit Scheme	61.78	34.30	27.48	44.48
2071-01-115-3 Economic Services	1,072.63	1,012.53	60.10	5.80
2071-01-115-4 Capital Heads	74.23	10.01	64.22	86.51
2071-01-200-5 Pension and Other Retirement Benefits to Ex-Shanbhogs	405.11	260.96	144.15	35.58
2002-03				
2071-01-102-3 Other Payments	25,297.81	12,903.48	12,394.33	48.99
2071-01-104-2 Other Gratuities-Karnataka	22,215.97	12,496.10	9,719.87	43.74
2071-01-105-3 Other family Pensions- Karnataka	10,627.20	6,939.55	3,687.65	34.70
2071-01-110-1 Payments to Municipal Employees	3,586.39	2,925.36	661.03	18.43
2071-01-115-3 Economic Services	1,282.03	1,173.29	108.74	8.48
2071-01-115-4 Capital Heads	100.26	1.30	98.96	98.70

Year/Sub-Heads	Total Provision	Actual Expenditure	Unspent Provision	Percentage of Unspent Provision
Grant No.29				
2000-01				
2408-01-001-0-02 Executive Establishment	1,206.16	1,099.79	106.37	8.80
2408-01-001-0-03 Internal Audit and Accounts	78.32	68.26	10.06	12.84
2408-01-102-0-01 Food Subsidies-Differential cost of Food Grains	29,956.00	29,504.00	452.00	1.50
2001-02				
2408-01-001-0-04 Printing of Kerosene Coupons	29.40	-	29.40	100
2408-01-102-0-01 Food subsidies-Differential cost of Food grains	30,000.00	20,580.76	9,419.23	31.39
2002-03				
2408-01-001-0-04 Printing of Kerosene coupons	30.00	18.49	11.51	38.37
2408-01-102-0-01 Food Subsidies - Differential cost of Food Grains	30,000.00	17,575.27	12,424.73	41.42
3456-00-800-0-05 Consumer Fora	595.24	436.94	158.30	26.59
Grant No.46				
2000-01				
4215-01-102-1-83 Rural Development Engineering Department	100.00	Nil	100.00	100
4515-00-103-1-04 Compensation Certificates	100.00	60.71	39.29	39
2001-02				
4215-01-102-1-80 Rural Water Supply Schemes-Danida Assisted	2,605.00	906.53	1,698.47	65
4215-01-102-1-82 Rural Water Supply Schemes-Netherlands assisted	833.00	617.22	215.78	26
4215-01-102-1-83 Rural Development Engineering Department	100.00	Nil	100	100
4215-01-102-1-84 Integrated Rural water supply and Environmental Sanitation Project-World Bank Assisted - Jalanirmala-Rural Sanitation	4,000.00	275.00	3,725.00	93
2002-03				
4215-01-102-1-83 Rural Development Engineering Department	10.00	-	10.00	100
4215-01-102-1-84 Integrated Rural Water supply and Environmental sanitation Project-Jalanirmala -Rural Sanitation	5,350.00	1,637.00	3,713.00	69

Appendix 2.11

Sub-Heads affected by large excesses

(Reference: Paragraph No. 2.6.1, Page 39)

(Rupees in Lakh)

Year/Sub-heads	Total Provision	Actual Expenditure	Excess
Grant No.15			
2000-01			
2071-01-101-3 State Government Pensions	96,300.00	1,03,460.21	7,160.21
2071-01-102-3 Other Payments	20,300.00	20,706.24	406.24
2071-01-109-1 Triple Benefit Scheme	5.00	49.18	44.18
2071-01-115-1 General Services	1,128.40	1,239.93	111.53
2071-01-115-2 Social Services	676.90	1,550.69	873.79
2071-01-115-3 Economic Services	594.68	824.74	230.06
2071-01-115-4 Capital Heads	0.02	24.68	24.66
2001-02			
2071-01-101-4 Payment of Pensionary Charges to other Governments under the SRC Act 1956	118.00	324.04	206.04
2071-01-108-1 Contribution to PF of Commercial concerns	-	54.41	54.41
2071-01-110-1 Payments to Municipal Employees	3,342.53	3,829.69	487.16
2071-01-115-1 General Services	1,519.46	1,737.86	218.40
2071-01-115-2 Social Services	1,807.99	1,896.82	88.83
2071-01-200-06 Ad-hoc pensions to Ex-Patels	191.00	317.17	126.17
2002-03			
2071-01-101-3 State Government Pensions	1,26,895.67	1,35,649.36	8,753.69
2071-01-101-4 Payment of Pensionary charges to other Governments under the SRC Act 1956	126.59	253.87	127.28
2071-01-108-1 Contributions to Provident funds of Commercial Concerns	-	41.80	41.80
2071-01-109-1 Triple Benefit Scheme	66.51	107.86	41.35
2071-01-115-1 General Services	1,280.40	2,153.59	873.19
2071-01-115-2 Social Services	1,846.08	2,217.80	371.72
2071-01-200-06 Adhoc pensions to Ex-Patels	204.86	263.92	59.06
4215-01-102-1-83 Rural Development Engineering Department	10.00	-	10.00
4215-01-102-1-84 Integrated Rural Water Supply and Environmental Sanitation Project – Jalanirmala- Rural Sanitation	5,350.00	1,637.00	3,713.00

Appendix 2.12

Persistent Unspent Provision

(Reference: Paragraph No. 2.6.1, 2.6.2, 2.6.3, Pages 39, 40, 41)

(Rupees in lakh)

Sub-heads	2000-01	2001-02	2002-03
Grant No.15			
2071-01-104-2 Other Gratuities-Karnataka	4,140.07	3,355.13	9,719.87
2071-01-105-3 Other Family pensions- Karnataka	2,172.70	431.49	3,687.65
2071-01-200-5 Pension and other Retirements benefits to Ex-Shanbhogs	180.77	144.15	306.34
Grant No.29			
2408-01-001-0-03 Internal Audit and Accounts	10.06	8.47	7.13
2408-01-102-0-01 106-Subsidies	2,282.28	9,966.66	13,887.86
3456-00-001-0-01 Direction and Administration			
01-Supply of essential commodities	4.11	4.02	8.70
3475-00-106-01 Controller of Legal Metrology and Director of Consumer Protection	23.21	28.57	30.51
Grant No. 46			
4215-01-102-1-83 459-Rural Engineering Department	100.00	100.00	10.00

Appendix 2.13

Surrender of unspent provision

(Reference: Paragraph No.2.6.2, 2.6.3, Pages 40, 41)

(Rupees in lakh)

Head of Account	Year	Unspent Provision	Amount Surrendered	Date of Surrender
Grant No.29				
2408-01-001-0-01 Direction and Administration 01-Director of Food Civil Supplies	2000-01	-	2.75	31-3-2001
2408-01-001-0-02 Executive Establishment	2000-01	106.37	14.49	31-3-2001
2408-01-001-0-03 Internal Audit and Accounts	2000-01	10.06	1.25	31-3-2001
2408-01-001-00-04 Printing of Kerosene coupons	2000-01	3.90	3.94	31-3-2001
2408-01-102-0-01 Food subsidies – differential cost of food grains	2000-01	455.20	377.69	31-3-2001
2408-01-001-0-01 Direction and Administration 01- Director of Food and Civil Supplies	2002-03	-	2.93	31-3-2003
2408-01-001-0-02 Executive Establishment	2002-03	-	20.50	31-3-2003
2408-01-001-0-03 Internal Audit and Accounts	2002-03	7.63	0.61	31-3-2003
2408-01-001-0-04 Printing of Kerosene coupon	2002-03	11.50	11.50	31-3-2003
2408-01-102-0-01 Food Subsidies	2002-03	12,424.73	1,991.71	31-3-2003
3456-00-001-0-01 Direction and Administration- 01-Supply of essential commodities	2002-03	8.69	0.21	31-3-2003
3456-00-800-0-05 Other Expenditure-Consumer fora	2002-03	158.30	104.54	31-3-2003
Grant No. 46				
4215-01-102-1-80 Integrated Rural Water supply and environmental sanitation project Phase-II (Danida Assisted)	2001-02	1,698.47	1,698.47	31-3-2002
4215-01-102-1-83 Rural Development Engineering Department	2001-02	100.00	100.00	31-3-2002
4215-01-102-1-84 Integrated Rural Water supply and Environmental Sanitation Project - Jalanirmala –Rural Sanitation WB assisted	2001-02	3,725.00	3,645.00	31-3-2002

Appendix 2.14

Cases of New Service/New Instrument of Service

(Reference: Paragraph 2.7, Page 42)

(Rupees in crore)

Sl. No.	No. and Name of the Grant	Head of Account	Budget Provision	Actual expenditure	Excess
(1)	(2)	(3)	(4)	(5)	(6)
1	32 – Home (Excluding Police Intelligence)	2055 – Police			
		001 – Direction and Administration			
		01 – Inspector General of Police			
		101 – Grants-in-aid	0.60	1.96	1.36
2	15 – Pension and Other Retirement Benefits	2071 – Pensions and other Retirement Benefits			
		01 – Civil			
		115 – Leave Encashment Benefits			
		1 – General Services			
		11 – State Legislature			
		126 – Terminal leave Benefits	0.04	5.35	5.31
		2071 – Pensions and other Retirement Benefits			
		01 – Civil			
		115 – Leave Encashment Benefits			
		1 – General Services			
		53 – District Administration			
		126 – Terminal leave Benefits	1.05	3.45	2.40
3	5 – Large and Medium Scale Industries (Excluding I.T)	6885 – Other loans for Industries and Minerals			
		01 – Loans to Industrial financial Institutions			
		190 – Loans to Public Sector & Other undertakings			
		6 – Interest free loans to Karnataka State Financial Corporation			
		395 – Loans to Public Sector Undertakings and Local Bodies	-	6.38	6.38
4.	51 – Health and Family Welfare Services	2210 – Medical and Public Health			
		01 – Urban Health Services – Allopathy			
		110 – Hospital and Dispensaries			
		2 – Major Hospitals			
		80 – Secondary Level Hospitals (KFW)			
		500 – Lumpsum-State	1.22	10.84	9.62
		2210 – Medical and Public Health			
		01 – Urban Health Services – Allopathy			
		104 – Medical Stores Depots			
		01 – Government Medical Stores – Bangalore			
		Machinery and Equipment	0.04	2.81	2.77
		2210 – Medical and Public Health			
		01 – Urban Health Services – Allopathy			
		110 – Hospital and Dispensaries			
		2 – Major Hospitals			
		83 – Karnataka Health System Projects – Other charges	0.50	1.65	1.15

(1)	(2)	(3)	(4)	(5)	(6)
		2210 – Medical and Public Health	1.03	5.79	4.76
		03 – Rural Health Services – Allopathy			
		110 – Hospitals and Dispensaries			
		05 – CSS Pradhana Manthri Gramodaya Yojana – Strengthening of PHCs/ Sub-centres			
		500 – Lumpsum-State			
		2210 – Medical and Public Health	3.50	12.14	8.64
		05 – Medical Education, Training and Research			
		101 – Ayurveda			
		1 – Education			
		03 – College with attached Hospital			
		101 – Grant-in-aid			
		2211 – Family Welfare	0.25	1.82	1.57
		191 – Assistance to Local Bodies, Corporations etc.,			
		1 – ZPs, GPs			
		01 – Block Assistance to ZP and GP - Bangalore Rural			
5	46 – Rural Development and Panchayat Raj	2215 – Water Supply and Sanitation	0.89	3.24	2.35
		01 – Water Supply			
		191 – Assistance to Local Bodies, Corporations etc.,			
		2 – ZPs and Mandal Panchayats			
		01 – Block Assistance to ZPs and MPs			
		462 – Gadag	-	1.71	1.71
		2215 – Water Supply and Sanitation			
		01 – Water supply			
		191 – Assistance to Local Bodies and Corporations etc.,			
		03 – BWSSB			
		80 – BWSSB Project IPP 109			
		102 – Special Grants			
		2215 – Water Supply and Sanitation	-	5.83	5.83
		01 – Water Supply			
		191 – Assistance to Local Bodies and Corporations etc.,			
		3 – BWSSB			
		82 – Improvement of Water Supply and Sewerage			
		102 – Special Grants			
6	1 – Agriculture (excluding Malnad Area Development Board)	2402 – Soil and Water Conservation	0.51	12.76	12.25
		102 – Soil Conservation			
		25 – CSS – Soil Conservation in the catchments of River valley project by Watershed Development Department			
		139-Major works			
		2402-Soil and water Conservation	0.39	8.81	8.42
		102-Soil Conservation			
		26-CSS- National Watershed Development Programme by Watershed Development Department			
		500-Lumpsum			

(1)	(2)	(3)	(4)	(5)	(6)
7	42 – Revenue (Excluding Wakf, Haj and Muzarai)	2235 – Social Security and Welfare			
		60 – Other Social Security and Welfare Programmes			
		102 – Pensions under Social Security Schemes			
		1 – Old Age Pensions			
		03 – National Family Benefit Scheme			
		500 – Lumpsum	-	2.91	2.91
8.	38-Major and Medium Irrigation	4701-Capital Outlay on Major and Medium Irrigation			
		01-Major Irrigation-commercial			
		207-Hemavathy Project			
		4 – Other Expenditure			
		07-Distributories – Normal	2.37	7.29	4.92
		4701 – Capital Outlay on Major and Medium Irrigation			
		01- Major Irrigation Commercial			
		317- Tungabhadra Project – Left Bank Canal			
		4-Other Expenditure			
		03-Canals and Branches – Normal	-	8.42	8.42
		4701- Capital Outlay on Major and Medium Irrigation			
		01- Major Irrigation Commercial			
		416-Varahi Project			
		04-Other Expenditure			
		03-Canals and Branches – Normal	-	3.22	3.22
		4701- Capital Outlay on Major and Medium Irrigation			
		03-Medium Irrigation (Commercial)			
		210-Taraka Project			
		4- Other Expenditure			
		03-Canals & Branches – Normal	-	1.41	1.41
		4701- Capital Outlay on Major and Medium Irrigation			
		03-Medium Irrigation (Commercial)			
		213-Votehole Project			
		4- Other Expenditure			
		01-Reservoir	-	1.04	1.04
		4701- Capital Outlay on Major and Medium Irrigation			
		03-Medium Irrigation (Commercial)			
		213-Votehole Project			
		4- Other Expenditure			
		07-Distributories	-	1.21	1.21
		4701- Capital Outlay on Major and Medium Irrigation			
		03-Medium Irrigation (Commercial)			
		337-Hirehalla Tank (AIBP)			
		07-Distributories	0.02	1.88	1.86
		4701- Capital Outlay on Major and Medium Irrigation			
		03-Medium Irrigation (Commercial)			
		337-Hirehalla Tank (AIBP)			
		12-Roads	0.04	1.39	1.35

(1)	(2)	(3)	(4)	(5)	(6)
9.	48-Social Welfare	2225- Welfare of Scheduled Castes, Schedule Tribes and Other Backward Classes			
		01-Welfare of Scheduled Castes			
		190-Assistance to Public Sector and other Under Takings			
		2-Scheduled Castes, Scheduled Tribes Development Corporation-SPS			
		08-Administrative charges for Scheduled Castes, Schedule Tribes Development Corporation			
		500-Lumpsum-State	-	2.00	2.00
		2225- Welfare of Scheduled Castes, Schedule Tribes and Other Backward Classes			
		01-Welfare of Scheduled Castes			
		277-Education			
		78-Post-Matric Stipends	-	1.71	1.71
		2225 Welfare of Scheduled Castes, Schedule Tribes and Other Backward Classes			
		03-Welfare of Backward Classes			
		277-Education			
		2-Welfare of Other Backward Classes			
		71-Grant-in-aid to private Post-Matric Hostels & Buildings	-	1.24	1.24
10.	49-Women and Child Welfare	2225- Welfare of Scheduled Castes, Schedule Tribes and Other Backward Classes			
		03-Welfare of Backward Classes			
		277-Education			
		2-Welfare of other Backward Classes			
		72-Maintenance of Pre-Matric Hostel Centre	-	2.26	2.26
		2235-Social Security and Welfare			
		02-Social Welfare			
		102-Child Welfare			
		1-Karnataka State Social Welfare Advisory Board for Family and Child Welfare Project			
		01-CSS of Integrated Child Development Services			
11.	47-Labour and Wakf	500-Lumpsum-State	-	2.03	2.03
		2230-Labour and Employment			
		01-Labour			
		103-General Labour Welfare			
		6-Child Labour			
		01-Child Labour-Rehabilitation			
12.	39-Minor Irrigation	104-Contributions	0.02	1.65	1.63
		4702-Capital Outlay on Minor Irrigation			
		101-Surface Water			
		06-Restoration of old and breached tanks and desilting of tanks			
		139-Major works-	0.52	8.97	8.45

(1)	(2)	(3)	(4)	(5)	(6)
		4702-Capital Outlay on Minor Irrigation			
		101-Surface Water			
		06-Restoration of old and breached tanks and desilting of tanks			
		-NABARD Works	-	3.21	3.21
		4702- Capital Outlay on Minor Irrigation			
		800-Other Expenditure			
		1-Land Acquisition charges and settlement of claims			
		145-Acquisition of land	0.15	6.02	5.87
		4702- Capital Outlay on Minor Irrigation			
		101-Surface Water			
		3-Lift Irrigation Schemes			
		01-Chief Engineer, Bangalore (Minor Irrigation)			
		139-Major works	2.44	7.36	4.92
		2702-Minor Irrigation			
		80-General			
		800-Other Expenditure			
		01-Survey Works, Minor Irrigation, Bangalore	0.14	2.17	2.03
13.	44-Public Works(Excluding Ports and Inland Transport)	4216-Capital Outlay on Housing			
		01-Govt.Residential building			
		700-Other housing			
		2-Construction-Purchase of land for KHB at Gulbarga	-	2.00	2.00
		Total	15.72	153.93	138.21

Appendix 3.1
Funding Pattern – Government of India
(Reference: Para 3.5.5, Page 92)

(Rupees in lakh)

Name of the Scheme	1998-99		1999-2000		2000-01		2001-02		2002-03	
	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure
NGOS	--	--	562.13	562.13	756.74	756.74	803.51	803.51	667.06	667.06
NPRPD	--	--	25.00	22.19	198.35	--	156.05	44.84	--	43.44
UNDP	--	--	--	--	10.50	9.89	126.46	29.42	--	0.40
DRC, Mysore	--	--	18.97	24.00	28.00	24.35	24.00	26.83	34.90	33.42
Total	--	--	606.01	608.32	993.59	790.98	1,110.02	904.60	701.96	744.32

Appendix 3.2
Funding Pattern – Government of Karnataka
(Reference: Para 3.5.5, Page 92)

(Rupees in lakh)

Name of the Scheme	1998-99		1999-2000		2000-01		2001-02		2002-03	
	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure
NGOS – Grant-in-aid	82.50	87.50	99.12	147.17	119.52	127.96	221.24	187.95	210.24	169.99
Schools for deaf & blind	18.52	11.83	21.05	20.14	18.35	11.49	15.36	12.82	17.84	12.35
Scholarship to physically handicapped	36.55	23.36	38.37	21.05	41.43	37.67	42.63	35.92	42.63	42.55
Incentive award to merited disabled	5.00	0.50	5.00	0.79	1.00	0.93	2.00	1.59	2.00	2.11
Training of Research teachers for integrated education	3.00	2.02	3.00	1.41	3.00	3.01	3.00	--	--	--
Insurance scheme for M.R	2.00	3.13	2.00	1.68	2.00	1.50	1.70	1.65	1.70	1.70
Government schools for P.H	110.54	79.35	121.81	87.22	112.16	90.55	97.59	96.78	100.46	104.09
Scholarship & Financial Assistance to P.H	113.36	76.98	115.02	69.11	83.19	66.25	85.59	82.34	--	82.24
Monthly Financial Assistance to P.H	3,150.00	3,384.53	3,000.00	3,715.07	3,356.50	3,577.41	3,640.70	3,830.17	3,600.00	4,405.38
School for deaf children	48.10	32.78	55.40	46.20	53.36	40.45	44.08	41.78	44.47	44.62
Hostel for disabled employees	10.72	7.18	9.53	5.88	11.59	7.90	12.00	10.82	13.92	10.83
Braille Press	16.30	11.01	17.13	23.96	14.74	11.61	18.50	16.35	17.02	18.78
Incentive Scheme for development of deaf & blind schools	3.00	--	3.00	0.15	1.00	0.87	1.00	0.91	2.00	--

Name of the Scheme	1998-99		1999-2000		2000-01		2001-02		2002-03	
	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure
Sound Library	3.00	1.20	3.00	0.27	1.00	--	2.00	2.35	3.00	1.42
Prevention, early detection & Intervention programmes	0.01	--	2.00	--	4.00	4.00	2.00	0.30	--	--
Assistance for self employment to disabled	70.00	62.99	80.00	80.61	80.00	84.91	86.00	87.05	70.00	67.05
Community based & other rehabilitation services	50.00	0.86	50.00	22.36	65.00	53.46	80.00	63.41	122.88	67.30
Issue of I.D.Cards	10.00	0.41	5.00	3.54	0.50	1.17	4.00	7.03	2.00	1.94
Supply of telephone booths	5.00	4.37	5.00	3.20	2.00	5.32	9.00	4.63	9.00	3.60
Aids & Appliances to P.H	20.00	4.68	20.00	19.34	23.00	21.80	28.00	31.14	20.00	18.65
Medical Relief for the disabled	--	--	--	--	9.85	26.79	5.00	0.63	5.00	3.29
Total	3,757.60	3,794.68	3,655.43	4,269.15	4,003.19	4,175.05	4,401.39	4,515.62	4,284.16	5,057.89

Appendix 3.3
Student-teacher ratio
(Reference: Para 3.5.7, Page 97)

	2000-01					2001-02		
	No. of Students	No. of Teachers available	Teachers required	Shortage (%)	No. of Students	No. of Teachers Available	Teachers Required	Shortage (%)
Manju Education Society, Gadag	--	--	--	--	69	3	14	78
Bapuji Vidya Samsthe, Gajendragad, Gadag	82	9	17	47	84	9	17	47
Renuka Yellamma Vidya Samsthe, Hirikeru, Haveri	85	14	17	18	86	14	18	22
Dudanana Vikasa Shikshana Samithi, Belgaum	62	5	13	62	40	5	8	38
Sharana Jyothi Vidya Samsthe, Bijapur	--	--	--	--	37	4	8	50
Mahadevi Thai Vidya vardhaka Sangha, Gulbarga	--	--	--	--	25	4	5	20
A.R.D. Gangavathi, Dasanal, Koppal	28	5	6	17	74	5	15	67
Lion Charitable Trust, Gangavathi, Koppal	29	4	6	33	30	4	6	33
Chawan Ayurvedic Education Society, Bidar	25	4	5	20	25	4	5	20
Manasa Rehabilitation and Training Centre, Mysore	101	3	21	86	111	4	23	83
Association for mentally handicapped, ANM, Bangalore	82	8	17	53	67	7	14	50
WARDS, Bangalore	--	--	--	--	20	2	4	50
Krishna Trust, Bangalore	40	5	8	38	35	4	7	43
Spastic Society of Karnataka	236	14	48	71	193	14	39	64
Aruna chetana, Bangalore	80	9	16	44	74	7	15	53
Divyashanti Christian Association, Bangalore	37	3	8	63	45	3	9	67
Sarvodaya Sevice Society, Vijayapur, Devanahalli	--	--	--	--	20	3	4	25
Vadiraja Trust, Kolar	68	6	14	57	59	5	12	58
Angavikalara Ashakirana Trust, Davangere	169	16	34	53	177	17	36	53

Appendix 3.4

Statement showing list of subsidy payments to Hotels situated in 'A' category places

(Reference: Para 3.7.1, Page 102)

(Rupees in lakh)				
Sl.No.	Name and address of the Hotel	Investment made	Subsidy paid	Cheque No. and date
1.	M/s.Hotel Adarsha Palace, 3360/23, College Road, Belgaum	83.19	12.48 2.52	M728308 dt.6.10.95 E 577667 dt.5.7.96
2.	M/s.Hotel Sukanya (P) Ltd., Greens compound, Balmatta Raod, Mangalore	21.91	3.29	E 750018 dt.31.3.97
3.	M/s.Hotel Hans Inn (P) Ltd., Universal Automobile Buildings, Traffic Island, Hubli	262.76	15.00	E 722733 dt.31.3.97
4.	M/s.Sankantai Hotels (P) Ltd., No.1055, Air Port Road, Gandhinagar, Belgaum	110.01	15.00	E 840486 dt.4.6.97
5.	M/s.Hotel Ashirwad, Belgaum	84.55	12.68	155410 Dt.31.3.2000
6.	M/s.Vandana Palace, Belgaum	243.06	15.00	Dt.7.2.2000
7.	M/s.Royal Inn, Mysore	73.90	14.78	499057 dt.15.8.2001
Total			90.75	

Appendix 4.1

Statement showing the purchases made at exorbitant rates

(Reference Para 4.1.1, Page 111)

(Amount in Rupees)

Sl. No.	Item purchased	Quantity	Rate paid per unit	Rate payable	Excess paid		Authority for rate payable
					Rate	Amount	
1	Steel Guage Plates of one metre length for monitoring water level	396 Nos.	6,750 per metre	1,000 per metre	5,750.00	22,77,000	Approved rate of Rs.1,000 by SE, TCC Circle, Yermarus for a similar item during 1998-99
2	Pressure Relief Valves (75 mm)	4,856 Nos.	505 each	147.37 each	357.63	17,36,651	Approved rate of Rs.113.36 each by CE, Irrigation (South), Mysore (for 75 mm PR valves) <i>plus</i> an addition of 30 <i>per cent</i> over the approved rate towards transportation and fixing charges.
3	Transformer Oil	3,320 litres	72 (500 ltrs) 144 (1,200 ltrs) 68 (1,620 ltrs)	30 per litre	42.00 114.00 38.00	21,000 1,36,800 61,560	Approved rate of Rs.25.70 per litre as per DSR of KPTCL <i>plus</i> Rs.4.30 per litre for extra rate for retail purchase.
4	Power Shunt Capacitors	1,166 Nos. (1 KVAR capacity)	509 (457 Nos.) 656 (95 Nos.) 1500 (614 Nos.)	250 each	259.00 406.00 1,250.00	1,18,363 38,570 7,67,500	As per DSR of PWD, Gulbarga Circle for 1999-2000 (Rs.170 per number for supply and Rs.55 for fixing. Add another Rs.25 for transportation)
5	Providing and fixing 250 watts High Pressure Sodium Vapour Street Light fitting with all accessories	32 Nos.	14,750 each	7,655 each	7,095.00	2,27,040	Approved rate (Rs.6,379) DSR of PWD, Gulbarga (Elec) for 1999-00 <i>plus</i> an addition of 20 <i>per cent</i> for transportation and fixing.
6	Providing and fixing:- (a) MS Outlet Gates (By weight) (1' x 1')	28,091.27 kgs	60 (24,381.27 kgs) 63.60 (3710 kgs)	50.02 per kg	9.98 13.58	2,43,325 50,382	SPD rate of Rs.37 per kg <i>plus</i> 4 <i>per cent</i> ST and an addition of 30 <i>per cent</i> for transportation and fixing charges.
	(b) MS Outlet Gates (By number) (1' x 1')	744 Nos. (each weighing 33 kg)	2,900 per gate	1,651 per gate	1,249.00	9,29,256	SPD Rate of Rs.38.48 per kg <i>plus</i> an addition of 30 <i>per cent</i> towards transportation and fixing charges.
		2 Nos.	9,800	1,651 per gate	8,149.00	16,298	
TOTAL						66,23,745	

Appendix 4.2

Statement showing the excess payment of compensation

(Reference: Para 4.1.5, Page114)

(Amount in Rupees)

Sl No.	Name of the owner	Survey No.	Type of building & year of construction	Plinth area (sqm)	Rate admissible as per Govt circular of 2.7.1986	Total amount (5) * (6)	Deduct depreciation @ 1% p.a. on (7)	Net admissible (7) - (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
01	Rangaiah	9:1B1A1	Residential RCC bldg with red oxide (1984)	43.12	976	42,085	421	41,664
02	Nagaraju	9:1	Residential RCC bldg with mosaic flooring (1984)	54.40	1,304	70,938	709	70,229
03	KV Abdulla	6	RCC bldg with red oxide for shops (1984)	112.80	870	98,136	981	97,155
04	R Madhusudana Adiga	6:1	RCC bldg with red oxide for shops (1984)	22.80 (GF) 22.80 (FF)	976 870	22,253 19,836	223 198	22,030 19,638
05	R Shivashankar	9:1B1A1	AC sheet roofed bldg for shops & godown (1983)	92.075	600	55,245	1,105	54,140
06	Subbamma	9:1B1A1	AC sheet roofed bldg for shops & godown (1983)	97.50	600	58,500	1,170	57,330
07	K Ramaiah	9:1B1A1	RCC residential bldg with mosaic flooring (1984)	214.90	1,304	2,80,230	2,802	2,77,428
08	Subbamma	9:1B1A1	AC sheet roofed bldg for shops (1983)	153.52	600	92,112	1,842	90,270
09	Udaya Kumar	9:1B	RCC bldg (shed) with red oxide (1985)	147.17	870	1,28,038	-	1,28,038
10	Subbamma	9:1B1A1	RCC flooring with CC flooring (shed) (1983)	129.20	870	1,12,404	2,248	1,10,156
11	K Ramaiah	9:1B1A1	AC sheet roof (shops) (1983)	93.75	600	56,250	1,125	55,125
12	M Pratima	16:3C	Staircase for 3 floors with RCC roof slab & mosaic flooring (1985)	11.70 (GF) 11.70 (FF) 11.70 (SF)	1,304 1,108 1,163	15,257 12,964 13,607	- - -	15,257 12,964 13,607
TOTAL						10,77,855	12,824	10,65,031

Sl No.	Valuation of trees	Total of (9) & (10)	Add solatium @ 30% of (11)	Total of (11) & (12)	Interest on (13)		Total amount payable (13)+(14) + (15)	Total amount paid	Excess amount paid (17) - (16)
					@ 9% for 1 year (23.6.1985 to 22.6.86)	@ 15% from 23.6.86 to 22.5.02 (5805 days)			
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
01	-	41,664	12,499	54,163	4,875	1,29,212	1,88,250	8,79,783	6,91,533
02	-	70,229	21,069	91,298	8,217	2,17,802	3,17,317	13,68,883	10,51,566
03	-	97,155	29,146	1,26,301	11,367	3,01,306	4,38,974	23,01,472	18,62,498
04	-	22,030 19,638	6,609 5,891	28,639 25,529	2,577 2,298	68,322 60,902	1,88,267	8,37,726	6,49,459
05	6,290	60,430	18,129	78,559	7,070	1,87,412	2,73,041	13,14,296	10,41,255
06	6,290	63,620	19,086	82,706	7,443	1,97,305	2,87,454	12,70,464	9,83,010
07	3,145	2,80,573	84,172	3,64,745	32,827	8,70,142	12,67,714	54,18,440	41,50,726
08	-	90,270	27,081	1,17,351	10,562	2,79,954	4,07,867	18,24,884	14,17,017
09	-	1,28,038	38,411	1,66,449	14,980	3,97,083	5,78,512	26,40,905	20,62,393
10	-	1,10,156	33,047	1,43,203	12,888	3,41,627	4,97,718	26,09,746	21,12,028
11	-	55,125	16,537	71,662	6,450	1,70,958	2,49,070	11,14,402	8,65,332
12	-	15,257 12,964 13,607	4,577 3,889 4,082	19,834 16,853 17,689	1,785 1,517 1,592	47,316 40,205 42,199	1,88,990	16,30,783	14,41,793
TOTAL	15,725	10,80,756	3,24,225	14,04,981	1,26,449	33,51,745	48,83,174	2,32,11,784	1,83,28,610

Appendix 4.3

Comparison of printing work between DPEP and non-DPEP

(Reference Para 4.3.1, Page 121)

Sl. No.	Particulars	DPEP	Non-DPEP
I	TECHNICAL SPECIFICATIONS		
	Size of books	¼ crown 18.5 cms x 24.5 cms	¼ crown 18.5 cms x 24.5 cms
	Margin	15 mm	15 mm
	Print area	Not less than 330 cm ²	Not less than 330 cm ²
	Quality of Printing paper	1.60 GSM Cream Wove White printing paper of MPM with DSERT Emblem 2.170 GSM cover	1.60 GSM Cream Wove White printing paper of MPM with DSERT Emblem 2.170 GSM cover
	Rate of paper supplied	60 GSM:Rs.31,100 per MT 170 GSM: Rs.29,570 per MT	60 GSM: Rs.31,100 per MT 170 GSM:Rs.29,570 per MT
	Number of pages	Pages for each title were same both under DPEP and non-DPEP	
	Colour (inner pages)	Same for both DPEP and Non-DPEP Kannada medium – 4 colour Marathi and Urdu medium languages – 4 colour Maths and EVS – 2 colours	
	Colour (wrapper)	Kannada medium – four colour Marathi and Urdu medium- two colour	Kannada medium – 4 colour Marathi and Urdu medium- two colour
	Binding type	Pages in the book less than 120 – centre pinning pages in the book 120 and above (perfect binding)	Centre pinning upto 132 pages. perfect binding for pages above 132
	Packing	Brown paper packets containing 100 copies to be bundled in polythene cover with light stitching	Not mentioned
	Delivery	Books are to be delivered at the district level	Free books are to be delivered at district level
	Pre-press material	Supplied by DSERT	Supplied by DSERT
II	BID CONDITIONS		
	Delivery Period allowed	90 days from date of signing the contract (24.1.01)	100 per cent on or before 90 days
III	TRANSPORTATION AND INSURANCE	Included in Tender price	Included in Tender price.
IV	SPECIAL CONDITION OF CONTRACT		
	Terms of payment	Payments after delivery and within 30 days of final acceptance.	Payment after supply of books and submission of bills
	Liquidated damages for delay in supply of books	2 per cent per week's delay subject to maximum of 10 per cent	½ per cent of the value not supplied for each day
	Warranty	Two years	No warranty
	Performance guarantee	5 per cent of accepted bid value	Rs.1.50 lakh for each for 1 year

Sl. No.	Particulars	DPEP	Non-DPEP
V.	GENERAL INFORMATION		
	Date of notice inviting tenders/bids	20.10.2000	19.12.2000
	Date of commencement of bid documents and Last date	30.10.2000 last date 28.11.2000	20.12.2000 last date 19.1.2001
	Period allowed for filing bids	30 days	30 days
	Numbers of papers in which advertised and names of papers	5 nos- Times of India, Indian Express, Hindu, Prajavani, Kannada Prabha	6 nos - Times of India, Eee sanje, Prajavani, Udayavani, Vijaya Karnataka, Indian Express
	National competitive bidding/Local competitive bidding	National Competitive Bidding	Local (Karnataka)
	Number of bidders who participated (Karnataka and other than Karnataka bidders)	13 of which 4 were out side Karnataka State	51 from Karnataka
	Number of bidders finally selected (Karnataka and other than Karnataka)	Four from Karnataka	28 selected

Appendix 4.4

Excess payment of family pension

(Reference: Para 4.5.1, Page 131)

(Rupees in lakh)

SL.No.	Treasury	Number of cases	Amount
1	Bangalore (PPT)	118	22.76
2	Bangalore (Rural)	25	3.54
3	Bangalore(Urban)	2	0.13
4	Belgaum	24	7.99
5	Bellary	13	1.75
6	Bidar	17	2.92
7	Bijapur	54	10.93
8	Bagalakot	8	0.45
9	Chamarajanagar	4	0.41
10	Chikkamagalur	17	2.15
11	Chitradurga	5	0.75
12	Davanagere	6	1.81
13	Dharawad	3	0.29
14	Gadag	19	4.92
15	Gulbarga	53	14.49
16	Hassan	16	2.35
17	Haveri	2	0.08
18	Hubli	11	1.64
19	Koppal	11	1.42
20	Karwar (Uttara Kannada)	4	0.32
21	Kolar	32	5.10
22	Mandya	29	4.89
23	Mysore	20	5.15
24	Mangalore (Dakshina Kannada)	9	9.00
25	Madikeri (Kodagu)	22	3.01
26	Raichur	11	2.13
27	Shimoga	9	0.92
28	Tumkur	32	4.01
29	Udupi	5	0.57
	Total	581	115.88

Appendix 4.5

Continued excess payment of family pension

(Reference: Para 4.5.1, Page 131)

Sl.No.	Treasury	No.of cases	(Rupees in lakh)
			Amount
1	Bangalore (Rural)	9	1.76
2	Bangalore(Urban)	4	0.34
3	Belgaum	10	0.87
4	Bellary	6	0.92
5	Chikkamagalur	5	0.73
6	Mysore	6	2.82
	Total	40	7.44

Appendix 4.6

Unencashed Cheques as of 31 March 2002

(Reference: Para 4.5.1, Page 132)

(Rupees in crore)

Sl.No.	Treasury	Amount
1	Bangalore (PPT)	0.47
2	Bangalore (Rural)	6.31
3	Bagalkote	2.10
4	Bellary	1.14
5	Bijapur	0.06
6	Chamarajanagar	11.85
7	Chikkamagalur	0.51
8	Chitradurga	0.25
9	Dharwad	0.18
10	Gulbarga	3.79
11	Haveri	0.23
12	Hassan	0.09
13	Hubli	0.01
14	Karwar	0.08
15	Kolar	0.01
16	Koppal	0.02
17	Madikeri	1.70
18	Mysore	33.30
19	Raichur	0.40
20	Tumkur	0.24
21	Udupi	0.03
	Total	62.77

Appendix 4.7**Unencashed Cheques – Issued for purchase of NSC****(Reference: Para 4.5.1, Page 132)**

Sl.No.	Treasury	Amount (Rupees in lakh)
1	Chamarajanagar	7.65
2	Mysore	5.91
3	Udupi	0.49
	Total	14.05

Appendix 4.8

Year-wise breakup of Outstanding Inspection Reports pertaining to Departments of Revenue, Food and Civil Supplies and Public Works

(Reference Para 4.6.1, Page 133)

Year	Revenue Department		Food & Civil Supplies Department		Public Works Department	
	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs
Upto 93-94	194	475	23	36	81	103
1994-95	58	289	2	8	14	26
1995-96	49	266	2	2	20	39
1996-97	9	51	10	21	24	46
1997-98	36	180	1	2	21	39
1998-99	68	472	1	3	36	77
1999-2000	44	366	18	63	22	82
2000-01	60	505	19	66	49	228
2001-02	82	786	14	43	28	160
2002-03	5	54	1	2	49	586
Total	605	3,444	91	246	344	1,386

Appendix 4.9

Irregularities noticed in the IRs

(Reference Para 4.6.1, Page 133)

(a) Pertaining to Revenue Department

Serial Number	Nature of irregularities	Number of paragraphs	Amount (Rupees in lakh)
1.	Non-maintenance/improper maintenance of initial records, cash book, imprest account, reconciliation with treasury etc.	185	1,899.81
2.	Extra/excess/infructuous/wasteful/unauthorised/irregular expenditure	251	1,539.38
3.	Irregular purchase/purchase of defective machinery	24	77.85
4.	Withdrawal of funds to avoid lapse of grants and blocking up of Government capital	56	5,293.77
5.	Excess/Over payment/mis-utilisation of grants, loans and subsidies	272	1,704.66
6.	Wanting payees' receipts/UCs and non-receipt of completion certificates of buildings	288	16,772.17
7.	Non-achievement of objectives	38	1,813.58
8.	Outstanding dues/loans, advances, share capital contribution/interest	168	7,500.78
9.	Machinery, Spares, Furniture etc., lying idle	47	29.33
10.	Unauthorised financial aid to contractors	2	12.42
11.	Non-adherence to prescribed procedure while dealing with cash	67	942.30
12.	Losses due to deterioration of seeds, shortages, thefts etc., awaiting regularisation	9	48.44
13.	Irregularities in respect of acceptance of tenders/quotations	5	8.95
14.	Unspent balances or amounts recovered but not credited to Government	291	6,490.90
15.	Non-recovery of rent, water charges etc., from occupants of Government residential quarters	12	36.67
16.	Other miscellaneous irregularities	1,729	18,517.70
	Total	3,444	62,688.71

(b) Pertaining to Food and Civil Supplies Department

Serial Number	Nature of irregularities	Number of paragraphs	Amount (Rupees in lakh)
1.	Non-maintenance/improper maintenance of initial records, cash book, imprest account, reconciliation with treasury etc.	30	3,196.30
2.	Extra/excess/infructuous/wasteful/unauthorised/irregular expenditure	9	21.34
3.	Irregular purchase/purchase of defective machinery	2	-
4.	Excess/Over payment/mis-utilisation of grants, loans and subsidies	18	46.05
5.	Wanting payees' receipts/UCs and non-receipt of completion certificates of buildings	1	1.91
6.	Outstanding dues/loans, advances, share capital contribution/interest	5	40.14
7.	Machinery, Spares, Furniture etc., lying idle	5	1.09
8.	Non-adherence to prescribed procedure while dealing with cash	1	15.78
9.	Losses due to deterioration of seeds, shortages, thefts etc., awaiting regularisation	1	4.56
10.	Unspent balances or amounts recovered but not credited to Government	5	96.65
11.	Other miscellaneous irregularities	169	675.62
	Total	246	4,099.44

(c) Pertaining to Public Works Department

Serial Number	Nature of irregularities	Number of paragraphs	Amount (Rupees in lakh)
1.	Excess/Extra expenditure/expenditure remaining unfruitful/wasteful/infructuous due to delay in completion of works	374	21,330.48
2.	Shortages/losses/obsolescence of stores and T&P Articles	86	1,775.58
3.	Purchases/expenditure without proper sanction/split sanction	68	3,125.05
4.	Injudicious purchase of stores and T&P Articles	5	1.40
5.	Extra expenditure due to rejection/non-acceptance of lowest tender	1	16.11
6.	Recoveries from contractors including extra cost recoverable due to abandonment/rescinding of contracts	102	2,184.31
7.	License fee/rents outstanding recovery	28	277.62
8.	Amount recoverable from officials due to wrong/irregular fixation of pay and other reasons	43	141.46
9.	Unauthorised/unintended benefit to contractors	8	172.49
10.	Other miscellaneous irregularities	671	1,248.36
	Total	1,386	30,272.86

Appendix 5.1
Year-wise major irregularities
(Reference Para 5.1.9, Page 141)

Year	Nature of irregularity	Name of the official Sri/Smt	Amount involved (In Rupees)	Remarks
1992-93	Misappropriation	1. K. Budiyappa, SADH.	7,89,568	Under enquiry
		2. Pandit Noola I/C SADH.	3,96,00,000	Pending with Lokayuktha.
1999-00	Misappropriation	1. K. Subbegowda ADH.	3,55,560	Under enquiry
		2. G. Thimmaiah ADH (Retd)	70,090	Final orders awaited from Govt.
2000-01	Non-remittance of sale proceeds to Govt.	1. B.S. Hosalli SADH.	1,24,001	Under enquiry
	Short accountal of stock of plants	2. G.N.Vittala shetty SADH [RETD]	49,364	Final orders awaited from Govt.
2001-02	Malpractices under drip irrigation plan.	1. B.Shivakumar DDH [retd]	2,06,437	Under enquiry
	Non-handing over of stock.	2. T.H. Kempegowda ADH	27,349	Final orders of Govt awaited.
	Theft of aluminium pipes etc.	3. B.S.Hosalli SADH [retd]	1,08,876	Final orders from Govt awaited
	Non-remittance of sale proceeds to Govt.	4. -do-	1,22,456	Under enquiry
2002-03	Misappropriation by drawal of fraudulent bills	O/O SADH, Landscape, Lalbagh.	25,54,468	To be investigated by Lokayuktha as per orders of Govt.
	TOTAL		4,40,08,169	

