REPORT OF THE

COMPTROLLER
AND
AUDITOR GENERAL OF INDIA

(CIVIL)

For the year ended 31 March 2002

GOVERNMENT OF KARNATAKA

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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 2002.

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 2001-2002 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 2001-2002 have also been included, wherever, necessary.

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OVERVIEW

This Report contains Seven chapters of which the first two contain the observations on the Accounts of the State Government for 2001-02 and the other five contain audit comments in the form of 3 reviews and 40 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 this overview.

1. An overview of the finances of the State Government

For the year 2001-02 the revenue deficit was Rs. 3284.45 crore compared to Rs.1862.23 crore in 2000-01. The increased deficit was mainly on account of release of more subsidies to Karnataka Power Transmission Corporation Limited.

The amount received as State's share of Union Taxes, Duties and Grants-in-aid and contributions increased from Rs.2937.12 crore in 1997-98 to Rs.4374.56 crore in 2001-02 an increase of 49 per cent. But as a share of revenue receipts of the State it increased from 28 per cent in 1997-98 to 29 per cent in 2001-02.

The Plan revenue expenditure increased to Rs.3943.41 crore from Rs.3481.33 crore in 2000-01. The Non-Plan revenue expenditure increased to Rs.14662.29 crore from Rs.13203.62 crore in 2000-01.

The total investment in Statutory Corporations, Government Companies etc., worked out to Rs.4840.34 crore (against Rs.2727.74 crore as at the end of 1997-98). Dividend and interest received thereon (Rs.10.57 crore) were 0.22 per cent of investments.

Public Debt of the State increased by 115 per cent from Rs.10446.60 crore in 1997-98 to Rs.22432.52 crore in 2001-02. The amount of guarantees issued by the State Government stood at Rs.12279.17 crore.

Rs.1384.29 crore including interest of Rs.814.40 crore was overdue for recovery against loans advanced to Local Bodies, Municipalities, Government companies, Public Sector Undertakings etc.

The Balance from Current Revenue, which was positive at Rs. 319 crore in 2000-01 declined to a negative figure of Rs. 879 crore in 2001-02. The revenue deficit increased by Rs. 1422 crore (76 per cent) (including the prior period adjustment of Rs. 138 crore) and the deficit (56 per cent) was largely met out of the borrowings. Book adjustments in the accounts were made towards payment of Rural Electrification subsidies, transfer of infrastructure cess collected without actual cash outflow. The capital expenditure was overstated to the extent it was retained in public account without actual investment in the beneficiary concerns such as Krishna Bhagya Jala Nigam Limited, Karnataka Neeravari Nigam Limited etc. The liabilities of the State

Government were mounting while the recovery of loans was insignificant. Resultantly interest payments increased by Rs. 295 crore constituting 15 per cent of the increase in revenue expenditure over the previous year, the return on investment was virtually nil for the past several years. Sixty per cent of the capital receipts was utilised for unproductive obligations and the available balance was retained in public account, to maintain ways and means position. The almost constant ratio of tax receipts to Gross State Domestic Product establishes the State's inclination to meet the deficits by borrowing instead of improving tax compliance. As a result the financial assets of the State Government are being overtaken by its liabilities.

(Paragraph 1.1 to 1.13)

2. Appropriation Audit and control over expenditure

Against total budget provision of Rs. 27056.57 crore (including supplementary), actual expenditure was Rs. 22869.17 crore. Overall savings of Rs.4187.40 crore was the result of saving of Rs.4300.77 crore in 60 grants/appropriation and excess of Rs.113.37 crore in 10 grants/ appropriations. The excess of Rs.112.64 crore required regularisation by the Legislature under Article 205 of the Constitution of India.

Expenditure booked in accounts was inflated atleast to the extent of Rs.68.70 crore due to transfer of funds to Deposit account through 'nil' payment vouchers, Rs.317.27 crore relating to the investments/releases made to Krishna Bhagya Jala Nigam Limited and Karnataka Neeravari Nigam Limited was retained in the Public Account.

In 45 cases (27 grants) supplementary provision of Rs. 354.58 crore proved unnecessary.

In 30 cases (14 grants), expenditure of Rs.210.61 crore which attracted the norms of "New Service/New Instrument of Service" was met without obtaining requisite approval of Legislature.

(Paragraph 2.1 to 2.3)

3. Loans and investments by Government in Co-operative Societies.

During 1997-02, State Government had invested Rs.439.93 crore (share capital Rs.177.24 crore, loan Rs.262.69 crore) in the Co-operative Sector which included financial assistance of Rs.247.53 crore from National Co-operative Development Corporation. Certain major societies in the fields of Sugar, Textile etc., have been incurring losses since inception due to mismanagement, operational inefficiency, lack of professionalism etc., and defaulted in repayment of loan.

State Government as a guarantor discharged loan liability of Rs.131.51 crore in the last five years and four Textile Spinning Mills with investment of Rs.29.22 crore were closed. Return on share capital in co-operative societies ranged from 1 to 3 per cent.

Delay in repayment of loan and interest to National Co-operative Development Corporation resulted in avoidable interest payment of Rs.1.27 crore.

Commissioner for Sugar failed to credit to Government account a cheque for Rs.2 crore received from Hemavathy Sahakara Sakkare Kharkhane and the amount had to be converted into Government contribution as share capital.

State Government paid Rs.47.50 lakh to Industrial Development Bank of India in excess of agreed amount under one time settlement.

Three Societies diverted share capital of Rs.4.06 crore to meet the cost of voluntary retirement scheme and administration, while one Society did not furnish details of utilisation of Rs.8 crore.

(Paragraph 3.1)

4. Working of the Public Works Department

Several weaknesses in financial and programme management, irregularities in the execution of works, defects in Human Resources Management and wastage in stores management affected the working of the Department. Budgeting and cash management through the Letter of Credit system was ineffective. Failure to provide sufficient grants and delay in withdrawal of works from the first agencies, resulted in wasteful expenditure of Rs.1.83 crore and cost escalation of Rs.1.54 crore. In respect of 42 incomplete works, the time overrun ranged from 1 to 8 years and the entire outlay of Rs.18.07 crore remained unfruitful.

In 59 works, Rs.17.51 crore was incurred in excess of the original estimate during the period 1999 –2002.

Letter of Credit to the extent of Rs.10.21 crore was released out of turn for payments to contractors preferred by Ministers, MLAs and Secretary to Government.

In 3 Divisions, works to the extent of Rs.43.17 crore were executed without prior approval to the programme of works.

In the case of NABARD assisted Road projects, execution of unnecessary item resulted in wasteful expenditure of Rs.0.89 crore.

In respect of tender for Toll fee collection, the reduction in upset price, reduction / waiver of penalty resulted in loss of Rs.0.75 crore.

(Paragraph 4.1)

5. Cauvery Water Supply Scheme - Stage IV - Phase I

Bangalore Water Supply and Sewerage Board (Board) took up Cauvery Water Supply Scheme - Stage IV – Phase I (Project) for execution with loan assistance from Overseas Economic Co-operation Fund, Japan (OECF). The Project which was scheduled for completion by March 2002 witnessed serious slippages in execution of water supply and sewerage works on account of delays in acquisition of lands and finalisation of survey and other investigations. Board's mismanagement of contracts facilitated several irregularities in award of contracts and the consequent financial loss, extra expenditure and undue favour to contractors.

Board paid avoidable consultancy charges of Rs.6.04 crore on reworking of various data on account of defective survey, changes in location of different components etc.

Board's failure to obtain OECF's concurrence before allowing the tenderers to regularise their non-responsive tenders and further failure to rectify the wrong grading of the four tenders as initially responsive by the consultant provided scope to OECF for dictating the acceptance of a tender which was costlier by Rs.17.05 crore than the lowest tender.

Board's failure to reject the late tender facilitated award of the contract to the company after rejecting the lowest offer on untenable grounds. In the process, Board had to bear extra expenditure of Rs.9.36 crore.

Board's unjustified rejection of the lowest tender received for clear water transmission mains and award of these contracts to a financially weak company resulted in wasteful expenditure of Rs.40.14 crore.

(Paragraph 6.1)

6. Excess payments

Public Sector Banks and five treasuries made excess payment of family pension of Rs.1.03 crore during 1996-02.

(Paragraph 3.3)

Exorbitant rates in sanctioned schedule of rates of Wild Life Circle, Mysore after reorganisation resulted in extra expenditure of Rs.1.95 crore.

(Paragraph 3.4)

State Government improperly rejected the lowest tenderer for the purchase of sterile water for injection resulting in undue favour of Rs.73 lakh.

(Paragraph 3.7)

High Power Committee of the Department of Health and Family Welfare favoured a firm in the evaluation of bids resulting in extra expenditure of Rs.42.25 lakh.

(Paragraph 3.8)

Department of Pre-University Education paid excess grant of Rs.3.49 crore to 31 Junior colleges in violation of norms.

(Paragraph 3.10)

District Registrar, Bangalore (Urban) misused his authority and transferred excess additional stamp duty of Rs.239.84 crore to City and Town Municipal Councils, during 1994-95 to 2000-01.

(Paragraph 3.12)

Delay in acceptance of tender resulted in avoidable extra expenditure of Rs.2.21 crore in respect of construction of bridge-cum-barrage across Bhima river at Deval Ghanagapur.

(Paragraph 4.2)

Rs.92.85 lakh was paid by Executive Engineer, Minor Irrigation Division, Bijapur towards cost of ring bund and de-watering charges in violation of contractual provisions.

(Paragraph 4.4)

Divisional Officer, Minor Irrigation Division, Gulbarga purchased MS gates, Sponge Rubber and Transformer oil at exorbitant rates resulting in loss of Rs.65.43 lakh.

(Paragraph 5.2)

7. Wasteful expenditure/financial loss

Stamp/stamp papers worth Rs.3.52 crore were lost in transit between Central Stamp Depots, Nasik, Bangalore and Chitradurga District Treasury.

(Paragraph 3.3)

Director, Employment and Training bypassed the tender procedure and purchased tools and equipment at exorbitant rates resulting in wasteful expenditure of Rs.5.92 crore.

(Paragraph 3.13)

The Director General of Police purchased poly-carbonate shields without Government sanction and tender procedure resulting in extra expenditure of Rs.2.12 crore. Similarly, Tear Smoke Ammunition Shells were purchased without Multi Barrel Launcher resulting in wasteful expenditure of Rs.69.07 lakh.

(Paragraph 5.1)

Karnataka Industrial Area Development Board (Board) allotted land at concessional rate without proper justification and incurred loss of Rs.46.81 crore. The Board failed to collect maintenance charges of Rs. 9.83 crore, an unfruitful expenditure of Rs. 6.71 crore incurred on acquisition of land for single unit complexes. Infrastructural buildings/tenements, truck terminal, commercial complex etc., created by the Board at a cost of Rs.32.31 crore had not been put to use for periods ranging from 1 to 8 years.

(Paragraph 6.2)

8. Unfruitful outlay

Executive Engineer, National Highways, Bangalore Division incurred avoidable and unfruitful expenditure of Rs.1.85 crore on shifting electrical utilities and providing under ground cable.

(Paragraph 4.5)

CHAPTER I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This chapter discusses the financial position of Government of Karnataka, based on the trends in government receipts and expenditure, quality of expenditure and the financial management of State Government. In addition, the Chapter contains a section on the analysis of indicators of financial performance of the Government, based on certain ratios and indices developed on the basis of the contents in the Finance Accounts and other information furnished by State Government. Some of the terms used in this chapter are defined in the Appendix to this chapter.

1.2 Financial position of the State

In the system of Government accounting, comprehensive accounting of the fixed assets like land and buildings etc., owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. Exhibit I gives an abstract of such liabilities and assets as on 31 March 2002, compared with the corresponding position on 31 March 2001. The liabilities consist of internal borrowings, loans and advances from the Government of India (GOI), receipts from the Public Account - viz., Small Savings and Provident Funds etc., Deposits, Reserve Funds etc. The assets comprise of capital outlay, loans and advances given by the Government, advances, remittance balances and cash balances. It would be seen from Exhibit I that while the liabilities grew by 21 per cent, the assets grew by only 12 per cent during 2001-02, mainly as a result of a very high (59 per cent•) growth in the deficit on the Government account. This shows an overall deterioration in the financial condition of the Government.

• The percentage growth in the deficit on Government Account was up by 3 per cent during the year due to withdrawal of excess credit afforded in previous years in the books of accounts.

EXHIBIT-I
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF KARNATAKA AS ON 31 MARCH 2002

(Rupees in Crore)

As on 31.3.2001		Liabilities		As on 31.3.2002
7742.36		**Internal Debt**		**10,480.64**
	4490.64	Market Loans bearing interest	5538.12	
	1.24	Market Loans not bearing interest	2.67	
	552.74	Loans from Life Insurance Corporation of India	690.01	
	703.39	Loans from other Institutions	791.38	
	1994.35	Loans from RBI – Spl. Securities issued to National Small Savings fund of the Central Government.	3458.46	
10255.57		**Loans and Advances from Central Government -**		**11,951.88**
	199.50	Pre 1984-85 Loans	161.83	
	4464.54	Non-Plan Loans	4335.78	
	5404.89	Loans for State Plan Schemes	7256.50	
	57.90	Loans for Central Plan Schemes	55.55	
	128.74	Loans for Centrally Sponsored Plan Schemes	142.22	
26.51		**Contingency Fund**		**72.11**
4125.81		**Small Savings, Provident Funds, etc.**		**4698.53**
3038.56		**Deposits**		**3888.09**
1431.28		**Reserve Funds**		**1568.06**
1262.34		**Suspense and miscellaneous balances**		**1110.39**
44.14		**Remittance balances**		-
28.30		**Shortfall with Reserve Bank Deposit**		**3.60**
4.88		**Remittances in transit***		**5.45**
27959.75		**Total**		**33778.75***

		Assets		
17393.16		**Gross Capital Outlay on Fixed Assets -**		**19,498.83**
	4213.84	Investments in shares of Companies, Corporations, etc.	4838.98	
	13179.32	Other Capital Outlay	14659.85	
4076.69		**Loans and Advances -**		**4,556.46**
	1332.79	Loans for Power Projects	1335.73	
	2726.85	Other Development Loans	3170.90	
	17.05	Loans to Government servants and Miscellaneous Loans	49.83**	
13.66		**Other Advances**		**15.80**
		Remittance balances		**36.75**
993.06		**Cash -**		**973.75**
	2.42	Cash in treasuries	5.71	
	3.52	Departmental Cash Balance including permanent Advances	5.11	
	964.67	Cash Balance Investments	941.28	
	22.45	Investment from earmarked funds	21.65	
5483.18		**Deficit on Government Accounts**		**8,697.16**
	3620.95	Accumulated Deficit up to March 2001	5483.18	
	1862.23	Add Revenue Deficit of the current year	3284.45^	
	-	Deduct Other adjustments	70.47	
27959.75		**Total**		**33,778.75**

* - 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 1.9.6 and 1.12 (i)

** - Major Head 7610 – Loans to Government Servants etc., showed adverse balance (Rs.1.46 crore) in the books of accounts during the year 2001-02.

^ - Revenue deficit during the current year stands inflated at least to the extent of Rs.138.37 crore on account of withdrawal of excess credit afforded in previous years.

* This reflects an adjusting entry on account of remittances between Treasuries and Currency chest remaining unadjusted as on 31 March 2002.

EXHIBIT-II

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2001-2002

(Rupees in Crore)

		Receipts					Disbursements				
2000-2001				2001-2002	2000-2001						2001-2002
		Section-A: Revenue						Non-plan	Plan	Total	
14822.72	**I.**	**Revenue receipts**		**15321.25***	**16684.95**	**I.**	**Revenue expenditure-**				**18605.70**
9042.68	(i)	-Tax revenue	9853.27		**5633.62**		**General services**	**6209.13**	**6.18**	**6215.31**	
							Social Services-				
1659.97	(ii)	-Non-tax revenue	1093.42		3482.61		-Education, Sports, Art and Culture	2751.85	749.56	3501.41	
					903.56		-Health and Family Welfare	612.61	373.71	986.32	
2573.83	(iii)	-State's share of Union Taxes & Duties	2623.38		642.10		-Water Supply, Sanitation, Housing and Urban Development	31.40	682.01	713.41	
					20.24		-Information and Broadcasting	15.30	3.77	19.07	
246.04	(iv)	-Non-Plan grants	212.74		473.96		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	144.41	401.54	545.95	
					67.84		-Labour and Labour Welfare	33.90	36.19	70.09	
621.71	(v)	-Grants for State Plan Schemes	733.43		513.77		-Social Welfare and Nutrition	381.62	181.70	563.32	
					27.83		-Others	28.81	0.43	29.24	
678.49	(vi)	-Grants for Central and Centrally sponsored Plan Schemes	805.01		**6131.91**		**TOTAL**	**3999.90**	**2428.91**	**6428.81**	
							Economic Services-				
					1169.72		-Agriculture and Allied Activities	711.97	376.14	1088.11	
					456.62		-Rural Development	74.00	404.71	478.71	
					15.78		-Special Areas Programmes	73.62	15.13	88.75	
					764.71		-Irrigation and Flood Control	133.63	57.13	190.76	
					939.29		-Energy	2304.61	32.08	2336.69	
					340.32		-Industry and Minerals	128.57	217.31	345.88	
					404.38		-Transport	395.91	117.71	513.62	
					3.21		-Science, Technology and Environment	0.01	3.06	3.07	
					293.96		-General Economic Services	67.14	285.05	352.19	
					4387.99		**Total**	**3889.46**	**1508.32**	**5397.78**	
					531.43		-Grants-in-aid and Contributions	**563.80**	-	**563.80**	
1862.23	**II.**	**Revenue deficit carried over to Section B**		**3284.45****	-						
16684.95		**Total**		**18605.70**	**16684.95**		**TOTAL**	**14662.29**	**3943.41**		**18605.70**
		Section-B – Others									
829.83	**III**	Opening Cash balance including Permanent Advances and Cash Balance Investments & investments from earmarked funds.		959.88	-						
Nil	**IV**	Miscellaneous Capital receipts		Nil	**1946.90**	**II**	**Capital Outlay-**				**2105.67**
					47.65		**General Services-**	-	**51.54**	**51.54**	
							Social Services-				
					6.14		-Education, Sports, Art and Culture	1.00	3.47	4.47	
					101.76		-Health and Family Welfare	-	99.52	99.52	
					140.19		-Water Supply, Sanitation, Housing and Urban Development	-	55.93	55.93	
					0.15		-Information and Broadcasting	-	0.03	0.03	

		Receipts					Disbursements				
2000-2001				2001-2002	2000-2001						2001-2002
					47.49		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-	48.38	48.38	
					1.11		-Social Welfare and Nutrition	-	2.65	2.65	
					1.86		-Other Social Services	-	1.32	1.32	
					298.70		**Total**	**1.00**	**211.30**	**212.30**	
							Economic Services-				
					31.99		-Agriculture and Allied Activities	-	27.64	27.64	
					1.57		-Rural Development	0.02	-	0.02	
					1221.39		-Irrigation and Flood Control	205.93	1318.93	1524.86	
					49.84		-Industry and Minerals	-	16.88	16.88	
					290.19		-Transport	-	264.66	264.66	
					5.57		-General Economic Services	0.08	7.69	7.77	
					1600.55		**TOTAL**	**206.03**	**1635.80**	**1841.83**	
101.23	**V.**	**Recoveries of Loans and Advances-**		**34.70**	**511.30**	**III**	**Loans and Advances disbursed-**				**514.47**
73.31		-From Power Projects	-		40.75		-For Power Projects			2.94	
10.18		-From Government Servants	9.95		8.00		-To Government Servants			6.32	
17.74		-From others	24.75		462.55		-To Others			505.21	
					1862.23	**IV**	**Revenue deficit brought down**				**3284.45**
3371.23	**VI**	**Public debt receipts-**		**5146.36^**	**520.55**	**V**	**Repayment of Public Debt-**				**711.77**
2295.58		-Internal debt other than Ways and Means Advances and Overdraft	2969.48		101.16		-Internal debt other than Ways and Means Advances & Overdraft			231.20	
1075.65		-Loans and Advances from the Central Government	2176.88		419.39		-Repayment of Loans and Advances to Central Government			480.57	
14.75	**VII**	**Contingency Fund (recoupement)**		**53.49**	**53.49**	**VI**	**Expenditure from Contingency Fund**				**7.89**
24797.06	**VIII**	**Public Account Receipts-**		**28501.77**	**23259.75**	**VII**	**Public Account Disbursements-**				**27107.24**
1209.21		-Small Savings and Provident funds etc.	1286.33		626.33		-Small Savings and Provident Funds etc.			713.61	
214.83		-Reserve funds	232.55		28.70		-Reserve Funds			95.77	
9319.50		-Suspense and Miscellaneous	10754.95		9265.32		-Suspense and Miscellaneous			10836.44	
2074.46		-Remittances	2077.58		2035.18		-Remittances			2158.47	
11979.06		-Deposits and Advances	14150.36		11304.22		-Deposits and Advances			13302.95	
					959.88	**VIII**	**Cash Balance at end-**				**964.71**
					(-) 2.46		-Cash in Treasuries and Local Remittances			0.27	
					(-) 28.30		-Deposits with Reserve Bank			(-) 3.60	
					3.52		-Departmental Cash Balance including Permanent Advances			5.11	
					964.67		-Cash Balance Investment			941.28	
					22.45		Investment from earmarked funds			21.65	
29114.10		**Total**		**34696.20**	**29114.10**		**Total**				**34696.20**

* The revenue receipts stands understated at least to the extent of Rs.138.37 crore on account of withdrawal of excess credit afforded in previous years.

** - Please refer to footnote below Exhibit. I

^ - During the year, the State Government availed Rs.735.88 crore of ways and means advances from Reserve Bank of India and the entire amount was repaid during the year.

EXHIBIT III
SOURCES AND APPLICATIONS OF FUNDS

(Rupees in crore)

		Sources		
2000-2001				**2001-2002**
14822.72		**1. Revenue receipts**		**15321.25***
101.23		**2. Recoveries of Loans and Advances**		**34.70**
2850.68		**3. Increase in Public debt**		**4434.59**
1537.31		**4. Net receipts from Public account**		**1394.53**
	582.88	Increase in Small Savings, PF etc	572.72	
	674.84	Increase in Deposits and Advances	847.41	
	186.13	Increase in Reserve funds	136.78	
	54.18	Net effect of Suspense and Miscellaneous transactions	(-) 81.49	
	39.28	Net effect of remittance transaction	(-) 80.89	
		5. Net effect of contingency fund transaction	-	**45.60**
19311.94		**Total**		**21230.67**

		Applications		
16684.95		**1. Revenue expenditure**		**18605.70**
511.30		**2. Lending for development and other purposes**		**514.47**
1946.90		**3. Capital expenditure (Net)**		**2105.67**
38.74		**4. Net effect of contingency fund transaction**		**-**
130.05		**5. Increase in closing cash balance**		**4.83**
19311.94		**Total**		**21230.67**

*** - Please refer to footnote below Exhibit. II**

Explanatory Notes for Exhibit 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 Exhibit 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.275.94 lakh (debit) between the figures reflected in the accounts and that intimated by the RBI under "Deposits with Reserve Bank". A net difference of Rs.433.26 lakh (debit) had since been reconciled and adjusted. The remaining difference of Rs.157.32 lakh (credit) is under reconciliation.

EXHIBIT IV
TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-2001	2001-2002(%)[@]
Part.A – Receipts **1. Revenue Receipts**	**10613**	**11230**	**12906**	**14823**	**15321 (3)Φ**
(i) Tax Revenue	**6412**	**6943**	**7744**	**9043**	**9853(9)**
Taxes on Agricultural Income	30	49	35	24	3(-87)
Taxes on Sales, Trade etc.	3829	4265	4683	5386	5269(-2)
State Excise	864	1005	1215	1523	1977(30)
Taxes on vehicles	444	387	449	502	712(42)
Stamps and Registration fees	609	548	566	638	855(34)
Land Revenue	45	38	39	43	50(16)
Other Taxes	591	651	757	927	987(6)
(ii) Non Tax Revenue	**1264**	**1470**	**1611**	**1660**	**1094(-34)**
(iii) State's share of Union taxes and duties	**2176**	**1924**	**2133**	**2574**	**2623(2)**
(iv) Grants-in-aid from Government of India	**761**	**893**	**1418**	**1546**	**1751(13)**
II. Capital Receipts					
2. Miscellaneous Capital Receipts (non debt)	Nil	Nil	Nil	Nil	Nil
3. Total revenue & Non debt capital receipts (1+2)	10613	11230	12906	14823	15321(3)
4. Recoveries of Loans and Advances	70	138	145	101	35(-65)
5. Public Debt Receipts	1564	2424	3173	3371	5146(53)
Internal Debt (excluding Ways & Means Advances and Overdrafts)	431	872	2245	2295	2969(29)
Loans & Advances from Government of India	1133	1552	928	1076	2177(102)
6. Total receipts in the Consolidated Fund (3+4+5)	12247	13792	16224	18295	20502(12)
7. Contingency Fund Receipts	9	15	27	15	54(260)
8. Public Account Receipts	14097	16679	21662	24797	28502(15)
9. Total receipts of the State (6+7+8)	26353	30486	37913	43107	49058(14)
PART B. EXPENDITURE/DISBURSEMENT					
10. Revenue expenditure	10890	12446	15231	16685	18605(12)
Plan	2297	2541	2992	3481	3943(13)
Non Plan	8593	9905	12239	13204	14662(11)
General Services (incl. Interest Payments)	3581	4126	5333	5634	6215(10)
Social Services	4138	4657	5479	6132	6429(5)
Economic Services	2896	3331	4004	4388	5397(23)
Grants-in-aid and Contributions	275	332	415	531	564(6)
11. Capital Expenditure	1210	1744	1779	1947	2106(8)
Plan	914	1451	1517	1705	1899(11)
Non Plan	296	293	262	242	207(-14)
General Services	35	35	50	48	52(8)
Social Services	138	455	377	299	212(-29)
Economic Services	1037	1254	1352	1600	1842(15)
12. Disbursement of Loans and Advances	193	290	317	511	514(1)
13. Total (10+11+12)	12293	14480	17327	19143	21225(11)
14. Repayments of Public Debt	307	405	491	521	712(37)
Internal Debt (excluding Ways & Means Advances and Overdrafts)	51	107	147	101	231(129)
Net transactions under Ways & Means Advances and Overdraft	-	-	-	-	-
Loans and Advances from Government of India[♦]	256	298	344	420	481(15)
15. Appropriation to Contingency Fund	-	-	-	-	-

16. Total disbursement out of Consolidated Fund (13+14+15)	12600	14885	17818	19664	21937(12)
17. Contingency Fund disbursements	15	27	15	53	8(-85)
18. Public Account disbursements	13148	15553	20044	23260	27107(17)
19. Total disbursement by the State (16+17+18)	25763	30465	37877	42977	49052(14)
PART C. DEFICITS					
20. Revenue Deficit (1-10)	277	1216	2325	1862	3284@ (76)
21. Fiscal Deficit (3+4-13)	1610	3112	4276	4219	5869(39)
22. Primary Deficit (21-23)	216	1495	2264	1831	3186(74)
PART D. OTHER DATA					
23. Interest Payments (included in revenue expenditure)	1394	1617	2012	2388	2683(12)
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	1170 (15)	1122 (13)	1826 (20)	1894 (18)	2634(39) (24)
25. Financial Assistance to local bodies etc.	4318	4884	5847	6451	7429(15)
26. Ways and Means Advances/Overdraft availed (days)	46	-	4	-	40
27. Interest on WMA/Overdraft	1.20	-	0.02	-	0.91
28. Gross State Domestic Product (GSDP)♠	71703	87956	96179☆	105398✚	117908■ (12)
29. Outstanding Debt (year end)	15627	18617	22287	26571	32566(23)
30. Outstanding Guarantees (year end)	5594	8023	9829	13004	12279(-6)
31. Maximum amount Guaranteed (year end)	9719	13368	13334	16425	20823(27)
32. Number of incomplete projects (as per material in Finance Accounts)	138	77	112	97	103(6)
33. Capital blocked in incomplete projects	459	2811	3894	3295	4814●(46)

⊕ Figures in brackets indicates percent of increase/decrease compared to previous year.

Φ Please refer footnote below Exhibit II.

♦ Includes Ways and Means Advances from Government of India.

@ Please refer footnote below Exhibit I.

♠ Differs from the figures shown in earlier Audit Reports due to revision of GSDP by the State Government for those years.

☆ - Partially revised estimates .

✚ - Quick estimates

■ - GSDP figures for 2001-2002 have been adopted as in the overview of budget.

● - This includes Rs.4187 crore invested in Upper Krishna Project now executed by Krishna Bhagya Jala Nigam Ltd, a Government Undertaking.

1.3 Sources and applications of funds

1.3.1 Exhibit III gives the position of sources and applications of funds during the current and the preceding year. The main sources of funds include the revenue receipts of the Government, recoveries of the loans and advances, public debt and the receipts in the Public Account. These are applied mainly on revenue and capital expenditure and lending for developmental/non-developmental purposes. Revenue receipts constitute the most significant source of fund for the State Government. Their relative share in total receipts went down from 77 per cent in 2000-01 to 72 in 2001-02. The net receipts from Public Debt went up steeply from 15 per cent in 2000-01 to 21 per cent during 2001-02. This was mainly on account of marked jump in the net additions under Government of India borrowings (loans for State Plan Schemes) (131 per cent) and open market borrowings (Internal Debt of the State Government) (27 per cent) and additions under special securities issued to National Small Savings Fund of the Central Government (40 per cent). The share of recoveries under loans and advances given by the State Government was practically nil during the year (less than one per cent). The net receipts from the Public Account, however, slipped marginally from 8 per cent in 2000-01 to 7 per cent in 2001-02.

1.3.2 The funds were mainly applied for revenue expenditure, the share of which went up marginally from 87 per cent in 2000-01 to 88 per cent in 2001-02 and remained significantly higher than the share of revenue receipts (72 per cent). Thus, there was a quantum jump (76 per cent) in the Revenue Deficit during the current year, which stood at Rs.3284.45 crore up from Rs.1862.23 crore in 2000-01. The reasons for this are discussed in Para 1.9.5.2. The share of capital expenditure including loans advanced remained static.

1.4 Financial operations of the State Government

1.4.1 Exhibit II gives the details of the receipts and disbursements. The revenue expenditure (Rs.18605.70 crore) during the year exceeded the revenue receipts (Rs.15321.25 crore) by Rs.3284.45 crore. The revenue receipts comprised Tax Revenue (Rs.9853.27 crore), Non-tax Revenue (Rs.1093.42 crore), State's Share of Union Taxes and Duties (Rs.2623.38 crore) and Grants-in-aid and Contributions from the Central Government (Rs.1751.18 crore). The main sources of tax revenue were 'Taxes on Sales, Trade etc' (53 per cent), 'State Excise' (20 per cent), 'Stamps and Registration Fees' (9 per cent) and 'Taxes on Vehicles' (7 per cent). Non-tax revenue came mainly from Economic Services (58 per cent), General Services (15 per cent) and Interest Receipts, Dividends and Profits (13 per cent).

1.4.2 The capital receipts comprised Rs.34.70 crore from recoveries of loans and advances and Rs.5146.36 crore from public debt, against which the expenditure was Rs.2105.67 crore on capital outlay, Rs.514.47 crore on disbursement of loans and advances and Rs.711.77 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.28501.77 crore, against which the disbursements were Rs.27107.24 crore. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase in the cash balance (Rs.4.83 crore) to Rs.964.71 crore at the end of the year.

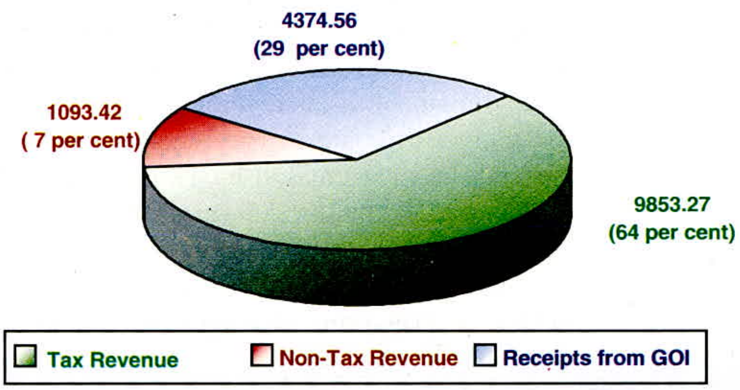
1.4.3 The financial operations of the State Government pertaining to its receipts and disbursements are discussed in the following paragraphs, with reference to the information contained in Exhibit II and the data for the five year period from 1997-98 to 2001-02, presented in Exhibit IV.

1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue raised by State Government and receipts from Government of India in the form of States' Share of Union Taxes & Duties and Grants-in-aid for Plan and Non-

Plan Schemes. Their relative shares are shown in Figure 1. The revenue receipts grew at an average annual rate of 9.85 per cent during 1997-02, the increase during 2001-02 over 2000-01 being 3.36 per cent.

Figure 1
Revenue Receipts 2001-2002
(Rupees in crore)



1.5.2 Tax revenue

This constitutes the major share (64 per cent) of the revenue receipts. The rate of growth of tax revenue during 1997-02 was not uniform. The growth rate, which was 11.16 per cent in 1997-98 declined to 8.28 per cent in 1998-99, went up to 16.77 per cent in 2000-01 and it was 8.96 per cent during 2001-02. This was mainly due to uneven growth in 'Taxes on Sales, Trade etc', the share of which in the total receipts dipped from 61 per cent in 1998-99 to 53 in 2001-02. In respect of Stamps and Registration Fee though there was increase in receipts, its percentage to the total tax revenue remained between 7 and 9 per cent. The share of Excise Duty varied between 13 and 20 per cent during the period.

The growth of Tax Revenue during 2001-02, was mainly on account of more receipts under 'State Excise' (20 per cent), 'Stamps and Registration Fees' (9 per cent), and 'Taxes on Vehicles' (7 per cent). The share of taxes on sales, trade etc., in the total tax revenue declined to a low of 53 per cent and also registered a negative growth compared to the previous year. The ratio of tax revenue to GSDP fell from 0.09 in 1997-98 to 0.08 in 2001-02.

The increase in revenue under state excise (Rs.454 crore) was mainly due to channelising of all imports of foreign liquors into the State through MSIL, increasing the license fee, additional excise duty on Fenny, rationalising the license fee levied on clubs, hotels run by ITDC and KSTDC, increase of label approval fees, excise duty levied on liquors supplied to defence and fee levied on rectified spirits. Under Stamps and Registration Fees it was on account of levy of duty on land promoters and developers (5 per cent), levy of stamp duty in respect of immovable properties whose lease period is beyond 30 years on par with conveyances and levy of duty on market value of properties of house building co-operative societies. The increase in revenue under Taxes on Vehicles was on account of levy of ad valorem tax of 7 per cent on vehicles, rationalising the tax structure in respect of tourist vehicles, etc.

1.5.3 Non-tax revenue

Non-tax revenue constituted 7 per cent of the revenue receipts and its share varied between 13 and 7 per cent during 1997-02. There was a drastic fall in realisation, which declined to Rs.1093.42 crore in 2001-02 from Rs.1659.97 crore in 2000-01. There was a decline in receipts under 'interest receipts, dividends and profits' by 80 per cent, the shortfall was being on account of non-adjustment of interest on irrigation works as the same was not provided in the budget estimates. The receipts under 'General Services' declined by 12 per cent and it increased by 18 per cent under 'Social Services' and by 2 per cent under 'Economic Services'. The ratio of non-tax revenue to GSDP had been negligible, mainly on account of low and declining cost recoveries, poor performance of public enterprises, implicit subsidies due to un-economic pricing of irrigation, drinking water supply, higher and technical education and urban health services.

1.5.4 States' share of Union taxes and duties and grants-in-aid from the Central Government

The States' share of Union taxes and duties (Union excise duties, Taxes on income other than corporation tax, Corporation Tax, Customs, Service Tax, Taxes on income and expenditure, Other Taxes and Duties on Commodities and Services and Taxes on Wealth) increased by 2 per cent during the year, while the grants-in-aid and contributions from the Central Government increased by 13[⊕] per cent. However, as a percentage of revenue receipts these (both taken together) increased by 1 percent over 2000-01 viz., to 29 per cent during the year over the previous year's 28 per cent.

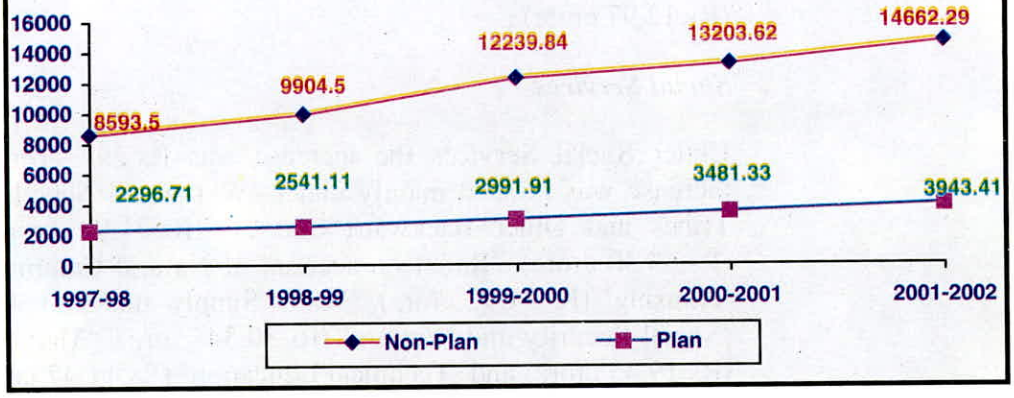
Consequent on the implementation of the recommendations of the Eleventh Finance Commission, all Union Taxes and Duties are shareable with the States. More receipts were noticed under 'Corporation Tax' (Rs.36.24 crore), 'Service Tax' (Rs.20.63 crore), 'Other Taxes and Duties on Commodities and Services' (Rs.1.84 crore) and 'Taxes on Income other than Corporation Tax' (Rs.62.22 crore) during the year compared with the previous year. However, receipts under 'Customs' and 'Union Excise Duties' decreased by Rs.66.74 crore and Rs.3.07 crore respectively. Under Grants-in-aid, there were more receipts under grants for State/Union Territory plan schemes (Rs.111.72[⊕] crore), grants for Centrally Sponsored Plan Schemes (Rs.129.03 crore) and their percentage increase was 18 and 25 respectively compared to previous year. There was a substantial decrease (Rs.33.30 crore – 14 per cent) under non-plan grants compared to 2000-01.

[⊕] Please see footnote below Exhibit II

1.6 Revenue expenditure

1.6.1 Revenue expenditure accounted for major portion (90 per cent) of the expenditure of the State Government and increased by 12 per cent during 2001-02 over 2000-01, the increase being higher on the Plan side (13 per cent). The rate of growth of Non-Plan component of revenue expenditure was 71 per cent and that of Plan component was 72 per cent during 1997-98 to 2001-02 (Figure 2). The major constituents of revenue expenditure were salaries which amounted to approximately Rs.4971.30 crore (27 per cent), subsidies under certain major heads amounted to Rs.2861.39 crore (15 per cent) interest payment amounted to Rs.2682.89 crore (14 per cent) and pensions and other retirement benefits amounted Rs.1641.21 crore (9 per cent). The share of revenue expenditure varied between 88 and 90 per cent of the total expenditure during 1997-02.

Figure 2
Growth of Plan and Non-Plan revenue expenditure
(Rupees in crore)



1.6.2 Sector-wise analysis shows that as a proportion of total expenditure, the share of General Services varied between 33 and 35 per cent in 1997-02, Social Services between 35 and 38 per cent and that of Economic Services between 26 and 29 per cent. In absolute terms, the expenditure on General Services increased by 74 per cent, from Rs.3581.00 crore in 1997-98 to Rs.6215.00 crore in 2001-02. The increase in interest payments alone constituted 92 per cent of increase in expenditure under this sector. The corresponding increases in Social Services and Economic Services were 55 and 86 per cent respectively.

General Services

The expenditure under General Services increased by Rs.581 crore (10 per cent) during the year. The increase was mainly under 'interest payments' which was Rs.295.35 crore of which interest on internal debt showed an increase of Rs.204.07 crore and that on Government of India loans by Rs.86.13 crore. Under 'Police' the increase was Rs.123.91 crore (18 per cent) which was mainly under Modernisation of Police Force (Rs.81.32 crore), State Headquarters Police (Rs.15.98 crore), District Police (Rs.15.90 crore) and

Special Police (Rs.7.16 crore). Under 'Pension and other retirement benefits' the increase was Rs.58.41 crore (4 per cent) Under 'District Administration', and 'Treasury and Accounts Administration' the increase was Rs.17.66 crore and Rs.15.02 crore respectively.

Economic Services

Under Economic Services, the expenditure was more by Rs.1009 crore (23 per cent), the increase being mainly under 'Power' (Rs.1400.95 crore). Increase of Rs.1446.51 crore related to assistance to Electricity Board while other expenditure decreased by Rs.45.56 crore. The other components with higher expenditure were 'Road Transport' (Rs.96.55 crore), 'Other Special Areas Programmes' (Rs.73.62 crore), 'Other General Economic Services' (Rs.47.16 crore), 'Village and Small Industries' (Rs.46.49 crore), 'Agricultural Research and Education' (Rs.21.42 crore), 'Secretariat – Economic Services' (Rs.15.47 crore), 'Roads and Bridges' (Rs.13 crore), 'Forestry and Wildlife' (Rs.11.84 crore) and 'Other Rural Development Programme' (Rs.10.88 crore). The above increase was partly offset by decrease mainly under 'Major and Medium Irrigation' (Rs.582.01 crore), 'Food Storage and Warehousing' (Rs.88.46 crore), 'Industries' (Rs.37.49 crore) and 'Crop Husbandry' (Rs.12.97 crore).

Social Services

Under Social Services the increase was Rs.297 crore (5 per cent). The increase was noticed mainly under 'Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes' (Rs.71.99 crore), 'Family Welfare' (Rs.63.30 crore), 'Relief on account of Natural Calamities' (Rs.35.08 crore), 'Housing' (Rs.31.92 crore), 'Water Supply and Sanitation' (Rs.30.62 crore), 'Social Security and Welfare' (Rs.30.34 crore), 'Medical and Public Health' (Rs.19.45 crore) and 'Technical Education' (Rs.11.47 crore).

Grants-in-aid and Contributions

The increase in expenditure of Rs.33 crore during the year (6 per cent) was mainly under 'Compensation and Assignments to Local bodies and Panchayat Raj Institutions', on the recommendations of the State Finance Commission.

1.6.3 Interest payments

Interest payments increased by 92 per cent from Rs.1393.81 crore in 1997-98 to Rs.2682.89 crore[1] in 2001-02. While payment of interest in respect of internal debt increased by 240 per cent, that under Government of India loans increased by 55 per cent and under public account by 54 per cent. Interest payment as a percentage of GSDP moved up from 1.94 per cent in 1997-98 to 2.28 per cent in 2001-02. Including the interest support on off-budget borrowings (Rs.800 crore) the percentage goes up to 2.95 per cent. This is discussed in the section on financial indicators in Para 1.11.3 (ii).

1 The figures do not include the Government support towards interest payments in respect of off-budget borrowings.

1.6.4 Financial assistance to local bodies and others

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

(In crore of rupees)

Description	1997-98	1998-99	1999-2000	2000-2001	2001-2002*
Panchayat Samitis and Zilla Panchayats/Municipalities	3371.33	3813.18	4591.43	4867.29	4461.63
Educational Institutions (including Universities)	301.00	348.37	411.08	586.31	499.85
Co-operative Societies and Co-operative Institutions	5.78	7.21	10.81	5.25	3.34
Other Institutions and bodies	640.08	714.82	833.27	992.24	2464.01
Total	**4318.19**	**4883.58**	**5846.59**	**6451.09**	**7428.83**
Percentage growth over previous year	9	13	20	10	15
Revenue receipts	10613.39	11230.44	12906.45	14822.72	15321.25
Percentage of assistance to revenue receipts	41	43	45	44	48
Revenue expenditure	10890.21	12445.61	15231.75	16684.95	18605.70
Percentage of assistance to revenue expenditure	40	39	38	39	40
Percentage of assistance to Panchayat Raj Institutions/ Municipalities etc. to total assistance.	78	78	79	75	60

A notable feature of the revenue expenditure of the State was that 38 to 40 per cent of it comprised assistance to local bodies etc., during 1997-02. The assistance rose from Rs.4318.19 crore in 1997-98 to Rs.7428.83 crore in 2001-02 and the rate of growth varied between 9 and 20 per cent . The increase was Rs.977.74 crore during 2001-02 over 2000-01 (15 per cent). Assistance to Panchayat Raj Institutions/ Municipalities accounted for 60 to 79 per cent of the total assistance during 1997-02 and it was 60 per cent of the total assistance during 2001-02. The salary component constituting major portion of the assistance rose from Rs.1795.48 crore in 1997-98 to Rs.2663.24 crore during 2001-02. The assistance to other institutions and bodies includes 'Assistance to Electricity Board' which is in the nature of subsidy is discussed in Para 1.8.4.

1.6.5 Loans and Advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-Government institutions, etc., for developmental and non-developmental activities. The position for the last five years given below shows that while outstanding loans increased by 42 per cent during 1997-02, repayments remained insignificant which ranged between 0.76 and 4 per cent of the loan outstanding at the end of the year. While the percentage of recovery of loans was 4 per cent in 1999-2000, it came down to 2 per cent in 2000-01 and to a further low of 0.76 per cent in 2001-02. Such low recoveries of loans was one of the contributory factors of unsatisfactory financial condition of the State.

(Rupees in Crore)

	1997-98	1998-99	1999-2000	2000-2001	2001-2002
Opening balance	3218.97	3342.04	3494.74	3666.62	4076.69
Amount advanced during the year	193.08	290.40	316.59	511.30	514.47
Repayments realised during the year	70.01	137.70	144.71	101.23	34.70
Closing Balance	3342.04	3494.74	3666.62	4076.69	4556.46
Net addition	123.07	152.70	171.88	410.07	479.77
Interest received and credited to revenue	161.70	219.33	271.07	129.42	112.11

An analysis of the loans advanced during 2001-02 revealed that while the loans advanced grew by less than 1 per cent over the previous year, about 4 per cent (Rs.18.42 crore) of the loans were made to Government companies/Corporations etc., Mysore Electrical Industries (Rs.5.00 crore), Mysore Minerals Ltd (Rs.2.79 crore), Mysore Lamp Works (Rs.3.04 crore), Raibagh Sahakari Sakare Karkhane (Rs.7.54 crore), towards implementation of voluntary retirement scheme, clearance of PF dues, payment of salaries, discharge of liabilities due to invocation of guarantee etc. Since these orgainisations could not make repayment of loans/pay interest thereon, the possibility of recovery of fresh loans advanced appears to be bleak.

1.6.6 Loans overdue

Of the Rs.4556 crore loans advanced to various bodies, recovery of Rs.1384.29 crore (Principal Rs.569.89 crore and interest Rs.814.40 crore) was in arrears as on 31 March 2002. Few cases in which large amounts were overdue are as follows.

Sl. No.	Name of the Institution	Amount outstanding (Rupees in crore)			
		Principal	Interest	Total	Repayments during the year
01	Karnataka Agro Industries Corporation (Government Company)	11.57	29.94	41.51	-
02	Karnataka Urban Water Supply and Drainage Board (Autonomous Body)	133.49	220.88	354.37	0.05
03	Local Bodies and Municipalities (Autonomous Bodies)	13.73	29.12	42.85	-
04	Karnataka Housing Board (Autonomous Body)	17.69	46.81	64.50	0.69
05	Mangalore Chemicals and Fertilizers (Joint Stock Company)	10.49	22.86	33.35	-
06	Karnataka Co-operative Milk Producers Federation (Co-operative Body)	19.21	-	19.21	-
07	Bangalore Water Supply and Sewerage Board (Autonomous Body)	51.05	120.20	171.25	-
08	Karnataka Power Transmission Corporation Ltd (formerly Karnataka Electricity Board)	0.63	123.34	123.97	-
09	New Government Electric Factory (Government company)	34.30	38.92	73.22	-

The budget for the year 2001-02 estimated recovery of Rs.202.37 crore only under loans and advances to be made by State Government against which the realisation was Rs.34.70 crore (17 per cent). As per the information available in the Finance Accounts, the loans are over due in respect of Karnataka Antibiotics and Pharmaceuticals Ltd (Rs.113.89 lakh), Karnataka Forest Plantation Corporation (Rs.116.05 lakh), Mangalore Chemicals and Fertilizers (Rs.1049 lakh), Karnataka Telecom, KEONICS, REMCO etc (Rs.821 lakh), Karnataka Shipping Corporation (Rs.252 lakh). Karnataka State Road Transport Corporation and Karnataka Truck Terminals Ltd (Rs.525 lakh) and Mysore Sales International Ltd and Mysugar Company (Rs.800 lakh), were not reflected in the budget estimates of the State. The State Government, however, stated that it was not sure of recovery of these dues from the concerned institutions during the year as the Government was aware of the financial position of these institutions. It is also stated that the inclusion of such estimates would result in unrealistic deficit indicators in the budget which have to be suitably explained when budget indicators are compared with the accounts.

In respect of other departmental loans, the detailed accounts of which were maintained by the Departmental Officers, none of the 13 Chief Controlling Officers furnished the statement of arrears in recovery of loan and interest as on 31 March 2002 to the Accountant General (Accounts & Entitlement).

An analysis of loan management by Urban Development Department including Water Supply and Sanitation and Energy Departments during the period 1997-02 by test check of records revealed following position.

The recovery of loans against the estimates in respect of Urban Development, Water Supply Schemes and Energy Department was as indicated below.

(Rupees in lakh)

Years	Urban Development		Water Supply		Energy Department	
	BE/RE	Actuals (per cent)	BE/RE	Actuals (per cent)	BE/RE	Actuals
1997-98	161.00/ 161.00	70.40(44)	110.00/ 110.00	4.94(4)	1023.00/ 4532.00	3748.94
1998-99	161.00/ 161.00	29.50(18)	121.00/ 121.00	54.95(45)	6968.00/ 9750.56	9758.46
1999-2000	353.02/ 353.02	381.78(108)	244.84/ 244.84	4.94(2)	8781.00/ 8717.00	11085.10
2000-01	353.02/ 353.02	77.20(22)	244.84/ 244.84	104.94(43)	9531.00/ 9374.00	7330.94
2001-02	388.32/ 388.32	96.01(25)	269.32/ 269.32	5.36(2)	11109.00/ 11109.00	-

The shortfall in recovery of loans with reference to the estimated recovery ranged between 56 and 82 per cent in respect of Urban Development Schemes (except during the year 1999-2000 in which the actual recovery was more by 8 per cent), and between 55 and 98 per cent in respect of water supply scheme during 1997-02 The Departments concerned had not taken effective steps to recover the dues/over dues from the loanee institutions.

Urban Development Department

(i) Loans to Bangalore Water Supply and Sewerage Board (BWSSB)

Government released Rs.762.56 crore as loan upto March 2002 with a repayment schedule of 25 years and 15 years. So far Rs.5.32 crore have been recovered.

Out of Rs.17.04 crore released upto March 1977 with repayment schedule of 25 years, only Rs.3.78 crore (22 per cent) had been recovered. Similarly out of Rs.3.00 crore released in 1986-87 with 15 years repayment schedule no money had been recovered.

(ii) Loans to Karnataka Urban Water Supply and Drainage Board (KUWS&DB)

Government had released loan of Rs.310.15 crore to Karnataka Urban Water Supply and Drainage Board for implementation of various water supply and drainage schemes on behalf of Municipalities and Corporations. As the recovery position was very poor, Urban Development Department sent a proposal (May 1996) for writing off the loans given to Municipalities and Corporations in respect of completed projects and also to treat the loans to the extent of Rs.90.94 crore in respect of ongoing schemes as subordinate loans. Government after considering the proposal agreed (November 1996) to treat Rs.90.94 crore as subordinate loans, without indicating any terms or condition for repayment, mode of its accounting etc. The liability of Rs.90.94 crore was not being exhibited in the accounts of the Board. Board stated that responsibility for repayment of loans lies with Corporations and Municipalities and the question of creation of Sinking Fund does not arise. The Demand, Collection and Balance register had also not been maintained.

(iii) Loans to Urban Local Bodies (ULBs) under Integrated Development of Small and Medium Towns Scheme.

As per the guidelines issued by Government of India (December 1979), the funds released for implementation of the scheme 'Integrated Development of Small and Medium Towns (IDSMT)' were treated as loan up to 1995. As per the revised guidelines issued in August 1995, the Central Government assistance to the scheme was to be treated as grant, but State Government continued to treat the assistance as loan. Thus assistance to the tune of Rs.16.64 crore has been accounted under the loan head resulting in over statement of loans advanced to that extent.

(iv) Loans to Bangalore Mass Rapid Transit Limited (BMRTL)

Government released Rs.142.84 crore to BMRTL as loan for investing in various companies/corporations, out of which Rs.32.47 crore was paid to KHB for exchange of flats in lieu of defence lands acquired by BMRTL. However, the terms and conditions of repayment, rate of interest etc., were not formulated.

Thus, the loan management by the Government was not effective. The demand-collection-balance statements were not prepared. Loans were released without any terms and conditions and the utilisation of loans for the purpose for which they were provided was not ensured.

1.7 Capital expenditure

1.7.1 Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government like Public Sector Undertakings (PSUs), Corporations, etc., and loans and advances made by the Government. The growth in capital expenditure was 74 per cent during 1997-02. During 2001-02, the share of capital expenditure in total expenditure was 10 per cent. Exhibit IV shows that most of the capital expenditure was on plan side of economic and social services. However, of the total capital outlay of Rs.2106 crore made during 2001-02, Rs.317.27 crore pertaining to investments made by Government in KBJNL (Rs.290.77 crore) and KNNL (Rs.26.50 crore) remained unspent in the Public Account. Thus the amount was actually utilised to shore up the Ways and Means position of Government.

Sectoral analysis

General Services

Under General Services, the expenditure had gone up by Rs.3.89 crore (8 per cent) during the year over previous year, mainly under Police (Rs.4.66 crore), while expenditure under Public Works came down by Rs.0.77 crore.

Social Services

Under Social Services, there was a decrease in expenditure by Rs.86.40 crore (29 per cent), mainly under 'Water Supply and Sanitation' (Rs.61.73 crore), 'Family Welfare' (Rs.9.66 crore) and 'Housing' (Rs.22.44 crore). There was an increase of Rs.7.42 crore under 'Medical and Public Health'.

Economic Services

Under Economic Services, there was an increase of Rs.241.28 crore (15 per cent) during the year. The increase was mainly under Major and Medium Irrigation' (Rs.327.02 crore). There was a decrease in expenditure under 'Capital outlay on Roads and Bridges' (Rs.16.86 crore) ' Capital outlay on Forestry and Wild Life' (Rs.4.42 crore), 'Capital outlay on Minor Irrigation' (Rs.20.78 crore) and 'Capital outlay on Industry and Minerals' (Rs.12.62 crore).

Out of investment/releases of Rs.1079.19 crore from Consolidated Fund towards Accelerated Irrigation Benefit Projects, made in Krishna Bhagya Jala Nigam (Rs.879.21 crore) and Karnataka Neeravari Nigam (Rs.199.98 crore) an amount of Rs.317.27 crore (KBJNL - Rs.290.77 crore and KNNL - Rs.26.50 crore) had remained in the Public Account without being released to the concerned institutions. Thus capital expenditure during the year was overstated.

1.8 Quality of Expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and Non-plan and revenue and capital account. While the Plan and Capital expenditure are normally linked to asset creation, non-plan and revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, the Plan and Capital expenditure can be viewed as contributing to the quality of expenditure.

1.8.2 Wastage in public expenditure, diversion of funds and funds blocked in incomplete projects would also impinge negatively on the quality of expenditure. Similarly, funds transferred to funds/Deposit heads in the Public Account, after booking them as expenditure, can also be considered as negative. Another possible indicator is the increase in the expenditure on General Services, to the detriment of Economic and Social Services.

1.8.3 The following table lists out the trend in these indicators:

	1997-98	1998-99	1999-2000	2000-01	2001-02
1. Plan expenditure as a percentage of:					
- Revenue expenditure.	21	20	20	21	21
- Capital expenditure	76	83	85	88	90
2. Non-Plan expenditure as a percentage of					
- Revenue expenditure	79	80	80	79	79
- Capital expenditure	24	17	15	12	10
3. Capital expenditure (per cent)	10	12	10	10	10
4. Expenditure on General services (per cent)					
-Revenue	33	33	35	34	33
-Capital	3	2	3	2	2
5. Non-remunerative expenditure (Rs.in crore) on incomplete works (at end of the year)[1]	458.56	370.97	3894.26	3294.80	4814•
6. Unspent balances (Rs.in crore) under funds/deposit heads, booked as expenditure at the time of their transfer to the deposit head (test checked cases)	147.71	85.33	37.54	205.15	578.16

While the share of Plan expenditure on revenue account stagnated at around 20-21 per cent, it increased from 76 to 90 per cent on capital account during 1997-02. The capital expenditure in 2001-02 though increased by 2 per cent over the previous year, its share in the total expenditure remained at the same level as in the previous year. The expenditure was however, inflated to the extent of Rs.317.27 crore as discussed in para 1.7.1.

1.8.4 Subsidies

Expenditure on subsidies accounted under Social and Economic Services Sector under the Revenue Section are as follows.

(Rupees in crore)

Major Head	Total Expenditure	Expenditure on subsidies
2216 – Housing	295.31	155.06
2225 – Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	545.95	7.09
2405 – Fisheries	22.59	0.72
2408 – Food, Storage and Ware Housing	219.94	205.81

[1] Information as furnished by the Public Works/Irrigation Divisions

• This includes Rs.4187 crore invested in Upper Krishna Project now executed by Krishna Bhagya Jala Nigam Limited a Government undertaking.

Major Head	Total Expenditure	Expenditure on subsidies
2425 – Co-operation	41.21	1.75
2801 – Power	2321.15	2304.52
2851 – Village and Small Industries	270.89	24.71
2852 – Industries	62.03	17.13
3055 – Road Transport	144.64	144.59
3456 – Civil. Supplies	3.32	0.01
Total	**3927.03**	**2861.39**

The expenditure on subsidies constituted 15 percent of revenue expenditure (Rs.18605.70 crore) and 87 per cent of Revenue deficit (Rs.3284.45 crore)•. The net increase in subsidy during the year was Rs.1347.19 crore (89 per cent) over 2000-01. The increase under Social Services was Rs.15.36 crore ('Housing' Rs.13.97 crore and 'Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes' – Rs.1.39 crore); under Economic Services Rs.1331.83 crore ('Power' – Rs.1427.42 crore – which included the contributions of the State towards the payment of pension liabilities of the employees of the KPTCL – Rs.168 crore, pension fund contribution Rs.35 crore, supply of free electricity to Sri.Sathya Sai Super Speciality Hospital classified under Rural Electrification Subsidy Rs.1.77 crore and 'Road Transport' (Rs.96.70 crore). However, there was decrease in subsidy under 'Food, Storage and Warehousing' by Rs.89.23 crore, 'Industries' – Rs.51.96 crore, 'Village and Small Industries' – Rs.49.28 crore, 'Fisheries' – Rs.0.93 crore, Civil Supplies' – Rs.0.13 crore) and Co-operation by Rs.0.76 crore.

1.8.5 Plan Expenditure

Out of Rs.8588.28 crore of estimated plan expenditure, Rs.3044 crore related to various state plan programmes financed by state undertakings and other bodies out of their own resources and the balance Rs.5544.28 crore was provided in the state budget. The estimated receipts under CSS and CPS were Rs.586.71 crore and Rs.430.47 crore respectively. Thus the estimated plan expenditure was Rs.6561.46 crore. Against this the expenditure was Rs.6244 crore indicating a shortfall of Rs.317.46 crore.

1.9 Financial Management

The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues especially as they relate to expenditure management in the Government, based on the findings of test audit. Some other parameters, which can be segregated from the accounts and other related financial information of the Government, are discussed in this section.

• See also foot note below Exhibit. I

1.9.1 Investments and returns

Investments are made out of capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The data were as follows:

(Rupees in crore)

Sl. No.	Sector	Number of concerns	Amount invested	
			As on 31.3.2002	During 2001-2002
1.	Statutory Corporations	27	906.74	2.48
2.	Government Companies	80	3612.27	609.71
3.	Joint Stock Companies	43	5.19	1.30
4.	Co-operative Institutions	(A)	316.14	11.58
	Total		**4840.34**	**625.07**

(A) – Information is awaited from Department

The details of investments and the returns realised were as follows:

(Rupees in crore)

Year	Investment at the end of the year	Return	Percentage of return	Rate of interest on Government borrowing (%)
1997-98	2727.74	9.00	0.34	12.30 & 13.05
1998-99	3107.19	8.00	0.25	12.15 & 12.50
1999-2000	3565.73	12.00	0.34	11.08, 11.85 & 12.25
2000-2001	4215.27	9.00	0.21	10.52, 10.82 & 11.57
2001-2002	4840.34	11.00	0.22	7.8, 8, 8.3, 9.1 & 10.35

Thus, while the Government was raising high cost borrowings from the market for its investments, these investments fetched insignificant returns. As of 31 March 2002, 39 of the Government Companies/ Corporations in which Government had invested Rs.872.55 crore, were running under loss and the accumulated loss was Rs.1627.43 crore.

1.9.2 Incomplete Projects

As of 31 March 2002, according to the information made available by the Government, there were 103 incomplete works in which Rs.4814 crore were blocked. This included Rs.4187 crore (87 per cent) invested in Upper Krishna Project now executed by Krishna Bhagya Jala Nigam Ltd, a Government undertaking. The original cost in respect of 101 works was Rs.365.60 crore and the expenditure incurred on these works was Rs.627.69 crore and in respect of 32 works it was revised upwards and the revised cost in respect of 4 works was not available.

1.9.3 Arrears of revenue

The arrears of revenue pending collection increased by 39 per cent during the year. Their percentage varied between 13 and 24 per cent of the tax and non-tax revenue raised during the period (1997-2002). In absolute terms, arrears increased from Rs.1170 crore in 1997-98 to Rs.2634 crore in 2001-02. Of the arrears of Rs.2634 crore as of March 2002, Rs.2010 crore (76 per cent) related to Commercial Taxes, out of which recovery of Rs.380.53 crore (19 per cent) had been stayed by courts. The huge arrears in collection indicated poor tax compliance.

1.9.4 Ways and Means Advances (WMA) and Overdraft

Under an agreement with the Reserve Bank of India, the State Government had to maintain with the Bank a minimum daily cash balance of Rs.2.63 crore. If the balance fell below the agreed minimum on any day, the deficiency had to be made good by taking Ways and Means Advances from the Bank carrying interest or by selling Treasury Bills.

In 2001-02, the Government availed Rs.735.88 crore of ways and means advance from the Reserve Bank of India and the entire amount was repaid during the year. The interest paid on advance was Rs.0.91 crore.

As already discussed in para 1.7 on capital expenditure, the State Government retained the investments amounting to Rs.317.27 crore made in certain companies/corporations, in public account instead of releasing the amount to the concerned implementing agencies. This helped the State Government in its ways and means position.

1.9.5 Deficit

1.9.5.1 Deficits in Government account represent gaps between receipts and disbursements. The nature of deficit is an important indicator of the prudence of financial management in the Government. Further, the ways of financing the deficit and the application of the funds raised in this manner are important pointers to the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit viz., Revenue Deficit (RD), Fiscal Deficit (FD) and Primary Deficit (PD).

1.9.5.2 Revenue Deficit is the excess of revenue expenditure over revenue receipts. Fiscal Deficit is the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary Deficit is fiscal deficit less interest payments. The following exhibit gives a break-up of the deficits in Government account.

(Rupees in crore)

		CONSOLIDATED FUND		
Receipt	**Amount**		**Disbursement**	**Amount**
Revenue	15321.25	**Revenue deficit: 3284.45***	Revenue	18605.70
Misc. capital receipts	Nil		Capital	2105.67
Recovery of loans & advances	34.70		Loans & advances	514.47
Sub Total	15355.95	**Gross fiscal deficit: 5869.89**	Sub Total	21225.84
Public debt	5146.36		Public debt	711.77
Total	20502.31	**A: Deficit in CF: 1435.30**	Total	21937.61
		CONTINGENCY FUND		
Recoupment	53.49		Advances	7.89
		Net effect in Contingency Fund 45.60		
		PUBLIC ACCOUNT		
Small savings, PF etc.	1286.33		Small savings, PF etc.	713.61
Deposits & advances	14150.36		Deposits & advances	13302.95
Reserve funds	232.55		Reserve funds	95.77
Suspense & misc.	10754.95		Suspense & misc.	10836.44
Remittances	2077.58		Remittances	2158.47
Total Public Account	28501.77	**B: Deficit in Consolidated Fund (1435.30) financed out of Surplus in Public Account (1394.53) and net effect of Contingency Fund (45.60) with increase in cash balance : 4.83**		27107.24

* - Please refer footnote below Exhibit.I

The table shows that the Revenue Deficit of Rs.3284.45 crore was met by borrowings. The Fiscal Deficit of Rs.5869.89 crore was financed by net proceeds of the public debt (Rs.4434.59 crore) and by the surplus from Public Account (Rs.1394.53 crore). Revenue deficit during the year increased by 76 per cent compared to the previous year.

The budget estimate envisaged a revenue deficit of Rs.2624.09 crore which was revised to Rs.3006.17 crore in the revised estimate consequent on revision of revenue receipts to Rs.15926.29 crore from Rs.17328.10 crore and revenue expenditure to Rs.18932.46 crore from Rs.19952.19 crore. While the actual receipts (Rs.15321.25 crore) was less than the revised estimates by Rs.605.04 crore (4 per cent shortfall), the expenditure (Rs.18605.70 crore) fell short by Rs.326.76 crore (2 per cent shortfall) which resulted in higher revenue deficit (Rs.3284.45 crore) at 9 per cent more than the revised estimates. The adjustment in revenue receipts relating to earlier years made during the year also contributed to the increase in revenue deficit to the extent of Rs.138.37 crore.

1.9.5.3 Application of the borrowed funds (Fiscal Deficit)

Fiscal deficit represents total net borrowings of the Government. These borrowings are applied for meeting the Revenue Deficit, Capital Expenditure and for giving loans to various bodies for developmental and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the position of the Government for the last five years.

Ratio	1997-98	1998-99	1999-2000	2000-01	2001-2002
RD/FD	0.17	0.39	0.54	0.44	0.56
CE/FD	0.75	0.56	0.42	0.46	0.36
Net loans/FD	0.08	0.05	0.04	0.10	0.08
Total	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

The utilisation of borrowed funds to meet the revenue expenditure rose from 17 per cent in 1997-98 to 56 per cent in 2001-02. There was a drastic fall in the utilisation of borrowed funds for capital expenditure which from a peak of 75 per cent in 1997-98, to 36 per cent in 2001-02 indicating diversion of borrowed money for meeting non productive revenue expenditure. Compared to 2000-01, there was a 12 percentage point increase in the utilisation of borrowed funds for revenue expenditure while there was 10 percentage point fall in its application for asset creation. The increase of Rs.159 crore during the year on capital outlay had no positive effect on asset creation since expenditure was inflated to the extent of Rs.317.27 crore as discussed in Para 1.7.1.

1.9.6 Guarantees given by the State Government

Guarantees are given by the State Government for due discharge of certain liabilities like repayment of loans, share capital etc., raised by statutory corporations, Government companies and co-operative institutions etc., and for payment of interest and dividend by them. They constitute contingent liability of the State. 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. The maximum amount of guarantees given by the Government was Rs.20823 crore and the amount outstanding at the end of 2001-02 was Rs.12279 crore. (This includes the guarantee of Rs.5171.96 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 119 per cent during 1997-2002. During 2001-02 an amount of Rs.808.55 lakh was discharged by the Government towards the liability of three Co-operative Sugar Mills of Raibagh, Bidar and Pandavapura (Rs.800 lakh) and Uttara Kannada District Co-operative Fish Marketing Federation (Rs.8.55 lakh), on account of invocation of guarantee by lending institutions. The discharge of liability of Rs.8.55 lakh relating to fish marketing federation was treated as assistance to the institution.

1.10 Public debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. However, no law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of each year during the last five years are given in the following table.

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities[α]	Total liabilities	Ratio of debt to GSDP
1997-98	2684.89	7761.71	10446.60	5180.47	15627.07	0.22
1998-99	3449.86	9015.35	12465.21	6151.35	18616.56	0.21
1999-2000	5547.95	9599.31	15147.26	7139.85	22287.11	0.23
2000-2001	7742.36	10255.57	17997.93	8573.19	26571.12	0.25
2001-2002	10480.64	11951.88	22432.52	10133.03	32565.55	0.28

During the above period, the total liabilities of the Government had grown by 141.31 per cent. This was on account of phenomenal growth in internal debt (354.80 per cent), loans and advances from Government of India (73.60 per cent) and other liabilities (135.32 per cent). During 2001-02, Government borrowed Rs.1134.67 crore in the open market at interest rates of 10.35 per

[α] Other liabilities include small savings, provident funds, reserve funds and deposits, etc.

cent (Rs.400.05 crore), 9.10 per cent (Rs.315 crore), 8.30 per cent (Rs.259.41 crore), 7.80 per cent (Rs.80 crore) and 8 per cent (Rs.80.21 crore) per annum.

1.10.2 The amount of funds raised through Public debt, the amount of repayment and net funds available are given in the following table:

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02
Internal Debt					
-Receipt	431.41	871.96	2244.92	2295.58	2969.48
-Repayment (Principal +Interest)	334.18	442.93	648.08	859.35	1193.45
-Net funds available (per cent)	97.23 (23)	429.03 (49)	1596.84 (69)	1436.23 (63)	1776.03 (60)
Loans & advances from Government of India					
-Receipt during the year	1133.18	1551.99	927.72	1075.65	2176.88
-Repayment (Principal + Interest)	1106.77	1276.71	1498.62	1652.09	1799.41
-Net funds available (per cent)	26.41 (2)	275.28 (18)	(-)570.90 -	(-) 576.44 -	377.47 (17)
Other liabilities (PF etc)					
-Receipt during the year	6456.28	7720.45	10744.65	13265.64	15531.58
-Repayments (Principal+Interest)	5842.06	7051.89	10122.29	12228.96	14373.53
-Net funds available (per cent)	614.22 (10)	668.45 (9)	622.31 (6)	1036.68 (8)	1158.05 (7)

The table indicates that the borrowings under internal debt had been steadily rising over the period 1999-02 with about 60 per cent of the amount being available for other expenditure after repayment of past borrowings together with interest thereon. Under loans and advances from Government of India, there was more than 100 per cent increase in the borrowings during the year compared to 2000-01. After repayment of the past borrowings together with interest thereon, only 17 per cent of the amount was available with the State Government. Under Public Account, only 7 per cent of the funds were available. Considering almost 144 per cent increase in outstanding debts during last five years, the availability of funds through Public borrowings for capital formation would be reduced further as the interest liability would itself consume major portion of the borrowings.

1.11 Indicators of financial performance

1.11.1 A Government may wish either to maintain its existing level or increase its level of activity. For maintaining its existing level of activity it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing and finally, Government's increased vulnerability in the process. All the State Governments continue to increase the level of their activity principally through Five Year Plans which translate to Annual development plans and are provided for in the State Budget. Broadly, it can be stated that non-plan expenditure represents Government maintaining the existing level of activity*, while plan expenditure entails expansion of activity. Both these activities require resource mobilization increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

(i) Sustainability

Sustainability is the degree to which a Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

(ii) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) Transparency

There is also the issue of financial information provided by the Government. This consists of annual Financial Statement (Budget) and the Accounts. As regards the budget the important parameters are timely presentation indicating the efficiency of budgetary process and the accuracy of the estimates. As regards, accounts, timeliness in submission, for which milestones exist and completeness of accounts would be the principal criteria.

1.11.2 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility, and Vulnerability that can be expressed in terms of certain indices/ratios. The list of such indices/ratios is given in the Appendix. Exhibit V indicates the behaviour of these indices/ratios over the period from 1997-98 to 2001-02. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

* There are exceptions to this, notably transfer of Plan to the Non-Plan at the end of Plan period.

Exhibit V

Financial indicators for Government of Karnataka

	1997-98	1998-99	1999-2000	2000-01	2001-02
Sustainability					
BCR (Rs in crore)	1482	705	(-) 601	319	(-) 879
Primary Deficit (PD) (Rupees in crore)	216	1495	2264	1831	3186
Interest Ratio	0.08	0.09	0.10	0.12	0.17
Capital outlay/Capital receipts	0.68	0.63	0.49	0.55	0.40
Total Tax receipts/GSDP^	0.12	0.10	0.10	0.11	0.10
State Tax Receipts/GSDP^	0.09	0.08	0.08	0.08	0.08
Return on Investment ratio	0.0034	0.0025	0.0034	0.0021	0.0022
Flexibility					
BCR (Rupees in crore)	1482	705	(-)601	319	(-) 879
Capital repayments/Capital borrowings	0.20	0.17	0.15	0.15	0.14
State tax receipts/GSDP^	0.09	0.08	0.08	0.08	0.08
Debt/GSDP^	0.22	0.21	0.23	0.25	0.28
Vulnerability					
Revenue Deficit(RD) (Rs in crore)	277	1215	2325	1862	3284
Fiscal Deficit(FD) (Rs in crore)	1610	3112	4276	4219	5869
Primary Deficit(PD) (Rs in crore)	216	1495	2264	1831	3186
RD/FD	0.17	0.39	0.54	0.44	0.56
PD/FD	0.13	0.48	0.53	0.43	0.54
Outstanding Guarantees/revenue receipts	0.53	0.71	0.76	0.88	0.80
Assets/Liabilities	0.99	0.93	0.85	0.80	0.74

Note: 1. Fiscal deficit has been calculated as: Revenue expenditure + Capital expenditure + Net loans and advances – Revenue receipts – Non-loan capital receipts.

2. In the ratio Capital outlay vs. Capital receipts, the denominator has been taken as Internal loans + Loans and Advances from Government of India + Net receipts from small savings, PF etc., + Repayments received from loans advanced by the State Government – Loans advanced by State Government.

^ As the GSDP figures were revised by the State Government, the figures of ratio for the years 1997-98 to 2000-01 as shown in previous audit report had to undergo change.

1.11.3 The behaviour of the indices/ratios is discussed below.

(i) Balance from Current Revenues (BCR)

BCR is defined as revenue receipts minus plan assistance grants minus non-plan revenue expenditure excluding expenditure accounted below Major Head 2048-Appropriation for reduction or avoidance of debt. A positive BCR shows that the Government has surplus from its revenues for meeting plan expenditure. The table shows that the BCR which was positive during 2000-2001 became negative during the year implying non-availability of funds from current revenues for meeting plan expenditure. Entire plan expenditure had therefore to be met out of assistance from Government of India/Market Borrowings.

(ii) Interest ratio

Interest ratio is defined as:

$$\frac{\text{Interest payments} - \text{Interest receipts}}{\text{Total revenue receipts} - \text{Interest receipts}}$$

The higher the ratio lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts.

In Karnataka the ratio had gone up by 0.05 during 2001-02 indicating the increased indebtness of the Government and reduced availability of revenue receipts for revenue expenditure as also poor returns on past borrowings since revenue receipts include earnings from investments made out of borrowings.

(iii) Capital outlay/Capital receipts

This ratio would indicate the extent to which the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term inasmuch as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement.

In Karnataka, during 1997-2002, the ratio had been less than 1 through out. During the year it had fallen by 0.15 indicating that about only 40 per cent of the capital receipts were available for capital formation and the remaining had to be diverted to meet revenue expenditure. Even the capital outlay was inflated to the extent of Rs.317.27 crore as discussed in Para 1.7.1.

(iv) Tax receipts Vs Gross State Domestic Product (GSDP)

Tax receipts consist of state taxes and state's share of central taxes. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would have implications for the flexibility as well. While a low ratio would imply that the Government can tax more, and hence its flexibility, a high ratio may not only point to the limits of this source of finance but also its inflexibility.

Time series analysis shows that in case of Karnataka the ratio was varying between 0.10 and 0.12. During 2001-02, the ratio had come down by 0.01 which indicated Government's preference for relying on borrowings to meet its deficits. However, expanding debt and interest burden indicated the limited scope for reliance on borrowed funds for meeting its revenue expenditure. Thus, there was a need to improve its own revenue in relation to the growth in GSDP.

(v) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table presents the return on Government's investments in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative Institutions which was virtually nil throughout the period.

(vi) Capital repayments vs Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In case of Karnataka the ratio was on decline and it came down from 0.20 (1997-98) to 0.14 (2001-02).

(vii) Debt vs Gross State Domestic Product (GSDP)

The GSDP is the total internal resource base of the State Government, which can be used to service the debt. An increasing ratio of Debt/GSDP would signify a reduction in Government's ability to meet its debt obligations and therefore increasing the risk for the lender.

In Karnataka, this ratio moved up in the last three years from 0.23 in 1999-2000 to 0.28 in 2001-02 indicating worsening situation. During the year the total debt had increased by 22.56 per cent from Rs.26571.12 crore in 2000-01 to Rs.32565.55 crore in 2001-02 as discussed in Para 1.10.1.

(viii) Revenue deficit/Fiscal deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus higher the ratio the worse off the state because it would indicate that the debt burden is increasing without adding to its repayment capacity.

During 2001-02, 56 per cent of the borrowings were applied to meet revenue expenditure as compared to 17 per cent in 1997-98. This indicated a steep decline in the financial position of the State. Considering the low availability of the borrowed funds for capital formation, its increasing use in revenue expenditure, indicated worsening financial condition of the State.

(ix) Primary deficit vs Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments, which indicates availability of borrowed funds for other applications after meeting the interest burden. In case of Government of Karnataka, this ratio had been rather small and below 0.6. The ratio increased significantly during 2001-02 due to heavy borrowings (25 per cent increase over the previous year) increasing thereby interest burden in coming years. This should also be seen in the context of increased ratio of RD/FD, which points to a grim picture of the State's financial position.

(x) Guarantees vs Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a Government and should therefore be compared with the ability of the Government to pay *viz.*, its revenue receipts. The ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the Government.

In Karnataka this ratio had increased from 0.53 in 1997-98 to 0.80 in 2001-02, indicating a huge increase in the risk exposure of the State revenues to the outstanding guarantees and indicated the vulnerability of the revenues of the State Government to such liabilities. During 2001-02 an amount of Rs.808.55 lakh representing the liability was discharged by Government on account of invocation of guarantees by the lending institutions.

(xi) Assets vs Liabilities

This ratio indicates the solvency of the Government. It refers only to the financial assets/liabilities referred to in Exhibit. I. A ratio of more than 1 would indicate that the Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. This ratio has come down from 0.99 in 1997-98 to 0.74 during 2001-02 indicating that liabilities are fast overtaking the assets. This ratio may be considered in the context of low capital outlay/capital receipts ratio which showed more than 60 per cent of the capital receipts were not available for asset formation. The state was inexorably moving to a vulnerable position over the years.

1.12 Transparency

(i) Off –Budget Borrowings

The Constitution of India provides for State Government 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 2001-02, the projected size of the State Plan Schemes was Rs.8588 crore, of which Rs.5544 crore were supported by resources from the state budget and the balance of Rs.3044 crore was to be met from the resources of certain companies/corporations.

The projected plan programmes to be met out of the resources of these concerns during last five years showed an increasing trend. While it was Rs.1481 crore in 1997-98, it was projected at Rs.3044 crore in 2001-02. In other words, the borrowing of the State Government outside the budget had been increasing year after year.

The details of off-budget borrowings of the companies/corporations and the estimated debt servicing by the State Government for the year 2001-02 are indicated below.

(Rupees in crore)

Company/Corporation	Borrowings upto 2000-01	Borrowings during 2001-02	Estimated debt servicing by State Government (2001-02)		
			Principal	Interest	Total
Krishna Bhagya Jala Nigam	3875.00	808.00	41.00	530.00	571.00
Karnataka Neeravari Nigam	661.00	275.00	-	104.00	104.00
Karnataka Road Development Corporation	56.00	115.00	11.00	37.00	48.00
Karnataka State Industrial and Investment Development Corporation	37.00	--	-	-	-
Slum Clearance Board	7.00	40.00	15.00	2.00	17.00
Rajiv Gandhi Rural Housing Corporation	106.00	145.00	-	-	-
KEONICS (Mahithi Bonds)	60.00	-	-	8.00	8.00
Karnataka Residential Education Institution Society	-	40.00	1.00	8.00	9.00
Karnataka Police Housing Corporation	--	40.00	10.00	10.00	20.00
Karnataka Land Army Corporation	-	50.00	-	-	-
Total	**4802.00**	**1513.00**	**78.00**	**699.00**	**777.00**

Government of Karnataka released an amount of Rs.2558 crore to KBJNL during the period 1995-96 to 2001-02 towards repayment of principal and payment of interest on borrowings out of which Rs.757.00 crore were retained in the public account with out being actually credited to current account of KBJNL. During 2001-02, out of Rs.879 crore released to KBJNL, Rs.291 crore were retained in the public account which had not only inflated the capital and plan expenditure of the Government but also helped the State Government's ways and means position.

Similarly, Rs.3.00 crore released to Rajiv Gandhi Rural Housing Corporation, had been retained in the public account and Rs.28 crore released to Karnataka Neeravari Nigam, were parked in public account.

In view of retention of funds in public account without being transferred to the accounts of the concerns, KBJNL and KNNL had to discharge their liabilities (principal and interest) to the extent of Rs.1065 crore out of fresh borrowings.

In respect of Rs.100 crore borrowed by Karnataka Road Development Corporation from HUDCO Rs.96.82 crore were spent on maintenance of State Highways, which indicates that borrowed funds were being utilised for maintenance expenditure rather than for creation of assets. As the borrowings discussed above were actually the liabilities of the State, the indebtedness of the State Government depicted in the Finance accounts is understated to that extent and had bearing on the financial indicators such as debt/GSDP and interest ratio.

Taking into account these off-budget borrowings of the State, the internal debt of State would increase to Rs.16852 crore, Public Debt to Rs.28804 crore, and total liabilities to Rs.38937 crore as against Rs.10481 crore, Rs.22433 crore and Rs.32566 crore respectively. In view of this the ratio of debt to GSDP would increase to 0.33 from 0.28. Thus the fiscal situation of the State Government is not truly exhibited in the accounts.

There was no delay in submission of the budget and its approval.

A detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedure and control over expenditure (Chapter II) indicated defective budgeting as evidenced by persistent surrenders of significant amounts every year vis-à-vis the budget grant and significant variations (excess/saving) between the budget grant and actual expenditure.

Further, test check of vouchers/accounting adjustments carried out during March 2002, revealed that Rs.260.89 crore (including Rs.192.19 crore towards infrastructure cess adjusted in account) were transferred to Reserve Fund/Deposit Account in the Public Account while the concerned heads also showed the expenditure thus inflating the expenditure under the Consolidated Fund during the year.

As against overdue loans of Rs.423.63 crore, budget provided for recoveries of only Rs.202.37 crore against which the actual recovery was Rs.34.70 crore. In respect of 11 Companies/Corporations, while the Finance Accounts showed overdue loans of Rs.110.69 crore, no estimates of recoveries were projected.

(ii) Accounts

Timely compliance with the extant accounting system is an important element to judge the transparency of the system. The Treasury and other accounting authorities are obliged to maintain and render accounts to the Accountant General (Accounts & Entitlement) on due dates. However, it was observed that there were large delays as detailed in the table below. In respect of Bangalore Urban Treasury, due to delay in submission of October 2001 accounts, the figures of revenue/expenditure had to be omitted while preparing the civil accounts for that month.

Accounts received from	Number of Officers	Delay in rendition of accounts (No. of occasions)			
		> 15 days	> 1 month	> 2 months	>3 months
Treasuries	30	35	3	-	-
Public Works/ Forest Divisions	170	204	26	29	6
Others	14	42	12	7	9

(iii) Adverse Balances

Adverse balances in the accounts arise largely due to accounting errors/ situation arising out of rationalisation of the classification of accounts/ administrative re-organisation, which break up one accounting unit into many. For instance, against the accounting head of any loan or advance, the negative balance will indicate more repayment than the amount advanced. It was observed that under loans and advances there were certain detailed/object heads under 18 major head of accounts where adverse balances were reflected and the amount in these cases (35 items) which was Rs.30.68 crore at the beginning of the year, increased to Rs.35.23 crore at the end of 2001-02. The adverse balance rose in respect of certain heads below 7 major heads while that under the major head – loans to Government Servants etc., became adverse during the year.

1.13 Conclusion

The BCR, which was positive at Rs.319 crore during 2000-01 declined to a negative figure of Rs.879 crore during 2001-02. The revenue deficit increased by Rs.1422 crore (76 per cent) (including the adjustment of Rs.138 crore of revenue receipts relating to earlier years) and the deficit was met out of 56 per cent of the borrowings. Book adjustments in the accounts were made towards payment of RE subsidies and transfer of infrastructure cess collected without actual cash outflow. The capital expenditure was overstated to the extent it was retained in public account without actual investment in the beneficiary concerns such as KBJNL, KNNL. The liabilities of the State Government were mounting year after year, where as the recovery of loans was insignificant. The interest payments increased by Rs.295 crore constituting 15 per cent of the increase in revenue expenditure over previous year and the return on investment was virtually nil for the past several years. The fast growing trend in interest ratio over the years had been restricting the availability of funds for programme spending. Sixty per cent of the capital receipts were utilised for unproductive obligations and only 40 per cent was available for asset formation without being actually spent for the purpose for which it was meant and the funds were retained in public account, to help maintain ways and means position. The almost constant ratio of tax receipts to GSDP established the State's inclination to meet the deficits by borrowing instead of improving tax compliance and coverage. The State Government had tried to soften its budget constraints with borrowings through special purpose vehicles like KBJNL, KNNL. The financial assets of the State Government were being rapidly overtaken by its liabilities indicating unsatisfactory financial condition of the State Government.

Appendix

Part A. Government Accounts

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 authorized 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-a-vis* the amounts authorized by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularization by the Legislature.

Part B. List of Indices/ratios and basis for their calculation

(Referred to in paragraph 1.11)

Indices/ratios		Basis for calculation
Sustainability		
Balance from the current revenue	B C R	Revenue Receipts minus all Plan grants (under Major Head 1601- 02,03,04 & 05) and Non-Plan revenue expenditure excluding expenditure accounted below Major Head 2048- Appropriation for reduction or avoidance of debt.
	Revenue Receipts	Exhibit II
Primary Deficit		Fiscal deficit minus interest payment
Interest Ratio		Interest payments-Interest receipts / Total revenue receipts – Interest receipts
Capital Outlay Vs Capital receipts	Capital Outlay	Capital expenditure as per Statement No. 12 of the Finance Accounts
	Capital receipts	Miscellaneous Capital Receipts Internal Loans (net of ways and means advances) + Loans and advances from Government of India + Net receipts from small savings, PF etc. + Repayments received of loans advanced by the State Government – Loans advanced by the State Government
State tax receipts Vs GSDP	State tax receipts	Statement No.11 of Finance Accounts
Total tax receipts Vs GSDP	Total tax receipts	State tax receipts Plus State's share of Union Taxes
Flexibility		
-Balance from current revenue		As above
-Capital repayments Vs Capital borrowings	Capital Repayments	Disbursements under Major heads 6003 and 6004 minus repayments on account of Ways and Means Advances/Overdraft under both the major heads
	Capital Borrowings	Addition under Major Heads 6003 & 6004 minus addition on accounts of Ways & Means advances/overdraft under both the major heads
Incomplete Projects		Paragraph 1.9.2 of the Audit Report
-Total Tax Receipts Vs GSDP	Total tax receipts	As above
-Debt Vs GSDP	Debt	Borrowings and other obligations at the end of the year (Statement No 4 of the Finance Accounts)
Vulnerability		
-Revenue Deficit		Paragraph No 1.9.5.2 of the Audit Report
-Fiscal Deficit		-------do--------------
-Primary Deficit Vs Fiscal Deficit	Primary Deficit	Fiscal Deficit minus interest payments
Total outstanding guarantees including letters of comfort Vs Total revenue receipts of the Government	Outstanding guarantees	Exhibit IV
	Revenue Receipts	Exhibit II
Assets Vs Liabilities	Assets and Liabilities	Exhibit I

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CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Introduction

The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government vis-a-vis those authorised by the Appropriation Act.

The objective of appropriation audit is 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.

Appropriation Accounts: 2001-2002

Total No. of Grants: 60

Total provision and actual expenditure

Provision	Amount (Rs in crore)	Expenditure	Amount (Rs in crore)
Original Supplementary	25270.60 1785.97		
Total gross provision	27056.57	Total gross expenditure	22869.17
Deduct-Estimated recoveries in reduction of expenditure	556.47	Deduct-Actual recoveries in reduction of expenditure	195.67
Total net provision	**26500.10**	**Total net expenditure**	**22673.50**

Voted and Charged provision and expenditure

	Provision (Rs in crore)		Expenditure (Rs in crore)	
	Voted	**Charged**	**Voted**	**Charged**
Revenue	18192.31	2934.68	16002.54	2741.92
Capital	3947.90	1981.68	2676.05	1448.66
Total Gross	22140.21	4916.36	18678.59	4190.58
Deduct-recoveries in reduction of expenditure	556.47	-	195.67	-
Total: Net	**21583.74**	**4916.36**	**18482.92**	**4190.58**

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure against 60 Grants/ Appropriations was as follows:

(Rupees in crore)

	Nature of expr	Original grant/Appn	Suppl. grant/Appn	Total	Actual expr	Saving (-)/ Excess(+)
Voted	1. Revenue	17319.50	872.81	18192.31	16002.54	(-) 2189.77
	2. Capital	2412.00	655.63	3067.63	2161.58	(-) 906.05
	3. Loans & Advances	573.73	219.36	793.09	514.47	(-) 278.62
	4. Public Debt	87.18	-	87.18	-	(-) 87.18
Total Voted		**20392.41**	**1747.80**	**22140.21**	**18678.59**	**(-) 3461.62**
Charged	5. Revenue	2903.79	30.89	2934.68	2741.92	(-) 192.76
	6. Capital	5.38	-	5.38	1.01	(-) 4.37
	7. Public Debt	1969.02	7.28	1976.30	1447.65	(-) 528.65
Total Charged		**4878.19**	**38.17**	**4916.36**	**4190.58**	**(-) 725.78**
Grand Total		**25270.60**	**1785.97**	**27056.57**	**22869.17**	**(-) 4187.40**

The total expenditure of Rs. 22869.17 crore stands understated at least to the extent of Rs. 7.89 crore being the advance drawn from Contingency Fund during 2001-02 but remained un-recouped at the close of the year under following grants.

(i) Grant No.46 – Major Head 2215 – Water Supply and Sanitation (Rs. 3.39 crore)
(ii) Grant No.39 – Major Head 2702 – Minor Irrigation (Rs. 3.35 crore)
(iii) Grant No.30 – Major Head 2406 – Forestry and Wild Life (Rs. 1.00 crore)
(iv) Grant No.10 – Major Head 3425 – Other Scientific Research (Rs. 0.15 crore)

The total expenditure stands inflated atleast to the extent of Rs. 385.97 crore as under;

(i) Rs.68.70 crore drawn through NIL payment vouchers in March 2002 and transferred to Personal Deposit Accounts, which is discussed at Para 2.3.14. of this chapter

(ii) Rs. 317.27 crore relating to investments in KBJNL and KNNL was retained in the public account of the State Government without being released to the said institutions (refer Para 1.7.1 of Chapter I).

2.3 Results of Appropriation Audit

The broad results emerging from appropriation audit are set out in the following paragraphs.

2.3.1 Savings/Excess over provision

The overall saving of Rs.4187.40 crore constituting 15.48 per cent of the total grant/appropriation was the result of savings of Rs.4300.77 crore in 60 grants/appropriations partly offset by excess of Rs.113.37 crore in 10 grants/ appropriation. As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over grant/appropriation regularised by the State Legislature. During 2001-02, an excess expenditure of Rs. 112.64 crore over the provision was incurred in 10 grants. Details of these are given in Appendix 2.1. In addition, a provision of Rs.9.39 crore included under Grant No.1 – Agriculture through errata to the budget estimates, was omitted to be included in the Appropriation Act and hence, the expenditure of Rs. 7.20 crore incurred against this provision also requires regularisation. Similarly, under Grant No.39 – Minor Irrigation (excluding ground water), provision was obtained for net amount of Rs. 0.05 crore instead of gross amount of Rs. 6.62 crore and hence the expenditure of Rs. 4.10 crore accounted under this grant also required regularisation. The excess expenditure amounting to Rs.993.64 crore for the years 1989-90 to 2000-01 was yet to be regularised. The year-wise details of excess expenditure over the provision are as detailed below:

Year	Number of grants/ Appropriation	Grant/Appropriation numbers	Amount of excess (Rs in crore)
1989-90	12/5	7,8,10,24,27,46,47,49,53,20,35,56,23,45,12, Interest payments	25.89
1990-91	13/4	6,7,10,13,20,32,45,46,47,52,27,33,35,47,4,41,35	35.73
1991-92	13/3	7,11,14,22,23,36,45,46,47,51,57,27,24,41,43	58.99
1992-93	12/3	6,9,27,32,34,41,43,44,45,46,50,52,25,33,34,48	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
1994-95	4/6	21,35,3,48,15,24,46,47,55	8.35
1995-96	9/2	2,33,39,43,45,49,1,46,52,21,44	27.79
1996-97	9/3	2,16,33,43,49,51,8,24,25,45,1,21,43,44	104.40
1997-98	11	12,33,37,39,43,49,51,24,27,32,55	84.01
1998-99	12	9,17,33,37,39,40,4,24,25,46,43,52	35.86
1999-2000	11/2	10, 16, 19, 33, 34, 39, 48, 49, 65, 66, 8, 43	333.22
2000-2001	11	5, 15, 24, 35, 38, 49, 7, 10, 42, 30, 44	114.46
2001-2002	10	5, 10, 13, 15, 24, 30, 35, 42, 44, 50	112.64

The main reasons for the excess expenditure for the year 2001-02 were;

- More collection of cess for the infrastructure initiative fund, than the estimated collection and consequent transfer to the fund (Rs. 99.73 crore – Grant No.5)
- Receipt of more debit of pension payment from Maharastra under State Re-organisation Act 1956 (Rs. 2.06 crore – Grant No.15)
- Excess expenditure under special repairs to buildings – Governor (Rs. 0.36 crore – Grant No.44)
- More receipts towards compensatory plantations ultimately transferred to Karnataka Forest Development Fund through inter account transfers (Rs.6.32 crore – Grant No.30)
- Erroneous provision obtained through supplementary grants under Grant No.45 – Co-operation (excluding Agricultural Marketing) instead of under Grant No.35 (Rs. 20.80 crore)

Out of overall savings of Rs. 4187.40 crore (15 per cent of the total provision) saving of Rs. 957.37 crore (23 per cent) under various grants was mainly due to the following reasons.

- Savings in salaries due to provision for vacant posts (Rs. 108.06 crore)
- Reduction in allocation/cut in provision/non investment of funds due to drop in revenue receipts (Rs. 122.20 crore)
- Economy measures (Rs. 63.85 crore)
- Cancellation of projects /delay in processing of tenders/delay in execution of works/delay in employing contractors etc., (Rs. 186.37 crore)
- Short/non release of fund/ letter of credit (Rs.105.69 crore)
- Delays in approval/issue of sanction order/implementation order etc., (Rs.22.44 crore)
- Erroneous provisions in budget under certain grants (Rs. 87.18 crore)
- Delay in starting/abolition of educational courses (Rs. 4.16 crore)
- Failure to complete Technical/tender formalities (Rs. 5.82 crore)
- Less receipt of pension cases (Rs. 77.05 crore)
- Delay in finalisation of purchase formalities (Rs. 1.84 crore)
- Direct release of funds by Government of India for which provision was made in the budget (Rs. 4.92 crore), non-release/less release of funds from Government of India (Rs.42.18 crore).
- Cancellation of International Film Festival (Rs. 0.98 crore)
- Delay in receipt of bills (Rs. 12.84 crore)
- Reduction in subsidy payment (Rs. 8.16 crore)
- Release of funds to ZPs as per revised estimates (Rs. 82.38 crore)
- Lesser release of loans and advances (Rs. 21.25 crore)

In 54 grants, explanations for savings in 625 cases and excesses in 345 cases were not furnished by the Departmental Officers.

2.3.2 Supplementary provision of Rs.1785.97 crore constituted 7 per cent of the original provision as against 6 per cent in the previous year.

2.3.3 Supplementary provision of Rs. 354.58 crore made in 27 grants involving 45 detailed heads proved unnecessary in view of aggregate saving of Rs.463.77 crore as detailed in Appendix 2.2. In seven grants (Grant Nos.1,5,8,13,25,41 and 43 mentioned in Appendix 2.2) the entire supplementary provision of Rs. 189.04 crore obtained remained unutilised. Out of this, Rs. 178.44 crore were obtained for releasing to KPTCL under Grant No.25 – Power Projects to provide loan (Rs. 89.00 crore) and grant (Rs. 89.00 crore) from funds released by Government of India, and for refund of Sales Tax on Diesel consumed on Captive Power Generation (Rs. 0.44 crore), which was not actually utilised for the purpose for which they were obtained. Under Grant No.5 – Large and Medium Scale Industries (excluding IT), Rs. 6.38 crore obtained for the purpose of payment of minimum guaranteed dividend to the share holders of KSFC were not spent.

2.3.4 In 18 grants involving 32 detailed heads, supplementary provision of Rs.179.27 crore obtained proved insufficient leaving an aggregate uncovered excess expenditure of Rs.225.93 crore (Appendix 2.3).

2.3.5 In 27 grants involving 54 detailed heads, as against additional requirement of Rs.187.18 crore, supplementary grant for Rs.350.45 crore were obtained resulting in saving of Rs.163.27 crore (Appendix 2.4). Supplementary provision of Rs. 100.49 crore was obtained under Grant No.32 (Revenue-Voted) for Modernisation of Police Forces to match the Government of India grants already released. However, actual releases under the head were Rs. 38.49 crore only.

2.3.6 In 30 grants, expenditure fell short by more than Rs.10.00 crore and also more than 10 per cent of the total provision in each case as indicated in Appendix.2.5.

2.3.7 Injudicious 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 49 cases, re-appropriation of funds was injudiciously made resulting in final excess/savings in each case by more than Rs.25.00 lakh (listed in Appendix 2.6) of which;

(a) In 17 cases, additional funds of Rs.22.62 crore provided through re-appropriation proved insufficient as the final expenditure exceeded the grant by Rs.60.94 crore.

(b) In 20 cases, additional funds of Rs.32.15 crore provided by re-appropriation resulted in final savings of Rs.84.58 crore and the re-appropriation proved unnecessary.

(c) In 6 cases, the savings were not properly assessed as there was a final savings of Rs.112.74 crore even after the withdrawal of Rs.14.70 crore through re-appropriation.

(d) In 6 cases, the withdrawal of Rs.17.72 crore through re-appropriation proved injudicious as the final expenditure exceeded the modified grant by Rs.31.37 crore.

2.3.8 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 30 cases involving 14 grants, expenditure totalling Rs.210.61 crore which should have been treated as 'New Service/New Instrument of Service' was met without the approval of the Legislature (Appendix 2.7).

2.3.9 Expenditure without provision

As envisaged in the budget manual, expenditure should not be incurred on a scheme/service without provision of funds there for. It was, however, noticed that expenditure of Rs.104.60 crore was incurred without provision either in the original or in supplementary demands in 112 cases involving 28 grants test checked in audit.

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

Sl. No.	Grant No. & Name	Head of Account	Amount (Rs. in crore)
1	55 – Internal debt, loans and advances from Central Government and Inter- State settlements	6003 – Internal debt of the State Government 101 – Market loans 1 – Market loans bearing interest 09 – 11 per cent KSDL 2001 127 – Repayment of internal debt	85.75
2	54 – Interest Payments	2049 – Interest Payments 01 – Interest on internal debt 101 – Interest on Market Loans 1 – Interest on current loans 12 – 9.75 per cent KSDL 1998 241 – Interest	9.08

Sl. No.	Grant No. & Name	Head of Account	Amount (Rs. in crore)
3	15 – Pension and other retirement benefits	2071 – Pension & Other Retirement Benefits 01 – Civil 108 – Contributions to PF 01 – Contributions to PF of Commercial concerns 104 – Contributions	0.54
		2071 – Pension & Other Retirement Benefits 01 – Civil 115 – Leave encashment benefits 2 – Social Services 03 – Technical education 126 – Terminal leave benefits	0.42
4	46 – Rural Development and Panchayat Raj	2215 – Water Supply & Sanitation 01 – Water Supply 191 – Assistance to local bodies, Corporations etc. 3 – BWSSB 82 – Augmentation of water supply & Sewerage System in Bangalore with French Assistance (FRGL)	0.84

Under Article 202 (3) of the Constitution, debt charges including interest for which the State is liable shall be an expenditure charged on the Consolidated Fund of the State. However, in (1) above provision for discharge of debt obligation was made in the voted section of the budget estimates and in respect of (2 and 3) above no provision was made. In respect of (4) above expenditure was booked to match in the book of accounts the additional Central Assistance for externally aided projects released by Government of India.

2.3.10 Non surrender of savings

2.3.10(a) 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, at the close of the year 2001-02, out of total saving of Rs. 3411.51 crore in 84 cases of 55 grants/appropriation Rs. 1078.38 crore (31.62 per cent) only were surrendered leaving a balance of Rs. 2333.13 crore un-surrendered (Appendix 2.8).

2.3.10(b) In the following cases against a total saving of Rs. 735.41 crore, the amount actually surrendered was Rs. 864.33 crore resulting in excess surrender of Rs. 128.92 crore (17.53 per cent) indicating injudicious surrender of savings.

(Rs. in crore)

Grant No./Name of the Grant	Total savings	Amount surrendered	Excess surrender
7 – Small Scale Industries (Capital-Voted)	11.44	14.65	3.21
54 – Interest payments (Revenue-Charged)	195.32	227.56	32.24
55 – Internal Debt, loans and advances from Central Government and Inter State Settlements (Capital-Charged)	528.65	622.12	93.47
Total	735.41	864.33	128.92

In the above cases, savings of Rs. 1943.04 crore (Rs.1078.71 crore + Rs.864.33 crore) was surrendered on the last working day of the year.

The above instances indicate inadequate financial control over expenditure.

2.3.11 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. The closing balance of the fund as on 31 March 2002 was Rs.72.11 crore.

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 with the figures booked by the Accountant General (Accounts & Entitlement) in the accounts.

During the year 2001-02, 42 sanctions were issued for withdrawal of total amount of Rs.116.60 crore.

A review of the operation of Contingency Fund disclosed that sanctions for advances were issued though the money was not needed and also in respect of 22 sanctions amounting to Rs.44.98 crore, amount to the extent of Rs.18.88 crore were drawn, leaving an amount of Rs.26.10 crore un-drawn.

Few cases where the advances sanctioned from Contingency Fund were not utilised in full are indicated below.
Under Grant No.46 – Capital Outlay on Water Supply and Sanitation – Water Supply – Rural Water Supply – Schemes with bilateral assistance – Overall Rural Water Supply and Sanitation - Netherland assisted - Plan, Rs.733 lakh was sanctioned, as there was no sufficient budget provision during that

financial year. However, a sum of Rs. 517.22 lakh only was utilised (70.56 per cent).

Under Grant No.49 – Social Security and Welfare – Social Welfare –Child Welfare – Balika Samruddi Yojane - Plan, Rs.242 lakh was sanctioned for CSS – Balika Samruddi Yojane as a matching grant, as the equivalent grant was already released by Government of India. However, a sum of Rs. 144.14 lakh only was utilised (59.56 per cent).

Under Grant No.24 – Elections – Expenses on Lok Sabha Elections – Bye-elections to Parliament – Bye-elections - Non-plan, Rs.100 lakh was sanctioned for conducting Kanakapura Lok Sabha bye-election and for preparation and printing of electoral rolls. However, a sum of Rs. 31.28 lakh only was utilised (31.28 per cent).

Under Grant No.46 – Water Supply and Sanitation – Water Supply – Assistance to local bodies, corporations etc., – Zilla Panchayats and Mandal Panchayats – Block Assistance to Zilla Panchayats - Plan (Rs. 681 lakh) was sanctioned to take up Rural Water Supply Scheme, as the budget provision was inadequate. However, a sum of Rs. 339.43 lakh only was utilised (49.84 per cent).

Under Grant No.46 – Rural Employment – Other Programmes – Assistance to Local Bodies, Corporations etc., – Zilla Panchayats and Gram Panchayats – State Employment Assurance Schemes (Nemmadi) – Grants-in-aid to Zilla Panchayats, Rs. 613.35 lakh was sanctioned for State Employment Assurance Scheme (Nemmadi). However, a sum of Rs. 334.55 lakh only was utilised (54.54 per cent).

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

2.3.12 Trend of Recoveries and Credits

In 25 grants, against the estimated recoveries of Rs.556.47 crore to be adjusted in the account as reduction of expenditure, the actual reduction of expenditure was Rs.195.67 crore and shortfall was Rs.360.80 crore (65 per cent). Recovery was 'nil' in 18 departments against the provision of Rs.217.13 crore under capital section. More details are given in appendix to Appropriation Accounts.

2.3.13 Un-reconciled expenditure

To enable departmental officers to exercise proper control over expenditure, there are standing instructions that expenditure recorded in their books should be reconciled with those recorded in the books of the Accountant General.

During 2001-02, out of 323 Controlling Officers 23 had not reconciled expenditure of Rs.3082.72 crore (15 percent of the total expenditure of Rs. 20711.37 crore) and 39 Controlling Officers had reconciled their expenditure figures for part of the year, leaving an expenditure of Rs.495.35 crore un-reconciled. Similarly, 19 Controlling Officers who had disbursed Rs.514.35 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, remaining undetected.

2.3.14 Diversion of funds to avoid lapse of budget grant

Financial Rules of the Government prescribed that money should not be drawn from the treasury unless it is required for immediate disbursement nor should it be drawn for depositing under Civil Deposit heads in Personal Deposit Accounts/Bank deposits in order to avoid lapse of budget grant. However, it was noticed that Rs 68.70 crore were transferred in March 2002 to Personal Deposit Accounts to avoid lapse of budget provision.

The drawal of funds in anticipation of actual requirement not only violated the codal provisions but also inflated revenue expenditure during the year, which had the effect of inflating the revenue and other deficits.

2.3.15 Errors in Budgetting

In seven grants Rs.33.85 crore were inadvertently obtained under the grants other than to which they related as detailed below.

Sl. No.	Number and Name of the Grant under which provision was made	Amount (Rs. in Crore)	No. and Name of the Grant under which provision was to be made
1	1 Agriculture	1.82	2 – Horticulture
2	37 – Urban Development Authorities (Excluding Bangalore Development Projects), City Corporations (excluding BCC) and Town Planning Department	0.60	21 – Bangalore Development Projects
3	27 – Muzarai (excluding Wakf and Haj)	0.15	47 – Labour and Wakf
4	45 – Co-operation (excluding Agricultural Marketing)	24.40	35 – Agricultural Marketing
5	39 – Minor Irrigation (excluding ground water)	0.05	46 – Rural Development and Panchayat Raj
6	49 – Women and Child Welfare	0.50	44 – Public Works (excluding Ports and Inland Transport)
		2.08	- do -
		0.97	- do -
7	47 – Labour and Wakf	2.65	44 – Public Works (excluding Ports and Inland Transport)
	47 – Labour and Wakf	0.63	51 – Health and Family Welfare Services

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

CHAPTER III - CIVIL DEPARTMENTS

SECTION 'A' - REVIEWS

CO-OPERATION DEPARTMENT

3.1 Loans and Investments by Government in Co-operative Societies

Highlights

In Karnataka State, 30415 Co-operative Societies were registered as of March 2002 under provisions of Karnataka State Co-operative Act. During 1997-02, State Government had invested Rs.439.93 crore (share capital Rs.177.24 crore, loan Rs.262.69 crore) which included financial assistance of Rs.247.53 crore from National Co-operative Development Corporation- (NCDC). Certain major societies in the fields of Sugar, Textile etc., have been incurring losses since inception due to mismanagement, operational inefficiency, lack of professionalism etc., and defaulted in repayment of loan. With Societies in financial straits, returns on share capital ranged from 1 to 3 per cent.

On invocation of guarantee, Government paid Rs.131.51 crore. Government had to pay 100 per cent of the loan and interest against 50 per cent agreed in the case of 3 spinning mills.

(Paragraph 3.1.4 (ii) and 3.1.5(iv)(b)

Delay in repayment of loan and interest to NCDC resulted in avoidable payment of penal interest of Rs.1.27 crore.

(Paragraph 3.1.5(i) (b)

Commissioner for Sugar failed to encash a cheque for Rs.2 crore issued by Hemavathy Sahakara Sakkare Kharkhane (HSSK). The cheque was not revalidated and HSSK had accumulated huge losses.

(Paragraph 3.1.5(ii)

State Government paid Rs.47.50 lakh in excess to Industrial Development Bank of India (IDBI) under one time settlement.

(Paragraph 3.1.5(iv)(f)

Four Textile Spinning Mills (Mills) with Government investment of Rs.29.22 crore were closed during 1996-02; 7 Mills with State Government investment of Rs.113.55 crore were functioning on contract basis to convert the materials brought from other agencies.

(Paragraph 3.1.5(iv)(g)

State Government furnished guarantee of Rs.41.50 crore on a second occasion to Raibagh Sahakara Sakkare Karkhane a defaulting sugar mill.

(Paragraph 3.1.5(v))

Returns (dividend) on share capital investment ranged from 1 to 3 per cent of investments.

(Paragraph 3.1.6(i))

Three Societies diverted share capital of Rs.4.06 crore received for improving marketing and distribution activities to meet the cost of voluntary retirement scheme and administrative expenses, while one Society did not furnish details of utilisation of Rs.8 crore.

(Paragraph 3.1.6(ii))

3.1.1 Introduction

Co-operative Societies (Societies) provide services to community and play a vital role in extending finance and marketing services especially to the farming community. As of March 2002, there were 30415 Societies in Karnataka regulated under the provisions of Karnataka State Co-operative Act, 1959. Funds from State Government flow to these Societies through various institutions viz., State Apex Bank, Karnataka State Co-operative Agricultural and Rural Development (KSCARD) Bank, Primary Co-operative Agricultural and Rural Development (PCARD) Bank and District Central Co-operative (DCC) Bank.

3.1.2 Organisational Set up

Secretary to Government of Karnataka, Department of Co-operation administers/releases financial assistance to the Societies. Registrar of Co-operative Societies (RCS) is the Head of the Department. Functions of Co-operative Textile Mills and Sugar Mills are monitored by Commissioners of Textiles (CT) and Sugar (CS) respectively. Individual Societies are coordinated and supervised by an elected body from amongst members of the Society. In some Societies, an officer of Co-operation Department is appointed as Managing Director on deputation basis.

3.1.3 Scope of Audit

Records covering the period from 1997-98 to 2001-02 of Co-operation, Sericulture, Commerce and Industries, Animal Husbandry, Fisheries and Finance Departments, CS, CT, RCS and Director of Co-operative Audit were reviewed during January to June 2002.

3.1.4 Release of Financial assistance to Co-operative Societies

(i) Norms/policy not prescribed

Scrutiny of sanctions for financial assistance revealed the following:

(a) Administrative departments had negotiated with National Co-operative Development Corporation (NCDC) for financial assistance without consulting Finance Department.

(b) Guarantees were furnished by Government to defaulting Societies.

(c) Differential treatment to Societies in the matter of discharge of loan liability as a guarantor.

(d) Differential treatment to Societies in granting share capital/interest free loan/guarantee or subsidy.

Evidently, State Government had no definite norms for administering financial assistance.

(ii) Details of assistance released

State Government provided financial assistance in the form of share capital, loans, guarantees and subsidy, in addition to loans obtained from NCDC. Financial assistance from NCDC was initially credited to State Government and subsequently released to societies through personal deposit (PD) account of RCS, KSCARD and PCARD. Budget provision and financial assistance released with sector-wise details were as follows:

(Rupees in crore)

Year	Budget Provision (As per Accounts)		Expenditure (As per Accounts)	
	Share Capital	Loans	Share Capital	Loans
1997-98	10.85	11.72	14.53	33.90
1998-99	14.06	47.40	21.35	57.80
1999-00	10.61	14.85	10.39	30.09
2000-01	18.26	18.75	18.09	37.75
2001-02	10.32	28.65	14.38	62.77
Total	64.10	121.37	78.74	222.31

Name of the Sector	Sectorwise details of assistance		Total
	Share capital	Loan	
Credit	15.89	35.77	51.66
Marketing	10.02	1.25	11.27
Processing	123.51	214.17	337.68
Milk processing	Nil	Nil	Nil
Service & etc.,	27.82	11.50	39.32
Total	177.24	262.69	439.93

(i) Excess over budget provisions was due to discharging loan liability under one time settlement and sanction of interest free loans for which there was no budget provision.

(ii) Share capital of Rs.98.50 crore released from NCDC and deposited in Apex Bank was released therefrom to newly set up sugar mills (1998-99-Rs.11 crore, 1999-2000-Rs.12.50 crore, 2000-01-Rs.46.39 crore and 2001-02-Rs.28.61 crore).

(iii) Loan of Rs.40.38 crore was also released to various societies under other heads of account. Thus, total funds invested aggregated Rs.439.93 crore (loan-Rs.262.69 crore, share capital-Rs.177.24 crore).

(iv) Total investment of Rs.439.93 crore included NCDC loan of Rs.247.53 crore.

Out of investment of Rs.439.93 crore, Rs.131.51 crore (30 per cent) was spent on repayment of loan

Out of total investment of Rs.439.93 crore, State Government spent Rs.131.51 crore for discharging loan liability as a guarantor for 14 Co-operatives. Thus, 30 per cent of funds invested was guarantee money.

3.1.5 Sanction/Release of loan

State Government released loan assistance of Rs.262.69 crore during 1997-02 besides outstanding accumulated loan assistance of Rs.402.56 crore as of March 2002. Scrutiny of records revealed the following:

(i) Procedural lapses

(a) RCS, CT, CS and Heads of other departments disbursing loans to Societies did not maintain accounts and records such as Loan Ledger, Demand-cum-balance statements etc. In the absence of these records, loan management was not possible. Loans outstanding for recovery from Societies was Rs.402.56 crore as of March 2002. Details are furnished below:

(Rupees in crore)

Year	Opening Balance	Loan disbursed	Loans repaid	Closing balance
1997-98	229.76	33.90	8.15	255.51
1998-99	255.51	57.80	8.57	304.74
1999-00	304.74	30.09	10.02	324.81
2000-01	324.81	37.75	10.90	351.66
2001-02	351.66	62.77	11.89	402.56

Out of this, Rs.38.36 crore overdue as of April 1992 had not been recovered in the last 10 years from 14 Societies (Karnataka Milk Federation-Rs.20.40 crore, 6 sugar factories+ - Rs.13.46 crore, 7 other cases-Rs.4.50 crore).

Penal interest of Rs.1.27 crore suffered by Government due to administrative procedures

(b) Departments were to ensure adequate budget provision for repayment of instalment of loan and interest to NCDC on due dates (October each year) so as to avoid penal interest. Due to non-maintenance of accounts/ records, these authorities depended solely on demand schedules furnished by NCDC and initiated the process of repayment thereafter. Thus, there were delays resulting in avoidable payment of penal interest of Rs.1.27 crore as detailed below:

Name of the Society	Instalment of loan and interest	Due date	Actual date of payment	Extent of delay	Penal interest paid
Pandavapura SSK*	Rs.3.31 crore	5.4.2001	5.10.2001	6 months	Rs.57.18 lakh
Pandavapura SSK	Rs.3.13 crore	5.10.2001	4.4.2002	6 months	
Bhadra SSK*	Rs.0.65 crore	5.10.2001	29.3.2002	6 months	Rs.0.60 lakh
Karnataka Co-operative Coir Federation	Rs.5.11 crore	5.10.2000	11.11.2001	1 year	Rs.69.44 lakh
				Total	Rs.127.22 lakh

* Sahakara Sakkare Karkhane

+ One each at Haveri, Hassan, Brahmavar, Kollegal, Kampli and Bijapur

(c) There were abnormal delays ranging from 1 to 4 years in prescribing terms and conditions for repayment of loan of Rs.18.87 crore to five Societies.

(d) Terms and conditions had not been prescribed even after 7 to 12 years, for the loans of Rs.113.01 crore released to 14 Societies.

(ii) Commissioner for Sugar forfeited opportunity for recovery of loan

Failure to encash a cheque jeopardized recovery of loan of Rs.2 crore

Hemavathy SSK (HSSK), Hassan repaid (December 1998) entire bridge loan of Rs.2 crore through cheque and requested State Government to waive interest. However, State Government decided (September 1999) not to waive interest. CS who received the cheque, failed to encash it and violated financial regulations which prescribed that money received on behalf of Government should be brought to account immediately.

Subsequently, HSSK requested State Government (November 1999) to convert bridge loan into share capital on the plea that State Government had conceded in May 1999 a similar demand from another co-operative society (Bhadra SSK), and did not revalidate the cheque. Failure of CS to encash the cheque resulted in non recovery of Rs.2 crore and chances of recovery have receded as HSSK had accumulated huge losses.

(iii) Particle Board Manufacturing Co-operative Society, Chiknaragund

Department of Industries and Commerce implements a scheme "Loan to Industrial Co-operatives", under which, loan assistance of upto Rs.2 lakh to each Society was released without norms/guidelines. During 1997-01, 74 Societies were assisted. Notwithstanding this, the Particle Board Manufacturing Co-operative Society (PBMCS) which had earlier received financial assistance of Rs.45 lakh was again sanctioned (March 2001) loan assistance of Rs.15 lakh while 21 other Societies were sanctioned a total loan of Rs.25 lakh. No reasons were furnished for sanctioning more than Rs.2.00 lakh. Even in draft guidelines, parameters were not specified for deciding eligibility of a society for higher financial assistance. Sanction of higher financial assistance to PBMCS without assigning specific reasons, was improper. State Government had not even prescribed terms and conditions for repayment of loan.

(iv) State Government incurred huge losses while discharging loan liability as guarantor under One Time Settlement (OTS) of loans

State Government as guarantor discharged (August 1997 to April 2002) loan liability to the extent of Rs.131.51 crore. Details are given below:

Name of the Society	Loan (Amount Rupees in crore)	Year	Agency from whom borrowed	Principal and Interest paid by Government (Rupees in crore)	Period of payment
1. Malaprabha Co-op Spinning Mill, Soundatti	7.76	1987-88	NCDC through Apex Bank	54.97 unitwise breakup not available	December 1997 to April 2001
2. Venkateswara Co-op spinning mill, Annigeri	11.12	1991			
3. Raithara Sahakara Noolinagirini, Hanumanahatti	14.48	1990-91			
4. Malaprabha Co-op Oil Mill, Naragund	11.34	1990-91			
4A. TAPCMS/PACS	11.46	Not available			

Name of the Society	Loan (Amount Rupees in crore)	Year	Agency from whom borrowed	Principal and Interest paid by Government (Rupees in crore)	Period of payment
5. Tungabhadra Co-op Spinning Mill, Ranebennur	3.85	1987-88		5.31	March 1999 to September 1999
6. Someswara Farmers Co-op Spinning Mill, Lakshmeswara	4.50	1989-90	ICICI, IDBI, IFCI	5.56	
7. Farmers Co-op Spinning Mill, Hulkoti	4.03	1983-84		4.18	August 1997 to March 2000
Co-operative Sugar Factories at					
8. Bidar				17.99	
9. Raibagh	46.62	NA	NCDC	11.63	March 2001 to April 2002
10. Pandavapura (original loan not available)				17.00	
Co-operative Spinning Mills at					
11. Bagalkot	2.20	1972-73		2.42	
12. Bijapur	2.36	1982-83	IDBI, ICICI, IFCI	2.68	January 1999 to August 1999
13. Belgaum	3.46	1983-84		5.92	
14. Raichur	3.91	NA		3.85	
Total				131.51	

It was reported (December 1996) by Managing Director, Karnataka State Co-operative Spinning Mills Federation that performance of the mills was seriously hampered since inception due to lack of professionalism, technical personnel, good labour relations, good management etc. State Government declared spinning mills at Belgaum (April 1994) and Raichur (1996) as sick under Industrial Relief Act. State Government/ Department had not periodically reviewed the working of these mills. Financial institutions had earlier drawn the attention of the State Government to the poor performance of these two mills. Ultimately, financial institutions invoked guarantees and filed (1992-94) cases against State Government. State Government negotiated with financial institutions/NCDC who agreed to receive principal and 40 per cent of simple interest as one time settlement. State Government paid (August 1997 to April 2002) Rs.131.51 crore and balance of Rs.33.96 crore was yet to be paid.

State Government committed following irregularities/lapses after discharging liabilities of mills also:

(a) In the case of 6 Societies/mills at Sl. Nos. 1 to 4A and 14 in the table, State Government discharged liability and treated the expenditure as loan . But the Government failed to prescribe terms and conditions for the loans even after a lapse of four years. In respect of Sl.Nos.1 to 3, State Government decided (April 2000) to convert these loans into share capital disregarding opinion of CT that such an action would result in similar demands from other co-operatives. The share capital investment in these three mills was already exceeding[✤] the prescribed percentage of project cost. Thus, the decision to convert loan into share capital in violation of norms was yielding to unjustified demand of management and was irregular.

(b) In the case of Sl. Nos.5, 6 and 13, the management initially agreed (April 1998) to bear fifty per cent of overdue principal and interest but failed to fulfil their commitment and urged the Government to bear full liability on the ground that similar demands from other co-operatives had been conceded. State Government instead of deciding each case on merit yielded to the

✤ permissible share capital investment - 45 per cent of the Project cost for establishing these mills - Rs.29.43 crore, Share capital invested including loan - Rs.41.04 crore demands for full payment. This resulted in an extra expenditure of Rs.8.39 crore*. The Commissioner opined that it would be improper to discharge entire liability and strict rules should be framed in this regard, but Government disregarded it.

Undue favour to Society by reimbursing repayment of loan

(c) The Farmers Co-operative Spinning Mill (Sl. No.7) discharged (August 1997 to February 1998) its share of liability of Rs.1.39 crore under OTS and demanded (October 1999) State Government to reimburse the same on the ground that such concessions had been granted to other mills. State Government reimbursed Rs.1.39 crore. The decision resulted in undue favour.

(d) In case of three sugar mills at Sl. Nos. 8, 9 & 10, State Government discharged liability (March 2001 to March 2002) of Rs.46.62 crore on the condition that these mills would repay the State Government at Rs.50 per bag of sugar sold. These mills repaid Rs.4.41 crore during 2001-02 which was less than even the interest liability of Rs.6.29 crore per year on Rs.46.62 crore at 13.5 per cent at which Government borrowed funds.

Even after six years of notification, action had not been taken for liquidation of Mills

(e) State Government decided to wind up Bijapur and Bagalkot spinning mills which had accumulated loss of Rs.3.80 crore$^{\Psi}$ as of May 1993/June 1993 and appointed (January 1996 to April 1996) liquidators with a time limit of six months to complete liquidation. Even after six years, action had not been taken to liquidate these mills. These mills are not functioning since 1993.

CT paid Rs.47.50 lakh in excess of agreed amount

(f) M/s Belgaum Co-operative Spinning Mill, had paid Rs.47.50 lakh upto March 1998 to IDBI. This amount was to be adjusted against dues payable to IDBI under OTS, as stated (January 1999) by CT. However, State Government sanctioned Rs.5.93 crore without adjusting the amount already paid to IDBI. This resulted in excess payment to IDBI and CT who had proposed adjustment of Rs.47.50 lakh, himself issued the cheque for Rs.5.93 crore and failed to notice the excess payment.

Four mills were closed resulting in loss of investment of Rs.29.22 crore

(g) Four mills✡ with investment of Rs.29.22 crore were closed during 1996 to 2001. In another seven mills, where the investment was Rs.113.55 crore (loan-Rs.70.38 crore, share capital-Rs.43.17 crore), other agencies process their raw material using machinery and personnel of the mills on payment of conversion charges.

Tata Economic Consultancy Services (TECS) which studied (June 2001) the performance of the mills concluded that substandard machinery had been purchased at higher rates and their maintenance was improper which led to

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* Total amount paid by State Government under OTS in respect of mills at sl.nos.5, 6 and 7 of table is Rs.16.79 crore. Half of this was payable by these mills as originally agreed.

$^{\Psi}$ Bijapur-Rs.1.85 crore and Bagalkot-Rs.1.95 crore

✡

(Rupees in crore)

Spinning Mill at	Year of commencement	Year of closure	State Government investment
Raichur	1971	1996	7.62
Bijapur	1973	1996	5.53
Bagalkot	1972	1996	2.43
Lakshmeswar	1991	2001	13.64
TOTAL			29.22

shortfall (ranging from 35 to 68 per cent) in utilisation of installed capacity in 8 mills and consequently losses were mounting . The study also confirmed that survival of mills seemed uncertain in the context of globalisation. The State Government, however, had not taken any steps regarding future of these mills.

(v) Furnishing guarantee to a defaulting co-operative society

Guarantee was furnished on second occasion to a Society which had defaulted earlier

Raibagh Sahakara Sakkare Karkhane (Raibagh SSK) defaulted in repayment of loans drawn during 1992-93 and 1996-97 and State Government discharged (March 2001) the outstanding liability* on the basis of its guarantee. Raibagh SSK approached (February 1999) District Central Co-operative (DCC) Bank, Belgaum for rescheduling a pledge loan of Rs.41.50 crore and simultaneously approached (October 1999) Apex Bank and DCC Bank for sanction of fresh loan of Rs.30 crore under consortium arrangements of both banks. Both these banks demanded State Government's guarantee. State Government sanctioned (June 2001) the guarantee disregarding opinion of CS and Finance Department which pointed out (i) liabilities were more than assets and nothing was left for mortgaging, (ii) factory had committed serious irregularities/breaches and (iii) working capital had been diverted towards expansion project. Sanction of guarantee, despite being aware of the default of Raibagh SSK was improper.

3.1.6 Investment of share capital in co-operative institutions

(i) Meagre return on share capital investment

Share capital investment in societies yielded meagre returns

Dividend obtained on share capital ranged from 0.84 to 2.61 per cent as detailed below:

(Rupees in crore)

As at the end of	Share capital invested	Percentage of dividend on share capital(as per Finance Accounts)	Dividend obtained (as per Finance Accounts)
1997-1998	271.34	1.81	4.93
1998-1999	291.38	0.84	2.47
1999-2000	297.35	2.54	7.55
2000-2001	304.57	2.61	7.95
2001-2002	316.15	2.17	6.87

Share capital investment of Rs.211.27 crore in 30 co-operatives (10 spinning mills Rs.69.19 crore, 20 sugar mills Rs.142.08 crore) had not yielded any return since inception. Redemption of share capital of Rs.69.19 crore invested in 10 Textile Spinning Mills had been ruled out as these mills had negative networth.

* Total loan borrowed from NCDC - Rs.12.63 crore (July 1992-Rs.9.85 crore, September 1996- Rs.1.88 crore, September 1996-Rs.0.90 crore) as of October 2000.
Balance outstanding - Rs.11.63 crore (Principal -Rs.8.70 crore, interest - Rs.2.93 crore) repaid under OTS as mill defaulted

(ii) Release of share capital to ineligible co-operative institutions/non-utilisation and diversion of share capital

Scrutiny of files relating to sanction of share capital investment revealed various lapses as detailed in the table:

	Details of sanction of share capital	Audit Findings
a. b. c. d.	Karnataka State Marketing Federation (KSMF) Rs.18 crore Rs.5 crore as of 4/2000, Rs.8 crore as of 9/2001 Rehabilitation package for improving marketing and distribution activities etc.,	Quarterly review on implementation of rehabilitation package was not conducted as stipulated by Finance Department. No details regarding physical and financial achievements were furnished either by State Government/ RCS regarding utilisation of Rs.8 crore. Further, KSMF had diverted Rs.2 crore to meet expenditure on voluntary retirement scheme of employees. Such diversion of funds was irregular. State Government/ RCS did not initiate any action.
a. b. c. d.	Indian Coffee Marketing Federation Co-operative Ltd., (COMARK) Hassan. Rs.2 crore July 2000 Procurement and Marketing activities	Share capital was released to COMARK though it did not comply with agreed condition that latter was to pledge deposit collected from members to State Government; it had accumulated loss of Rs.6.86 crore; negative net worth of Rs.4.01 crore and also defaulted in repayment of loan of Rs.1.14 crore. Release of share capital was therefore improper. COMARK diverted Rs.24 lakh towards administrative expenses and even balance of Rs.176 lakh had not been utilised for the purpose for which it was released but kept in Hassan DCC bank (Current account)
a. b. c. d.	Weavers Co-operative Society (WCS), Chitradurga Rs.65.30 lakh August 1998 Integrated Co-operative Development Project	Share capital remained unutilised for 3 years with District Central Co-operative Bank, Chitradurga designated as Project Implementation Agency (PIA). PIA released Rs.22.54 lakh during 12/2000 to March 2001 to a few WCS. Balance had not been utilised at all (June 2001) as eligible WCS were not available. Proposal sent to NCDC for further loan/share capital was therefore evidently faulty.
a. b. c. d.	Primary Co-operative Agriculture and Rural Development (PCARD) Bank, Rs.0.59 crore 1998-99 and 1999-2000 To meet lending programmes to members of PCARD.	18 PCARD had adequate resources and the resources ranged from Rs.6.38 crore to Rs.32.60 crore to meet lending programme of Rs.1.31 crore to Rs.3.5 crore during 1998-99 and 1999-2000. Release of share capital assistance was therefore, irregular, as these societies were not eligible.

a - Name of the society, b-Share capital, c-Period of release, d-Purpose

	Details of sanction of share capital	Audit Findings
a. b. c. d.	Raichur Co-operative Spinning Mill (Mill) Rs.25 lakh June 1998 For payment of dues towards power charges, insurance and statutory payments.	The Mill was proposed (1995) for liquidation and had become defunct from 1996. State Government released share capital of Rs.25 lakh of which Rs.12.90 lakh were utilised for statutory payments. Share capital of Rs.12 lakh released in excess of requirement was unjustified as no return accrued on such investment.
a. b. c.	Veerashiva Consumers' Co-operative Society (VCCS) Rs.1 crore Released from NCDC in March 2002 but retained by State Government.	Proposal for getting financial assistance was sent to NCDC without concurrence from the Finance Department. After release of assistance, matter was referred to Finance Department which did not agree on the ground that the society was running at loss and dealing with consumer items for upper section of population. Thus, getting share capital without examining eligibility and concurrence from Finance Department resulted in retention of entire amount with State Government.
a. b. c. d.	Karnataka State Consumers Co-operative Federation Ltd., (KCCF) Rs.1.82 crore April 2001 Procurement and Marketing activities	KCCF diverted entire share capital assistance of Rs.1.82 crore towards expenditure on voluntary retirement scheme for its employees. Such diversion was irregular.
a. b. c. d.	Kodagu Coffee Growers Co-operative Society, Madikeri Rs.2 crore June 2001 Procurement and Marketing activities	State Government obtained (March 2001) NCDC financial assistance and released (June 2001) to Society for procurement of coffee seeds. As procurement was to commence only in December each year, State Government could have postponed drawal of assistance till commencement of season. Premature drawal of assistance resulted in avoidable interest liability of Rs.19.33 lakh from April 2001 to November 2001.
a. b. c. d.	Mandya District Horticulture Produce Growers Marketing and Processing Co-operative Society (society) Rs.36.56 lakh by State Government, Rs.9.16 lakh by Zilla Panchayat, Mandya, out of total project cost of Rs.91.46 lakh June 1995 For establishing cold storage plant	Funds had remained unutilised since June 1995. Society had kept these funds in a Joint account of Executive Director and President of the society. The society had not taken action to acquire the site. Though Director of Horticulture instructed (June 1999 to April 2001) the society to transfer the funds to the Joint account of Executive Director of Society and Chief Executive Officer of Zilla Panchayat, Mandya, latter had not complied with the direction.

(iii) Non-redemption of investment from Societies under liquidation

Details of funds realised in respect of liquidated societies were not available with RCS

According to statement furnished by RCS, 3738[@] societies were liquidated as of December 2001 wherein State Government had invested Rs.22.88 crore (Share capital-Rs.10.88 crore, loan-Rs.12 crore). However, further details such as funds realised due to liquidation, disposal of such funds, balance of assets, reason for non-recovery of State Government investment etc., were not available with RCS. RCS evidently did not monitor liquidation of societies.

3.1.7 Audit of Co-operative Societies

Director of Co-operative Audit (Director) was to conduct audit of all Co-operative Societies receiving financial assistance from State Government once a year while other Societies were to be audited atleast once in three years besides annual audit by a Chartered Accountant. Out of 30415 Co-operative Societies (inclusive of 22056 Societies with Government financial assistance), 12422 Societies (5754 Societies with Government assistance) were not audited. Further, certain major Co-operative Societies listed below with substantial financial assistance had not been audited for periods indicated against each:

Sl.No.	Name of the Institution	Year from which not audited
1.	Karnataka State Consumer Co-operative Federation, Bangalore	1998-99
2.	Karnataka State Co-operative Marketing Federation, Bangalore	1996-97
3.	COMARK, Hassan	1997-98
4.	Karnataka State Coir Co-operative Federation, Bangalore	1997-98
5.	Apex Bank, Bangalore	1997-98
6.	Karnataka Co-operative Milk Federation , Bangalore	1997-98
7.	Karnataka State Co-operative Oil Seeds Federation, Bangalore	2000-01
8.	Karnataka State co-operative Handloom Federation, Bangalore	1988-89

Director was also to recover audit fees from Societies. It was seen that arrears of audit fees increased from Rs.0.32 crore (12 per cent of total audit fees) to Rs.4.94 crore (41 per cent of total audit fees) during 1997-98 to 2001-02. RCS had not initiated action against 651 Societies (Bangalore-398, Mysore-189, Belgaum-34, Gulbarga-30) where misappropriation amounted to Rs.2.81 crore.

[@] Division-wise breakup - Bangalore-718, Mysore-410, Hassan-295, Mangalore-138, Davanagere-362, Dharwad-623, Belgaum-650, Gulbarga-542

3.1.8 Monitoring

Secretary to Government, Co-operation Department, RCS, CT and CS were responsible for monitoring and overseeing functions of Co-operative Societies. However, monitoring was not effective for the following reasons:

(a) Details of review of the investments in Co-operative Societies by a Departmental Committee under the Chairmanship of Principal Secretary, Finance Department were not available.

(b) RCS was to submit to State Government, half yearly report indicating number of cases of defects/misappropriations. However, no such reports were furnished to State Government.

(c) In respect of liquidated Societies, details of disposal of assets and application of money realised were not available.

(d) Out of 10907 cases of misappropriations involving an amount of Rs.42.21 crore reported in Audit Report of Director, RCS had not initiated action in 651 cases amounting to Rs.2.81 crore.

(e) Basic data regarding loan overdue for recovery and recovered thereagainst, were not available with RCS/Heads of Departments.

3.1.9. The matter was referred to Government in July 2002; reply had not been received (November 2002).

SECTION 'B' - PARAGRAPHS

FINANCE DEPARTMENT

3.2 Abstract Contingent Bills

3.2.1 Introduction

Under Rule 36 of the Manual of Contingent Expenditure 1958, the Drawing and Disbursing Officers (DDOs) are permitted to draw contingent charges required for immediate disbursement on Abstract Contingent (AC) Bills subject to rendering Non-payable Detailed Contingent (NDC) bills to their Controlling Officers for counter-signature and onward transmission to the Accountant General (Accounts & Entitlement). The detailed procedure for drawal of AC bills and their final settlement is laid down in Rules 36 to 40 of the Manual and circulars issued by Government of Karnataka from time to time.

A review of AC bills was conducted covering an amount of Rs.21.86 crore drawn on 2830 AC Bills during the period from April 1997 to end of December 2001 by 45 Drawing and Disbursing Officers of four departments• in three districts*. Important points noticed in review are brought out in the succeeding paragraphs.

3.2.2 Amounts deposited in Banks

Interest earned of Rs.27.79 lakh was not accounted for by the Director of Medical Education

The Director of Medical Education, Bangalore operated current accounts in two Nationalised Banks (Union Bank of India and State Bank of Mysore) for operating letters of credit in favour of suppliers of medical equipments. The amounts drawn on AC Bills were credited to the current account in the first instance and then transferred to short term deposit account. The payment to the firms was arranged by the banks by debit to the short term deposit account on production of delivery challans accepted by the department. During March 2001 to March 2002, an amount of Rs.14.75 crore drawn on 73 AC Bills was deposited in two banks (State Bank of Mysore – Rs.4.99 crore-4 bills and Union Bank of India –Rs.9.76 crore-69 bills) and operated. However, the interest of Rs.27.79 lakh earned/ accrued on deposits with State Bank of Mysore during the period March 2001 to March 2002 was neither accounted for in the books of Director of Medical Education nor credited to Government Account. The particulars of interest earned on the deposits with Union Bank of India were not available with the Department.

Payment was made to the supplier without ensuring the supply of goods in full

During September 1999, Rs.14.59 lakh drawn on three AC Bills by the Director of Medical Education were deposited in Union Bank of India for operating inland irrevocable documentary credit in favour of a firm for supply

• Health and Family Welfare, Medical Education, Revenue and Water Shed Development

* Bangalore (Urban), Bangalore (Rural) and Gulbarga

of five semi-auto analysers. The firm had supplied only three analysers. However, due to lapse on the part of Health Equipment Officer in signing the delivery challan and wrongly indicating acceptance of all the five semi-auto analysers, the bank paid Rs.13.51 lakh to the firm in October 1999. Thereupon, the Director of Medical Education forfeited the bank guarantee of Rs.1.35 lakh provided by the supplier and credited to Government account (July 2002). The unspent balance of Rs.1.08 lakh was lying with the bank.

3.2.3 Drawal of amounts in excess of limits prescribed

(i) When an advance exceeding Rs.1.00 lakh is to be drawn on AC bill, express permission of Government in Finance Department is required to be obtained by the DDOs. However in Revenue Department, nine DDOs drew Rs.1.31 crore on 40 AC bills, each bill exceeding Rs.1.00 lakh without express permission of Government. The Treasury Officers also in violation of the instructions of the Finance Department passed the bills. In Watershed Development Department five DDOs drew Rs.65.18 lakh in February – March 2001 (out of which Rs.37.18 lakh were drawn by two DDOs on 31 March 2001) through 85 AC bills by splitting the bills to avoid recourse to Finance Department for permission and also to avoid lapse of budget grants.

(ii) When amount to be drawn on AC bill exceeds Rs.500, the DDOs are required to obtain sanction of the Controlling Officer and attach the same with the bill. However, in Health and Family Welfare Department, one DDO drew Rs.1.21 lakh on 26 AC bills during the period from November 1999 to December 2001 for amounts in excess of Rs.500 each without obtaining sanction from the Controlling Officer.

3.2.4 Drawal of amounts without mature claims

Rs.34.82 lakh was drawn by DDOs without mature claims

In Medical Education and Health and Family Welfare Services Departments two DDOs drew Rs.32.40 lakh (6 AC bills) and Rs.2.42 lakh (4 AC bills) respectively during March 1997 to March 2000. The amounts were not utilised by the officers and remitted back to the treasury after 12 to 18 months, indicating that the amounts were drawn without mature claims and retained without any purpose. The Director of Medical Education stated that the amounts were drawn for payment towards supply of medical equipments, but the suppliers failed to supply and hence the remittance back to Treasury. The Director of Health and Family Welfare Services stated that the amount drawn on AC bills were remitted back due to non-implementation of the programmes for which the funds were drawn.

3.2.5 Delayed submission of Detailed Contingent Bills

Detailed contingent bills for Rs.8.03 crore were pending submission to the Controlling Officers/ Accountant General (A&E)

As per the provisions of Rule 37(3) of Manual of Contingent Expenditure the Drawing and Disbursing Officers are required to send the detailed Contingent Bills in respect of AC bills drawn by them to their Controlling Officers before the closure of the first week of the following month in which the AC bills were drawn for onward transmission to Accountant General (A&E) by 15th of the same month. Further the DDOs were also required to enclose with their salary bills a certificate issued by the controlling officers to the effect that the detailed bills for all the amounts of AC bills drawn prior to the current month have been rendered.

In the test checked departments, Detailed Contingent Bills for Rs.802.73 lakh were pending submission as detailed below.

Department	No. of DDOs	No. of AC Bills	Amount (Rupees in lakh)	Drawn during
Medical Education	1	31	765.18	September 1999 to March 2001
Watershed Development	3	49	17.66	July 2001 to January 2002
Health and Family Welfare Services	7	80	10.81	November1999 to December 2001
Revenue	4	6	9.08	August 2001 to December 2001
Total	15	166	802.73	

In these cases the Controlling Officers issued the certificate of submission of detailed contingent bills by the DDOs as a matter of routine which enabled the latter to draw their salaries.

Further the detailed contingent bills in respect of 1328 AC bills amounting to Rs.10.74 crore drawn during April 1997 to December 2001 were forwarded by 31 DDOs with a delay of one month to 23 months to the Controlling Officers/Accountant General.

3.2.6 Overall Assessment

Above observations depicted that while DDOs and Controlling Officers did not adhere to the rules for drawal of AC bills and their settlement, the latter issued clearance certificates to DDOs as a matter of routine without proper examination. Large amounts were drawn on AC bills without adhering to the provisions of the manual and the instructions from Finance Department. DC bills were not submitted within the stipulated period to the Controlling Officers for onward transmission to the Accountant General (A&E). As of March 2002, 4489 AC bills for an amount of Rs.7.47 crore for the period prior to 1994-95 and 52784 bills for an amount of Rs.145.56 crore for the period 1995-96 to 2001-02 were pending clearance in the office of the Accountant General (A&E).

3.3 Inspection of Treasuries

The Treasuries and Sub-Treasuries in Karnataka are under the administrative control of the Director of Treasuries, Bangalore. There are 30 District Treasuries, 184 Sub-Treasuries and Stamps Depot, Bangalore in Karnataka State. All the District Treasuries, Sub Treasuries and the Stamps Depot for the year 2000-01 were inspected by the Accountant General (Accounts & Entitlement) during 2001-02 . The following major irregularities and failure in control were noticed during inspection of the Treasuries.

3.3.1 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.

Excess payment of Family Pension of Rs.92.32 lakh in 467 cases

In 467 cases, excess payment of family pension of Rs.92.32 lakh was made by public sector banks at enhanced rate beyond the period indicated in the Pension Payment Orders issued by the Accountant General (A&E) (Appendix 3.1).

In five treasuries[1], inspite of pointing out in earlier inspection, the family pension in 44 cases was continued to be paid at higher rate resulting in further excess payment to the tune of Rs.9.33 lakh for the period 1996-97 to 2000-01.

In one case at Bangalore (Urban) treasury the family pension was paid beyond the period authorised by the Accountant General (Accounts & Entitlement) resulting in irregular payment of Rs.1.38 lakh.

Though these irregularities were pointed out repeatedly 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 continued and recoveries, where due, have not been effected.

3.3.2 Un-encashed Cheques

Under the provisions of Article 75(1) of Karnataka Financial Code, the Treasury Officers are required to prepare on 15th May each year, 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.

Alteration memos for Rs.27.86 crore not furnished by 18 Treasury Officers

18 Treasury Officers did not furnish the alteration memos in respect of un-encashed cheques amounting to Rs.27.86 crore relating to period 1978-79 to 2000-2001, for carrying out necessary adjustments in the accounts.

In two treasuries (Bellary and Davangere) cheques amounting to Rs.9.91 lakh were drawn in favour of Post Masters for issue of National Saving Certificates. The amount represented the deduction from the pay of individual

[1] Bangalore(Urban), Bijapur, Hubli, Mysore and Tumkur.

Government servants. Non-encashment of these cheques and consequent non-investment of the funds caused financial loss to the government servants from whose pay the amounts were deducted. The matter needs urgent corrective action.

3.3.3 Non-receipt of recovery schedules/paid vouchers of General Provident Fund

GPF Schedules for Rs.27.13 crore did not accompany the vouchers sent by 14 Treasury Officers

Recovery schedules in respect of General Provident Fund (GPF) subscription by the Government Servants, for Rs. 27.13 crore (503 cases) did not accompany the vouchers sent by 14 treasuries• during 2000-2001. This resulted in large number of missing credits in the individual accounts of the subscribers besides delay in finalisation of their claims.

Further, vouchers in support of withdrawals from GPF for Rs.5.84 lakh (26 cases) were not received along with the accounts sent by eight treasuries*. 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.

3.3.4 Loss of Judical and Non Judicial Stamps worth Rs. 3.52 crore

Stamps/Stamp papers worth Rs.3.52 crore were lost in transit. Loss of revenue – Risk of misuse

The Central Stamp Depot, Nasik Road in January 1999 despatched Judicial and Non Judicial stamps of different denominations to the Stamp Depot Bangalore by rail. However, at the time of taking delivery of the parcels it was noticed that few parcels were in dilapidated condition and one parcel was fully empty and stamps worth Rs. 1.02 crore were missing. The value of stamps short received was worked as Rs. 603 by the Railway Authorities on the basis of the declared value of each parcel and the claims were settled. Similarly, in July 1999, two cases containing non- judicial stamps worth Rs.2.00 crore were found short delivered by the Railway Authorities and the claim was settled for Rs. 1024 based on the gross weight of the parcels. Thus the total face value of stamps lost worked out to Rs.3.02 crore. Complaint had been filed with Division Security Commissioner, Railway Protection Force, South Central Railway, Guntkal.

In order to overcome the loss of stamps in transit, personal delivery of stamps at the declared nodal points was introduced by the Central Depot from October 1998. Necessary instructions in this regard were stated to have been issued by the Deputy Controller of Stamps, Nasik Road to the Deputy Director of Treasuries, Stamp Depot, Bangalore in July 1998. However, the State Government did not pursue. This had resulted in further loss of stamps worth Rs. 3.02 crore with the attendant risk of misuse of stamp papers lost in transit. The nodal points were, however, identified in May 2000.

In District Treasury, Chitradurga, out of 15 boxes containing non judicial stamp papers worth Rs. 35 crore, one box was found damaged and stamp

• Bangalore (U), Bangalore (R), Bangalore – SHT, Bellary, Dakshina Kannada, Dharwad, Gadag, Hassan, Haveri, Hubli, Kolar, Kodagu, Mandya and Udupi.

* Bangalore (U), Bangalore (R), Bangalore (SHT), Bellary, Dharwad, Kodagu, Kolar and Mandya

papers worth Rs. 0.50 crore were found missing. The compensation paid by Railways towards loss was Rs. 300 based on the value of the box declared at the time of booking. It was reported by the Assistant Security Commissioner, Railway Protection Force, Southern Railways, Mysore (June 1999) that the matter was referred to IG and Chief Security Commissioner, RPF of Central Railway, CST, Mumbai as criminal interference was suspected. Outcome of the investigation was stated to be awaited (November 2001).

FOREST, ENVIRONMENT AND ECOLOGY DEPARTMENT

3.4 Faulty Schedule of Rates prepared by two circles in Wildlife Area

Exorbitant rates provided in SSR of Wild Life Circle, Mysore after reorganisation of Wild life wing resulting in extra expenditure of Rs.1.95 crore to Government

Para 122 of Karnataka Forest Accounts Code stipulates that the Sanctioned Schedule of Rates (SSR) for each Circle should be prepared annually to enable the Divisions to prepare dependable estimates for the works. The Principal Chief Conservator of Forests (PCCF) is required to review the SSR of each Circle and correct abnormalities in rates.

As per the guidelines of Government of India (1976), Government of Karnataka formed a separate Wild Life Wing (May 1992) by readjusting the existing forest Circles, Divisions and Sub-divisions. Accordingly, Field Director, Project Tiger was redesignated as Field Director, Project Tiger and Conservator of Forest, Wild Life South Circle, Mysore (FDPT & COF). The Divisions at Hunsur and Chamarajanagar working under the jurisdiction of the Territorial Circles, were redesignated as Wild Life Divisions and attached to FDPT & COF. The FDPT & COF was later bifurcated into two Circles in 1997, as (i) FDPT, Mysore (ii) Conservator of Forests, Wildlife South Circle, Mysore (COF). Control of the above divisions vested with Conservator of Forests, Wildlife South Circle, Mysore.

The FDPT & COF had prepared and approved SSR for the year 1993-94 (effective from 1 July 1993), which continued to be operated without any revision up to the year 2001-02. This SSR was being followed by COF, Wild Life South Circle, Mysore even after its formation (1997).

A comparison of rates provided in the above SSR (1993-94) of FDPT & COF, Wild Life South Circle, for the items '(i) Formation of new view lines/fire lines and (ii) Maintenance of fire line/D line', with similar items in the SSR of Territorial Circle, Mysore revealed that rates incorporated in the SSR of FDPT & COF, Mysore were higher by 323 to 750 per cent in respect of Maintenance of fire line/D line and 70 per cent in respect of New fire lines, as shown below:

Sl No.	Name of the Division	Item of work	Year of execution	Quantity executed (km)	Rate as per SSR of territorial circles (per km)	Rate as per SSR of FDPT (per km)	Difference in rate (per km)	Percentage of increase	Total amount (Rs)
1	DCF, Wild Life Division, Chamaraja Nagar	Maintenance of fire lines/ D line re-cutting and re-clearing of jungles including grass to a length of 10 mtrs	1993-94	249.00	165.95	1410*	1244.05	750	309768
			1994-95	1124.00	178.55	1410*	1231.45	630	1384149
			1995-96	1723.71	244.60	1410*	1165.40	476	2008812
			1996-97	1726.75	127.25	705**	577.75	454	997630
			1997-98	524.76	289.15	1410*	1120.85	388	588177
			1998-99	519.27	289.15	1410*	1120.85	388	582024
			1999-00	581.15	318.05	1410*	1091.95	343	634587
			2000-01	647.34	333.15	1410*	1076.85	323	697088
2		New fire lines	1999-00	93.20	1939.00	3299	1360.00	70	126752
3	DCF, Wild Life Division, Hunsur	Maintenance of fire lines etc	1993-94	1100.45	165.95	1410*	1244.05	750	1369015
			1994-95	779.05	178.55	1410*	1231.45	690	959361
			1995-96	577.32	244.60	1410*	1165.40	476	672809
			1996-97	1373.21	244.60	1410*	1165.40	476	1600339
			1997-98	1877.90	289.15	1410*	1120.85	388	2104844
			1998-99	1843.32	289.15	1410*	1120.85	388	2066085
			1999-00	1103.90	318.05	1410*	1091.95	343	1205404
			2000-01	2025.48	333.15	1410*	1076.85	323	2181138
								GRAND TOTAL	19487982

* Rate for thick growth   ** Rate for thin growth

The higher rates provided in SSR of FDPT&COF resulted in extra expenditure of Rs.1.95 crore between 1994-2001, as detailed above. On this being pointed out (August 1997 and January 2001), the department replied that the works in Wild Life area were comparatively more intense and difficult and having independent rates was justified. The reply is not acceptable because:

(i) Prior to redesignating (1992) of Hunsur and Chamarajanagar Divisions as Wild Life Divisions, these Divisions were carrying out the same items of work as per the SSR of respective Territorial Circles and one Sub-division (Wild Life Sub-division, Mysore) under the control of COF, Wild Life South Circle, Mysore had adopted the rates of the Territorial Circle, Mysore instead of higher rates for these items of work.

(ii) Other Wild Life Divisions in Shimoga, Chickmagalur and Dandeli were executing these works as per the rates in the SSR of their respective Territorial Circles.

(iii) The rates fixed in 1993-94 had continued unchanged upto 2001-02 indicated that the original rates were abnormally high.

It is added here that the data rate analysis while fixing the rate in 1993-94 was not made available to audit on the plea that the file was misplaced. Further, the PCCF had not reviewed the SSR of 1993-94 as required under Code ibid with the result that the fixation of higher rates for these items of work continued unchecked.

The matter was referred to Government in April 2002 and their reply is not received (November 2002).

3.5 Unapproved Higher Specifications led to Wasteful Expenditure

Execution of Elephant Proof Trenches of higher specifications, in Bannerghatta National Park, resulted in wasteful expenditure of Rs.23 lakh

Deputy Conservator of Forest, Bannerghatta National Park, (DCF, BNP), in violation of the specification incorporated in the Sanctioned Schedule of Rates (SSR) for excavation of Elephant Proof Trenches[1] (EPT) excavated the EPT (1999-2001) for a length of 44651 Rmtr, at a total cost of Rs.79.37 lakh[2] (Rs.31.60 per cmtr), with higher dimensions. This resulted in excess excavation of 72558 cmtr, involving wasteful expenditure of Rs.22.93 lakh as detailed below:

Norms for EPT (Metre)		EPT executed (Metre)		Length of EPT executed (Rmtr)	Quantity as per norms (cmtr)	Quantity executed (cmtr)	Excess quantity executed (cmtr)	Excess expenditure (Rs. in lakh)
Top	3	Top	3.0					
Bottom	1	Bottom	1.5	44651	178604	251162	72558	22.93
Depth	2	Depth	2.5					

On this being pointed out, the DCF, BNP replied (March 2001) that EPTs with the specified dimension for trenches were found ineffective to prevent crop depredation by elephants and hence EPTs with higher dimensions were excavated. However, it was observed that the Departmental Committee, which gives technical approval to the SSR had rejected (November 2001) such a proposal for higher dimensions, stating that the specifications in the SSR were quite reasonable and effective and that the higher specification sought for by the DCF, BNP was not in vogue in the State. Further, the Action Plan for Project Elephant also stated that the specifications for EPT prescribed in the SSR had been effective.

Thus, the expenditure of Rs.22.93 lakh on additional excavation of EPT with higher dimensions was wasteful.

The matter was referred to Government in April 2002 and reply is awaited (November 2002).

Outstanding Inspection Reports/Audit observations

3.6 Lack of response by Government to Audit observations

Accountant General (Audit) – AG (Audit) conducts periodical inspection of the Government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules

[1] Digging of trenches with a view to protect standing crops from elephant menace
[2] Includes pending bills of Rs.4.83 lakh.

and procedures highlighting cases of financial irregularities, fraud, misappropriation etc. These inspections are followed by Inspection Reports (IRs), issued to the Heads of offices inspected with copy to next higher authorities. Government rules provide for prompt response by the Executive to the IRs to ensure corrective action and accountability for the deficiencies, lapses, etc., noticed. Serious irregularities are also brought to the notice of Heads of Department by the Office of the AG (Audit). A half-yearly report of pending inspection reports is sent to the Secretary of the Department to facilitate monitoring.

Out of Inspection Reports issued up to March 2002 pertaining to 78 offices of Forest Department (Assistant Conservator of Forests – 3; Deputy Conservator of Forests – 56; Conservator of Forests – 10; Chief Conservator of Forests – 6 and Principal Chief Conservator of Forests – 3), 1215 paragraphs relating to 342 IRs remained outstanding as at the end of June 2002. Of these, 71 IRs containing 97 paragraphs had not been settled for more than 10 years. Year wise position of the outstanding IRs and paragraphs are detailed below.

Year	Inspection Reports	Paragraphs
Up to 1991-92	71	97
1992-93	32	61
1993-94	32	64
1994-95	27	54
1995-96	25	56
1996-97	31	127
1997-98	16	51
1998-99	25	148
1999-2000	43	321
2000-01	38	221
2001-02	2	15
TOTAL	342	1215

A review of pending IRs revealed that the response of the Department in submitting the replies was very poor, and even where submitted, the replies were incomplete as a result of which these paragraphs could not be settled. Even the initial replies, which were required to be received from the Heads of offices within six weeks from the date of issue, were not received in respect of 34 IRs out of 45 IRs issued between April 2001 and March 2002. Due to this failure, the following irregularities commented upon in these IRs had not been settled as of July 2002.

Serial No.	Nature of irregularities	Number of paragraphs	Amount (Rupees in crore)
1	Extra/excess/infructuous/wasteful/unauthorised/irregular expenditure	254	29.63
2	Irregularities in respect of acceptance of tenders/quotations	4	0.16
3	Losses due to deterioration, shortages, thefts etc., awaiting regularisation	13	0.86
4	Irregular expenditure on purchase/purchase of defective machinery	71	6.72
5	Other miscellaneous irregularities	873	42.79
	TOTAL	1215	80.16

Government failed to examine the matter and ensure that procedure is strictly followed and initiate (a) action against the officials who had failed to send replies to IRs/paragraphs as per the prescribed time schedule, (b) action to recover loss/outstanding advances/over payments in a time bound manner.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.7 Undue favour to a supplier firm

Improper rejection of the lowest tenderer in the purchase of sterile water for injection resulted in undue favour to the firm

Joint Director, Government Medical Stores, Bangalore invited (March 1998) tenders for supply of various drugs, chemicals etc., which included "10 ml sterile water for injection in machine made ampoules". Therapeutic Expert Committee and High Power Committee evaluated the following tenders.

Name of the firm*	Rate per ampoule	Specification
A	Rs.1.40	10 ml sterile water for injection in man made glass ampoules
B	Rs.1.89	10 ml sterile water for injection in machine made glass ampoules
C	Rs.0.81	10 ml sterile water for injection in FFS machine made plastic ampoules

Expert Committee recommended the offer of firm B while High Power Committee observed that Form Fill Sealed (FFS) plastic ampoules were superior, unbreakable and the same were in use in super speciality hospitals but recommended for retendering. However, State Government approved (October 1999) the tender of firm B on the ground that tender specification stipulated supply of sterile water in machine made glass ampoules which was factually incorrect. Further, it was stated that the rate of Rs.0.81 per ampoule offered by firm C, was much lower than the rate of Rs.1.82 quoted by the same firm for India Population Project and the lower rate was only intended to catch the attention of Government.

It was, however, observed in audit that tender documents did not specifically indicate whether container for sterile water should be of glass or plastic. Also, plastic ampoules were used under India Population Project. If the rate quoted by firm C was considered as unworkable by State Government, the right course of action was to retender as recommended by High Power Committee and as required under codal provisions. Therefore, the decision of State Government to place the order on firm B was improper and resulted in extra expenditure of Rs.73 lakh on purchase of 67.59 lakh ampoules during December 1999 to September 2001 at higher rate.

* A - Mount Mettur Pharmaceuticals Limited, Chennai
B - Anand Pharmaceuticals, Mudhol
C - Core Health Care Limited, Ahmedabad

The matter was referred to Government in March 2002; reply has not been received (November 2002).

3.8 Erroneous evaluation of bids for supply of ophthalmic equipment

Inequitable decision of the High Power Committee in the evaluation of bids favoured a firm and resulted in extra expenditure of Rs.42.25 lakh on the purchase of ophthalmic equipment

Government of India released (November 1999) grant of Rs.1.32 crore to State Government for purchase of ophthalmic equipment (equipment) under the Centrally sponsored "National Programme for Control of Blindness" (NPCB). While releasing funds, it was stipulated that the prescribed procedure under Karnataka Health System Development Project was to be followed for the procurement of ophthalmic equipment under NPCB also, and fixed unit cost for various items of equipment.

Director of Health and Family Welfare Services invited (June 2000) bids for supply and erection of ophthalmic equipment prescribing inter alia that bidders were to quote comprehensive Annual Maintenance Charges (AMC) for three years and would be responsible for payment of all taxes and duties.

In respect of two items of equipment, viz., Ultrasonic 'A' Scan Bio Meter and Slit Lamp Bio Microscope, out of seven and five bids received, High Power Committee (HPC) rejected six and four bids respectively treating them as non responsive and approved the lone bid of firm 'C' for both the items.

Rate quoted by firm 'C' was abnormally higher than unit cost fixed by Government of India and did not compare well with the quotations of firms 'A' & 'B' as detailed below:

(In Rupees)

Name of the equipment	Quantity	Unit cost fixed by Government of India	Accepted rate of Firm C✦	Rate quoted by	
				Firm A*	Firm B♣
Ultrasonic 'A' scan Bio meter	26	150000	165608	119115	-
Slit lamp Bio Microscope	22	30000	167000 (included AMC)	-	35100 (included AMC for labour only)

Scrutiny of documents for purchase of Ultrasonic 'A' scan Bio Meter revealed that firm 'A' had indicated the price exclusive of customs duty as this equipment was exempt from customs duty on the date of filing the bid, while Firm 'C' indicated their quoted rates was only exclusive of Sales Tax. For this reason HPC treated Firm 'A' as non responsive bidder and approved the offer

✦ Bio-medix Opto Technik & Devices (P) Ltd

* Stesalite Limited

♣ Appaswamy Instruments Associates

of firm 'C'. Since both bidders (A & C) had included conditions of similar nature, to treat only firm 'A' as non responsive was improper. This resulted in extra expenditure of Rs.12.09 lakh on purchase of 26 numbers of the equipment. It was also seen that ultimately no customs duty was paid which means the rate of 'C' was higher.

In the case of Slit Lamp Bio Microscope, Firm 'B' had quoted a price comparable to the price fixed by Government of India. Though the decision of HPC treating the offer of Firm 'B' as non responsive because of quotation for AMC for labour only was correct, Firm 'B' fulfilled all other conditions. The rate quoted by Firm C for this equipment was abnormally high when compared with the unit cost fixed by Government of India. HPC should have rejected the bid of Firm 'C' considering unreasonableness of rate. However, HPC favoured Firm 'C' by accepting its unreasonably high rate and incurred extra expenditure of Rs.30.16 lakh[⊕] on 22 numbers of equipment.

The matter was referred to Government in March 2002; reply had not been received.

HOME DEPARTMENT

3.9 Failure to recover security and escort charges

Security and escort charges of Rs.5.35 crore due as of July 2002 had not been recovered from user departments/organisations

Police personnel of State Government are deployed, on request, to various departments, autonomous bodies/organisations of State and Central Government for providing security and escort services. The concerned departments/organisations are to pay charges at the rate prescribed by State Government for such services. According to instructions issued (August 1991) by Director General and Inspector General of Police, Bangalore (DG&IGP), every unit office (such as Office of Superintendent of Police, Deputy Superintendent of Police, etc) from where police personnel are deployed for providing security/escort services, is to maintain a demand and collection register and raise demand against user departments/agencies every month before 5th of succeeding month and collect the charges within a

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⊕ Total cost of 22 Slit lamp Bio Microscope as quoted by firm C = Rs.28.60 lakh
AMC = Rs.8.14 lakh (28.46 per cent)
Total = Rs.36.74 lakh
Add 4 per cent sales tax = Rs. 1.47 lakh
Rs.38.21 lakh
Total cost of 22 Slit lamp Bio Microscope as quoted by firm B = Rs.6.27 lakh
AMC at 28.46 per cent = Rs.1.78 lakh
Total = Rs.8.05 lakh
Extra cost = Rs.38.21 lakh - Rs.8.05 lakh = Rs.30.16 lakh

fortnight of raising such demand. Extract of monthly demand, collection and balance was also to be sent to DG&IGP by 10[th] of the succeeding month.

Scrutiny of records in five unit offices and DG&IGP revealed that as against Rs.6.74 crore due, only Rs.1.39 crore (July 2002) was recovered as detailed below:

(Rupees in crore)

Sl.No.	Department/Organisation	Amount due	Amount recovered	Balance due
1.	Airport Authority of India	4.92	0.52	4.40
2.	All India Radio	0.24	--	0.24
3.	Nationalised Banks	1.03	0.87	0.16
4.	Archeological Survey of India	0.09	--	0.09
5.	Other non-Government Organisations	0.46	--	0.46
	Total	6.74	1.39	5.35

Reasons for failure to recover the charges of Rs.5.35 crore and details of action taken for the recovery were not furnished to audit. Recovery of security/ escort charges was not monitored effectively.

The matter was referred to Government in March 2002; reply had not been received (November 2002).

PRE-UNIVERSITY EDUCATION DEPARTMENT

3.10 Irregular release of grant-in-aid

531 out of 2083[❖] junior colleges in the State conducting Pre-University Course (PUC), received salary grant from the Department of Pre-University Education (Department) headed by the Director. State Government had prescribed (April 1971) norms for junior colleges to quantify the grant admissible on the basis of accommodation facilities, staff strength, library and laboratory facilities etc. Deputy Directors (DDs) at the district level were to inspect and validate the junior colleges for their continued eligibility for grant-in-aid. The records of the Director/Deputy Directors in 7[@] districts and 128 junior colleges out of 531 colleges pertaining to the period 1996-2002 were test-checked (March 2002 to May 2002).

Private colleges without basic facilities received grant-in-aid of Rs.20.48 crore from Government

According to norms, building accommodation was to consist of lecture hall, library room, staff room, Principal room and reading room each measuring 22 feet by 30 feet and Practical hall measuring 25 feet by 45 feet. Building accommodation did not conform to these norms in respect of 30 junior colleges as dimensions of rooms were much lower. Other facilities like playground, sanitation and electrification were also not available in several junior colleges as detailed below:

❖ Government colleges-689, Unaided colleges-678, aided private colleges -705 and others-11 as of March 2002

@ Bangalore (Urban), Belgaum, Bijapur, Davanagere, Gulbarga, Haveri and Tumkur

Facility prescribed	Number of colleges not having the facility
Play ground	18
Laboratory equipment	06
Water supply	05
Sanitation	07
Electrification/ventilation	10
Building Accommodation	30

Despite non-availability of these basic facilities, these 30 junior colleges continued to receive grant-in-aid aggregating Rs.20.48 crore during 1996-97 to 2001-02. Evidently, the DDs failed to inspect these institutions and report the ineligibility for grant-in-aid. While other DDs did not furnish any reply, DD, Gulbarga stated (May 2002) that he did not inspect the junior colleges under his control due to lack of staff and specific guidelines from the Director. The reply was not tenable as Director had prescribed inspection by DDs in April 1997 and lack of staff was not an excuse for not inspecting any of the aided colleges over a period of time.

Further, as per guidelines (October 1979) and instructions (September 1997), number of teachers admissible vis-a-vis student strength was as follows:

Number of teachers admissible	Minimum student strength
1	40 in a Section for Science Combination*
1	40 in a Section for Arts and Commerce Combination*
1 for each language	10 students in each language
2	301 to 640 for all sections in both PUC I and II year[x]
3	641 and above for all sections in both PUC I and II year

* Maximum students not to exceed 90 in a section

[x] Where student strength of all sections of PUC I and II year range between 301 to 640 and above 640, two and three teachers respectively were admissible

Scrutiny revealed the following:

(a) In respect of 11 colleges, salary grant of Rs.1.69 crore for 30 teachers was released although, the condition of 40 students in a section was not fulfilled.

Grant-in-aid of Rs.3.49 crore was released for salary of excess teachers/ staff in 31 junior colleges

(b) In respect of 6 colleges, salary grant of Rs.0.33 crore for 6 language teachers was released although the required norm of 10 students was not attained.

(c) In respect of 9 colleges, salary grant of Rs.1.26 crore for 28 excess teachers was released without adhering to the norm of one additional teacher in each language/elective subject for 301 students in the combined strength of PUC I & II years.

(d) In 5 other colleges, salary grant of Rs.0.21 crore for 8 posts of non-teaching staff in excess of the scale prescribed was released.

Thus, failure to apply the norms/guidelines resulted in irregular release of salary grant of Rs.3.49 crore to 31 aided colleges. Director also failed to ensure inspection of grant-in-aid colleges by the DDs. This resulted in continued subversion of controls in the administration of grant-in-aid.

Director stated (July 2002) that most of the colleges referred to were located in rural areas and run by SC/ST/Religious Minority Groups and sufficient time was required for improvement of their infrastructural facilities and student strength. The contention was not tenable as the rules for release of grant-in-aid were subverted and there was no scope for any relaxation of norms.

The matter was referred to Government in July 2002; reply had not been received (November 2002).

REVENUE DEPARTMENT

3.11 Fraudulent payment of rehabilitation grant

Fraudulent payment of rehabilitation grant of Rs.14.70 lakh on account of faulty dates of birth in the transfer certificates

Government of India sanctioned (1986) establishment of Naval Base called Sea Bird in Uttara Kannada district. State Government sanctioned from time to time (April 1989 to September 2000) several packages for rehabilitation and resettlement of families whose land was acquired for establishing naval base. These packages as modified during August 1998 inter alia provided for payment of rehabilitation grant (grant) of Rs.70000 to each adult member of affected families subject to a maximum of 2 adult members in each family whose age was 18 years or above as on 31 December 1997. The General Manager, Land Acquisition and Resettlement, Naval Base, Karwar (GM) sanctioned grant on the basis of transfer certificates (TCs) issued by the Head Masters of the schools. Following oral complaints on the veracity of such certificates, GM stayed sanction in certain cases but Special Tahsildar released the grants as reported (April 2002) by Deputy Commissioner, Karwar. Consequently, GM did not arrange further verification. In respect of 21 out of 400 cases reviewed in audit (March 2002 to April 2002) the following lapses/irregularities were noticed.

(i) TCs produced by 15 persons were found to be fictitious as these persons had never been admitted to the school from where TCs were obtained, as confirmed by Headmasters of those schools.

(ii) In six cases, the age of claimants was less than 18 years as on 31 December 1997.

Failure of GM/Special Tahsildar, Karwar to ensure the correctness of date of birth mentioned in TCs resulted in fraudulent payment of Rs.14.70 lakh in 21 cases.

The Deputy Commissioner, Karwar stated (July 2002) that in seven cases the TC issued by the schools were found to be false. In other cases, investigation was yet to be initiated.

The matter was referred to Government in March 2002; reply had not been received (November 2002).

3.12 Excess transfer of Additional Stamp Duty to Urban Local Bodies in Bangalore District (Urban)

Failure of State Government to monitor transfer of Additional Stamp Duty to Urban Local Bodies facilitated misuse of authority and District Registrar transferred Rs.239.84 crore in excess

Karnataka Panchayat Raj Act 1993 and Karnataka Municipality Act 1964 (Act) inter alia provided levy of Additional Stamp Duty (ASD) under Karnataka Stamps Act 1957. ASD was leviable upto July 1997 at 1 per cent of value in Municipal areas. ASD was increased to 2 per cent from August 1997.

According to procedure prescribed, Sub-Registrars were to furnish to District Registrar, a quarterly report indicating inter alia ASD collected in respect of each Municipal area. The District Registrar was to authorise transfer of ASD so collected in each quarter to concerned District Treasury Officer (DTO) and Chief Officer (CO) of City Municipal Council (CMC)/Town Municipal Council (TMC). The CO thereafter preferred the claim for transfer of ASD to Personal Deposit (PD) account of CMC/TMC. The District Registrar was to maintain a check register indicating the amount of ASD collected, transferred, date of transfer etc., in respect of each CMC/TMC and also monitor the transfer of ASD against budget provisions.

During central audit of payment vouchers of ASD and scrutiny of records in the Office of District Registrar/Sub-Registrar and District Treasury, Bangalore and CMC Pattanagere during October 2001 to January 2002, the following lapses and irregularities were revealed:

(i) Though the District Registrar was to maintain records/accounts regarding ASD collected and transferred, he failed to keep any records/accounts. District Registrar did not maintain Check Register also.

(ii) Sub-Registrars levied ASD at 3 per cent as against permissible rate of one per cent upto July 1997. ASD was levied at 2 per cent from August 1997. State Government decided (December 1998, January 1999) to transfer the entire ASD collected at 3 per cent upto July 1997, and at 2 per cent thereafter. Following the decision (December 1998 and January 1999) of State Government, District Registrar issued authorisations for transfer of ASD in arbitrary manner. Details of ASD collected, transferred during 1994-95 to 2000-01 as compiled by audit on the basis of details obtained from District Treasury, Sub-Registrars were as follows:

(Rupees in crore)

Sl.No.	Municipalities	ASD collected	ASD transferred	Excess
1.	Krishnarajapuram	9.33	76.40	67.07
2.	Mahadevapura	5.66	39.62	33.96
3.	Bommanahally	15.32	30.10	14.78
4.	Pattanagere	14.39	40.34	25.95
5.	Dasarahally	6.18	33.97	27.79
6.	Byatarayanapura	3.38	40.25	36.87
7.	Yelahanka	1.46	26.54	25.08
8.	TMC,Kengeri	1.60	9.94	8.34
	Total	57.32	297.16	239.84

Thus, unauthorised and excess ASD of Rs.239.84 crore was transferred during 1994-95 to 2000-01.

(iii) On one day i.e., 5 June 2000, 21 authorisations were issued for Rs.15.02 crore covering 2 to 13 months in each authorisation. It was seen ASD was authorised more than once for the same month on several occasions as illustrated below:

Period	Number of times authorised/transferred
December 1994 and June 1995	5 times each for two months
January to April 1995 and July 1995	4 times each for five months
July to November 1994 and August-October 1995	3 times each for nine months

(iv) State Government/Inspector General of Registration & Commissioner for Stamps (IGR&CS) did not prescribe any periodical returns to be furnished by District Registrar indicating ASD collected and transferred to CMCs/TMC. Even basic data regarding amount of ASD authorised/ transferred was not available with IGR&CS. Also, IGR&CS did not monitor payments of ASD against budget provision. This resulted in excess transfer over the budget estimates of successive years as indicated below:

(Rupees in crore)

Year	Budget estimates	ASD transferred to CMCs/TMC	Excess over Budget estimates	Percentage of excess
1998-1999	44.60	100.46	55.86	125
1999-2000	9.22	170.94	161.72	1754
2000-2001	10.65	247.60	236.95	2224

(v) ASD excess transferred to these eight CMCs/TMC alone constituted 46 per cent* of the total of Rs.519 crore transferred to all local/urban bodies in the entire state during 1998-99 and 2000-01. Thus, IGR&CS grossly neglected monitoring of transfer of ASD with reference to Budget provision and actual amount collected. Absence of monitoring facilitated misuse of authority by the District Registrar.

(vi) Though expenditure reported to Finance Department under various Heads of Account included inter alia payment made to local bodies towards ASD under the Head of Account 030 - Stamp Duty indicated huge excess, no action

* Total ASD transferred for entire state - Rs.519 crore
Total ASD transferred to 8 CMCs/TMC - Rs.239.84 crore
Percentage of ASD transferred to 8CMCs/TMC - 46

was taken by the Finance Department to investigate the same. Payment of ASD to local bodies was also reflected in Finance Accounts.

The matter was referred to State Government in May 2001. No reply had been received so far (November 2002). However, State Government suspended (October 2001) four officers pending further enquiry. Details of progress of enquiry had not been furnished.

LABOUR DEPARTMENT

3.13 Irregular purchases of tools and equipment at exorbitant rates

Director bypassed the tender procedure and purchased huge quantities of tools and equipment from shortlisted suppliers resulting in wasteful expenditure of Rs.5.92 crore

Government constituted (September 1991) a Purchase Committee in the Directorate of Employment and Training with Director as Chairman to handle large scale purchases of tools and equipment required for Industrial Training Institutes (ITIs). For Purchases costing Rs.10000 and above the Purchase Committee was to invite open tenders and make selection for registration and short-listing of suppliers before placing orders for supplies. However, scrutiny revealed sub-version of this procedure by the Director who made huge purchases during 2000-01 at exorbitant rates by resorting to quotation system from 10 to 15 suppliers arbitrarily short-listed by him out of 51 firms registered with Directorate. Open tender system was not followed at any stage of the purchase process.

Director purchased tools and equipment costing Rs.18.33 crore as approved by Purchase Committee during July 2000 to March 2001 for use in 94 ITIs. Purchase of 28 items of equipment at a cost of Rs.9.80 crore were test-checked. Quantity ordered in respect of each of these 28 equipment ranged from 7 to 581. Failure of Director to follow open tender system and arbitrary short listing of suppliers resulted in purchase of tools and equipment at exorbitant rates and excess payment of Rs.5.92 crore as detailed below:

(i) In respect of 4 items costing Rs.2.27 crore, price paid by the Director based on lowest quotations was 45 to 326 per cent higher than those offered by Karnataka State Forest Industries Corporation, Bangalore and Karnataka State Electronics Development Corporation, Bangalore. The excess payments aggregated Rs.1.28 crore.

(ii) In respect of 2 items costing Rs.73.54 lakh, price paid respectively was 432 and 544 per cent higher than those paid by a private ITI receiving grant-in-aid from State Government resulting in excess payment of Rs.61.00 lakh.

(iii) In respect of 18 items (cost Rs.6.10 crore) price paid was 9 to 601 percent higher than the market price of these items resulting in excess payment of Rs.3.32 crore.

(iv) In respect of 4 items (cost Rs.68.50 lakh) both Audit and Stores Purchase Department of Government ascertained the market rates separately. The price paid was 136 to 1140 per cent higher resulting in excess payment of Rs.54.32 lakh as per market rates ascertained by stores purchase department.

(v) In respect of another 19 items of equipment for which the Stores Purchase Department ascertained the market rate, the price paid by Director exceeded the market rate by 16 to 555 per cent resulting in excess payment of Rs.17.31 lakh.

Details of these purchases are furnished in Appendix 3.2.

Besides, 13 firms bagged the contracts for supply of 28 equipment based on their lowest quotations. The following firms with the same addresses bagged contracts valued Rs.1.79 crore.

(a) Advantage Electricals, Bangalore and Imations (Private) Limited, Bangalore

(b) Instrument House, Bangalore and Instruments and Systems, Bangalore

Thus, possibility of a syndicated operation cannot be ruled out.

From the above, it was evident that materials were purchased in violation of rules and public funds were wasted. State Government stated (August 2002) that a decision had been taken to initiate disciplinary action against the Director and request Lokayuktha for further enquiry.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

3.14 Diversion of grant released by Government of India in terms of Tenth Finance Commission

State Government, in violation of norms, diverted grants for payment of electricity bills

In conformity with recommendations of Tenth Finance Commission, Government of India released (March 2000) grant of Rs.110.89 crore pertaining to years 1998-99 and 1999-2000 to State Government to supplement the resources of Panchayat Raj Institutions and the grant was to be utilised for development of infrastructure like roads, drains, environment sanitation, drinking water etc. State Government released the same to 27 Zilla Panchayats during March 2000 (Rs.55.44 crore) and August 2000 (Rs.55.45

crore). Though the grant was required to be utilised for development of infrastructure, Secretary, Rural Development and Panchayat Raj Department issued (July 2000) instructions to Chief Executive Officers of Zilla Panchayats to utilise these funds to pay pending power bills in respect of street lights and water supply. In respect of 27 Zilla Panchayats, Rs.40.87 crore out of Rs.69.88 crore of these grants were diverted (October 2000 to December 2000) for payment of bills of street lights and water supply. The diversion of the grant was violative of the prescribed norms which resulted in denial of funds for infrastructure development.

State Government stated (September 2001) that decision was taken to pay pending electricity bills out of Tenth Finance Commission grants as supply of water was part of infrastructure work. The reply was not tenable as payment of electricity bills was a foreseen, recurring and non-plan expenditure and this was not covered within the scope of activities defined by Government of India for improving physical infrastructure.

GENERAL

3.15 Misappropriations, losses, defalcations, miscellaneous irregularities, etc.

At the end of September 2002, 295 cases of misappropriations, embezzlements etc., involving a sum of Rs.15.63 crore relating to periods upto September 2002 were outstanding as shown below:

	Number of cases	Amount (Rupees in lakh)
Cases as on 30 September 2001	273	1339.48
Cases reported during 1 October 2001 to 30 September 2002	23	223.74
Cases disposed during 1 October 2001 to 30 September 2002	1	0.23
Cases outstanding as on 30 September 2002	295	1562.99

The year-wise break-up of the outstanding cases is furnished hereunder:

Year	Number of cases	Amount (Rupees in lakh)
Upto 1996-97	165	308.21
1997-1998	33	531.39
1998-1999	40	270.37
1999-2000	19	89.22
2000-2001	15	140.06
2001-2002	23	223.74
Total	295	1562.99

Department-wise details of 295 cases are given in Appendix 3.3. Out of 295 outstanding cases, while 186 cases were awaiting completion of investigation, 20 cases were pending in courts and action initiated was not intimated in the remaining 89 cases, involving a sum of Rs.3.10 crore.

3.16 Follow-up on Audit Reports

According to the Hand Book of Instructions (Finance Department) for speedy disposal of audit paragraphs and Rules of procedure (Internal working), 1995 of Public Accounts Committee, all the departments of Government should prepare and send to the Karnataka Legislature Secretariat detailed explanations i.e., Action Taken Notes (ATNs) on the audit paragraphs featured in audit report within four months of its being laid on the table of Legislature duly furnishing copies of these explanations to Audit as well.

It was however, noticed that though the Audit Reports for the years 1994-95, 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000 and 2000-01 were presented to the State legislature on 12 June 1996, 27 March 1997, 14 May 1998, 1 July 1999, 3 May 2000, 24 July 2001 and 22 March 2002 respectively, a few Departments had not submitted ATNs as of October 2002, as detailed in Appendix 3.4.

In respect of the following important irregularities which featured in the Audit Reports 1997-98, 1998-99 and 1999-2000, ATNs have not been received even after a lapse of 10 to 34 months.

Audit Report 1997-98

1. Horticulture Department

3.3 Review on working of Horticulture Department

Misappropriation of Government Funds to the extent of Rs.3.36 crore by Shri Pandit Noola, incharge Assistant Director of Horticulture, Narayanpur during April 1994 to May 1997. ATNs have not been received. Results of Lokayukta enquiry initiated in July 1997 are also awaited (September 2002).

Audit Report 1998-99

2. Social Welfare Department

3.16 Fictitious payment of scholarships

District Social Welfare Officer, Bangalore Urban District failed to exercise checks on sanction/disbursement of scholarships, resulting in payment of scholarship of Rs.6.65 lakh to fictitious students during 1997-98 and 1998-99. Genuineness of disbursement of scholarship for Rs.3.10 lakh was also doubtful. ATNs have not been received.

Audit Report 1998-99

3. Public Works Department (National Highways)

5.4 Shortages in Stores and Stock account in National Highway Division

Divisional Officer failed to conduct proper checks at the time of physical verification and to monitor submission of half-yearly return of stores resulting in shortage of store articles valued Rs.64.66 lakh. ATNs not received.

Audit Report 1999-2000

4. Youth Services and Sports Department

3.2 Fourth National Games

State Government conducted fourth National Games during May-June 1997. Due to delay in providing budgetary support by State Government, major part of expenditure was met through overdrafts availed from Banks resulting in fruitless payment of interest of Rs.18.59 crore. ATNs have not been received.

5. Irrigation Department

4.2 Unproductive outlay on Irrigation Project

Non-synchronisation of dam and canal work and failure to acquire land in Chiklihole Project rendered expenditure of Rs.15.06 crore unproductive. ATNs have not been received.

3.17 Outstanding Inspection Reports

Lack of responsiveness of Government to audit

Accountant General (Audit) (AG) arranges to conduct periodical inspection of the Government Departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). When important irregularities detected during inspection are not settled on the spot, these IRs are issued to the Heads of Offices inspected with a copy to the next higher authorities. The Hand book of Instructions for speedy settlement of audit observations (Finance Department) provides for prompt response by the executive to the IRs issued by the 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.

Details of the outstanding IRs and paragraphs relating to Medical Education and Police Department are as follows:

Year	Number of IRs		Number of paragraphs	
	Medical Education	Police	Medical Education	Police
Upto 1992-1993	28	58	43	145
1993-1994	09	12	16	35
1994-1995	02	11	06	45
1995-1996	11	4	30	20
1996-1997	05	17	13	93
1997-1998	09	13	42	57
1998-1999	12	13	73	96
1999-2000	17	37	126	345
2000-2001	10	20	112	161
2001-2002	05	02	50	15
Total	**108**	**187**	**511**	**1012**

As seen from the table, 511 paragraphs relating to 108 IRs and 1012 paragraphs relating to 187 IRs issued to Medical Education Department and Police Department respectively were outstanding at the end of June 2002. Of these 28 IRs containing 43 paragraphs and 58 IRs containing 145 paragraphs respectively had not been replied for more than 10 years. Even the initial replies have not been received in respect of 196 paragraphs of 18 IRs (5 IRs issued during 2001-02), 753 paragraphs of 60 IRs (27 IRs issued during 2001-02) issued to Medical Education and Police Departments respectively.

As a result, the following serious irregularities commented upon in these IRs had not been settled as of May 2002:

Sl. No.	Nature of irregularities	Department of Medical Education		Police Department	
		Number of paragraphs	Amount (Rupees in lakh)	Number of paragraphs	Amount (Rupees in lakh)
1.	Improper maintenance of initial records, and records of reconciliation with treasury etc.	33	116.80	72	81.27
2.	Extra/infructuous and unauthorised/irregular expenditure	117	842.74	95	303.88
3.	Irregular purchase of defective machinery	44	336.56	84	664.37
4.	Withdrawal of funds to avoid lapse of grants and blocking up of Government capital	27	814.94	31	338.14
5.	Over payment/misutilisation of grants, loans and subsidies	15	41.10	21	1126.04
6.	Wanting payees' receipts/Utilisation Certificates and non-receipt of completion certificates of buildings	03	11.95	63	619.20
7.	Objection relating to service registers of Government servants	16	0.31	239	51.97
8.	Non-furnishing of NDC bills	06	508.77	8	385.58
9.	Misappropriations, losses, defalcations, etc.	04	4.71	10	110.83
10.	Miscellaneous	246	1365.78	389	3617.19
	Total	511	4043.66	1012	7298.47

A review of the IRs which were pending due to non-receipt of replies, in respect of the above two departments revealed that the Heads of Offices whose records were inspected by AG, the Director of Medical Education and the Director General and Inspector General of Police failed to discharge due responsibility as they did not send any reply to a large number of IRs/ paragraphs indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out in the IRs of the AG.

The above also indicated inaction against the defaulting officers thereby facilitating the continuation of serious financial irregularities and loss to the Government though these were 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.

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CHAPTER IV – WORKS EXPENDITURE

SECTION 'A' – REVIEWS

PUBLIC WORKS DEPARTMENT

4.1 Working of Public Works Department

Highlights

The Public Works Department in Karnataka is in charge of construction and maintenance of National Highways, State Highways, Major District Roads and Buildings. There are several weaknesses in financial and programme management and control areas. Budgeting and cash management through the Letter of Credit system was ineffective. Due to not providing sufficient grants and delay in withdrawal of works from the first agencies etc., there was a wasteful expenditure of Rs.1.83 crore and cost escalation of Rs.1.54 crore. In respect of 42 incomplete works, the time overrun ranged from 1 to 8 years and the entire outlay of Rs.18.07 crore remained unfruitful. Irregularities in the execution of works, defects in Human Resources management and wastage in stores management affected the working of the Department.

Consequent on transfer of 7337 km of State Highways to a State Public Sector Undertaking, reduction in budget provision of Rs.16.29 crore was not considered for the Budget estimates of 2001-02.

(Paragraph 4.1.4.1)

Rs.2.95 crore provided in 2001-02 for execution of 28 works were not utilised.

(Paragraph 4.1.4.2.)

As of March 2002, 39665 bills relating to works and supplies for Rs.281.47 crore remained unpaid.

(Paragraph 4.1.4.4)

In 59 works, Rs.17.51 crore was incurred in excess over the original estimated cost, during the period 1999 –2002.

(Paragraph 4.1.5.1)

Letter of Credit for Rs.10.21 crore were released out of turn for payments to contractors preferred by Ministers, MLAs and Secretary to Government.

(Paragraph 4.1.5.2 (i)

Nine Divisions utilised departmental receipts of Rs.6.06 crore towards departmental expenditure in contravention of codal provisions

(Paragraph 4.1.5.3)

Five Controlling Officers did not reconcile their expenditure figures with those booked in the books of accounts of AG (A&E) for the last 3 years.

(Paragraph 4.1.5.5)

In 3 Divisions, works to the extent of Rs.43.17 crore were executed without prior approval.

(Paragraph 4.1.6)

In 42 works time overrun ranged from 1 to 8 years and expenditure of Rs.18.07 crore remained unfruitful as the projects remained incomplete. The cost overrun in 15 works was Rs.1.98 crore.

(Paragraph 4.1.6.1)

Lapse on the part of the Department in not providing sufficient grants, delay in withdrawal of work from agencies, etc., led to wasteful expenditure of Rs.1.83 crore and cost escalation of Rs.1.54 crore.

(Paragraph 4.1.6.2)

In the case of NABARD assisted Road projects, execution of unnecessary item resulted in wasteful expenditure of Rs.0.89 crore.

(Paragraph 4.1.6.3 (iv)

64 posts of Peons, Assistants, and Junior/Assistant Engineers were irregularly counted against the abolished posts involving expenditure of Rs.1.12 crore towards pay and allowances.

(Paragraph 4.1.9.3)

In respect of Toll fee collection, the reduction in upset price, reduction / waiver of penalty resulted in loss of Rs.0.75 crore.

(Paragraph 4.1.10)

4.1.1 Introduction

In Karnataka, there are three separate departments looking after Public Works namely, Public Works Department, Major and Medium Irrigation Department and Minor Irrigation Department. The Public Works Department is exclusively in charge of construction and maintenance of National Highways, State Highways, Major District Roads and Buildings. The details of road length and buildings as on 31st March 2002 are as follows:

Roads (in kms)		Buildings (in Nos.)	
National Highways	3728	Residential	6389
State Highways	9829	Non-residential	10561
Major District Roads	28247		

The Department also undertakes construction of buildings on behalf of Local Bodies, Corporations etc., as Deposit Contribution Works. During May 2001, a length of 7337 kms and 2268 kms of State Highways was handed over to Karnataka Road Development Corporation Limited (KRDCL) and Karnataka State Highways Improvement Project (KSHIP) respectively.

4.1.2 Organisational set up

The Public Works Department is headed by a Principal Secretary. There are 3 Zones headed by Chief Engineers (CE), 12 Circle Offices headed by Superintending Engineers (SE) and 39 Divisions headed by Executive Engineers (EE). Chief Architect is in charge of preparation of architectural designs for buildings.

4.1.3 Audit coverage

Key areas such as Financial Management, Implementation of Works, Stores Management, Manpower utilisation etc., of the Department were reviewed covering the period from 1999-00 to 2001-02. Records maintained in 3 Zonal Offices, 7 Circle Offices and 21 Divisional Offices were scrutinised.

4.1.4 Financial Management

4.1.4.1 General

The budget of the Public Works Department is required to be prepared by the Finance Department after obtaining proposals from the Chief Engineers. A review of records at the Finance Department revealed that despite receipt of such estimates, these were not considered while making budget provisions.

As a result, the provisions were unrealistic as detailed below:

(Rupees in crore)

Head of Account	1999-2000			2000-2001			2001-2002		
	BP	BA	% of BA to BP	BP	BA	% of BA to BP	BP	BA	% of BA to BP
2059 (Plan)	8.25	1.50	18	9.66	2.03	21	11.10	2.05	18
2059 (Non-Plan)	114.71	58.06	51	131.12	59.48	45	144.33	68.13	47
3054	203.45	146.58	72	285.12	124.87	44	298.89	105.11	35
4059	81.05	15.58	19	8.23	18.28	222	78.43	45.10	58
5054	126.59	89.75	71	114.26	134.23	117	74.55	122.38	164

BP – Budget Proposal BA – Budget Allotment

The above table shows that the allocation made in 1999-2000 under all Heads of Account and under revenue Heads of Account during 2000-01 and 2001-02 was less than funds sought for, ranging between 18 per cent and 72 per cent. Excess allotment was made in 2000-01 and 2001-02 under Capital Major Head of Account, i.e., 4059 and 5054, which ranged between 222 per cent and 117 per cent.

The budget provision made during 2001-2002 was also not realistic, as the transfer of 7337 kms of State Highways to Karnataka Road Development Corporation Limited (KRDCL) was not taken into account. Based on the norms of providing Rs.22200 per km for maintenance, excess provision worked out to Rs.16.29 crore under the Head of Account 3054.

The details of budget provision and expenditure during 1999 to 2002 under Plan and Non-Plan were as follows:

(Rupees. in crore)

Head of Account	Year	Plan			Non-plan		
		Provision	Expenditure	Excess (+) /Savings (-) (percentage)	Provision	Expenditure	Excess (+) /Savings (-) (percentage)
2059 – Public Works	1999-00	1.50	1.05	(-) 0.45 (30)	222.71	194.81	(-) 27.90(13)
	2000-01	2.03	1.30	(-) 0.73 (36)	238.89	190.83	(-) 48.06 (30)
	2001-02	2.05	1.20	(-) 0.85 (41)	255.54	190.69	(-) 64.85 (25)
4059 – Capital outlay on Public Works	1999-00	15.19	23.03	(+) 8.39 (56)	-	-	-
	2000-01	21.24	24.58	(+) 3.24 (15)	-	-	-
	2001-02	48.63	24.27	(-) 24.36 (50)	-	-	-
3054 – Roads and Bridges	1999-00	-	-	-	232.74	264.91	(+) 32.17 (14)
	2000-01	-	-	-	276.31	285.09	(+) 8.78 (3)
	2001-02	-	-	-	326.68	246.29	(-) 80.39 (25)
5054 – Capital Outlay on Roads and Bridges	1999-00	147.45	172.36	(+) 24.91 (17)	-	-	-
	2000-01	213.58	274.92	(+) 61.34 (29)	-	-	-
	2001-02	335.46	258.05	(-) 77.41 (23)	-	-	-

Excess expenditure ranged from 3 to 56 percent and savings ranged from 13 to 50 percent

During the years 1999-2000 and 2000-01, there was excess expenditure under Revenue and Capital Heads of Account i.e., under 3054, 4059 and 5054, which ranged from Rs.3.24 crore to Rs.61.34 crore. There were also savings during 2001-02 under all heads, which ranged from Rs.0.45 crore to Rs.80.39 crore. The reasons for excess/savings in the respective years' budget were not furnished by the Government.

4.1.4.2 Surrender of grants

The grants provided through supplementary estimates, without actual requirement of funds, led to surrender of grants during 2001-02 under Capital Heads of Account (4059 and 5054) as detailed below:

(Rupees in crore)

Head of Account	Original provision	Supplementary Provision	Total	Expenditure up to March 2002	Surrender	Re-appropriation
4059 Capital Outlay on Buildings (13 Departments)	49.59	123.85	173.44	18.24	25.07	66.60
5054 – Capital Outlay on Roads and Bridges (3 Sub-heads)	187.71	31.53	219.24	73.99	98.60	11.43
TOTAL	237.30	155.38	392.68	92.23	123.67	78.03

As seen from the above table, the expenditure was even less than the original provision. The funds provided through supplementary estimates in the year 2001-02 to the extent of Rs.155.38 crore were not required. Even after surrender (Rs.123.67 crore) and re-appropriation (Rs.78.03 crore) there was a savings of Rs.98.75 crore.

Further, in the year 2001-02, a provision of Rs.2.95 crore made for 28 works was not utilised for reasons like want of administrative approval, lack of site for construction, 1/3 grant was not provided etc., (Appendix 4.1). This indicated preparation of unrealistic budget.

4.1.4.3 *Expenditure without sufficient budget provision*

Expenditure of Rs 27.12 crore was incurred without sufficient budget provision

During 2001-02, a provision of Rs.160.66 crore was made under seven sub-heads of Major Head '5054 – Capital Outlay on Roads and Bridges - Work of Economic Importance' against which expenditure incurred was Rs.187.78 crore, resulted in excess expenditure of Rs.27.12 crore. Such excess expenditure indicated failure of budgetary control system, as no expenditure should be incurred without sufficient allotment of funds.

4.1.4.4 *Provision for pending bills not included in Budget*

Inadequate release of LoC led to pending bills of Rs.281.47 crore

No provision had been made in the budget for pending bills. The amount of pending bills till March 2002 had accumulated to Rs.281.47 crore. The year-wise break up in respect of bills pending, as furnished by the Department, is given below:

Year	No. of bills	Amount (Rupees in crore)
1997-98	10	0.04
1998-99	360	0.93
1999-00	966	3.22
2000-01	5827	27.38
2001-02	32502	249.90
TOTAL	39665	281.47

Head of Account wise details of pending bills was as follows:

(Rupees in crore)

Head of Account	Plan	Non-plan	Total
2059 – Public Works	-	57.73	57.73
3054 - Roads & Bridges	-	117.20	117.20
4059 – Capital Outlay on Public Works	13.94	-	13.94
5054 – Capital outlay on Roads and Bridges	92.60	-	92.60
TOTAL	106.54	174.93	281.47

The pendency of bills related to both works and supplies. The Department attributed pendency of bills due to short release of funds by Finance Department to the extent of provision made.

4.1.5 Expenditure control systems

The authority administering the grant is responsible for watching the progress of expenditure and keeping it within the sanctioned grant or appropriations. To ensure effective control over expenditure, the Chief Engineer exercises control through officers subordinate to him. The control of expenditure was not effective because expenditure incurred was in excess of sanctioned estimates, funds meant for payment to contractors were diverted for purchase of stationery articles, departmental receipts were irregularly utilised towards departmental expenditure, amounts remained unadjusted under suspense heads of account etc. Some of these cases are detailed below:

4.1.5.1 Expenditure incurred without sanction to revised estimates

Expenditure in excess of sanctioned estimates amounted to Rs.17.51 crore

During 1999-2002 the expenditure in ten test checked Divisions[1] on 59 works exceeded the estimated cost by Rs.17.51 crore as of December 2001. The excess expenditure ranged from 14 to 260 per cent of the estimated cost (Appendix 4.2). Although revised estimates for these works were not sanctioned, the budget estimates included provision for the excess expenditure from year to year. Finance Department failed to insist on sanction to revised estimates either at the time of framing the budget estimates or while releasing LoC. The lapse facilitated widespread and unauthorised excess expenditure.

4.1.5.2 Ineffective Letter of Credit system

Letter of Credit (LoC) funds are released directly by Finance Department to the Divisional Officers. On receipt of LoC, the Divisional Officers authorise the bank to honour the cheques issued by them to the extent of amount specified in the authorisation letter. The system provides for clearance of pending bills based on seniority. The system was ineffective as detailed below:

(i) Letters of Credit were being issued by Finance Department / Chief Engineer for payments to contractors preferred by Ministers, MLAs and Secretary to Government. During 1999-01, Rs.10.21 crore was released for payments to selected contractors, which was contrary to the procedure laid down.

(ii) Divisional Officers did not send the Cheque Drawn Statements to the Finance Department by 15th of every month, with the result, the Finance Department could not watch the utilisation of LoC.

(iii) In two Divisions[2], LoC of Rs.1.38 crore released under Plan and Deposit Heads of Account was diverted to Non-Plan for payment of bills of contractors in contravention of rules.

(iv) During 1999-02, in 11 Divisions, Rs.1.10 crore released for payment to contractors was diverted towards purchase of stationery articles and tools and plant.

(v) In Karwar Division, LoC to the extent of Rs.1.03 crore was surrendered between 1999-02, on the ground that the requirement of funds was less. This proves that the LoC sought for was not realistic.

4.1.5.3 Departmental receipts utilised for Departmental Expenditure

Departmental receipts of Rs.6.06 crore were utilised towards departmental expenditure in violation of codal provisions

In 9 Divisions[3], Rs.6.86 crore was collected between October 1997 and January 2002 as road cutting charges from Telecommunication Department. The amount was credited to Deposit Head of Account instead to Revenue Head of Account and Rs.6.06 crore thereof was utilised for restoration of such roads. In 2 Divisions[4], Rs.0.80 crore was still held under Deposit Head. The

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[1] Karwar, Belgaum, Mangalore, Chickmagalur, Bangalore, Shimoga, Kodagu, Dharwad, Tumkur and Kolar Divisions

[2] Yadgir & Shimoga

[3] Bijapur, Gulbarga, Hassan, Karwar, Belgaum, Udupi, Mangalore, Shimoga & Chickmagalur

[4] Belgaum and Shimoga

utilisation of departmental receipts towards departmental expenditure is contrary to Codal provisions and infringed the right of legislature to sanction budget estimates and regularise expenditure thereagainst.

4.1.5.4 PAO Suspense Account

The expenditure on National Highway works is initially borne by the State Government and classified under 'Pay & Accounts Office Suspense Account'. Based on the monthly accounts of National Highway Divisions, the Accountant General (A&E) prefers claims to the PAO, National Highways, who in turn reimburses the expenditure by issuing cheques to AG (A&E). On receipt of cheques, the PAO Suspense Account is cleared. The amounts withheld / disallowed by the PAO continues to be held under PAO Suspense Account. Rs.7.93 crore was so outstanding as of May 2002 as detailed below:

(Rupees in lakh)

Year	Amount withheld	Amount disallowed	Total
1999-00	147.07	10.48	157.55
2000-01	293.18	0.95	294.13
2001-02	328.62	12.59	341.21
TOTAL	768.87	24.02	792.89

The bulk of the withheld amounts were for want of revised estimates/vouchers etc. Thus, the delay in furnishing required information resulted in retention of huge balances under Suspense Account. State Exchequer had been denied the benefit of Rs.7.93 crore in these three years.

4.1.5.5 Finance and Accounts

Schedule of settlement with Treasuries (SST) and non-reconciliation with the Accountant General (A&E) figures

20 Divisions had not prepared the SST as detailed in Appendix 4.3 and monthly settlement of all debits and credits arising out of divisional transactions had not been carried out. Chikkodi Division formed in July 2001 had not sent SST till September 2002.

Similarly, out of test check of records in 7 Circle Offices, 5 Circle Offices had not reconciled their expenditure figures with the figures booked by AG (A&E) for the last three years. Such non-reconciliation could result in non-detection of cases of misappropriation or fraud.

4.1.5.6 Maintenance of Suspense and Deposit Accounts

(i) Miscellaneous Public Works Advance (MPWA)

In 32 PW Divisions and 7 NH Divisions, transactions like advance payment to suppliers, material cost to be recovered from Malnad Area Development Board, value of shortage of stores etc., were debited to MPWA. The total amount lying unadjusted since June 1990 was Rs.13.16 crore. The Divisional Officers did not take action for immediate settlement of the outstanding amount. This was indicative of lack of effective pursuance by Divisional

Officers with regard to short receipt / non-supply of materials for which advances were paid, as also of non-recovery towards shortages.

(ii) Cash Settlement Suspense Account (CSSA)

The Divisional Officers at Bangalore and Mangalore were nominated as the Nodal Officers for purchase of asphalt from Oil Companies during 1997-98 and 1998-99. The payment towards cost of asphalt was made by Nodal Officers in advance and asphalt was supplied directly to the Divisions concerned. The Nodal Officers raised CSSA bills against the Divisions for recovery of cost of asphalt. However, the balance amount outstanding from September 1998 for recovery from Divisions amounted to Rs.2.20 crore (31 per cent of the total payment). In respect of Nodal Officer at Mangalore, the Divisions had intimated short receipt of asphalt to the extent of Rs.25.19 lakh. The Nodal Officer raised the demand on Oil Companies (August 2001) for refund of excess amount paid. Divisions under the jurisdiction of Nodal Officer, Bangalore, have not verified the shortages, if any, in receipt of asphalt with the Oil Companies. This is so because the concerned Divisional Officers had not settled CSSA bills with the Nodal Officers.

(iii) Deposits

In Karwar and Belgaum Divisions, an amount of Rs.12.54 crore was held under Deposit from January 1962. The Divisions had not taken action to transfer the Security Deposit, which remained unclaimed for more than three years to Miscellaneous Revenue. Even the Auction sale proceeds, fines, recovery of hire charges etc., amounting to Rs.25.40 lakh held under Miscellaneous Deposits were not credited to Revenue.

4.1.6 Programme Management

Administrative approval, technical sanctions, allotment of funds etc., are pre-requisites for execution of a Scheme or Programme. The works to be taken up for execution during a year have to be got approved by the Superintending Engineer at the beginning of the year.

A Monitoring Cell was set up in both the Zonal Offices of Communication & Buildings (South and North) to monitor the progress of works. The monitoring of NH works is done by the Chief Engineer, National Highways by conducting Multilevel Monthly Review Meetings. However, it was observed that the monitoring had not been effective in as much as works were being executed without approval, expenditure incurred in excess of sanctioned estimates, works not completed in time etc. Even the programme of works, which were required to be approved at the beginning of the year, was approved at the fag end of the year, as there was delay in communication of grants.

Works to the extent of Rs.43.17 crore were executed without prior approval

Out of test check of records in 7 Circle Offices it was noticed in 3 Circle Offices[5] that the programme of works valuing Rs.9.38 crore were submitted by the Divisions and approved by the Superintending Engineers during the month of March in each year. The delay in submission and approval was stated to be due to late communication of allotment of grant. In 3 Divisions[6], works to the extent of Rs.43.17 crore were executed without prior approval. Any post facto approval could result in approval of fictitious works.

4.1.6.1 Planning

The Programme of works planned and their achievement during the last three years were as follows:

(Rupees in crore)

Programme	Physical				Financial			
	Planned	Achieved	Shortfall	Percentage of shortfall	Planned	Achieved	Shortfall	Percentage of expr to plan
Roads (kms)	901.14	572.46	328.68	36	66.65	56.09	10.56	16
Bridges (Nos.)	30	20	10	33	2.86	2.21	0.65	23
Buildings (Nos.)	297	100	197	66	127.75	82.89	44.86	35

The above table reveals that there was shortfall in physical achievement in respect of all the programmes planned, which ranged from 33 to 66 per cent. The reasons for shortfall were attributed to abandoning of works by contractors, meagre grants provided in the budget, etc. However, from 2000-01, 560.46 kms of road works under 'Rs.75 crore Programme and Bellary Package (Rs.100 crore)' were also taken up as fresh works at a cost of Rs.47.17 crore. Execution of new works when other works were still at an incomplete stage, resulted in distribution of available resources thinly to other works. This led to delay in completion of ongoing works, escalation in cost and postponement of benefits.

Time and Cost overrun in respect of many works was as detailed below:

(Rupees in crore)

Name of the Zone	Category of works	Time over run				Cost over run			
		No. of works	Estimated cost	Expr	Time over run	No. of works	Estimated cost	Expr	Cost over run
South Zone	Buildings	32	24.55	14.82	1 to 8 years	10	4.04	4.97	0.93 (23%)
	Roads & Bridges	5	1.46	1.29	3 to 8 years	5	1.91	2.96	1.05 (55%)
North Zone	Buildings	5	7.55	1.96	2 to 5 years	-	-	-	-
	Roads & Bridges	-	-	-	-	-	-	-	-
TOTAL		42	33.56	18.07		15	5.95	7.93	1.98

47 Building works and 10 Roads and Bridge works which were taken up in both the zones at an estimated cost of Rs.39.51 crore between 1993-94 and 2000-01 have not been completed so far. In respect of 15 works, the cost over run was Rs.1.98 crore, ranging from 23 to 55 per cent of the estimated cost. In respect of 42 works, the time over run ranged from 1 to 8 years as of March 2002. Ineffective monitoring on the progress of works resulted in the entire expenditure of Rs.18.07 crore remaining unfruitful (Appendix 4.4).

[5] Buildings Circle, Dharwad Circle and Gulbarga Circle

[6] Bagalkot, Bidar and Gulbarga Divisions.

4.1.6.2 Formulation of Scheme

Insufficient grants, delay in acquisition of land, delay in withdrawal of works etc., resulted in wasteful expenditure of Rs.1.83 crore and escalation in cost of Rs.1.54 crore

Formulation of Scheme requires proper planning, adequate provision of funds, availability of land, preparation of accurate estimates, etc.

In 12 Divisions, works taken up were either abandoned, stopped in between or entrusted to second agencies after rescission of the contract of first agencies for reasons such as non-availability of grant, non-acquisition of land, improper planning, delay in taking decision in formulation of Scheme etc., (Appendix 4.5). This resulted in wasteful expenditure of Rs.1.83 crore and escalation in cost of Rs.1.54 crore.

4.1.6.3 Implementation of the Schemes

The successful implementation of schemes mainly depends upon proper acceptance of tenders, providing designs and drawings in time, making sites available for construction etc.

(i) Inadmissible inclusion of Sales Tax in the Data Rate

The construction of Southern Breakwater at Karwar Port (Rubble Mound Type) from Ch 0 to 250 mtrs was entrusted (August 1993) at a cost of Rs.7.16 crore. The work was commenced with the tentative design furnished (1989) by Central Water and Power Research Station, Pune. However, the design was modified twice (March and November 1996) and final design was furnished in February 1998. Due to modification of design, the actual quantity of number of boulders used during execution (390083 lakh MT) in respect of 6 items exceeded the tendered quantity (223640 lakh MT) by 166443 lakh MT. The payment for extra quantity of 110533 lakh MT executed in excess of 125 per cent of tendered quantity was regulated as per Clause 13 (ii) of the contract. Analysis of data rates revealed that the department had included the element of Sales Tax at 4 per cent and tender premium of 21.60 per cent on Sales Tax. This had resulted in excess payment of Rs.27.56 lakh to the contractor and is required to be recovered.

(ii) Black listing of contractors

A consolidated list of abandoned works was not prepared and considered for black listing contractors in any of the divisions test checked. The Chief Engineer, South Zone, Bangalore, who is the competent authority for registration of contractors, had not taken any action to review such cases and to blacklist them. In fact, it was noticed that in the last three years, no contractor has been blacklisted for any reason by the Department.

(iii) Non-liquidation of Security Deposit/Interest Bearing Security due to rescission / non-rescission of contract

(a) As per agreement, if the contractor fails to complete the work within the stipulated date, the contract can be rescinded and the Earnest Money Deposit and Security Deposit can be forfeited to Government.

In Public Works Division, Bidar and National Highways Division, Bangalore, two contractors[7] did not complete the work within the stipulated date. In Bidar Division, neither the contract was rescinded nor the Interest Bearing Security (IBS) of Rs.0.20 crore was available for forfeiture, as it had already been refunded (February 2000). In Bangalore Division, even though the contract was rescinded, the Security Deposit of Rs.0.21 crore was held under Deposit Head and not forfeited.

(b) In Bidar Division, security in the form of IBS amounting to Rs.38 lakh in respect of 25 works were not obtained from contractors for bills paid between December 1997 and February 2002.

(iv) Non-withdrawal of item from tender resulting in wasteful expenditure

In the works taken up under NABARD Assisted Projects, an item of work viz., providing primer coat over topmost layer of Water Bound Macadam (WBM) by using Bitumen at 10 kg per 10 Sqm before tack coat, was included. Government after examining the necessity, issued instructions in May 1999 that in lieu of this item, tack coat item may be increased from the existing 2.5 kg to 4 kg per 10 Sqm. 8 Divisional Officers, however, executed 46 road works with primer coat, with the result, there was excess utilisation of Bitumen and consequential wasteful expenditure of Rs.0.89 crore (Appendix 4.6).

4.1.7 Execution of works through piecework system

During April 1999 to March 2002, the estimates for improvements to 2695 road works costing Rs.13.46 crore were split up by 8 Divisional officers into contracts costing Rs.50000 and less to avoid sanction of higher authorities. Individual contractors were entrusted with pieceworks between 4 and 28 in numbers. A few cases of entrustment of 10 or more piece works to a single contractor are detailed in Appendix 4.7.

In Dharwad Division during 2000-01 even without entering into piecework agreements, 44 piece works valuing Rs.11.61 lakh were entrusted to various contractors. The SE and CE took no action to prevent such wide spread malpractice. The possibility of fraudulent payment cannot be ruled out.

4.1.8 Stores management

4.1.8.1 Splitting up of purchases

During the period from April 1999 to 2002, SE/CE accorded 466 sanctions for purchase of materials valued Rs.1.13 crore, as detailed in Appendix 4.8. Though these purchases required sanction of Government, they were conveniently split up into bits of Rs.25000 and less in the case of SE and

[7] Prakash Khandre and HM Nagaraj

Rs.1.00 lakh and less in the case of CE so as to bring them within the ambit of financial powers delegated to them.

4.1.8.2 Other irregularities

In two Divisions[8], there were unnecessary purchases of Tools and Plant without requirement (Rs.20.42 lakh) and purchases in excess of requirement (Rs.16.74 lakh) during 1998-99 to 2000-01, which resulted in blocking up of Government money. In other three Divisions[9], shortage of stores (Rs.53 lakh) was noticed between 1994-95 and 2000-01. Ineffective action in reconciling the shortages resulted in non-recovery of cost of stores.

4.1.9 Human Resources Management

The main categories of staff working in the Department on the technical side are Chief Engineer, Superintending Engineer, Executive Engineer, Assistant Executive Engineer, Assistant Engineer and on the administration side, Registrar, Accounts Officer, Audit Officer, Accounts Assistant and other Ministerial staff. The position of technical and non-technical staff working as furnished by the Department is as follows:

Category of posts	C&B (North), Dharwad			C&B (South), Bangalore			National Highways			Chief Architect		
	Sanctioned strength	Working strength	Vacancy	Sanctioned strength	Working strength	Vacancy	Sanctioned strength	Working strength	Vacancy	Sanctioned strength	Working strength	Vacancy
Technical	719	652	67	533	519	14	163	161	2	49	32	17
Non-technical	1356	1293	63	2274	1973	301	412	391	21	21	17	4
Supernumerary	-	1152	-	-	1926	-	-	268	-	-	-	--
Daily wagers	-	756	-	-	253	-	-	43	-	-	-	-
Work charged establishment	-	616	-	-	630	-	-	240	-	-	-	--

The technical and non-technical posts were sanctioned in 1989 and the requirement of these posts had not been reassessed thereafter. Even after the transfer of 75 per cent of State Highway works to KRDCL during May 2001, the actual requirement of staff had not been assessed and reductions made accordingly. The continuance of 3346 supernumerary posts, besides 1052 posts of daily wagers and 1486 work charged staff, lacked justification in the absence of any sanctioned strength.

The budget provision vis-à-vis the expenditure were as follows:

(Rupees in crore)

Year	Budget provision	Expenditure	Savings	Percentage of savings
1999-00	126.18	92.86	33.32	26
2000-01	133.18	97.48	35.70	27
2001-02	130.72	94.15	36.57	28

[8] Bijapur and Gadag Divisions
[9] Bangalore, Kolar and Tumkur Divisions

The reason for savings was due to making provisions for vacant posts. It was noticed in two test checked Circle Offices and four Divisions, that provision of Rs.2.44 crore was made for 523 vacant posts.

4.1.9.1 Irregular appointment of daily wage employees

Irregular appointment of daily wage employees beyond April 1990 resulted in inflated wage bill of Rs.1.56 crore

The Government imposed a ban on appointment of daily wage employees from 1 July 1984. Even after this date, the Department engaged 869 daily wage employees, upto April 1990. Based on the interim Judgment of the High Court of Karnataka (April 1990), the services of all these employees were continued by the Government. Inspite of the ban imposed, the Department engaged additional 183 daily wage employees between April 1990 and August 1996 and they were being continued as of October 2002. It was noticed that the payment made from April 1999 to October 2002 was to the extent of Rs.1.56 crore. The irregular appointments made beyond April 1990 have resulted in an inflated wage bill.

4.1.9.2 Irregular grant of time bound advance increments

As per the Government Order issued in 1983 and 1991, additional increment can be sanctioned for the officials who are working against sanctioned posts and who have continuously served for a period of 10 years/15 years in a particular cadre, and who are eligible for further promotion. As the employees working against supernumerary posts are not eligible for further promotion, additional increments of Rs.0.19 crore sanctioned to 898 employees between January 2000 and May 2002 was irregular.

4.1.9.3 Abolition of sanctioned posts

As an economy measure, the Government in its order issued in February 2000 and August 2000 abolished 319 Ministerial posts and 368 posts of Draftsman, Tracer and Blue printer. The abolition of posts was to take place as soon as the incumbent was transferred or retired from service. In respect of Tracer, Blue printer and Draftsman, officials were working against 76 posts only and the remaining 292 vacant posts get automatically abolished.

A test check of records in one Zonal office, two Circle offices and five Divisions revealed that 64 officials of other cadre like peons etc., were counted against these abolished posts and pay and allowances paid to them between January 2000 and March 2002 which aggregated Rs.1.12 crore. The counting of regular incumbent against the abolished posts resulted in deploying persons without sanctioned posts. This was against the Rules.

4.1.10 Cost and Benefit - Collection of toll fee

Under-assessment of upset price and waiver / reduction of penalty resulted in loss of revenue of Rs.75.13 lakh

The Ministry of Surface Transport (Roads Wing) issued a Circular (August 1997) indicating the modus operandi of collection of toll fee and the fee for different services for use of a permanent bridge. The norms for arriving at the fee to be collected were not laid down. The Department was arriving at the upset price on an approximation basis.

In the case of Veeravaishnavi Bridge, while working out the upset price, the number of vehicles passing over the bridge was considered less by 765 vehicles during 2000-01 and 250 vehicles less during 2001-02, with the result, there was under-assessment in upset price to the extent of Rs.23.03 lakh and Rs.7.53 lakh in the respective years.

In the case of Hagari Bridge, the delay in remittance of toll fee by the contractor attracted levy of penalty as per conditions of contract. During the year 1999-2000, there was delay in remittance of toll fee throughout the year. The Divisional Officer levied penalty of Rs.32.47 lakh, which was arbitrarily reduced to Rs.1.43 lakh by Chief Engineer without assigning any reason. Similarly, during 2000-01, penalty of Rs.13.53 lakh was waived by the Chief Engineer.

Under-assessment, arbitrary reduction of penalty and waiver of penalty resulted in loss of revenue of Rs.75.13 lakh.

4.1.11 Other topics of interest

4.1.11.1 Recovery of centage charges

As per Codal Provisions, centage charges at 12 per cent of the estimated cost of the work has to be recovered in respect of supervision done for the works executed on behalf of local bodies.

During the period from 1999-2000 to 2001-02 the estimated cost of the works executed on behalf of Hyderabad Karnataka Development Board (HKDB), Malnad Area Development Board (MADB) and KRDCL was Rs.229.45 crore. Since the Divisional Officers of various Divisions supervised the works, the centage charges recoverable were Rs.27.53 crore. So far, the Department had not raised the demand. The Department replied (December 2001) that the Boards/ Corporations are State Government Undertakings. The works are being executed by PWD and only payments are made by the Boards, and recovery of centage charges does not arise. However, Government had been addressed by the Chief Engineer, Communication and Buildings (South) for clarification.

4.1.11.2 Recovery of cost of materials from HKDB

During the period between 1990 and 2001, in two divisions (Gulbarga and Raichur) materials like steel, cement and asphalt were supplied by the Department and utilised for the works executed on behalf of the Board. The cost of such materials of Rs.3.02 crore was yet to be recovered.

4.1.12 The matter was referred to Government in July 2002; reply had not been received (November 2002).

SECTION'B' – PARAGRAPHS

MINOR IRRIGATION DEPARTMENT

4.2 Failure of the Government in taking early decision

Delays in decision making and communication of acceptance of tender resulted in avoidable extra expenditure of Rs.2.21 crore

Tenders were invited in January 1996 for construction of bridge-cum-barrage across Bhima River at Deval Ghanagapur. The cost of work put to tender was Rs.4.69 crore (recast to Rs.4.93 crore – CSR 1995-96). The lowest offer of Rs.4.33 crore (12.25 per cent below CSR 1995-96) quoted by contractor 'A'[1]. (20 April 1996) with validity date of 7 May 1996, was referred by the Chief Engineer, Minor Irrigation (North), Bijapur (CE) to Government for acceptance, though the CE was competent to accept the lowest tender.

The Government was unable to finalise the tender within the tender validity period of 7 May 1996, and directed the CE in FAX message dated 3 May 1996 to request the contractors to keep their offers open for another two months. Only the lowest tenderer responded (4 May 1996) and extended the offer upto 7 July 1996, which was communicated to Government. Since the Government was unable to finalise the tenders within the extended period also, the contractor voluntarily extended his offer upto 31 December 1996.

Government finalised the tender on 16 December 1996, after a delay of over seven months. However, this Government Order was received in the office of the CE/Executive Engineer (EE) only on 31 December 1996. The EE sent a phonogram to the contractor on the same day, communicating the acceptance of the tender. The contractor refused to execute the agreement on the ground that he received the communication on 1 January 1997 while his offer was valid only upto 31 December 1996.

Subsequently, the work was re-tendered (November 1999) and the lowest offer of Rs.6.54 crore (12.38 per cent above SR of 1999-2000) quoted by the same contractor was accepted (May 2000) by the CE without referring the matter to Government.

On the matter being pointed out, EE replied (February 2002) that the delay was on the part of Government in communicating the acceptance of the tender. Since the CE had the powers to finalise the tender himself, the matter need not have been referred to Government at all. Despite being aware that the second extension of the offer would expire within 15 days, the communication of the tender acceptance was delayed, although FAX facilities could have been used, as was done while obtaining the extension of the offer from the contractors. As a result, commencement of work was delayed by 4 years, apart from avoidable extra cost of Rs.2.21 crore, which may escalate further. The

[1] Shri Satish V. Guttedar

contractor executed work to the extent of Rs.40 lakh upto July 2001 and stopped work thereafter on the ground that the division had paid him only Rs.25.14 lakh.

The matter was referred to Government in December 2001 and the reply is awaited (November 2002).

4.3 Excess payment in construction of a tank due to adoption of wrong rates.

Excess payment of Rs.1.62 crore to KSCC due to non-incorporation of reduced premium

Government entrusted (October 1998) the work of construction of Minor Irrigation Tank (estimated at Rs.145.50 lakh) at Pura in Kushtagi taluk to Karnataka State Construction Corporation Limited (KSCC), a State Government agency at 12 per cent above CSR for dam and masonry works and at CSR rates for canal excavation as specified in Government Order dated 31 October 1997. The Executive Engineer (EE) executed the agreement with KSCC in December 1998. But the mark out was finally given only in October 1999 pending approval of Government. Government accorded administrative approval (March 2000) for the revised estimate of the work (Rs.11.25 crore), an increase in estimate by 675.87 per cent, as the area to be irrigated increased from 700 to 3300 acres (371 per cent).

Although the project scope had increased nearly five fold and the cost seven fold, fresh tenders were not invited. A supplementary agreement was entered into with KSCC (March 2000) by the EE at the same rates as agreed to in the original agreement (December 1998), despite the fact that Government had revised (August 1999) the rates downward for entrustment of work to KSCC as detailed below:

Name of the work	Rates as per GO dated 31.10.1997 (Valid upto 31.03.1999)	Revised rates as per GO dated 20.08.1999 (Effective from 1.4.1999)
(a) Dam and masonry works	CSR plus 12 per cent	CSR plus 10 per cent
(b) Canal works	At CSR rates	15 per cent below CSR

Failure to adopt the latest revised rates (August 1999) resulted in excess payment of Rs.1.62 crore to KSCC to end of March 2002, as detailed below:

(Amount in Rupees)

Component	Amount Paid to KSCC	Amount payable to KSCC	Excess paid
Dam and allied works	104884048	103011118	1872930
Canals/Channels	95605773	81264907	14340866
		Difference	16213796

The matter was referred to Government in April 2002 and reply is awaited (November 2002).

4.4 Undue benefit to contractors in violation of contractual agreement

Unwarranted payment of Rs.92.85 lakh to contractors towards cost of ring bund and de-watering charges in violation of contractual provisions

The work of construction of 3 barrages across Bhima river, was entrusted by Executive Engineer, Minor Irrigation Division, Bijapur (EE) to 3 different contractors during February – August 2000, on tender basis.

Scrutiny of the tender papers revealed that the rates quoted by the contractors were inclusive of de-watering, construction of ring bund / coffer dam and river diversion works.

Disregarding the provisions of the agreement, Chief Engineer, Minor Irrigation (North), Bijapur approved payment aggregating to Rs.92.85 lakh towards construction of ring bund and de-watering charges resulting in undue benefit to the contractors as detailed below:

(Amount in Rupees)

Name of the work	Name of the contractor	Amount for ring bund / coffer dam	Amount for de-watering charges	Total
Barrage across Bhima river near Hingani-Algee	G. Pratap Reddy	484717	4250736	4735453
Barrage across Bhima river near Govindapur	K. Sitaramaiah	596232	2682428	3278660
Barrage across Bhima river near Channegaon-Barur (Balance work)	M/s Harvins Constructions Private Limited	-	1270449	1270449
GRAND TOTAL		1080949	8203613	9284562

It was noticed that department had earlier rejected the claim for payment of de-watering charges to an agency who was awarded the construction of barrage near Channegaon-Barur, on the ground that the same was not contemplated in the agreement, and later rescinded (December 2000) the contract, as contractor abandoned the work. However, de-watering charges were paid subsequently to the agency, which was entrusted the balance work, although this agreement also did not provide for de-watering charges.

On this being pointed out, EE replied (December 2001) that de-watering charges were paid to the contractors in view of unnatural conditions, as water was let out into the river from Ujjain Dam for drinking purposes. The reply is not tenable for the following reasons:

(i) As per the agreement, rates for items of work were inclusive of de-watering and river diversion works.

(ii) De-watering charges were paid in respect of one package (Rs.12.70 lakh) to an agency who was awarded the balance work but denied to the agency who was originally entrusted with the work, although both agreements did not provide for payment of such charges.

(iii) Further scrutiny in audit revealed that as per the 'Statement of Daily observed discharge of water' maintained by Central Water Commission, there was no water flow in the Bhima River for the period from 1 January 2001 to 30 August 2001, during which period de-watering charges were paid, except for 3 days. Since, there was almost no flow of water in the river during the period for which de-watering charges were paid, payment of Rs.31.22 lakh (in respect of work at Sl. No. 1 and 3) so paid was doubtful expenditure.

The matter was referred to Government in July 2002 and reply has not been received (November 2002).

PUBLIC WORKS DEPARTMENT

NATIONAL HIGHWAYS

4.5 Shifting of electrical utilities

Excess reimbursement, locking up of funds, avoidable and unfruitful expenditure aggregating to Rs.1.85 crore relating to the work of shifting of electrical utilities and providing underground cable

In connection with the work of four laning of Bangalore-Hosur stretch of NH 7 (km 8 to km 33), it was the responsibility of the State Public Works Department to hand over the land free of obstruction, *viz.,* electrical/telephone poles, water pipes etc., to the contractor entrusted with the work.

The work of shifting of electrical utilities was initially proposed to be executed through Karnataka Electricity Board (KEB) on deposit contribution basis. For this purpose, department deposited Rs.51.48 lakh with KEB between June 1991 to July 1992. Anticipating procedural delays, KEB suggested (July 1992) shifting of poles by the department itself.

The work, estimated to cost Rs.54.07 lakh, was split into 8 packages and Executive Engineer (EE) invited tenders for shifting of electrical utilities in July 1992. No response was received in the first call. In the second call, two firms submitted their tenders only for 2 packages, which was rejected, as the rate quoted was more than 150 per cent of the estimated cost. Tenders were invited for the third time (October 1992) and two firms submitted their tenders for 8 packages. The lowest offer received was for Rs.1.03 crore. Later, the firm, in its letter dated 16-10-1992 stated that their rates were exclusive of taxes and extra 15 per cent should be paid for each item mentioned in the tender.

Although the acceptance of the tender was not within the competence of Chief Engineer (CE), pending approval from the Government, CE directed (December 1992) EE to enter into an agreement with the firm incorporating the condition put forth by the firm.

Scrutiny of the records relating to the work revealed (a) excess reimbursement of Rs.27.51 lakh towards taxes, (b) avoidable payment of compensation of Rs.33.31 lakh including interest, (c) unfruitful expenditure of Rs.73.23 lakh on supply of materials and (d) locking up of funds of Rs.51.48 lakh.

(a) Pending approval of the Government, department accepted addition of 15 per cent to each item of work (both equipment and labour) towards taxes. After a delay of 16 months, Government ordered (May 1995) reimbursement of the sales tax (ST) paid by the firm after obtaining proof of payment. However, the Division reimbursed Rs.37.43 lakh towards ST without obtaining any proof of payment of ST and deducted at source a sum of Rs.9.92 lakh towards Taxes on works. Thus entering into an agreement before acceptance of tender by Government and without obtaining the proof of payment towards taxes resulted in excess reimbursement of Rs.27.51 lakh to the firm, as the contractor had not accounted this transaction in his annual returns of the sales tax filed with Sales Tax authorities.

(b) In the related work, M/s Vinayaka Electrical Enterprises, who was executing the work of shifting electrical utilities, was also given the additional work of 'Providing HT underground cable crossing' by entering (May 1994) into supplementary agreements aggregating to Rs.76.40 lakh. The work was to be completed within three months from the date of handing over the site. Department paid secured advance of Rs.73.23 lakh towards supply of materials. The work could not be completed within the stipulated period due to non-completion of ducts by another agency. The ducts were finally completed in October 1997, at a cost of Rs.11.17 lakh.

Meanwhile, the Department took the view that laying the underground cable crossing was not necessary and stopped the work, which not only rendered the entire expenditure of Rs.73.23 lakh unnecessary but also blocked these funds for over 8 years.

Out of the materials supplied, material worth Rs.15 lakh was stolen and the matter was under investigation by Lokayuktha. The balance material was lying unutilised in sub-division.

(c) The contract of shifting of electrical utilities involved the supply of material[1] (83 per cent) and labour[2] (17 per cent). While the contractor supplied materials worth Rs.1.45 crore he could not execute the shifting work, as the department failed to hand over the site in time and also due to delay in KEB giving line clearance[3]. Finally the work was completed during March 1997, at a total cost of Rs.1.76 crore, including the cost of extra items.

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[1] Poles, danger boards, iron angles, wire

[2] Digging the pit to erect the poles, earthwork excavation, laying cable etc.

[3] Switching off the line to enable the contractor to tackle the work

The contractor claimed compensation for idle labour and vehicles for the period from April 1993 to March 1997. The same was referred to the Claims Committee, headed by Principal Secretary to Government, Finance Department. The Claims Committee ordered (March 1997) payment of compensation of Rs.23.73 lakh along with interest at 15 per cent from March 1993. Thus, the work which was entrusted to the agency prior to Government approval on grounds of urgency was finally completed in March 1997, i.e. 39 months after awarding the work, as against the stipulated period of 3 months. The department also had to pay labour charges for idle period amounting to Rs.33.31 lakh to the contractor, as they could not hand over land in time or get KEB clearances. As such, entrustment of the work prior to Government approval on grounds of urgency was not justified.

(d) The division deposited Rs.51.48 lakh between June 1991 and July 1992 with KEB to execute the work. Based on the suggestion of KEB, the work was executed through a firm on tender basis. However, the division had not obtained refund of deposit from the KEB in the last 11 years.

WATER RESOURCES DEPARTENT

HEMAVATHY PROJECT

4.6 Avoidable extra cost due to delay and faulty method

Delay in decision to adopt cover blasting to avoid damage to private property resulted in extra cost of Rs.42.43 lakh

The earthwork excavation in 48^{th} km of T Mariyappa Canal (Nagamangala Branch Canal) was entrusted (June 1989) to contractor 'A'[1] at his tendered cost of Rs.26.17 lakh, and the work was to be completed by December 1990. Although the alignment of the canal passed in the vicinity of villages, the estimate did not provide for cover blasting, and the villagers stopped the contractor from executing the work with open blasting. Although the contractor brought the problem to the notice of the Department (May, December 1990) the Department took no action to solve the problem. Finally the contractor stopped work (April 1991) after giving financial progress of Rs.38.79 lakh. He also requested (October 1993) the Department to close the contract without risk and cost. The Chief Engineer agreed and decided (April 2000) to take up the balance work by inviting fresh tenders. The fresh tender now called for included a rate for excavation in hard rock with cover blasting and the balance works estimated to cost Rs.61.42 lakh was entrusted (May 2000) to contractor 'B'[2] at his tendered cost of Rs.68.07 lakh. The work has been completed (August 2002) at a total expenditure of Rs.104.49 lakh (including the amount paid to the first agency).

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[1] Shri KV Subba Reddy

[2] Shri H.M. Narayanamurthy

Scrutiny in audit revealed that the Department could have ordered the contractor to take up cover blasting at that stage itself and worked out a separate data rate, or used an approved (May 1993) data rate[3], available in the same circle, at Rs.175 per cum for the excavation in hard rock with cover blasting. Had this been done, the work could have been completed at a cost of Rs.21.76 lakh. Due to the delay of more than 9 years in taking a decision, cost of the balance work shot up to Rs.64.19 lakh, including Rs.3.48 lakh towards cost of removal of silt, which had accumulated in the excavated portion of the canal.

Thus, the failure of the Department in not providing for cover blasting in the estimate and not enforcing provisions of the contract to instruct the contractor to tackle the work and regulating the payment at a derived data rate, resulted in delay in taking up of balance work besides leading to an additional cost of Rs.42.43 lakh as detailed below:

(Amount in Rupees)

Sl No.	Item of work	Balance quantity executed (cum)	Contractor 'A'		Contractor 'B'		Extra cost
			Rate	Cost	Rate	Cost	
1	Excavation in soil	760	9.50	7220	90.00	68400	61180
2	Excavation in SR	1030	22.00	22660	117.00	120510	97850
3	Excavation in MR/SR with blasting	2102	40.00	84080	181.00	380462	296382
4	Excavation in HR with cover blasting	11781	175.00	2061675	467.00	5501727	3440052
5	Removal of wet silt	4516	-	-	77.00	347732	347732
	TOTAL			2175635		6418831	4243196

The Government replied (October 2002) that the works beyond 43 km was not taken up during 1992-93, as the tunnel work in km 42 and 43 was in progress. The reply is not tenable as canal work in other reaches beyond the tunnel work were executed departmentally between 1993-95.

[3] Data rate is prepared separately for item of work not available in the Schedule of Rates

KRISHNARAJASAGAR PROJECT

4.7 Irregular finalisation of rates and excess payments due to mismanagement of contract

Escalation of cost by Rs.7.10 crore due to faulty estimate, excess payment of Rs.3.44 crore to a contractor in violation of Government order and wasteful expenditure of Rs.81.20 lakh for providing permanent support, not approved by the Consultant, in construction of a tunnel in Link Canal of Krishnarajasagar Project

The estimate for the construction of a tunnel in Link Canal of Krishnarajasagar Project from Ch 16700 m to 18100 m including exit canal was technically approved (July 1993) by the Chief Engineer, Irrigation (South), Mysore. The Department entrusted (October 1993) the works for Rs.6.36 crore to Karnataka State Construction Corporation Limited (KSCC), a State Government concern, at 15 per cent above the Schedule of Rates (SR) prevalent during the period of execution. The KSCC, in-turn, entrusted (July 1994) the work to a sub-contractor at 5 per cent above the SR of 1994-95. The works were withdrawn (December 1994) from KSCC, as sub-letting the works was in violation of codal provisions. By that time the sub-contractor had executed works amounting to Rs.78 lakh.

As the sub-contractor[1] volunteered to execute the balance work at SR of 1994-95 plus 5 per cent, Government, in their order (24 May 1995) entrusted the balance work costing Rs.9.55 crore to sub-contractor (at SR of 1994-95 plus 4.99 per cent) with the condition that the work should be carried on till completion at the said rate without price escalation and arbitration. As per the latest Running Account and part bill (May 1999), the agency had executed work valued at Rs.16.64 crore. The final bill has not been prepared so far (September 2002).

The steep increase in cost of balance work from Rs.9.55 crore to Rs.16.64 crore and increase in quantities was on account of inadequate investigation, provisions made in the sanctioned estimate being based on assumptions, execution of items not provided for in the estimate, payments regulated at higher rates for quantities executed beyond 125 per cent of the tendered quantities, instead of rates approved as per the Government order etc., as discussed in the succeeding paragraphs.

(i) Trial bores were taken at interval of 50 mtrs as against prescribed interval of 30 mtrs or less to ascertain the strata. Due to inadequate investigation and defective preparation of estimate, quantities under different methods of tunnel excavation increased. Provision for supporting section for 325 mtrs and non-supporting section for 975 mtrs were made in the estimate. However, the length of section requiring supports increased to 1154.50 mtrs (increase of 255 per cent) and length of non-supporting section decreased to

[1] Tom Tom Peddaguruva Reddy Ltd..

134.50 mtrs (decrease of 86 per cent). There was also increase in the quantities of lining, providing and fixing rock bolts, grouting etc., which led to cost escalation of Rs.7.10 crore as detailed in Appendix 4.9.

(ii) Based on instructions of the Chief Engineer, the Executive Engineer, in violation of the Government Order, entered into an item rate agreement, which, for some items, was found to be in excess of the rates prescribed by Government, resulting in extra payment of Rs.88.95 lakh.

(iii) In respect of 6 items of work, quantities increased over 125 per cent of tendered quantity and payments were made at higher rates in violation of rates agreed to in the Government order resulting in excess payment of Rs.1.22 crore as detailed below:

SL No.	Item No. and details of work in Schedule 'B'	Quantity executed above tendered quantity +25 %	Rate paid (Rs)	Rate payable (Rs)	Difference in rate paid (Rs)	Excess payment (Rs)
1	02. Excavation for tunnel	19207 cum	1675.00	1495.00	180.00	3457260
2	05. Removing and hauling the over fallen muck	6852 cum	374.81	230.00	144.81	992238
3	06. Providing and fixing temporary supports	632 mtrs	5581.26	4630.06	951.20	601158
4	07. Providing and fixing permanent supports	319.50 mtrs	43229.63	30376.00	12853.63	4106735
5	09. Lining the tunnel sides and arch with Cement Concrete	2960 cum	3621.10	2800.00	821.10	2430456
6	16. Providing and fixing rock bolts	6241.20 RMT	892.41	792.00	100.41	626679
					Total	12214526

(iv) The Consultant appointed to identify the reaches requiring permanent supports visited the work spot on 18.12.1995 and sought certain information for giving his opinion in the matter. Meanwhile, department, on the basis of the opinion (April 1996) of Senior Geologist, Mines and Geology Department, erected 203 permanent supports at an expenditure of Rs.87.29 lakh. Consultant opined (June 1996) that the reach between Ch 16800 and 17270 m did not require permanent supports. Expenditure of Rs.81.20 lakh incurred on erecting these permanent supports, without waiting for the opinion of the Consultant, was rendered wasteful.

(v) As per the general conditions of the contract, the rate was inclusive of all operations involved in excavation and disposal of excavated muck. On the oral instruction (March 1997) of Minister for Major Irrigation, the Department initially allowed 2 'turn pockets'[1] for speedy execution of works. Subsequently, the Department allowed, and paid for 3 more such 'turn pockets'. As the turn pockets were to be constructed by the contractor at his own cost, the expenditure of Rs.41.45 lakh on 5 'turn pockets' incurred by the Department resulted in unintended financial aid to the contractor.

[1] Space created for easy movement/turning of vehicle in the tunnel, which carries the excavated muck

Government was requested (July 1999) by audit to arrange for a detailed investigation of this case. Government constituted (April 2001) a Committee to investigate matters and the Committee submitted its Report in July 2001 substantiating the above irregularities and recommending recoveries from the contractor in respect of serial numbers (ii) and (v) above. So far Rs.1.05 crore has been recovered by encashing bank guarantee.

In addition to the above, Committee also recommended for recovery of Rs.14.50 lakh paid in excess for the execution of item 'Lining of tunnel (sides) with M-15 grade concrete with 40 mm down size metal' as the rate paid was a higher one meant for 'M-15 grade with 20 mm down size metal'. The recovery was recommended in respect of the quantities executed beyond 125 per cent of the tendered quantity. It was observed in audit that the department had adopted the higher rates in the original estimate itself. This discrepancy resulted in extra payment of Rs.91.94 lakh on the item 'Lining of tunnel' (both sides and beds).

In all, there was a total extra payment of Rs.3.44 crore to the contractor of which Rs.1.05 crore had been recovered (January 2002).

The matter was brought to the notice of Government in March 1999 and May 2002 and reply is awaited (November 2002).

4.8 Loss to Government due to injudicious decision

Government suffered a loss of Rs.2.10 crore in collection of camera fees, entrance fees to Brindavan Gardens

The right to collect entrance fees and camera fees from tourists visiting Brindavan Gardens at Krishnarajasagar was awarded (July 1999) to a firm[2] for Rs.1.55 crore on tender basis, for a period of one year from 1 September 1999 to 1 September 2000. In March 2000, the existing firm offered to pay an annual fee of Rs.2.51 crore if Government enhanced the entrance fees and camera fees. No decision was taken on this offer and two days (30 August 2000) before expiry of the agreement period, Government directed the Chief Engineer to finalise a new agency by 15 September 2000 after inviting short-term tenders, and to continue the existing firm at the same rates till finalisation of tenders. Accordingly, Executive Engineer (EE) invited tenders (September 2000) with the minimum upset value fixed at Rs.1.55 crore, for which 3 bids were received. Before these tenders could be finalised, Government increased the entry fees and camera fees with effect from 13 October 2000 and ordered for inviting fresh tenders, after revising minimum upset value at Rs.2.51 crore as proposed by the existing firm. Further, Government in their order directed that the existing firm would continue to collect the fees till the new tenders were finalised, and ordered them to remit 75 per cent of the amount of collection at enhanced rates to Government.

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[2] M/s Karnataka Commercial & Industrial Corporation, Bangalore

Accordingly, a supplementary agreement was executed with the existing firm by EE on 27 October 2000. In response to fresh tenders (January 2001) 11 bids were received. The highest bid received was for Rs.3.23 crore and the lowest bid was for Rs.2.57 crore, from the existing firm.

Meanwhile, a meeting was held on 4 June 2001 in the presence of Minister for Water Resources Department, wherein it was decided to entrust the right of collection of entrance fees and camera fees at Brindavan Gardens to Karnataka State Tourism Development Corporation Limited (KSTDC), a Government of Karnataka enterprise. Consequently, Government issued an order (February 2002), after a delay of seven months, entrusting this work to KSTDC for two years at Rs.3.20 crore per annum. However, KSTDC was yet to take over (September 2002) the work and the original firm had been continuing to collect and remit the fees at the rate of 75 per cent fixed by Government in October 2000.

In this regard the following audit points are made:

(i) The Government decided to fix the revised upset price at Rs.2.51 crore based on an offer made by the firm, without carrying out any analysis as to what the minimum upset price should have been on the basis of revised rates, number of tourists, sale of tickets under different categories etc.

(ii) The decision to ask the firm to remit 75 per cent of the total collection, after increasing the entry fees and camera fees, without fixing any minimum amount payable, even though the firm itself had volunteered to pay a minimum of Rs.2.51 crore, resulted in a loss of Rs.1.38 crore for 17 months (November 2000 to March 2002).

(iii) With reference to the minimum upset value (Rs.2.51 crore) and the highest bid (Rs.3.23 crore) received, Government would have realised Rs.4.27 crore against which Government realised Rs.2.17 crore as detailed below.

Period	Number of days/ months	Amount realisable (Rs)	Amount remitted by agency to Government (Rs)	Shortfall (Rs)	Remarks
30.10.2000 to 07.04.2001	5 months 9 days	11059585	7347792	3711793	Calculated on the basis of upset price Rs.25060000 (fixed by Government on 13.10.2000)
08.04.2001 to 31.03.2002	11 months 23 days	31622787	14375291	17247496	Calculated based on the highest bid received Rs.32278678
	TOTAL	42682372	21723083	20959289	

The amount realised was even less than the annual fee (Rs.2.51 crore) offered by the existing contractor.

The matter was referred to Government in July 2002 and the reply is awaited (November 2002).

4.9 Wasteful expenditure on deviation canal

Department took up construction of deviation canal despite a technical opinion that it was not necessary. The work was ultimately abandoned resulting in wasteful expenditure of Rs.28.74 lakh

The Modernisation of Krishnarajasagar Project envisaged the construction of a Combined Regulator in 37th km of Visweswaraiah Canal (VC) to regulate water supply into a link canal.

Since the VC is a perennial canal, taking up construction of the Combined Regulator would have affected irrigation activities due to stoppage of water in the canal. The Department therefore proposed in 1991, construction of a deviation canal of 300 mtrs length, at a cost of Rs.30.27 lakh, to divert the supply of water from the VC during the construction of Combined Regulator.

The Chief Engineer (Irrigation-South), Mysore (CE) while sanctioning (December 1991) the scheme, recorded in his 'Technical Note' that a proposal for 'long closure period' of the Visweswaraiah Canal System was under preparation and that the possibility of taking up the construction of the Combined Regulator during this 'long closure period' should be examined in order to avoid extra expenditure on the construction of a deviation canal.

Despite these directions, CE approved (March 1992) departmental construction of deviation canal. Earthwork excavation of 240 mtrs out of 300 mtrs length was completed by June 1994. While the excavation of the middle portion of the canal was completed, the deviation canal could not be connected to the main canal, by executing the remaining 30 mtrs each at either side, as the VC was not closed for the minimum period of 25 days required to give the end connections. The work remained incomplete till December 1996.

When the department proposed for taking up the balance work in December 1996, CE opined that the canal was to have a longer closure and the construction of Combined Regulator could be completed within these 5 months. He ordered for abandonment of the incomplete deviation canal. By then the department had incurred Rs.28.74 lakh on the deviation canal.

On this being pointed out (January 1998), Government replied (February 2000) that closure of the VC system for six months was not anticipated and hence a deviation canal was proposed to enable construction of combined regulator without affecting irrigation. The reply is not tenable as department was aware, as early as in December 1991, that a long closure period was required to give end connections, etc. Further, it was not technically feasible to complete the deviation canal by giving end connections without closing the Main VC for at least 25 days, which was possible only if 'long closure' was declared. However, once the 'long closure' was declared, the deviation canal itself was not required as the works pertaining to the combined regulator could be completed in that period. CE's decision to permit construction of the deviation canal departmentally was therefore inconsistent and injudicious, and rendered expenditure of Rs.28.74 lakh incurred on the deviation canal wasteful.

TUNGABHADRA PROJECT

4.10 Irregularities in direct entrustment of work

Government directly entrusted a major work without technical sanction and injudicious decision in re-entrusting balance work again resulted in extra cost of Rs.2.50 crore besides excess payment of Rs.50.54 lakh

Construction of Balancing Reservoir at Mile 109 of Tungabhadra Left Bank Canal estimated to cost Rs.7.45 crore was administratively approved by Government in July 1992. Technical Committee on Krishna Godavari Project (TCKGP) cleared the project on 22 July 1992 with the instruction that the design should be according to Indian Standard specifications. However, Government, on the request of the Karnataka State Construction Corporation Limited (KSCC), directly entrusted the work to KSCC, in August 1992, without carrying out the instructions of the TCKGP and without technical sanction by the competent authority. As KSCC sub-let the work to sub-contractors, Government withdrew (December 1994) the work from KSCC, by which time it had given financial progress of Rs.10.23 crore. In the meantime the design was modified as per the instructions of the TCKGP and revised cost was assessed as per SR 1993-94 at Rs. 21.42 crore (including Rs.2.50 crore towards cost of land acquisition).

In order to complete certain vital portions of the work, and considering the good progress made by the sub-contractors, the CE recommended (February 1995) that the sub-contractors be entrusted with the work of completing essential components, estimated to cost Rs.4 crore. The sub-contractors had earlier executed the works for KSCC at 0.12 per cent below SR of 1994-95 and this work was now entrusted to them by Government at 1 per cent below SR of 1994-95, based on a Government Order of May 1995. The sub-contractors completed the work in July 1997 at a cost of Rs.4.09 crore.

However, no action was taken by the CE to tender out the balance work estimated at Rs.5.76 crore (as per SR of 1995-96) till April 1996. A proposal was placed before the Technical Advisory Committee (TAC) of Government in May 1996, seeking to entrust the balance work to the same sub-contractors at 3 per cent below SR of 1995-96. TAC while rejecting the proposal opined that work of this magnitude should be decided upon either by calling for tenders or by entrusting the work to KSCC.

In December 1996, Government took a decision to re-entrust the balance work to KSCC at 5 per cent above the SR rates of the year of execution. KSCC completed the balance work in July 1999 at a total cost of Rs.8.09 crore. The total expenditure incurred on the work, as of September 2001, was Rs.37.67 crore.

Scrutiny in audit revealed the following:

(i) As per codal provision, no work should be entrusted/commenced without Technical Sanction by the competent authority. It was noticed in audit that Chief Engineer had not technically sanctioned the work when Government directly entrusted the work to KSCC in August 1992. Entrustment of work by Government before technical sanction was highly irregular. After entrusting the work to KSCC, department changed the design considerably leading to change in scope of work and the cost of the project went up by 288 per cent.

(ii) Government's decision to re-entrust the work to KSCC was made 7 months after the recommendation of the TAC and 18 months after entrusting the sub-contractors with certain urgent items, during which time tenders could have been called for and the competitive rates availed of. Given that the work had earlier been withdrawn from KSCC, and that the sub-contractors were offering to carry out the works at rates below SR, the decision to re-entrust the work to KSCC at 5 per cent above SR was injudicious, resulting in extra cost of Rs.2.50 crore.

(iii) Government re-entrusted (December 1996) the balance work to KSCC at 5 per cent above SR of the year of execution. However, the division paid KSCC at 12 per cent above SR for the work executed from 1.4.1997 and onwards, in terms of Government Order dated 31.10.1997 (effective from 1.4.1997). The revised rates cannot be made applicable to the present case, as Government Order of December 1996, specifically provided that KSCC should be paid only at 5 per cent above SR of year of execution. Thus, payment at 12 per cent over SR as against the admissible 5 per cent premium resulted in excess payment of Rs.50.54 lakh to KSCC.

The matter was referred to Government in April 2002 and reply is awaited (November 2002).

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CHAPTER V

STORES AND STOCK

HOME DEPARTMENT

5.1 Stores and Stock accounts of Police Department

5.1.1 Introduction

The stores in Police Department consist mainly of uniform cloth, kit articles, equipment, arms and ammunitions. While Additional Director General of Police (Transport, Telecommunications and Modernisation) is responsible for procurement of stores relating to Modernisation of Police Forces Scheme, Deputy Inspector General of Police (Headquarters), Commissioners of Police and District Superintendents of Police purchase stores like stationery, spare parts of vehicles, tyres and tubes etc. according to the financial powers delegated to them.

Records of Director General and Inspector General of Police (DG&IGP), Additional Director General of Police (Technical Services), Superintendent of Police (Wireless), Commissioners of Police, Deputy Commissioners of Police (DCP), City Armed Reserve, Bangalore, Commandants, KSRP Battalions No.3 and 4, Bangalore and six[ϕ] Superintendents of Police were test-checked in audit during January to April 2002. The results of test-check are discussed below:

5.1.2 Finance and Expenditure

Year-wise details of budget and expenditure on purchase of stores including those relating to Modernisation of Police Forces Scheme were as under:

(Rupees in crore)

Year	Budget allotment	Expenditure as per accounts	Savings(-)/ Excess(+) expenditure	Percentage of Savings(-)/ Excess(+)
1997-98	13.65	11.95	(-)1.70	12
1998-99	14.33	16.48	(+)2.15	15
1999-00	15.49	5.52	(-)9.97	64
2000-01	32.81	24.74	(-)8.07	25
2001-02	44.28	37.19	(-)7.09	16

DG&IGP did not furnish either the details of expenditure booked by the department during this period nor the reasons for savings and excess.

5.1.3 Avoidable extra expenditure of Rs.2.12 crore on procurement of Polycarbonate shields

Against an indent placed by the various field units for 10160 number of polycarbonate shields for use by police personnel during elections and riots,

[ϕ] Belgaum, Bijapur, Chitradurga, Mangalore, Raichur and Udupi the DG&IGP procured 29690 shields (6000 in January 1998, 8160 in April 1998 & 15530 in August 1999) with the approval of the Direct Purchase Committee (DPC). Scrutiny of purchase files revealed as follows:

DG&IGP purchased more than the required quantity of shields at higher rates

Against the Notice Inviting Tenders (NIT) issued in July 1997 for supply of shields, the DG&IGP received seven samples which were referred (November 1997) after a delay of 4 months to Central Power Research Institute (CPRI), Bangalore for conducting various tests. However, without waiting for test results from CPRI, DG&IGP obtained (December 1997) local quotations from selected firms as against requirement of inviting open tenders and thus violated tender procedure. Even while selecting firms DG&IGP eliminated firm A (M/s. Shaw Polymers) despite knowing that it had quoted lowest rate of Rs.1010 per shield in response to NIT issued in July 1997. DG&IGP also did not approach Defence Material Stores Research and Development Establishment who were approved (August 1997) by Government of India, as suppliers of shields at the rate of Rs.950 each.

Procurement of 29690 shields valuing Rs.4.06 crore at the rate of Rs.1365 paid per shield on the basis of local quotations was highly irregular and violated norms of procurement of obtaining offers through open tenders and in sealed covers.

29690 shields were procured against the indents for 10160 shields and Government sanction of 14160 shields which resulted in excess procurement of shields costing Rs.2.12 crore. Shields were distributed during February 1998 to 9th September 1999 (14548) and 23rd September 1999 to April 2000 (15142).

DG&IGP stated (August 2002) that DPC which examined sample shields did not accept offer of firm A on grounds of inferior quality and orders were placed on firm B which had offered shields of superior quality. He also stated that additional quantity of shields (15530) were purchased in view of election to Loksabha and Vidhana Sabha. However, as seen from the meeting proceedings (October 1997) DPC had not made any comments on the quality of sample shields but recommended testing by CPRI. CPRI stated (20th January 1998) that tests could be conducted subject to providing certain facilities and invited Departmental officers for discussion. Department did not follow the suggestion. The method followed by DPC for testing the sample was dropping a stone on sample shield which was crude, unscientific and contrary to various test parameters mentioned (November 1997) in the letter to CPRI for testing. Also, additional quantity of shields were distributed after completion of elections (5th September and 11th September 1999). The replies were, therefore, not tenable.

5.1.4 Avoidable extra expenditure on purchase of stores

As per the procedure, for all the requirements of arms and ammunitions, the DG&IGP was to place indents with the Ministry of Home Affairs, Government of India for supplies through the Director General of Ordnance Factories (DGOF). The supply was to be made against advance payment to DGOF by drawing funds on Abstract Contingent (AC) bills after obtaining the

Government sanction. The price payable was the price prevailing on the date of despatch of goods.

Inspite of budget provision, State Government delayed release of funds for purchase of stores and spent Rs.69.75 lakh

In respect of 10 proforma invoices received during 1995-96 to 1999-2000 against indents placed, while DG&IGP delayed submission of proposals to State Government for periods ranging from 1 to 2 months, State Government accorded sanction after a delay of 3 to 48 months, DG&IGP further delayed payments by 2 to13 months (Appendix 5.1) and the suppliers charged higher rates prevailing at the time of despatch of supplies.

DG&IGP stated (April 2002) that the delay in making advance payments to the suppliers was due to delay in receipt of Government sanctions. It was, however, noticed that in seven cases, DG&IGP had also delayed advance payment to the suppliers by 2 to 13 months even after Government accorded sanction. As a result of these delays, Department incurred an extra expenditure of Rs.69.75 lakh.

5.1.5 Ammunition procured ahead of purchase of arms had no utility due to expiry of shelf life

Non-synchronisation of purchase of ammunition with that of the weapons resulted in the shelf life of the ammunition expiring even before the weapons became fully operational

DG&IGP procured (August 1999), 14630 Tear Smoke Ammunition Shells (Electrical)(TSMS) at a cost of Rs.69.07 lakh from Central Work Shop and Stores (CWS) Border Security Force, Tekampur which were manufactured between October 1998 and February 1999 and had a shelf life of 3 years. As TSMS cannot be fired without Multi Barrel Launcher (MBL) fitted with firing switch board, DG&IGP purchased thirty MBLs without firing switch board during May 2000 and another 25 MBLs and 55 firing switch boards during June 2001 at a total cost of Rs.28.16 lakh. These MBLs along with TSMS were distributed during July to November 2001 when shelf life of 2510 TSMS had expired and 12120 TSMS were left with shelf life of 1 to 3 months only (November 2001). Not even a single TSMS was used within the shelf life/expiry period. Thus, purchase of TSMS much before purchase of MBLs was injudicious and rendered the expenditure of Rs.69.07 lakh wasteful.

5.1.6 Weapons not used for want of ammunition

Ammunition for weapons not procured for three years

State Government approved (September 1999) purchase of 440 Anti Riot Guns (ARG) and 1000 Grenade Fire (GF) rifles from CWS at a cost of Rs.13.75 lakh. CWS supplied (July 2000) these ARG and GF rifles to DCP, Bangalore who distributed (January 2001) them to various unit offices. However, these had no utility without corresponding ammunitions (plastic pellets, grenades and ballistic ammunitions). DG&IGP stated (February 2002) that while sanction of State Government for procuring ballistic ammunitions was pending since January 2001, Ministry of Home Affairs, Government of India had not allotted plastic pellets and grenades in spite of placing the indent in February 2001. DG&IGP had not furnished any reasons for delay in seeking sanction from State Government/placing of indents. Thus, procurement of ARG and GF rifles without necessary ammunition was unjustified.

5.1.7 Inaction on misappropriation of stores

Responsibility for misappropriation of stores not fixed for over four years

Following discrepancies noticed in issue of kit articles, DCP, Bangalore seized (August 1997) the stock registers and kept (October 1997) the concerned First Division Assistant (FDA) under suspension and constituted a Committee to investigate the discrepancies. The Committee reported (November 1997) that the FDA had misappropriated kit articles costing Rs.6.13 lakh by excess charging of kit articles in the issue register, issuing kit articles without indents and not accounting for the kit articles received. DCP, however, reinstated (August 1998) the FDA pending enquiry. DCP stated (February 2002) that no enquiry had been conducted against the official as DG&IGP did not act upon his request made from time to time since November 1997 for deputing an audit party for conducting a detailed audit. The reply was not tenable as no action had been initiated against the FDA despite findings of the Committee and even four years after the misappropriation came to light. Audit scrutiny further revealed that a new stock register was opened by adopting the actual ground balance as of August 1997. There was a difference of Rs.1.93 lakh between the book balance and the ground balance at the time of opening the new register and DCP failed to investigate the difference, which evidently was in addition to Rs.6.13 lakh shortages pointed out by the Committee.

Thus, inaction on the part of DCP and DG&IGP in fixing responsibility even four years after the shortages were noticed was fraught with the risk of non-recovery of the cost of the shortages with efflux of time.

5.1.8 Non-recovery of sales tax at source

Non-recovery of sales tax at source

According to Section 19AA of Karnataka Sales Tax Act 1957 (Act), Sales Tax at 4 per cent of the value of supply was to be deducted at source by Government departments and was to be remitted directly to Sales Tax authorities. DG&IGP purchased supplies aggregating Rs.17.18 crore and paid Sales Tax of Rs.63.88 lakh to the firms during 1998-01. The payment of sales tax directly to the firms was irregular. DG&IGP stated (April 2002) that the correct procedure was being followed from August 2001. Failure to comply with the provisions of the Act, during 1998-01 facilitated undue favour to the suppliers and denied the Government the revenue of Rs.63.88 lakh.

5.1.9 The matter was referred to Government in May 2002; reply had not been received (November 2002).

MINOR IRRIGATION DEPARTMENT

5.2 Avoidable excess expenditure on purchases

Loss of Rs.65.43 lakh due to purchase of MS gates, Sponge Rubber and Transformer Oil by Divisional Officer at exorbitant rates

The Stores Manual of Public Works Department prohibits direct purchase of materials without reference to the Stores Purchase Department (SPD). Scrutiny of records of Executive Engineer, Minor Irrigation Division, Gulbarga (EE) revealed irregularities in purchase of Mild Steel (MS) gates.

(i) Purchases were irregularly made by obtaining quotations from the local suppliers without calling for tenders or procuring through SPD, as contemplated in the Stores Manual.

(ii) The rates for MS gates were fixed on quantity basis (rate per gate) instead of on weight basis as adopted by SPD in respect of MS fabricated items. This resulted in extra expenditure of Rs.60.42 lakh as detailed below:

(Amount in Rupees)

Sl.No	Dimension of MS gates	Weight of gates (kg)	No. of gates purchased		Cost paid by Department	Cost of gates as per rate contract of SPD per kg	Difference in cost per gate (6 – 7)	Total Difference (8 x 5)
			Year	No.				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	350 x 350 mm	25	1997-98	126	Rs.2450 at Rs.98 per kg	Rs.910[1] at Rs.36.40 per kg	1540	194040
			1998-99	12			1540	18480
			1999-2000	41	Rs.2450 at Rs.98 per kg	Rs.950[2] at Rs.38 per kg	1500	61500
			2000-01	75	Rs.2450 at Rs.98 per kg	Rs.962[3] at Rs.38.48 per kg	1488	111600
2	450 x 600 mm	48	1997-98	90	Rs.15600 at Rs.325 per kg	Rs.1747.20[4] at Rs.36.40 per kg	13853	1246770
			1998-99	30			13853	415590
			1998-99	30	Rs.16900 at Rs.352 per kg		15153	454590
			1999-2000	241	Rs.15600 at Rs.325 per kg	Rs.1824[5] at Rs.38 per kg	13776	3320016
				10	Rs.16900 at Rs.352 per kg		15076	150760
			2000-01	5	Rs.15600 at Rs.325 per kg	Rs.1847[6] at Rs.38.48 per kg	13753	68765
							TOTAL	6042111

Similarly, comparison of purchase rates for Sponge Rubber and Transformer Oil with rates finalised for similar materials by another Minor Irrigation (MI) circle/Schedule of Rates of Karnataka Power Transmission Corporation Limited revealed that purchases of these items were also made at higher rates, which resulted in extra burden of Rs.5.01 lakh to the exchequer, as detailed below:

(Amount in Rupees)

Name of the materials	Quantity purchased	Purchase rate per unit	Rate finalised by another circle/KPTCL for similar materials	Price difference per unit	Excess payment	Document with which the purchase rates were compared
Sponge Rubber	800 Rmtr	535	60	475	380000	Rates approved by Superintending Engineer, MI Circle, Belgaum in 1998-99
Transformer Oil	1265 litres (1997-98)	90	25.70 (1997-98)	64.30	120640	SR of KPTCL
	600 litres (1998-99)		24.50 (1998-99)	65.50		
				TOTAL	500640	

1 Rate at Rs.35.00 per kg for 25 kgs + 4 per cent Sales tax
2 Rate at Rs.36.53 per kg for 25 kgs + 4 per cent Sales tax
3 Rate at Rs.37.00 per kg for 25 kgs + 4 per cent Sales tax
4 Rate at Rs.35.00 per kg for 48 kgs + 4 per cent Sales tax
5 Rate at Rs.36.53 per kg for 48 kgs + 4 per cent Sales tax
6 Rate at Rs.37.00 per kg for 48 kgs + 4 per cent Sales tax

Thus, flouting of the codal provisions resulted in extra liability of Rs.65.43 lakh to Government.

The matter was referred to Government in May 2002 and their reply is awaited (November 2002).

WATER RESOURCES DEPARTMENT

KARANJA PROJECT

5.3 Indiscriminate and unnecessary purchase of materials led to blocking of funds

Materials worth Rs.99.83 lakh purchased were kept outside Stock Accounts in violation of Codal Provisions. In the process, materials worth Rs.73.09 lakh was declared surplus and material worth of Rs.21.58 lakh became unusable

Codal provisions stipulate that all transactions should be brought to account as soon as it takes place. Karnataka Public Works Accounts Code prescribes that materials procured for which payments were not made during the month of their receipt should be accounted under stock by contra credit to Material Purchase Settlement Suspense Account (MPSSA). Para 249 (a) of Code ibid prescribes that the accounts of the materials issued direct to work should be maintained in Material at Site Account (MAS Accounts) and Officer in charge of the work should render work-wise details of transactions (receipt, issue and balance of various materials) that took place during the month to Sub-divisional Officer who in turn furnishes a consolidated return to the Divisional Officer for verification. The Sub-divisional Officer should verify unused balances of materials charged directly to works at least once a year.

Storekeeper of No.2, Karanja Project Construction Division, Bhalki, retired in May 1999, but did not hand over the records relating to materials directly charged to works till December 1999. Division noticed that the details of receipts, issue and utilisation of materials worth Rs.99.83 lakh purchased between December 1993 and May 1999 was not available in the stores records. Executive Engineer issued notices (September 1999 and August 2000) to the retired Storekeeper directing him either to reconcile the differences or to return the materials. The retired Storekeeper handed over materials to the extent of Rs.73.09 lakh in February 2001 and June 2001 and balance materials valued Rs.26.74 lakh were yet to be reconciled/returned. Out of the materials returned by retired Storekeeper, Sponge Rubber costing Rs.21.58 lakh had become unusable. The materials so returned were also not accounted for in the stock account so far, implying that these were not required for immediate use (September 2002).

The following irregularities were also noticed in respect of accountal and custody of the materials:

(i) Value of the materials purchased between December 1993 and May 1999 had not been routed through MPSSA by retired Store Keeper although the payment for the purchases were not made during the month of the purchase itself. Thus, initial transactions were kept outside the stock accounts.

(ii) The Sub-divisional Officers had not conducted physical verification of unused materials, as required under the codal provisions, with the result that materials remained unused in the Sub-divisional stores.

(iii) Half yearly Physical Verification of Stores of the Division had been conducted up to the half year ending September 1999. Although the materials so procured for specific works were stored in Divisional Store/Sub-divisional Stores, the same were not noticed by any of the officers who conducted physical verification, nor were they taken to stock account as surplus i.e., difference between book balance and ground balance. This indicates that the officer who conducted physical verification restricted himself only to the stores accounted in the books of accounts.

(iv) Half yearly physical verification of stores articles for the half year ending March 2000 and onwards had not been conducted. This omission assumes significance as materials worth Rs.73.09 lakh returned in February 2001 and June 2001 by the retired Storekeeper had not been verified by the Divisional Officer and incorporated in Divisional Accounts so far. Shortage of materials to the extent of Rs.26.74 lakh also had not been taken under Miscellaneous Public Works Advance as required under para 135 of code ibid.

As a result, transactions relating to materials purchased at a cost of Rs.99.83 lakh during 1993-99 were still kept outside the stock accounts. Materials to the tune of Rs.73.09 lakh reported to have been handed over were yet to be physically verified and incorporated in the Divisional Accounts. Further, of the returned materials, articles valuing Rs.21.58 lakh became unusable. The materials purchased remained unutilised for a period of over 3-9 years, resulting in blocking of Government money amounting to Rs.78.25 lakh and rendered materials worth Rs.21.58 lakh unusable. Investigation in the matter by the Lokayuktha was stated to be under progress.

The matter was referred to Government in July 2002 and reply is awaited (September 2002).

GENERAL

5.4 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 September 2002 are mentioned below :

Serial Number	Department	Year(s) for which accounts are due
1.	Agriculture (Director of Agriculture)	2000-2001 and 2001-2002
2.	Commerce and Industries (Director of Industries)	1995-96 to 2001-2002
3.	Education (Director of Printing and Stationery)	2001-2002
4.	Health and Family Welfare	
	(i) Director, Health and Family Welfare Services	1999-2000 to 2001-2002
	(ii) Director of Medical Education	2001-2002
	(iii) Joint Director of Government Medical Stores	1999-2000 to 2001-2002
	(iv) Indian System of Medicine and Homeopathy	1995-96 to 2001-2002
5.	Home (Director General of Police and Inspector General of Police)	2000-2001 and 2001-2002
6.	Information, Tourism and Youth Services (Director of Information and Publicity)	2000-2001 and 2001-2002
7.	Revenue (Registration) (Inspector General of Registration and Commissioner of Stamps)	1996-97 to 2001-2002
8.	Public Works, Command Area Development	*1995-96 to 2001-2002

* Accounts due from :

(a)	1 Division	-for 14 half yearly periods (1995-96, 1996-97, 1997-98, 1998-99, 1999-2000, 2000-2001, 2001-2002)
(b)	2 Divisions	-for 8 half yearly periods (1998-99, 1999-2000, 2000-2001, 2001-2002)
(c)	3 Divisions	-for 7 half yearly periods (October 1998 to March 1999, 1999-2000, 2000-2001, 2001-2002)
(d)	2 Divisions	-for 6 half yearly periods (1999-2000, 2000-2001, 2001-2002)
(e)	11 Divisions	-for 5 half yearly periods (October 1999 to March 2000, 2000-2001, 2001-2002)
(f)	8 Divisions	- for 4 half yearly periods (2000-2001, 2001-2002)
(g)	15 Divisions	- for 3 half yearly periods (October 2000 to March 2001, 2001-2002)
(h)	21 Divisions	- for 2 half yearly periods (2001-2002)
(i)	39 Divisions	- for 1 half yearly period (October 2001 to March 2002)

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CHAPTER VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

SECTION 'A' - REVIEWS

URBAN DEVELOPMENT DEPARTMENT

6.1 Cauvery Water Supply Scheme - Stage IV - Phase I

Highlights

Bangalore Water Supply and Sewerage Board (Board) took up Cauvery Water Supply Scheme - Stage IV – Phase I (Project) for execution with loan assistance from Overseas Economic Co-operation Fund, Japan (OECF). The Project which was scheduled for completion by December 2001 witnessed serious slippages in execution of water supply and sewerage works on account of delays in acquisition of lands and finalisation of survey and other investigations. Board's mismanagement of contracts facilitated several irregularities in award of contracts and the consequent financial loss, extra expenditure and undue favour to contractors.

Board's failure to obtain OECF's concurrence before allowing the tenderers to regularise their non-responsive tenders and further failure to object the wrong grading of the four tenders as initially responsive by the consultant, resulted in OECF wrongly selecting a tender which was costlier by Rs.17.05 crore than the lowest tender.

(Paragraph 6.1.7.1)

Board's failure to reject the tender submitted late by a company, as per tender conditions facilitated OECF's award of contract to the company after rejecting the lowest offer on untenable grounds. In the process, Board had to bear extra expenditure of Rs.9.36 crore.

(Paragraph 6.1.7.1.1)

Board's unjustified rejection of the lowest tender received for clear water transmission mains and its award to a financially weak company resulted in wasteful expenditure of Rs.40.14 crore.

(Paragraph 6.1.7.1.2)

Board relaxed the pre-qualification criteria/tender conditions and changed the material specification of pipe at the tender stage to award the contract of city trunk mains and feeder mains to a particular company at an extra expenditure of Rs.1.98 crore.

(Paragraph 6.1.7.1.3)

Changes were agreed upon in the contract agreement without Board's approval after award of work relating to mechanical and electrical works for clear water transmission pumping stations. These changes facilitated undue tax concessions aggregating Rs.84 lakh to a company.

(Paragraph 6.1.7.2)

Board made extra payment of Rs.1.67 crore to a construction company for work executed during the extended period of contract. The extension of contract was due to delay in award of a related contract.

(Paragraph 6.1.7.3)

6.1.1 Introduction

In order to meet growing demand, Cauvery Water Supply Scheme-Stage IV-Phase I (Project) was designed to augment water supply and sewerage systems in Bangalore city. Bangalore Water Supply and Sewerage Board (Board) was implementing the Project with loan assistance from Overseas Economic Co-operation Fund, Japan[+] (OECF), and grants/loans from State Government. According to the loan agreement (January 1996) with OECF, Government of India (GOI) was the borrower and the Board was the executing agency. OECF was to extend financial assistance of 28452 million Yen (Rs.984.50 crore out of the appraisal Project cost of Rs.1342 crore which was later pruned by State Government to Rs.1072 crore) over a six year horizon ending March 2002. OECF was charging GOI, interest at the rate of 2.1 per cent per annum. However, GOI was charging the Board 12 per cent per annum to cover the contingency of foreign exchange fluctuations. The Project which could not be completed by March 2002 as envisaged in the loan agreement was rescheduled for completion by September 2004. Expenditure of Rs.710.40 crore was incurred on the Project till March 2002.

6.1.2 Organisational set up

The Board headed by a Chairman was responsible for implementation of the Project through an Engineer-in-Chief (EIC) assisted by two Additional Chief Engineers and four Executive Engineers. A consortium of consultants appointed by the Board assisted them. Apex Committee and Technical Committee in the Board assisted in technical and other matters relating to the Project.

6.1.3 Audit Coverage

The implementation of the Project was reviewed between April 2002 and June 2002 through a test-check of records of the Board and three Executive

[+] Subsequently redesignated as Japan Bank of International Co-operation

Engineers, covering an expenditure of Rs.472.28 crore (66 per cent of total expenditure). The findings of the review are discussed below:

6.1.4 Financial Progress

State Government in their budget provided funds for the Project in the form of loans to the Board. OECF reimbursed the expenditure incurred by the Board at the prescribed disbursement ratio. Details of funds released by State Government for the Project and the expenditure incurred by the Board during 1994-2002 were as under:

(Rupees in crore)

Year	Funds released	Expenditure
1994-95	2.00	0.62
1995-96	2.00	1.01
1996-97	8.40	1.98
1997-98	12.48	15.98
1998-99	74.84	72.60
1999-00	114.00	112.51
2000-01	220.00	227.47
2001-02	280.00	278.23
Total	**713.72**	**710.40**

(Source : Annual Financial Statements)

As of March 2002, OECF had disbursed 11111 million Yen (Rs.337.22 Crore) against the loan of 28452 million Yen (Rs.984.50 crore)(calculated on average rate basis during the 5 years period at 100 Yen = Rs.30.35).

6.1.5 Physical Progress

As of May 2002, the status of works relating to various water supply and sewage components was as shown below:

Water supply works

Details of contract awarded		Tender price at award (Rupees in crore)	Date of contract	Contract completion date	Actual time taken as of May 2002 (in days)	Physical progress (per cent of total)	Expenditure incurred (Rupees in crore)
W1	Raw Water Transfer	20.25	21.2.2000	8.8.2001 (546 days)	812	95	18.97
W2	TK Halli Water Treatment Plant	38.30 (excluding taxes)	15.4.1999	13.4.2001 (730 days)	1113	95	42.39
W3a	Construction of clear water pumping stations and reservoirs at TK Halli, Harohalli and Tataguni	18.04	14.12.1998	20.1.2001 (749 days)	1215	99	23.66
W3b	Mechanical and Electrical works for clear water transmission pumping stations	33.27 + 21.06 crore Japanese Yen	15.3.2000	5.4.2002 (805 days)	831	98 (supplies)	48.25
W4a	Supply of mild steel plates	118.04	11.6.1998	30.6.2000	Completed on 2.9.2000	100	107.60
W4b	Fabrication and laying of clear water transmission main (TK Halli to Harohalli)	76.39	16.6.1999	31.5.2001 (749 days)	1084	88	72.38

W4c	Fabrication and laying of clear water transmission main (Harohalli to Kotnurdinne)	80.49	26.11.1999	10.12.2001 (749 days)	891	92	71.67
W5a	Civil and Electromechanical works for balancing reservoir and booster pumping stations at Hegganahalli, Reservoirs at Singapura and GKVK	19.59	3.6.1999	31.5.2001 (735 days)	1070	93	19.11
W5b	Balancing reservoirs at Kotnurdinne, Kodichikkanahalli and Hudi	11.66	27.5.1999	30.5.2001 (735 days)	1071	92	11.11
W5c	Civil and Electromechanical works for pumping station at Kodichikkanahalli, Reservoir at Veerasandra and pumping main from Kodichikkanahalli to Veerasandra	9.16	6.7.2001	27.12.2002 (540 days)	299	70	4.80
W6a	Providing and laying of city trunk mains and feeder mains/inter connections	64.76	18.6.1999	5.7.2001 (735 days)	1035	85	57.15

Sewage works

Details of contract awarded		Tender price at award (Rupees/yen in crore)	Date of contract	Contract completion date	Physical progress (per cent of total)	Expenditure
S1a	Sewage Treatment plant at Rajamahal and K&C Valley	56.42 + 15.50 Japanese Yen	29.10.2001	8.11.2003 (735 days)	4	9.21
S1c	Sewage treatment plant at Jakkur and KR Puram	26.34 + 3.00 Japanese Yen	21.3.2002	30.3.2004	Design review in progress	2.63
S2	Trunk Sewers	48.57	29.12.2001	9.1.2004	2	4.85

Slippages in completion of the Project

Although the loan agreement envisaged completion of procurement and construction by December 2001, work in none of the Packages (with the exception of W4a) had been completed. The Project witnessed serious slippages in completion of sewage works. Out of 6 Packages into which the sewage works were divided, contracts for three packages (S1a, S1c and S2) were awarded only between October 2001 and March 2002. While tender evaluation was in progress in respect of two more packages (S1b and S1d), the contract relating to Package S3 was awarded only in May 2002. The main reasons for delay in completion of water supply and sewage works were changes in locations of pumping stations, reservoirs and sewage treatment plants in six[Φ] packages and revisions of trunk mains in five[1] packages. Besides, Board undertook geographical survey, geo-technical investigation, analysis of sewage flows and mapping of the project areas only after awarding (November 1996) the consultancy contract. Delay in completion of these activities resulted in serious slippages in finalisation of construction drawings, tendering process, award of contracts and completion of works in all the

Φ W3a, W4b, W4c, W5a, W5b, W6a,

1 S1a, S1b, S1c, S1d and S2

packages. In the case of transmission pipeline, consultant observed that the survey done was seriously inaccurate, necessitating redesigning and redrafting of most of the longitudinal profiles. Board stated (August 2002) that extension of construction schedules was mainly due to internal problem faced by them in land acquisition, clearance from local authorities, litigation etc. As these problems were within the knowledge of the Board even while initiating land acquisition proceedings, suitable measures should have been taken to avoid delays in land acquisition and changes in location.

6.1.6 Consultancy

Delay in completion of the Project led to extra payment of Rs.6.04 crore to the consultant

As per the agreement with OECF, the Board was to appoint consultants to assist in preparation of designs, detailed engineering, pre-qualification documentation, bid documentation and evaluation, construction review and monitoring etc. Accordingly, the Board awarded the consultancy contract at a cost of Rs.36 crore* to a consortium of consultants[*] (consultant). The period of consultancy was 63 calendar months till March 2002.

As there were serious slippages in acquisition of land, finalisation of survey and other investigations (as detailed in para 6.1.5 *ibid*), the water supply and sewage works could not be completed by March 2002, necessitating extension of the consultancy contract. The expenditure upto March 2002 on consultancy was Rs.16.71 crore plus 492.63 million Yen as against the agreed cost of Rs.19.65 crore and 559.27 million Yen although works valued Rs.149 crore out of the total base cost of Rs.800 crore were not even tendered as of March 2002. Thus, proportionately higher expenditure on consultancy was due to 121 additional manmonths (cost Rs.2.26 crore) spent by the consultant on reworking of various data on account of defective survey, changes in location of different components, etc., which was avoidable. OECF approved (May 2002) extension of the consultancy agreement up to March 2004 subject to an overall cost of Rs.22.86 crore plus 656.08 million Japanese Yen. Board stated (August 2002) that the award of contract in respect of a few packages was held up due to litigation, additional designs for box culverts due to conversion of State Highway to National Highway etc., which resulted in extending the term of consultancy beyond 2002. The reply was not tenable as appointment of consultants for the project without acquiring land necessitated changes in location of different components and the consequential avoidable expenditure on additional manmonths on reworking of various data. Besides, various slippages in execution of the Project necessitated extension of the consultancy agreement at an avoidable expenditure of Rs.6.04 crore.

* consisting of Indian Rs.19.65 crore and Japanese Yen 559.27 million or Rs.16.35 crore at the exchange rate of 3.42 Yen for one Rupee

[*] Pacific Consultants International, Japan, Mott Macdonald, England and Tata Consulting Engineers, India

6.1.7 Contract Management

Scrutiny revealed that the Board did not manage the contracts relating to the Project effectively. The Project witnessed several lapses and irregularities in award and management of contracts with consequent delays, financial loss, extra expenditure and undue favour to contractors. These are discussed below:

6.1.7.1 Irregularities in invitation and acceptance of tenders

Board received (June 1998) tenders from nine out of eleven pre-qualified companies or group of companies for the work. According to the tender conditions, only those tenders that were substantially responsive were to be considered for detailed evaluation.

The consultant advised (June 1998) in the interim report to the Board that no tender was fully responsive as every tender contained deviations which would render them invalid. As rejecting the non-responsive tenders as per OECF's guidelines and retendering, was expected to delay the construction of the whole Project, the consultant suggested giving an opportunity to all the tenderers to regularise their deficient tenders by withdrawing unacceptable commercial and other deviations, furnishing missing information etc. Consultant also requested the Board to consult OECF prior to proceeding with this alternative approach. However, the Board proceeded with the alternative approach without concurrence of OECF. The Board stated that since the overall responsiveness to tenders was unsatisfactory, all the tenderers were given an opportunity to provide clarifications and regularise their tenders. The reply was not tenable, as Board did not take prior approval of OECF for processing the deficient tenders, which were liable for rejection as per the tender conditions.

Although all the tenders were initially non-responsive and became responsive only after obtaining clarifications on various issues, the consultant, in their evaluation report, wrongly graded four tenders as initially responsive which did not include the lowest tender of Wabag Wassertechnische Anlagen GmbH, Germany (Wabag) for Rs.24.69 crore. Yet, the Board failed to object to the wrong grading of the tenders by the consultant.

OECF preferred acceptance of a tender at extra expenditure of Rs.17.05 crore

However, the consultant and the Board ultimately recommended (October 1998) the lowest tender of Wabag. OECF observed (October 1998 and December 1998) that the contract should be finalised only in favour of the lowest of the four "initially responsive" tenders as graded by the consultant in their evaluation report. In order to maintain better relationship with OECF who had been funding 4 to 5 projects in the State, the Board decided (February 1999) to recommend the tender of Degremont, France, which was the lowest of the four tenders wrongly graded by the consultant as initially responsive. OECF approved (March 1999) the award of tender to Degremont, at a cost of Rs.41.74 crore.

Thus, Board's failure to obtain OECF's concurrence before allowing the tenderers to regularise their non-responsive tenders and further failure to rectify the wrong grading of the four tenders as initially responsive by the consultant provided scope to OECF for wrongly selecting a costlier offer at an extra expenditure of Rs.17.05 crore.

6.1.7.1.1 Package W3b - Mechanical and Electrical works for Clear Water Transmission Pumping Stations

Unjustified rejection of lowest tender by OECF resulted in extra expenditure of Rs.9.36 crore

Out of 7 tenders received (August 1998) by the Board for the work, the tender of a joint venture company (SME[♦]) for Rs.42.63 crore[@] was the lowest. Although the Board approved (January 1999) the lowest tender of SME, OECF insisted (June and August 1999) on award of contract to Bharat Heavy Electricals Limited-Kubota Corporation Japan (BHEL-KCJ). The grounds adduced by OECF for rejection of SME's offer and the Board's response in a series of correspondence were as shown below:

OECF's observations	Response of the Consultant/ Board
The higher efficiency of SME was not achievable, as similar pumps supplied by Mathew and Platt, the consortium partner of SME for all the earlier stages of the Project had achieved efficiency of only 89.3 to 89.4 per cent	The tested performance results of Mathew and Platt pumps showed that they had achieved efficiencies as high as 93.56 per cent on actual hydraulic tests. The efficiency of 91.5 per cent had been achieved by them in the past.
	Board had recently placed an order with Mathew and Platt for supply of pumps for Cauvery I and II Stages with efficiency of 91 per cent.
	Mathew and Platt had supplied all the pumps in the past for Cauvery I, II and III stages and they had invariably exceeded the quoted efficiency.
	The efficiency of 89.3 and 89.4 per cent achieved in the earlier stages of the Project was 9 years old.
	Additionally, the Board was insisting on an irrevokable bank guarantee from SME for Rs.4.33 crore for any shortfall in the quoted efficiency.
The cost for supply and installation of pumps quoted by SME was abnormally low compared to the prevailing market prices.	The rates quoted for pumps were the current prevailing market rates and Mathew and Platt had been supplying pumps at similar rates.
Subash Projects and Marketing Limited (SPML), the lead partner of SME was not considered for other contracts of the project based on their poor financial standing and capability.	SPML was not considered for other contracts (W4b and W4c) principally because of low rates quoted. Board had no reservations about the capability in terms of financial strength and technical expertise of SPML

♦ Subash Projects and Marketing Limited, Mathew and Platt (India) Limited and EMCO

@ Base Cost: Rs.34.41 crore, Taxes: Rs.7.75 crore and loaded cost: Rs.0.47 crore

The consultant further listed out the following advantages in accepting the offer of SME.

(i) The Board had procured Mathew and Platt pumps in all earlier stages of the project. This would simplify maintenance and spare holdings.

(ii) Even if the efficiencies obtained were not higher than those achieved on the pumps supplied for earlier stages of the Project, the pumps of SME would still have higher efficiencies than those offered by other tenderers.

(iii) The Board did not experience any particular operational problems with Mathew and Platt pumps.

(iv) No other tenderer offered clear operational and commercial advantages over that of SME.

Inspite of these advantages, OECF refused (June 1999 and July 1999) to reconsider their stand and insisted on submission of proposal for award of the tender in favour of BHEL-KCJ and finally approved (August 1999) the tender of BHEL-KCJ (loaded[@] cost: Rs.51.99 crore[Υ]).

Award of tender to BHEL-KCJ was also not justified, as according to the tender conditions, any tender received after the prescribed deadline would not be accepted. Though BHEL submitted their tender late, the Board, instead of rejecting the tender, opened it and evaluated it on the ground that there was no objection from other tenderers. This was unjustified as the Board should have been guided only by the tender conditions and the departure facilitated evaluation of the tender of BHEL and the eventual award of work to them. Board did not show this concession for any other package and infact, rejected a tender for Package W5b on grounds of delayed submission.

Board stated (August 2002) that OECF turned down the offer of SME as unreliable inspite of giving clarifications on various points and Board had to recommend the offer of BHEL-KCJ for acceptance as per OECF guidelines. The reply was not tenable as Board's processing of the late tender of BHEL-KCJ in contravention of the tender conditions created scope for OECF to award the contract in favour of BHEL-KCJ after rejecting the lowest tender of SME on untenable grounds. In the process, Board had to bear extra expenditure of Rs.9.36 crore.

[@] The loading was done by taking the tender with the highest guaranteed efficiency for the pumpsets and transformers as the base to judge the other tenders.

[Υ] Tendered cost Rs.34.48 crore, Taxes Rs.5.43 crore and Loading Rs.12.08 crore

6.1.7.1.2 Packages W4b and W4c – Clear Water Transmission Mains

Board unjustifiably rejected lowest tenders for two packages and awarded the contracts to a financially weak company at an extra expenditure of Rs.40.14 crore

Board received (October 1998) eight tenders for each of the two packages and SPML submitted the lowest offer (excluding provisional sums) of Rs.55.02 crore and Rs.57.36 crore for Packages W4b and W4c respectively. Based on the consultant's evaluation reports, Board requested (March 1999) OECF's approval for the fifth lowest tender of Dodsal Limited (Dodsal) for Rs.73.81 crore for Package W4b and the sixth lowest tender of Larsen and Toubro Limited (L&T) for Rs.82.05 crore for Package W4c. While OECF approved (April 1999) the tender of Dodsal for Package W4b, they insisted (June 1999) on award of Package W4c also to Dodsal who had quoted Rs.78.71 crore and stood 5th in the ranking. Scrutiny revealed that the Board's reasons for not accepting the offer of SPML for the two packages were not justified as discussed below:

Board's reasons for rejection	Audit findings
Tender priced far below the Minimum Cost Estimate ⁺ SPML's tenders for Package W4b and W4c were below the Minimum Cost Estimates of the consultant by 21 per cent and 19 per cent respectively. Executing the works satisfactorily for such a low price was not possible.	The tender conditions provided that if the lowest tender was seriously unbalanced in relation to the Engineer's estimate, the Engineer could increase the performance security to a sufficient level to protect against financial loss in the event of default by the contractor. Board failed to explore the possibility of obtaining additional performance security from SPML. Board's reply that enhanced performance guarantee would be of no avail if the contractor defaulted on his obligations necessitating execution of the work through another contractor was not tenable as Board awarded the contract of Package W1 to SPML subsequently in spite of unbalanced rates after obtaining additional performance guarantee. The lowest tenders recommended/accepted by the Board for several water supply packages (W2, W3a, W3b, W5a and W5b) of the project were far lower than the estimates by 17 to 39 per cent. In these cases Board did not raise the issue of workability or reasonableness of the rates quoted and attributed the low rates to depressed market sentiment and world-wide recession and no Minimum Cost Estimate was prepared.

⁺ An estimate of the least cost at which the work could be done without allowing for any of the normal breakdowns, delay in work and other contingencies. The estimate was built from current basic material and labour costs

Board's reasons for rejection	Audit findings
	After rejecting their tenders for Package W4b and W4c, Board awarded (February 2000) the contract of Package W1-Raw Water Transfer to SPML for Rs.20.25 crore at 12 per cent below the Minimum Cost Estimate of the consultant.
SPML's capacity to undertake Packages W4b and W4c was limited and was, therefore, likely to face cash flow problems.	SPML's financial status was far better than that of Dodsal as shown in Appendix 6.1. Further, Board was sanctioning mobilisation advance for other Packages at 10 per cent of the contract sum against bank guarantees with interest at 10 per cent per annum. Board, infact, sanctioned such mobilisation advance to Dodsal for Packages W4b and W4c. Had this been done in the case of SPML also, there would have been no shortage of working capital. Further, Dodsal even after sanction of mobilisation advance, did not give sufficient progress due to cash flow problems. The work in both the Packages came to a stand still as Dodsal did not pay large dues of their sub-contractors.
SPML's engineers who possessed pipe fabrication experience were on contract and not regular employees and their availability could not, therefore, be relied upon.	This was not a valid objection as the tender conditions did not prescribe that the staff could not be engaged on contract basis.
Considerable number of equipment was to be hired/leased by SPML and this raised concern about the progress and quality of work with hired machinery.	Many equipment of SPML were procured on hire/ purchase basis and were available with them for use. SPML was pre-qualified only after they satisfied the conditions prescribed by the Board for fabrication experience and machinery.

Thus, Board's unjustified rejection of the lowest tender of SPML for Packages W4b and W4c and award of these contracts to a financially weak company at higher rates resulted in extra expenditure of Rs.40.14 crore (at the tender stage).

6.1.7.1.3 Contract W6a – City Trunk Mains, Feeder Mains/Inter-connections

Board changed the tender conditions and material specification to award the contract to a predetermined company

One of the conditions for pre-qualification was that the applicant was to have experience of providing and laying steel/ductile iron (DI)/cast iron (CI) pipeline of diameter 600 mm and above for a length of 10 km in a single project. The consultant cleared eight agencies for pre-qualification. One of the disqualified agency was Electro Steel Castings Limited, Calcutta (EC) who did not have the prescribed experience. Based on the representation of EC, Board pre-qualified (July 1998) them also on the ground that they, being pipe manufacturers, were in a position to offer lower bid. This was an undue favour to EC as Board did not consider the pre-qualification tender of another company which had laid pipes of 800 mm dia in a project for a length of 9.70 kms. OECF approved (October 1998) the pre-qualification of EC.

The tender forms as issued (January 1999) to pre-qualified agencies prescribed a minimum of five years of satisfactory service of DI pipes supplied and laid. Board reduced it to a minimum of three years through an amendment for which reasons were not forthcoming. EC represented (February 1999) to OECF that their experience would be slightly less (two months) and requested for accommodating them in the tendering process. OECF requested (February 1999) the Chairman of the Board to consider the period for eligibility as approximately three years in place of minimum of three years. The Board issued (February 1999) an amendment to the tender condition in this regard. OECF approved (May 1999) the lowest tender of EC for Rs.64.76 crore.

According to the Memorandum of Discussion with the OECF, pipes upto 800 mm in diameter for feeder and trunk mains were specified as CI and pipes of 1000 mm dia or more as mild steel (MS). During a meeting (December 1998), the Board proposed DI pipes in place of CI pipes for pipes of less than 1000 mm dia. The consultant informed (December 1998) the Chief Engineer (CE) of the Board that MS pipes were considerably cheaper for the intermediate sizes (800 mm to 1000 mm dia) than DI pipes. They also stated that EC was the sole manufacturer of DI pipes in the country and that changing the material specification for pipes below 1000 mm dia to DI would give unfair advantage to EC over the other pre-qualified agencies. Reporting substantial cost savings of Rs.5.15 crore between DI and MS pipes of 800 mm dia to be laid over a length of 20.80 km, the consultant suggested to the CE that tenders be invited both for DI and MS pipes for the intermediate sizes. They also requested the CE to apprise the OECF of the consequences of switching over to DI pipes.

The CE, however, informed (December 1998) the consultant to prepare contract documents for the use of only DI pipes for sizes below 1000 mm dia without giving any alternative. His reasoning was that pursuing the matter with OECF would only delay W6a contract. His reasoning was biased as changing the material specification of the pipeline below 1000 mm dia to DI at the tender stage inspite of substantial financial implications helped only EC who was the sole manufacturer of DI pipes in the entire country. Further, when steel pipes were proposed to be used for the same package in sizes from 1000 mm dia upwards, there was no reason why the same pipes could not be used in sizes below 1000 mm dia. The consultant also opined (December 1998) that the steel pipes were acceptable technically. Thus, changing the material specification to DI tilted the award of contract in favour of EC. Board stated (August 2002) that the matter regarding use of MS pipes for diameter below 800 mm was not pursued with OECF to ensure that proper distribution lines are available in time. Board further stated that the loss of Rs.5.15 crore projected was based on notional figures of Rs.8186 and Rs.5080 per metre adopted by the consultant for DI and MS pipes respectively while the rate quoted by EC for DI pipe was only Rs.7010 per metre and the actual cost of MS pipe would be Rs.7600 per metre. The reply was not tenable as the actual cost of 800 mm diameter MS pipe based on the weight of steel and the rates of fabrication and lining accepted by the Board for higher dimensions of MS pipe for Package W1 worked out to only Rs.6057 per metre. Thus, there would still be loss of Rs.1.98 crore as a result of switching over to DI pipes.

Thus, the relaxation made in pre-qualification criteria, changing the material specification of pipe at the tender stage inspite of substantial financial implication of Rs.1.98 crore and modifying the tender condition regarding experience to accommodate EC indicated that the award of contract to EC had been predetermined. The matter calls for investigation.

6.1.7.2 Unjustified tax concession to BHEL (Package W3b)

Undue tax concession of Rs.84 lakh to a company

Section 19 A of Karnataka Sales Tax Act, 1957 (Act) provides for deduction of tax at source in the case of works contracts. During tender evaluation, the Board required (December 1998) BHEL to provide the basis of calculation of taxes and duties in their quoted rates for each item of equipment. BHEL stated (December 1998) that the basis was the rate prevailing as on 19 August 1998 and that they were unable to give the break-up of taxes and duties against each equipment. The prevailing rate of Works Contract Tax (WCT) was 10 per cent and BHEL's offer, therefore, included WCT of 10 per cent both on the cost of supplies and erection/commissioning. However, while entering into agreement with BHEL during February 2000, the work was divided into two divisible contracts, by Engineer-in-Chief, one for supply of equipment and the other for erection and commissioning. This did not have Board's approval.

Although the consultant objected to the division of contract, they subsequently recommended the same to minimise the liability of BHEL towards WCT. Issue of Form C to BHEL for equipment supplies which was not provided for in the tender was also irregularly agreed upon at the time of entering into agreement. No rebate was obtained from BHEL while agreeing for the division of contract though the latter benefited substantially from this as discussed below:

(a) As a result of division of the contract, cost of supplies did not attract WCT under Section 19 A of the Act. However, under Section 5 of the Act, tax at the same rate of 10 per cent was payable by BHEL on cost of supplies. Executive Engineer of the construction Division issued (August 2001) Form C to BHEL for supplies costing Rs.9.70 crore. For supplies against Form C, BHEL was to pay tax under the Act at the concessional rate of only 4 per cent as against 10 per cent. Thus, BHEL who had loaded tax at 10 per cent on cost of supplies eventually paid only 4 per cent and profited to the tune of Rs.58.20 lakh .

(b) Further, cost of erection and commissioning did not attract any tax under the Act as they involved only labour and there was no transfer of property in goods. Thus, as a result of dividing the contract, BHEL profited to the tune of Rs.25.80 lakh on the cost of labour (Rs.2.58 crore) also as their rates quoted for erection and commissioning in the composite contract included 10 per cent WCT.

Board stated (August 2002) that taxes and duties paid would be verified and action would be taken to recover the overpayment made, if any.

Thus, changes agreed upon in the agreement after award of work without Board's approval facilitated undue tax concession aggregating Rs.84 lakh to BHEL.

6.1.7.3 Extra payments during extended period of contract

Extra payment to a company during the extended period of contract

Board entrusted (December 1998) the construction of clear water pumping station and reservoirs under Package W3a to L&T at a cost of Rs.18.04 crore. The work was to be completed by January 2001.

The completion of the work in this Package was linked to Package W3b as many of the inputs to finalise the drawing for civil works were required from Package W3b, the contract for which was awarded only in March 2000 due to litigation by one of the tenderers against the award of contract to BHEL-KCJ. As L&T were required to work beyond the contractual completion date, they demanded enhanced rates. Board/EIC approved (July 2001) enhancement of the rates by 32 per cent for the work turned out from January 2001 till completion of the work. This involved an extra payment of Rs.1.67 crore.

6.1.8 The matter was referred to Government in July 2002; reply has not been received (November 2002).

SECTION 'B' - PARAGRAPHS

COMMERCE AND INDUSTRIES DEPARTMENT

6.2 Working of Karnataka Industrial Areas Development Board

The Karnataka Industrial Area Development Board (Board) was constituted in 1966 with the objectives to promote and assist in the rapid and orderly establishment, growth and development of Industries and to provide industrial infrastructure facilities and amenities in the industrial areas, develop Industrial areas declared by the State Government and make them available for undertakings to establish themselves, maintain, develop and manage Industrial estates and undertake such schemes or programme of works either jointly with other corporate bodies or institutions or with the Government or with the local bodies or agencies. The Board has been empowered to acquire, hold and dispose off property, both movable and immovable and to enter into contract and to do all things necessary for the purpose of the Karnataka Industrial Area Development Act, 1966 (Act).

The Board provided funds to programmes out of its own resources generated from allotment of plots etc., and also from borrowings. The Board also received grants from Government of India (GOI) and State Government for sponsored programmes. While the balance loan as of March 1997 was Rs.24.99 crore, the Board had borrowed Rs.515.43 crore, repaid Rs.371.68 crore during 1997-02, leaving a balance of Rs.168.74 crore. During the same period, the Board incurred expenditure of Rs.631.85 crore (Revenue-Rs.95.46 crore and Capital-Rs.536.39 crore).

The following points were noticed in audit.

Avoidable payment of interest of Rs.15.66 lakh

(a) The Board was operating its transactions through the current account in Corporation Bank. However, during January 1998 and December 1998, Board operated another current account in Global Trust Bank (GTB). While cash balances in the current account/short term fixed deposits ranging from Rs.5 crore to Rs.10 crore were available in GTB, cheques were issued on Corporation Bank where there were inadequate balances. This resulted in availment of overdraft/Cash Credit and avoidable payment of interest of Rs.15.66 lakh.

Divisional Officers delayed transfer of funds to Board's main account

(b) Divisional Officers (DOs) who collected dues on behalf of the Board remitted them to their current accounts with Corporation Bank. According to standing instructions given to Corporation Bank, the amounts in the current accounts of DOs and Deputy DOs were to be transferred to the Board's main current account before 10th of every month. During 1998-2001, there was delay ranging from 2 to 30 days in transferring funds ranging from Rs.0.42 lakh to Rs.96.23 lakh to the Board's current account. During this period, the Board availed overdraft and cash credit facilities from Corporation Bank.

Board's interest burden on such credit facilities could have been reduced atleast by Rs. 0.18 crore if timely transfer of funds had been ensured.

Board showed undue favour to ITPL

(c) State Government approved (December 1993) the participation of the Board in the Information Technology Park Limited (ITPL), promoted by the Tata Group and a Singapore Consortium. Board was to provide 68 acres of land costing Rs.17.63 crore for the proposed Joint Venture. Board handed over (August 1998) the land to ITPL. Although the Government was committed to provide only land for the project, Board irregularly paid Rs.1.45 crore to the Bangalore Development Authority (BDA) for obtaining approval to the development plan. Chief Executive Officer & Executive Member (CEO&EM) stated (April 2002) that when the project was conceptualised, it was assured that the land duly converted would be handed over to ITPL. He further stated that instead of the Board paying the entire development charges as per the assurance, only 50 per cent was paid. The reply was not tenable as the Government sanction of December 1993 gave the assurance of only authorising the BDA to consider the change of land use according to their rules and regulations and did not give any commitment to bear the development charges. Thus, Board showed undue favour to ITPL by paying the development charges aggregating Rs.1.45 crore.

(d) Unnecessary Acquisition of land

25 per cent of developed land remained unallotted upto 30 years

As of January 2002, Board acquired 28988 acres of land, developed 25840 acres, land available for allotment was 21669 acres, and Board allotted 15929 acres. 5740 acres (25 per cent) of land developed valuing Rs.313.40 crore at prevailing price had not been allotted. Of this, 325 acres (cost Rs.22.83 crore), 718 acres (Rs.28.61 crore), 2286 acres (Rs.103.10 crore) had remained unallotted upto 30 years. Besides, 854 acres of land was denotified (December 1998 to July 2001) after completing acquisition process resulting in wasteful administrative expenditure of Rs.3.63 crore (10 per cent of value of land). Evidently, acquisition and development of land was carried out without proper demand survey.

(e) Irregular payment of Rs.1.56 crore for Kharab land

Compensation paid for kharab land

Under the Karnataka (Regulation of unauthorised occupation of land) Rules, 1970, no compensation was payable for Kharab land when acquired for public purpose. Special Land Acquisition Officer (SLAO) of the Board at Dharwad irregularly paid (September to November 2000) compensation of Rs.1.56 crore for 115 acres of Kharab land acquired for Dharwad Growth Centre (GC). While furnishing the names of officers responsible for the irregular payment, CEO&EM stated (April 2002) that the matter had been taken up with Principal Secretary, Revenue Department and action would be taken on receipt of clarification regarding ownership of land and admissibility of compensation for these lands. However, land in question was kharab land and no compensation was payable as per rules.

(f) Single unit complex

Board did not follow guidelines for acquiring land for SUC

According to the guidelines framed by the Board for acquiring the land at the request of Single Unit Complex (SUC), the indenting SUC was to deposit the land cost and service charges with the Board before issue of notification for acquisition. The Board was also to obtain undertaking from SUC for payment of enhanced compensation in the event of Court granting enhanced compensation to land owners. Board did not follow these conditions while acquiring land for SUC as discussed below:

(i) M/s. Mahindra Group of Companies (Company) requested (May 2000) for 30 acres of land at Maddur for setting up a tractor unit. However, company did not deposit compensation amount nor did the Board insist for the same. As against requirement of 30 acres, Board acquired (August 2001) by mutual consent 78 acres and 30 guntas of land, at Rs.4.5 lakh per acre while prevailing rate was Rs.0.70 lakh to Rs.1 lakh per acre as per the details furnished by Sub-Registrar, Maddur. However, company did not take possession of land at all. Thus, hasty action of the Board in acquiring the land without getting the compensation deposited and acquiring land in excess of requirement resulted in unfruitful expenditure of Rs.3.54 crore.

(ii) Shree Quality Cements (SQC) requested the Board for allotment of 38 acres of land (November 1979) and 305 acres (May 1983) in Mudhol Taluk for mining, lime deposit and establishing cement unit. The Board initiated acquisition process during 1985 though SQC deposited Rs.19.37 lakh during 1986 to 1990 as against Rs.30.93 lakh due for 343 acres. The Board did not also obtain undertaking for payment of enhanced compensation in the event of same becoming payable due to Court orders. When acquisition process was completed (November 1989), owners approached court and obtained decrees for payment of higher compensation for Rs.3.36 crore. The Board disbursed the same. However, SQC took possession (August 1986) of 38 acres of land only and did not come forward to take possession of balance land despite requesting for the same earlier. No reasons were on record for not taking possession of balance of land. Failure of the Board to obtain undertaking for payment of additional compensation facilitated SQC to back out after acquiring the land. When the Board examined possibility of developing the balance land into industrial area, it was opined (January 1998) by technical officer (Development Officer) that it was not industrially/economically feasible. Thus, expenditure of Rs.3.17 crore became unfruitful.

(g) Irregularities in allotment of land

(i) Loss of Rs.12.88 crore and suppression of equity participation with Karnataka Trade Promotion Organisation (KTPO)

Board undervalued cost of land

The Board had entered into a joint venture with India Trade Promotion Organisation (under Ministry of Commerce) under the name of KTPO during December 2000 and handed over 46 acres of land fully developed in Export Promotion Industrial Park area to the joint venture. The cost of the land and 50 per cent of the development cost thereon was the equity share of the Board. The prevailing tentative cost of land in the area was Rs.40 lakh per acre.

However, the Board had valued the land at its acquisition cost (Rs.12 lakh per acre), which resulted in under-valuation and loss of Rs.12.88 crore towards land cost. CEO&EM stated (January 2002) that entire land allotted to KTPO consisted of one plot and was not fully developed. As the plot allotted is within Export Promotion Industrial Park (EPIP) area, which had been fully developed and provided with facilities like water, electricity etc., the reply was not tenable.

(ii) M/s.Kirloskar Systems Limited

Board unjustifiably allotted land at concessional rate

According to the decision of the Board (November 1997), price of one acre of developed land in Bidadi Industrial Area was Rs.35 lakh. M/s. Kirloskar Systems Ltd., requested (April 1998) Board to allot 83 acres of land at Rs.12.50 lakh per acre. The CEO&EM declined as the Board had allotted (January 1998) 15 acres of land at Rs.28 lakh per acre to M/s. Hindustan Cococola, in the same industrial area. However, Principal Secretary to State Government, Commerce and Industries Department and Chairman of the Board decided (April 1998) to allot land at Rs.15 lakh per acre. The Board also ratified (May 1998) this decision and allotted 50 acres of land. CEO&EM stated (May 2002) that M/s.Kirloskar Systems played a major role in collaboration with Toyota Motor Corporation to set up a car project and had requested for allotment of land at the same price at which land was allotted to the car project. Since the joint venture of Toyota and Kirloskar Motors Limited had already adequately benefited when the land to that joint venture was allotted at concessional rate of Rs.6 lakh per acre, further allotment of land at Rs.15 lakh was not justified and resulted in undue favour to M/s.Kirloskar Systems to the extent of Rs.6.50 crore.

Board violated guidelines in allotting land

(iii) GOI guidelines for EPIP, inter alia, prescribed that only those units that would export not less than 25 per cent of the value of total production would be allowed to be established in EPIP. In contravention of the guidelines, Board allotted (January 1997) 20 acres of land to M/s. Chalukya Holiday Resorts Private Limited for setting up a holiday resort which did not export any product. As against Rs.40 lakh per acre charged (from October 1996) from other allottees, M/s. Chalukya Resorts was charged Rs.5.87 lakh per acre. This resulted in a loss of Rs.6.83 crore to the Board and undue benefit to the allottee. The Board had not furnished any reasons for charging a lower rate.

(h) Loss due to non-resumption of plots

Board revised the land price downward after allotment

Every allottee was to set up the unit and invest 50 per cent of the project cost within a period of 4 years. In the event of non-fulfilment of these conditions, the Board was to resume the land and allot it to fresh entrepreneurs or restore it to the original allottee at the prevailing market price.

(i) 11 allottees (7 were allotted 35 acres of land in 1996-97, 2 were allotted 3 acres of land in 1997-98 and two allotted 3 acres of land in 1998-99) of land in Bangalore had not initiated action for setting up the industrial units even as of March 2002. The Board had not taken action to resume or re-allot land at current prices. This resulted in loss of Rs.8.09 crore.

Failure to enforce allotment conditions resulted in loss of Rs.14.06 crore

(ii) In Dharwad district 17 units were allotted land during March 1980 to October 1996 on lease-cum-sale basis. Board executed sale deeds for these units during 2001-02, though they had invested only 4 to 38 per cent of the project cost. Irregular execution of the absolute sale deed and failure to resume the plots from the defaulting allottees or realloting them at the prevailing price deprived the Board of the opportunity of recovering Rs.0.85 crore. Assistant Secretary, Dharwad stated (May 2002) that the absolute sale deeds were executed, despite non-fulfilment of conditions in order to contest a case filed in the High Court by some allottees challenging the fixation of the price. He further stated that the Board would have lost heavily if the sale deed had not been executed. The reply was not tenable as refixation of the price of the land was consistent with the stated policy of the Board and the case filed in the Court challenging the policy of the Board cannot be the reason for premature execution of the sale deed.

(iii) The Board had allotted 64 Acres 30 Guntas of land to M/s Indian Aluminium Company in March 1973. As the Unit had not commenced the investment activities till February 1998, the Board issued a resumption notice in December 1999. However, on a request from the Unit, the CEO&EM cancelled the resumption order in February 2000. Action of the CEO& EM was contrary to allotment conditions and resulted in avoidable loss of Rs.5.12 crore.

(i) Growth Centres (GCs)

(i) GOI approved establishment of GCs during December 1988. GOI was to contribute Rs.10.00 crore and State Government was to contribute Rs.5.00 crore for each GCs and balance was to be met from borrowings. Land was to be allotted to small and medium scale industries. The details of GCs taken up by the Board and their status as of March 2002 were as shown below:

(Rupees in crore)

Place of GC	GOI approved project cost	Funds released by GOI	Funds released by GOK	Revised cost approved by State Government	Expenditure	Status
Dharwad	34.51	10.00	5.00	61.29	62.56[✦]	Water supply yet to be provided
Hassan	26.78	10.00	5.00	51.73	75.32	-do-
Raichur	22.89	10.00	5.00	68.67	28.39	-do-

Although GOI approved these GCs in October 1989, Board commenced work only during 1992-93 and incurred expenditure of Rs.45.64 crore as of March 1998 out of its own resources and thereafter from borrowed funds. As against 5 years prescribed by GOI for establishing the GCs, the Board took more than 10 years and still failed to complete the GCs in all respects. While water supply works were not yet completed in Dharwad and Raichur GCs despite expenditure of Rs.30.67 crore[1] on it, the water supply scheme to Hassan GC was not energised despite being completed at a cost of Rs.22.30 crore. Acquisition of more lands for development (as discussed below), execution of

✦ Payment of land compensation was not fully made

1 Raichur GC Rs.2.38 crore (deposited with Karnataka Urban Water Supply and Drainage Board) (KUWS&DB), Dharwad GC-Rs.28.29 crore

water supply schemes and improvement to the approach roads to the GC at Hassan which were not considered initially contributed to huge time and cost over-run.

The details of land acquired, developed and allotted in respect of these GCs were as shown below:

Name of GC	Extent of Land (acres)				No. of units to which allotted	No. of units which commenced production
	Approved by GOI	Acquired	Developed	Allotted		
Dharwad	1365	3205	1983	1333	199	88
Hassan	1000	1825	1825	514	77	5
Raichur	1000	1999	430	55	3	Nil

Poor allotment of developed land in Growth Centres

Only 62 per cent and 22 per cent of the land acquired had been developed in GCs at Dharwad and Raichur respectively. In respect of the GC at Raichur, out of 1999.25 acres of land acquired (December 1994 to May 1997), Board transferred (March 1996) 999.25 acres to Karnataka State Industrial Infrastructure Development Corporation (KSIIDC) for development. KSIIDC returned (August 2000) the land to the Board after developing only 430 acres at a cost of Rs.26.01 crore. Board did not develop any area in the GC on its own as of now (except deposit of Rs.2.38 crore to KUWS&DB for water supply). Lack of basic facilities in the GCs evidently contributed to majority of the allottees not establishing the industries.

Regarding the non-allotment of the entire developed land in the GCs, CEO&EM stated (May 2002) that the GCs were located in backward regions where the process of industrialisation was gradual. He further stated that the expected growth of industries did not materialise due to global recession and economic slow-down. The reply was not tenable as no demand survey was conducted either before taking up these GCs for execution or when acquiring land in excess of the limit prescribed by GOI. The cost of undeveloped land and land developed but unallotted was Rs.14.74 crore and Rs.92.39 crore respectively.

(ii) GOI guidelines (December 1988) envisaged contribution in the form of loan (Rs.3 crore) and equity (Rs.2 crore) from financial institutions. Industrial Development Bank of India (IDBI) was the nodal agency. Board did not avail equity contribution from IDBI and loan which carried interest of 11.5 and 13.5 per cent respectively. The Board provided funds to these GCs from 1997-98 onwards out of borrowed funds at 14.5 per cent. This resulted in extra expenditure of Rs.72 lakh on interest from 1998-99 to 2001-02 on Rs.10 crore which was available at concessional rate of interest through IDBI. CEO&EM stated (May 2002) that GOI guidelines could not be considered as directives and implementing agency had the option of availing credit facilities or otherwise. Reply was not tenable as borrowing at higher interest rate resulted in extra interest.

(iii) GOI guidelines prescribed that developed land in Growth Centres were to be allotted primarily to small and medium size industries. The Board allotted (December 1996) 688 acres of land (650 acres handed over) in Dharwad GC to a large industry viz. Tata Engineering and Locomotive

Company Limited (TELCO) at the prevailing rate of Rs.4.50 lakh per acre. After obtaining approval of the Chairman, CEO&EM informed (January 1997) TELCO that the price of the land was revised to Rs.1.33 lakh per acre in partial modification of the allotment order. CEO&EM did not furnish reasons for downward revision of the price of the land. CEO&EM, however, justified (May 2002) the allotment of land on the ground that with the support of major industries, there was scope for growth of ancillary units. The reply was not tenable, as guidelines were violated and allotment of land to TELCO had not brought any significant number of small scale industrial units. Thus unjustified downward revision of the price of the land extended undue benefit of Rs.20.60 crore to TELCO.

(j) Idle investment on infrastructure

Huge idle investment on infrastructure

Board took up construction of truck terminals, multi-storeyed commercial complexes and other buildings in various industrial areas without assessing the demand. As a result, most of these buildings remained vacant and the Board did not succeed in disposing of these buildings by outright sale. CEO&EM observed (October 2000) that the investment on these buildings was made without application of mind and examination of the prudence of investment. The status of such buildings is given below:

(Rupees in crore)

Sl No	Details of infrastructure	Period of commencement	Period of completion	Expenditure as of March 2002	Present status
1.	Multi-storeyed industrial complex in Peenya Industrial Area in Bangalore	December 1997	March 2002	19.84	CEO&EM did not invite applications for allotment of flats despite Board's decision (September 1998).
2.	Construction of multi-storeyed building at Church Street, Bangalore	July 1997	Not completed	3.71	Work scheduled for completion by January 1999 was not completed; Board stopped the work and tried to sell the property.
3.	Housing tenements in eight* industrial areas	NA	1989-2000	5.32	Out of 1088 tenements constructed, 292 remained vacant for two to 13 years
4.	Truck terminal in Autonagar Industrial Area at Kanabargi in Belgaum district	February to May 1997	July 1999	0.93	The terminal which was expected to yield a return of Rs.10 lakh per year had not been put to use.
5.	Civic amenity building in Kanabargi in Belgaum district	April 1997	Not completed	0.82	Work which was started in April 1997 was not completed. Board tried to sell the property. The offer of Rs.75 lakh received in response to the tender notification (April 2002) was not accepted by the Board.

* Attibele, Bommasandra, Baikampadi, Doddaballapura, Hebbal, Hoskote, Jigani and Peenya

Sl No	Details of infrastructure	Period of commencement	Period of completion	Expenditure as of March 2002	Present status
6.	Civic amenity building at Belur Industrial Area	January 2000	March 2000	0.62	Building remained vacant since completion.
7.	Pumphouse-cum-watchman quarters at five industrial areas	NA	1994-1999	0.30	Quarters not allotted since completion.
8.	Transit shed for electronic city at Hebbal Industrial Area, Mysore	January 1993	September 1994	0.28	Building remained unallotted since completion.
9.	Multi-storeyed commercial complex in Naubad Housing Area	June 1997	Not completed	0.26	The work commenced in June 1997 and not completed yet. Board's efforts to sell the property in its present condition did not succeed.
10.	Complexes at Kunigal, Tarihal and Honaga Industrial Areas	February 1994, August 1992 and September 1994	February 1994 to March 2000	0.23	These buildings remained vacant since completion.
			Total	32.31	

Besides, test-check in five zonal offices of the Board revealed that out of 432 borewells drilled in 34 industrial areas, 117 costing Rs.35.10 lakh were not energised for 1 to more than 5 years. The DOs of the zonal offices stated that non-energisation of borewells was due to lack of demand for water from the industries. Thus, the drilling of borewells was not justified and resulted in unnecessary idle investment of Rs.35.10 lakh on borewells not energised.

(k) Other topics of interest

(i) The Board maintained street lights, roads, avenue plants etc., in the industrial areas. The maintenance charges collected and expenditure thereon from 1997-2001 are as follows:

(Rupees. in crore)

Year	Expenditure on maintenance	Maintenance charges collected	Shortage
1997-98	1.47	0.03	1.44
1998-99	1.59	0.07	1.52
1999-2000	2.21	0.41	1.80
2000-01	5.47	0.40	5.07
Total	10.74[*]	0.91	9.83

To augment the resources, a policy decision was taken(September 1997) by the Board to collect maintenance charges (at different rates ranging from Rs.800 to Rs.1500 per acre and revised to Rs.1500 to Rs.2000 from 1 April 2001) from the allottees. It was also decided to restrict the maintenance

[*] Electricity Rs.7.80 crore, Roads Rs.2.87 crore, Avenue Plants Rs.0.07 crore

expenditure of each industrial area to the actual collection of maintenance charges recoverable at prescribed rates so as to ensure that each industrial area was self-supporting. However, the Board collected Rs.0.91 crore as against maintenance expenditure of Rs.10.74 crore during 1997-2001 resulting in an extra expenditure of Rs.9.83 crore. Thus, the finances of the Board were strained.

Lease rent at less than the prescribed scale, recovered

(ii) As per the conditions for allotment of land to SUCs, each SUC was to pay lease rent of Rs.1000 per acre per year to the Board. In respect of 2 SUCs, the zonal office was recovering lease rent at the rate of Rs.100 per year irrespective of the land allotted. The short recovery in these two cases aggregated Rs.37.05 lakh. Assistant Secretary of the Board stated (April 2002) that CEO & EM had approved the recovery at the rate of Rs.100 per year. The reply was not tenable as CEO &EM was not competent to reduce the lease rent without approval of the Board.

Idle investment on a huge water supply scheme

(iii) Board completed (September 1997) a comprehensive water supply scheme for Kolhar Industrial Area at a cost of Rs.7.98 crore. The scheme was designed to supply one million gallons per day (MGD) of water to the industrial units. The scheme was not put to optimum use for over 57 months and was not used at all since September 2000 on account of closure of majority of the industries. Even while the scheme was functional, the total quantity of water supplied to the industries was only 5.92 million gallons against installed capacity of 1710 million gallons[1]. In addition to the capital cost of Rs.7.98 crore, the Board had spent Rs.41.62 lakh on maintenance of scheme including Rs.13.70 lakh on monthly minimum demand charges for electricity supplied for the scheme. Thus, the expenditure of Rs.8.40 crore was incurred on the water supply scheme, which remained mostly idle.

Pipes worth Rs.79 lakh remained unutilised

(iv) The Board procured 17000 meters of 450 mm dia pipes at a cost of Rs.5.87 crore for water supply scheme at Bidadi from M/s.Electro Steel Castings Limited during 1997-98. The purchase orders were placed with the firm (January 1998) before the approval of alignment of pipeline (February 1998) and the estimate of the water supply scheme and commencement of work (April 1998). As against 17000 meters of pipes provided in the estimate, only 14708 meters of pipes were used and work completed (February 1999). Evidently, length of pipe line provided in the estimate was faulty. The procurement of excess pipes (2292 meters) resulted in avoidable extra expenditure of Rs.79 lakh. The pipes were still lying unutilised.

(v) The Board had lifted 14.37 lakh Kilo Litres (KL) of water from BWSSB's source, and supplied 11.56 lakh KL to two units in Bidadi Industrial Area. After considering 11465 KL of water in the pipes and the Ground Level Service Reservoir (as per the Board's own calculations), there was un-accounted water to the extent of 2.69 lakh KL (19 per cent) valuing Rs.1.61 crore. Though the Board had paid to BWSSB for 14.37 lakh KL at Rs. 60 per KL, it could recover the cost of 11.56 lakh KL of water consumed by the units. The Board had not taken action to investigate the reasons for such loss of water.

[1] From 1.10.1997 to 30.6.2002 at 1 MGD per day

FOREST, ENVIRONMENT AND ECOLOGY DEPARTMENT

6.3 Prolonged stoppage of work of an office building despite huge investment

The Karnataka State Pollution Control Board entrusted construction of building to a company without obtaining sanction for change in the land use pattern and building plan resulting in stoppage of work for over five years and unfruitful investment of Rs.1.61 crore besides undue benefit of Rs.33.94 lakh to the company

State Government allotted (September 1992) four acres of land to Karnataka State Pollution Control Board (Board) for construction of office building and laboratory. The Board took possession of the land in October 1993. This plot of land was reserved for public park in comprehensive development plan prepared by Bangalore Development Authority (BDA) and approved by State Government (Urban Development Department) in January 1995. However, Board entrusted (April 1997) the construction of building at Rs.7.46 crore without obtaining sanction from BDA/State Government for change in land use pattern and building plan from Bangalore Mahanagara Palike (BMP). The Board also engaged (July 1997) another agency* for driving insitu piles for the foundation at a cost of Rs.2.35 crore.

After spending Rs.1.25 crore (including mobilisation advance of Rs.68.10 lakh against bank guarantees valid upto March 1998), the work was stopped (September 1997) due to (i) the objections raised (July 1997) by BMP for unauthorised construction of the building without approval of the plan and (ii) stay granted (September 1997) by the High Court on a writ petition filed by a Bangalore resident challenging the allotment of land. When the Board approached (July 1997) BMP for according sanction to the building plan, the latter observed that the plan can be sanctioned after permission for change in land use pattern was granted. In February 1998 State Government permitted change in land use pattern. High Court disposed off the writ petition in February 2001 and ordered that Board should set apart 2 acres of land for public park. State Government also modified (May 2001) their order issued in September 1992 and directed the Board to use 2 acres of land for building purpose. Even after High Court order and State Government permission, BMP had not sanctioned the building plan. Therefore, the work had not been resumed (June 2002).

Failure of the Board to obtain sanction for change in the land use pattern and building plan resulted in stoppage of work for over 5 years and unfruitful investment of Rs.1.61 crore including Rs.36 lakh paid for land use conversion charges. Besides, the bank guarantee for mobilisation advance has not been revalidated and the construction company has had undue benefit of Rs.33.94

* M/s. Vijay Nirman Company

lakh[Φ] by way of interest on the mobilisation advance. The Board would have to bear extra financial burden on construction due to revised rates to which the company would be entitled as per terms and conditions of contract. State Government endorsed (June 2002) the reply of the Member Secretary who stated that Board had applied to BMP for sanction to building plan in August 1997 and pursued the matter with BMP through several letters during the year 2001. The reply was not appropriate as Pollution Control Board which is the regulatory authority to ensure environmental protection had attempted to usurp a public park which is an environmental asset and attempted to commence construction without obtaining permission for change in land use and without sanction for building plan.

URBAN DEVELOPMENT DEPARTMENT

6.4 Idle investment of borrowed funds on incomplete project

Bangalore Development Authority commenced work on the relocation of the existing Iron and Steel Market from Bangalore City to a new layout without ascertaining the willingness of traders to shift. This resulted in abandonment of work mid way after incurring an expenditure of Rs.20.84 crore

A project (project) for relocation of "Steel Wholesale Market" to a new layout at Kondadasapura from existing City Market area was approved (May 1995) by Megacity Project Sanctioning Committee at an estimated cost of Rs.40.30 crore. Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) and Housing and Urban Development Corporation (HUDCO) were to provide loan of Rs.10 crore and Rs.5 crore respectively for the project and balance of Rs.25.30 crore was to be provided by Bangalore Development Authority (BDA).

Prior to sanction of the project, Bangalore Metropolitan Region Development Authority, which was nodal agency for implementation of Megacity projects, appointed M/s.Kirloskar Consultants, Chennai (Consultant) to conduct feasibility study. The consultant's report (December 1994) indicated easy accessibility of the proposed new market area as 35 per cent of the entire quantity of Iron and Steel passed through Old Madras Road. The consultant conducted shop to shop survey covering 225 (14 percent) out of 1600 wholesale dealers (800 registered with Bangalore Iron, Steel and Hardware Merchants Association -BISHMA, and 800 unregistered) besides roadside surveys, and collected information from various agencies like BISHMA, Railways, Bangalore Water Supply and Sewerage Board on Steel and Iron trade and their characteristics. Based on such survey, consultant reported that there was general consensus among traders to shift their business premises to Kondadasapura and suggested formulation of an Act to regulate entry of specified commodities into the city. BDA did not follow necessary process of calling for applications through notification before initiating (December 1996)

[Φ] Calculated at 10.5 per cent on amount remaining with the company land acquisition proceedings. Despite conducting a series of meetings since inception of the project with BISHMA, who demanded waiver of Octroi/Entry tax, and reducing the cost of site, BDA could not obtain any commitment from BISHMA for purchase of site by its members. Commissioner (BDA) contended that there was no real need for any agreement or obtaining specific commitment as general consensus for shifting was already known. The contention was not tenable as the project was intended solely for shifting of wholesale Iron and Steel Market and therefore commitment from wholesalers was necessary. BDA on its own issued a notification (March 1998) inviting applications for allotment of sites and out of 1600 dealers, 100 purchased the forms and only 40 applied for allotment as of June 1998 and another 74 as of August 1998. Despite this, BDA awarded (June 1998) civil works at a cost of Rs.13.49 crore for formation of 747 commercial (reduced to 571) and 433 residential sites and the contractor commenced the work in February 1999. In respect of second notification (June 1999) also, response was poor as only 60 more applications were received between June 1999 and March 2000.

Government refused (November 1999) enactment of a legislation compelling the dealers to relocate to the new site. The work was stopped by BDA after the execution of works (December 2000) valuing Rs.6.60 crore. The BDA had incurred an expenditure of Rs.20.84 crore (Rs.6.60 crore on incomplete civil works, Rs.4.28 crore interest to HUDCO and KUIDFC upto March 2002, Rs.9.96 crore on land acquisition) and its efforts (November 2000) for allotment of plots to software park/commercial/ residential use also were not successful.

Thus, taking up of the relocation project without ensuring the willingness of the wholesale dealers resulted in unfruitful expenditure of Rs.20.84 crore.

6.5 Acceptance of substandard supplies

Despite adverse test certificates, Chairman of Bangalore Water Supply and Sewerage Board authorised the use of sub-standard water meters acquired at a cost of Rs.2.36 crore

Based on the approval of the Bangalore Water Supply and Sewerage Board (Board), Executive Engineer, Central Stores Division, Bangalore (EE) entered (January 1998) into an agreement with a company* for supply of 50000 water meters (meters) of 15 mm diameter at the rate of Rs.472.16 per meter. Board's approval of the meter of the company was based on satisfactory test results conducted at Fluid Control Research Institute (FCRI), Palghat, Kerala. According to the specifications of Bureau of Indian Standards (BIS), sample

* Schlumberger Industries (India), Limited, New Delhi

of 1730 meters❤ were required to be tested for quality as per IS 779:1994 and IS 6784:1996 and if the meters failed to pass the prescribed tests✧, the entire consignment was to be rejected. The Company was to receive 75 per cent of cost of supplies against delivery and the balance after satisfactory test certificates from FCRI.

The Company supplied (April 1998 to August 1999) 50000 meters in 19 consignments at a total cost of Rs.2.36 crore. Scrutiny of records revealed following lapses/irregularities:

(i) As against sample of 1730 meters required to be tested, only 500 meters (i.e. 1 per cent of each consignment) were got tested (October 1998 to September 1999) through FCRI, Palghat due to defective agreement with the company. Thus, number of meters tested was grossly inadequate and violated BIS norms.

(ii) Though 85 meters failed in meter accuracy test out of 500 meters tested, and failure occurred in all consignments, Board did not reject meters and released (February 2000) the balance payment of 25 per cent and thus violated the agreement also.

Chairman stated (June 2002 and July 2002) that error in meter accuracy test under one of six flow rates was marginally higher than permissible limits and it cannot be construed as failure, warranting rejection of meters. The contention was not tenable for the following reasons:

(a) Grossly inadequate sample size for testing could not have given reliable data and thus gave unfair advantage to the company.

(b) 32 meters* failed in meter accuracy test at two or more flow rates while 53 meters in single flow rate out of six flow rates.

(c) The percentage of error in all cases was not marginal as it ranged from 2.30 to 2.99 in 31 meters and 3.00 to 5.47 in 32 meters, while in respect of balance 21 meters it was 2.03 to 2.39 as against maximum permissible error of plus or minus 2. There was no provision in BIS to declare a meter as having passed accuracy test on the ground that the error was marginally higher than the maximum permissible limit.

❤

Number of consignments	Number of meters in each consignment	Number of meters to be tested in each consignment as per BIS	Total number of meters to be tested
16	2000 to 3000	80	1280
1	4000	130	130
1	5500	160	160
1	4500	160	160
			1730

✧ Pressure tightness, minimum starting flow, pressure loss, metering accuracy, meter seal and inlet filter

* Two flow rates-16 meters, Three flow rates-10 meters, Four flow rates-4 meters, one each at four and six flow rates

By accepting defective meters, Board disregarded quality control measures and this was also detrimental to its own finances and consumer interest as consumer would be required to pay for water not consumed depending upon whether the meters recorded lower or higher volume than actual quantity of water.

The matter was referred to Government in February 2002; reply had not been received (November 2002).

6.6 Investment on digital maps remaining largely unproductive

Expenditure of Rs.58.20 lakh incurred on maps supplied by NRSA remained unproductive as updating the maps through a ground survey was yet to be taken up

Bangalore Water Supply and Sewerage Board (BWSSB) and Bangalore Development Authority (BDA) jointly arranged (March 1998) for aerial photography of the Bangalore metropolitan area through National Remote Sensing Agency (NRSA), Department of Space, Government of India at a cost of Rs.39.37 lakh. Later, as it was considered that conversion of these aerial photographs into digital maps would be of great value to all the agencies involved in infrastructure, taxation, provision of services and planning of Bangalore City, State Government nominated (December 1998) BDA as the nodal agency for getting the work done through NRSA at negotiated rates aggregating Rs.5.82 crore which included Rs.39.37 lakh for aerial photography already agreed upon. NRSA was to give priority to the maps required by BWSSB for Cauvery Stage IV works. BDA was to make payments to NRSA from out of funds contributed by various beneficiary agencies✢ in the agreed proportion♦.

BDA entered (March 1999) into a Memorandum of Understanding (MOU) with NRSA with stipulated date of completion as March 2001. An amount of Rs.58.20 lakh was paid to NRSA as of March 1999.

However, as of April 2002, NRSA delivered proof plots for 1220 sq kms out of the total area of 1424 sq kms. The Town Planning Consultant (TPC) of BDA observed during March 2000, that NRSA's capacity to do the assigned job with only two stereo plotters was limited and maps were incomplete and there were no contours. TPC also observed that the aerial photographs taken by NRSA during March 1998 had already become obsolete.

The Principal Secretary to State Government, Urban Development Department endorsed (May 2002) the replies of Commissioner, BDA who stated that

✢ BWSSB, BDA, Bangalore City Corporation, City Municipal Councils, Karnataka Electricity Board, Department of Telephones and Bangalore Metropolitan Transport Corporation

♦ i) BWSSB, BDA, Bangalore City Corporation, Karnataka Electricity Board, Bangalore Telephones at 16 per cent each

ii) 7 City Municipal Councils and one Town Municipal Council at 2 per cent each

iii) Bangalore Metropolitan Transport Corporation at 4 per cent

NRSA had delivered aerial photographs and digital data in batches commencing from February 2000 and as of April 2002 proof plots for 1220 sq kms had been delivered. He further contended that maps/data were used by BWSSB for Cauvery Water Supply Scheme, Stage-IV and Geographic Information System (GIS). These replies were not true, as maps/data supplied by NRSA could not have been used by BWSSB as mapping/designs/drawings were finalised in December 1998 itself much before delivery of digital maps/data received from NRSA. In respect of GIS, the consultant to BWSSB observed that the maps did not meet the basic requirements and contained errors (in 43 out of 62 maps) in regard to names of localities, road texts, buildings, etc. The Commissioner, BDA contended that the aerial survey of March 1998 based on which NRSA prepared the maps would not become obsolete as it would be updated through ground survey. The contention was not tenable as no ground survey was taken up by BDA as of now and as a result, the maps supplied by NRSA had no utility.

Thus, the expenditure of Rs.58.20 lakh on the mapping project remained unproductive.

6.7 Collapse of vented dam due to defective work

A vented dam constructed across Nethravathi river for the water supply scheme to Dharmasthala town collapsed due to defective execution of work by the contractor.

Remodelling of Water Supply Scheme to Dharmasthala town, approved by Government in March 1998 at a cost of Rs.2.08 crore, consisted of construction of a vented dam across Nethravathi river, Jackwell-cum-pump house, water treatment plant and distribution system. Karnataka Urban Water Supply and Drainage Board (Board), Bangalore awarded (June 1999) the construction of vented dam and jackwell-cum-pump house, to a contractor at a cost of Rs.1.05 crore. The contractor completed the structural work by April 2001 at a total cost of Rs.1.15 crore.

For storing water for the summer season, the gates of the vented dam were closed in January 2002 and water was let in. Thereupon the left bank side vent portion of the dam collapsed for a length of 33 metres during the defect liability period of the contract. Chief Engineer of the Board who inspected (March 2002) the work, attributed the collapse of the vented dam to foundation being actually laid on sandy bed while as per the design and sanctioned estimate, the foundation was to be laid on rock after removing sand and soil.

As the contractor expressed (February 2002) his inability to take up the rectification work, the Board awarded (March 2002) the restoration work to another agency at a cost of Rs.74.68 lakh at the risk and cost of the first contractor. The second agency completed the work by June 2002 at a cost of Rs.80.70 lakh. As against the restoration cost of Rs.80.70 lakh, only Rs.54.19

lakh being the value of the work done by the first contractor but not paid for and his security deposit was available with the Board for adjustment, leaving a balance of Rs.26.51 lakh unadjusted.

Thus, laying of foundation on sandy bed instead of on rock, in violation of the tender specification, and failure of Assistant Engineer (AE) and Executive Engineer (EE) of the Division to notice this defect earlier at the stage of recording/checking of work measurement resulted in collapse of the vented dam and necessitated restoration work at extra cost.

Government merely stated (July 2002) that all out efforts would be made to recover the extra cost from the first contractor; nothing was stated with regard to taking action against concerned AE and EE for their faulty supervision of work.

6.8 Laying of defective pipes

Failure of board to ensure supply of quality pipes with hydraulic tests resulted in loss of Rs.63.26 lakh besides a cost overrun of Rs.1.89 crore and delay of 7 years.

Based on the approval of the Karnataka Urban Water Supply and Drainage Board (Board), Executive Engineer, Board Division, Gadag (EE) entered (July 1992) into an agreement with Company A[Φ](Company) for providing and laying 600 mm dia pre-stressed concrete (PSC) raw water rising main pipeline from headworks at Mudenur to intermediate pumping station (IPS) at Magod for a length of 11.20 km (First Reach) and from IPS to Treatment Plant at Ranebennur for a length of 8.34 km (Second Reach) at a cost of Rs.1.30 crore. The work was to be completed by November 1995. Between August 1993 and December 1995, the Company A stacked pipes for a length of 9.72 kms for the first reach along the work alignment and laid pipes for a length of 5.50 kms. Though the Company was to conduct field tests for hydraulic strength of pipeline for every reach of 1 km, such tests were not at all conducted. However, the contractor was paid Rs.58.15 lakh comprising Rs.37.37 lakh towards full payment in respect of laid pipes for a length of 5.50 kms and Rs.20.78 lakh towards 75 per cent cost of unlaid pipes for a length of 4.42 kms. The Board did not withhold 10 per cent of the cost of the pipes for not conducting hydraulic test etc., and thus favoured the Company. The Company stopped the work in December 1995 and did not resume the same inspite of several notices. The contract in first reach was rescinded (January 2000) at the risk and cost of Company after a delay of 4 years and it was entrusted (June 2000) and got executed (January 2002) including replacement of already laid/unlaid pipes with new ones through another contractor B[⊗] at a total cost of Rs.2.64 crore.

Φ Pragathi Concrete Products Limited, Davanagere

⊗ Karnataka Cement Pipe Factory, Hubli

The EE stated (August 2002) that the unlaid pipes of 4.42 kms could not be utilised as they were damaged due to stacking along the work site for over 5 years. Pipes already laid for length of 5.5 kms were also discarded after their removal, as factory test conducted (September 2000) on samples of such removed pipes showed that these laid pipes were totally defective and did not pass required hydraulic tests.

In all, the wasteful expenditure was Rs.63.26 lakh (Rs.58.15 lakh paid to company + Rs.5.11 lakh spent by Board on removal of pipes over 5.5 km length) besides extra expenditure of Rs.1.89♦ crore and delay of seven years in completion of work.

The matter was referred to Government in October 2002; reply had not been received.

GENERAL

6.9 Grants

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.

During 2001-2002, financial assistance of Rs.3047.19 crore was given to various autonomous bodies and others broadly grouped as under:

Sl. No.	Institutions	Amount of assistance given (Rupees in crore)
1.	Educational Institutions (including Universities)	500.75
2.	Hospitals and other Charitable Institutions	79.09
3.	Co-operative Societies and Co-operative Institutions	3.34
4.	Karnataka Power Transmission Corporation Limited/Housing Boards/Corporations and other Scientific Institutions	2464.01
	Total	3047.19

♦

Total tendered rate for 19.54 km by company A	Rs.130.13 lakh
Proportionate cost of 11.20 km	Rs. 74.58 lakh
Amount paid to company B for 11.20 km	Rs. 263.66 lakh
Extra Expenditure	Rs. 189.08 lakh

In order to identify the institutions which attract audit under Section 14/15 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was sanctioned and the total expenditure of the institutions. Detailed accounts from the grantee institutions were awaited (September 2002) as indicated below:

Department-wise details are as under:

Sl. No.	Name of the Department	Years for which accounts had not been furnished	Number of accounts due
1.	Animal Husbandry and Veterinary Services	2000-2001 & 2001-2002	3
2.	Co-operation	1980-81 to 1985-86 and 1993-94 to 2001-2002	169
3.	Commerce and Industries	1980-81 to 1985-86 and 1992-93 to 2001-2002	147
4.	Education	1992-93 to 2001-2002	194
5.	Forest, Environment and Ecology	1998-99 to 2001-2002	4
6.	Health & Family Welfare Services	1998-99 to 2001-2002	19
7.	Information, Tourism and Youth Services	1988-89, 1989-90 and 1991-92 to 2001-2002	33
8.	Labour	1999-2000 to 2001-2002	3
9.	Law and Parliamentary Affairs	2001-2002	1
10.	Planning	2000-2001 and 2001-2002	5
11.	Public works and CADA	1999-2000 to 2001-2002	10
12.	Revenue	2001-2002	1
13.	Rural Development and Panchayat Raj	1999-2000 to 2001-2002	3
14.	Science and Technology (State)	2000-2001 and 2001-2002	3
15.	Social Welfare	1998-99 to 2001-2002	8
16.	Urban Development	1994-95 to 2001-2002	42
17.	Youth Services and Sports	1999-2000 to 2001-2002	5
	TOTAL		650

Year-wise breakup is indicated below:

Year	Number of bodies/authorities which had received substantial grants/ loans of not less than Rs.25 lakh (Rs.5 lakh prior to 1983-84)	Number of bodies/authorities from which accounts were yet to be received
Upto 1992-93	945	57
1993-94	107	25
1994-95	127	35
1995-96	139	35
1996-97	148	36
1997-98	156	39
1998-99	205	51
1999-2000	208	71
2000-01	214	109
2001-02	224	192
Total	2473	650

The audit of accounts of the following bodies and authorities was entrusted by the Government to the Comptroller and Auditor General under Sections19(2), 19(3) and 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act of 1971. The position (September 2002) of entrustment vis-a-vis accounts received, audited and audit reports issued is as follows:

Sl.No	Name of the Body	Section under DPC Act	Period of entrustment	Date of entrust-ment	Years for which accounts due	Year upto which accounts received	Year upto which Audit Report issued
1.	Bangalore Water Supply and Sewerage Board, Bangalore	19(3)	1999-2000 to 2003-2004	28.12.2001	2001-2002	2001-2002	2000-2001
2.	Karnataka Slum Clearance Board, Bangalore	19(3)	1997-98 to 2001-2002	01.02.2000	2001-2002	2000-2001	2000-2001
3.	Karnataka State Khadi and Village Industries Board, Bangalore	19 (3)	1997-98 to 2001-2002	06.08.1998	2001-2002	2000-2001	1999-2000
4.	Bangalore Development Authority, Bangalore	19(3)	1998-99 to 2002-2003	18.5.1999	2001-2002	2001-2002	2000-2001
5.	Karnataka Industrial Areas Development Board, Bangalore	19(3)	2000-2001 to 2002-2003	03.02.2001	2001-2002	2000-2001	1999-2000
6.	Chamarajendra Zoological Gardens, Mysore (Triannual Audit)	20(1)	1999-2000 to 2004-2005	7.5.2000	2001-2002	2000-2001	2000-2001

6.10 Utilisation Certificates

According to financial rules of Government, the departments sanctioning grants for specific purposes are required to certify the proper utilisation of grants and furnish the certificates to Accountant General (Accounts and Entitlement) within 18 months of the sanction of the grants.

As on 1 October 2002, utilisation certificates in respect of grants aggregating Rs.369.27 crore paid up to 31 March 2001 by 13 departments had not been received by Accountant General (Accounts and Entitlement) as detailed in Appendix 6.2. It is evident that the departments were not monitoring the utilisation of grants effectively.

Of the above, utilisation certificates for amounts in excess of Rupees one crore and above in each case were due from the following departments:

(Amount: Rupees in crore)

Sl. No.	Department	Years	No. of items	Amount for which Utilisation Certificates outstanding as on 1 October 2002
1.	Information, Tourism and Youth Services	1989-90, 1990-91 and 1996-97 to 1998-99	34	38.39
2.	Kannada and Culture	1986-87 to 1988-89, 1990-91, 1991-92, 1993-94, 1999-2000 and 2000-01	139	4.75
3.	Health and Family Welfare	1999-2000 and 2000-01	43	14.92
4.	Urban Development	1993-94, 1994-95, 1997-98, 1998-99 and 1999-2000	41	21.86
5.	Co-operation	1986-87, 1988-89, 1989-90, 1997-98 and 1998-99	45	89.48
6.	Commerce and Industries	1989-90, 1990-91 and 1992-93 to 1994-95	271	17.00
7.	Planning	1990-91 to 1994-95	145	52.34
8.	Rural Development and Panchayat Raj	1988-89 to 1994-95, 1999-2000 and 2000-01	196	123.79
9.	Science and Technology	1986-87, 1990-91, 1993-94, 1994-95, 1996-97 to 1999-2000	120	5.81
	Total			368.34

❀❀❀❀❀❀

CHAPTER VII

COMMERCIAL ACTIVITIES

7.1 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 Government. These undertakings are to prepare proforma accounts in the prescribed format annually, showing the results of financial operation so that Government can assess the results of their working. The Heads of Departments in 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 October 2002, there were 10 such undertakings in the Government of Karnataka. Out of these 10, one undertaking did not furnish the accounts for seven years and two undertakings for three years, two undertakings for two years and five undertakings for one year. Out of this, one undertaking which was merged with another branch of the Department was to furnish proforma accounts for one year. Rs.1.11 crore is invested in 6 undertakings at the end of the financial year up to which their accounts were finalised.

The department-wise position of arrears in preparation of proforma accounts is detailed below:

Serial Number	Department/Name of Undertaking	Year/s for which accounts are due	Investment as per last accounts (Rupees in crore)
	Finance Department Karnataka Government Insurance Department		
1	Motor Branch	2001-2002	--
2	Official Branch	2000-2001 and 2001-2002	--
3	HSLIF Branch (merged with KGID official branch with effect from 1.4.1993)	1992-93	--
	Commerce and Industries Department		
4	Government Silk Filatures, Santhemarahally	2000-2001 and 2001-2002	0.21
5	Government Silk Filatures, Mambally	2001-2002	0.28
6	Government Silk Filatures, Chamarajanagar	1999-2000 to 2001-2002	0.23
7	Government Silk Filatures, Kollegal	2001-2002	0.16
8	Government Silk Twisting and Weaving Factory, Mudigundam	1995-96 to 2001-2002	0.18
9	Government Central Workshop, Madikeri	2001-2002	0.05
10	Dasara Exhibition Committee	1999-2000 to 2001-2002	--
	TOTAL		1.11

Comptroller and Auditor General has repeatedly commented in the Audit Reports of the State about the failure of the Heads of Departments and the management of the undertakings to prepare the proforma accounts in time. Government did not initiate action to set right the position.

7.2 Summarised financial results

A synoptic statement indicating the summarised financial results on the basis of the latest available accounts of five undertakings is given in Appendix 7.1.

K. P. Lakshmana. Rao

BANGALORE **(K.P. LAKSHMANA.RAO)**
THE 14 MAR 2003 **Pr. Accountant General (Audit)-I**

COUNTERSIGNED

NEW DELHI **(VIJAYENDRA N.KAUL)**
THE **Comptroller and Auditor General of India**
2 0 MAR 2003

APPENDICES

APPENDIX 2.1

Grants/Appropriations where excess requires regularisation

(Reference: Paragraph 2.3.1 Page 37)

(In Rupees)

Sl. No.	No. and Name of the Grant/Appropriation	Provision (O+S)	Expenditure	Excess
	Voted: Revenue Section			
01	5 – Large & Medium Scale Industries (excluding IT)	1,39,87,22,000	2,19,16,06,883	79,28,84,883
02	24 – General Administration	48,86,26,000	49,53,03,650	66,77,650
03	35 – Agricultural Marketing	42,77,63,000	65,82,86,089	23,05,23,089
04	42 – Revenue (excluding Wakf, Haj & Muzarai)	5,27,42,39,000	5,27,90,09,294	47,70,294
	Voted: Capital Section			
05	10 – Primary, Secondary and Vocational Education	1,85,00,000	2,26,71,323	41,71,323
06	50 – Medical education	2,50,00,000	2,51,78,300	1,78,300
	Charged: Revenue Section			
07	13 – Kannada & Culture	-	27,558	27,558
08	15 – Pension & Other Retirement Benefits	1,21,95,000	3,24,07,288	2,02,12,288
09	30 – Forest, Ecology and Environment	11,98,19,000	18,26,71,264	6,28,52,264
10	44 – Public Works (excluding Ports and Inland Transport)	36,04,000	72,51,051	36,47,051
11	50 – Medical education	60,000	61,742	1,742
	Charged: Capital Section			
12	44 – Public Works (excluding Ports and Inland Transport)	25,00,000	29,56,730	4,56,730
	Total	**777,10,28,000**	**889,74,31,172**	**112,64,03,172**

APPENDIX – 2.2

Cases where supplementary provision proved unnecessary

(Reference: Paragraph 2.3.3 Page 39)

(Rupees in crore)

Sl. No.	Grant No. and Section	No. of detailed heads	Original Provision	Supplementary Provision	Expenditure	Saving
1	1 (Revenue-Voted)	01	-	1.33	-	1.33
2	3 (Revenue-Voted)	02	6.36	5.00	4.60	6.76
3	4 (Revenue-Voted)	03	5.83	3.42	5.52	3.73
4	5 (Capital-Voted)	01	-	6.38	-	6.38
5	8 (Revenue-Voted)	01	-	1.09	-	1.09
6	9 (Revenue-Voted)	01	85.46	2.81	77.52	10.75
7	12 (Revenue-Voted)	01	2.03	0.42	1.63	0.82
8	13 (Revenue-Voted)	01	-	0.60	-	0.60
9	15 (Revenue-Voted)	01	0.18	0.15	0.05	0.28
10	17 (Revenue-Voted)	01	1.05	0.08	0.93	0.20
11	19 (Revenue-Voted)	01	9.15	0.33	8.56	0.92
12	21 (Revenue-Voted)	01	26.50	6.74	16.62	16.62
13	25 (Revenue-Voted)	02	-	89.44	-	89.44
	25 (Capital-Voted)	01	-	89.00	-	89.00
14	30 (Revenue-Voted)	03	2.91	2.63	1.24	4.30
15	32 (Revenue-Voted)	01	6.03	6.03	4.07	7.99
16	33 (Revenue-Voted)	01	0.98	1.02	0.09	1.91
17	38 (Capital-Voted)	06	4.20	2.15	0.18	6.17
18	39 (Capital-Voted)	02	5.00	0.83	2.75	3.08
19	40 (Revenue-Voted)	01	0.10	0.18	-	0.28
20	41 (Revenue-Voted)	01	-	1.00	-	1.00
21	43 (Revenue-Voted)	01	-	0.20	-	0.20
22	44 (Capital-Voted)	03	2.57	121.86	1.76	122.67
23	45 (Capital-Voted)	01	1.83	8.00	1.57	8.26
24	46 (Revenue-Voted)	01	113.18	1.52	38.29	76.41
25	47 (Revenue-Voted)	01	0.98	1.00	0.94	1.04
26	49 (Revenue-Voted)	02	1.15	0.82	0.88	1.09
27	51 (Revenue-Voted)	03	24.76	0.55	23.86	1.45
		45	**300.25**	**354.58**	**191.06**	**463.77**

APPENDIX 2.3

Cases where supplementary provision proved insufficient

(Reference: Paragraph 2.3.4 Page 39)

(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)	02	12.18	1.50	19.21	5.53
2	9 (Revenue-Voted)	02	163.36	66.64	233.93	3.93
3	10 (Revenue-Voted)	02	23.92	28.11	55.17	3.14
4	24 (Revenue-Voted)	02	0.59	4.50	8.95	3.86
5	28 (Revenue-Voted)	02	0.93	1.10	2.20	0.17
6	36 (Revenue-Voted)	01	32.40	2.00	99.37	64.97
7	38 (Capital-Voted)	03	3.00	4.30	29.67	22.37
8	39 (Revenue-Voted)	01	-	1.28	2.08	0.80
	39 (Capital-Voted)	03	10.11	2.20	29.51	17.20
9	41 (Revenue-Voted)	01	0.41	0.15	0.79	0.23
10	42 (Revenue-Voted)	01	19.19	37.12	113.85	57.54
11	44 (Revenue-Voted)	01	18.08	0.50	35.60	17.02
	44 (Capital-Voted)	02	0.70	12.80	14.33	0.83
12	46 (Revenue-Voted)	01	15.32	3.00	23.93	5.61
13	47 (Revenue-Voted)	01	7.72	5.18	26.29	13.39
14	48 (Revenue-Voted)	01	90.70	1.91	94.32	1.71
15	49 (Revenue-Voted)	02	1.36	0.55	2.63	0.72
16	51 (Revenue-Voted)	01	0.25	0.01	1.74	1.48
17	52 (Revenue-Voted)	01	2.00	0.75	3.25	0.50
18	55 (Capital-Charged)	02	18.00	5.67	28.60	4.93
		32	**420.22**	**179.27**	**825.42**	**225.93**

APPENDIX 2.4
Supplementary provision proved excessive

(Reference: Paragraph 2.3.5 Page 39)

(Rupees in crore)

Sl. No.	Grant No. and Section	No. of detailed heads involved	Original provision	Supplementary provision	Expenditure	Saving	Addl. Funds actually required
1	2 (Revenue-Voted)	01	-	8.89	8.43	0.46	8.43
2	3 (Revenue-Voted)	01	0.01	2.89	0.81	2.09	0.80
3	4 (Revenue-Voted)	02	5.79	1.66	6.69	0.76	0.90
	4 (Capital-Voted)	01	0.10	0.96	0.77	0.29	0.67
4	5 (Revenue-Voted)	01	-	5.39	0.55	4.84	0.55
	5 (Capital-Voted)	01	-	5.23	0.23	5.00	0.23
5	6 (Revenue-Voted)	01	5.00	2.81	6.81	1.00	1.81
6	8 (Revenue-Voted)	01	4.15	5.00	4.98	4.17	0.83
7	9 (Revenue-Voted)	02	8.09	3.25	9.76	1.58	1.67
8	10 (Revenue-Voted)	01	1.28	4.00	5.02	0.26	3.74
9	12 (Revenue-Voted)	01	0.22	1.80	1.78	0.24	1.56
10	13 (Revenue-Voted)	02	2.01	4.52	4.15	2.38	2.14
11	14 (Revenue-Voted)	01	0.98	24.08	22.62	2.44	21.64
12	24 (Revenue-Voted)	01	0.00	0.25	0.01	0.24	0.01
13	26 (Revenue-Voted)	01	39.33	10.00	47.60	1.73	8.27
14	28 (Revenue-Voted)	01	0.71	0.44	0.76	0.39	0.05
15	30 (Revenue-Voted)	01	0.01	1.99	1.13	0.87	1.12
16	32 (Revenue-Voted)	01	29.40	100.49	95.22	34.67	65.82
17	38 (Capital-Voted)	13	2.98	74.10	20.09	56.99	17.11
18	39 (Revenue-Voted)	01	-	5.10	0.86	4.24	0.86
	39 (Capital-Voted)	01	2.85	7.42	5.95	4.32	3.10
19	40 (Revenue-Voted)	03	3.63	5.18	6.13	2.68	2.50
20	44 (Capital-Voted)	02	9.91	33.08	26.61	16.38	16.70
21	46 (Revenue-Voted)	01	21.97	7.68	25.33	4.32	3.36
	46 (Capital-Voted)	01	1.00	7.33	6.17	2.16	5.17
22	48 (Revenue-Voted)	02	16.49	8.22	23.70	1.01	7.21
23	49 (Revenue-Voted)	01	-	2.42	1.44	0.98	1.44
24	50 (Revenue-Voted)	01	1.88	1.00	2.61	0.27	0.73
25	51 (Revenue-Voted)	05	27.41	11.77	33.62	5.56	6.21
26	53 (Capital-Voted)	01	-	2.00	1.55	0.45	1.55
27	59 (Revenue-Voted)	01	-	1.50	1.00	0.50	1.00
		54	**185.20**	**350.45**	**372.38**	**163.27**	**187.18**

APPENDIX 2.5

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 2.3.6 Page 39)

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)		Reasons for savings (wherever furnished)
(1)	(2)	(3)	Rs. in lakh	(4)
1	1 – Agriculture (excluding Malnad Area Development Board) (Revenue-Voted) **53.64** (14.85)	Agricultural extension project – Salaries	158.14	Rs. 139.75 lakh due to vacant posts
		Mini mission .II under Technology Mission on cotton – Other Expenditure	162.26	Non implementation of some projects due to natural calamities
		Farmers Contract Centre – Farm Clinics – lumpsum	231.14	Due to distribution of seeds through CSS of National pulses Development project
		CSS of Oil Seeds Production Programme – Grants-in-aid to ZPs	271.21	Specific reasons not furnished
		Block grants – Grants-in-aid to ZPs	453.33	
		CSS for National Pulses Development Project – Grants-in-aid	124.91	
		Provision for vacant posts	138.96	
		Tribal Area Sub-plan	157.00	
		Other Expenditure – Agriculture Department SCP	782.00	
		Indoswiss Project for Water Shed Development (SDC)	1000.00	Non receipt of sanction from Government for implementation of the project
		Comprehensive Water Shed Development Project – World Bank Project	943.95	Non receipt of sanction from Government for implementation of the project
		CSS for NWDP by Water Shed Development Department	452.66	Release of grant at the fag end of the year
		CSS for Soil Conservation in catchment of River Valley Projects by Water Shed Development Department	219.64	Release of grants at the fag end of the year
		Tribal Area Sub-plan, Soil and Water Conservation TSP	154.86	
		Other Expenditure – Soil & Water Conservation	576.00	
		Soil and Water Conservation, Water Shed Development Project – Directorate of Water Shed Development – Lumpsum – State	750.14	
2	2 – Horticulture (Revenue-Voted) **25.36** (22.69)	Direction and Administration – Horticulture Department – Executive Establishment – Salaries	294.65	
		Commercial crops – Scheme for integrated farming in coconut for productivity/improvement with coconut Development Board Assistance – Other Expenditure	217.39	

(1)	(2)	(3)	Rs. in lakh	(4)
		Assistance to local bodies, corporations etc., Zilla Parishads and Mandal Panchayats (Horticulture Department) – Block Grants	312.00	
		Other Expenditure – Horticulture Department – Development of Horticulture under New Macro Management Mode – lumpsum	1476.62	
		Special Component Plan	126.95	
3	3 – Animal Husbandry (Revenue-Voted) **53.44** (30.22)	Direction and Administration – Director of Animal Husbandry and Veterinary Services, Drugs and Chemicals	664.36	Economy measures
		Veterinary Services and Animal Health – Animal Disease Research Laboratories	100.00	Non receipt of approval and cut in plan provision
		Cattle and Buffalo Development – All Department - Extention of Frozen Semen Technology and Progeny Testing Programme for cattle and buffalo Development – Other Expenditure	943.21	
		Assistance to local bodies, corporations etc., Provision for vacant posts – Block Assistance – Lumpsum	119.89	
		Other Expenditure – SCP (State Plan Scheme)	109.97	
		Dairy Development – Assistance to co-operatives and other bodies – Karnataka Milk Producer's Co-operative Federation Limited	1637.58	
4	4 – Fisheries, Ports and Area Development (Revenue-Voted) **57.78** (29.63)	Marine fisheries – implementation of marine fishing regulation Act 1986	220.00	Scheme was dropped by Government
		Assistance to local bodies, corporations etc., - ZPs and GPs	179.75	
		Other Rural Development Programmes – Other Expenditure – Hyderabad – Karnataka Development SCP	1800.00	
		Tribal Sub Plan	450.00	
		Border Area Development – SCP	217.00	
		Grants-in-aid	142.99	
		CADA – Tunga Bhadra Project	181.00	
		Other Expenditure – Namma Hola, Namma Rasthe	191.63	
5	5 – Large & Medium Scale Industries (excluding IT) (Capital-Voted) **140.38** (59.99)	Capital outlay on Iron and Steel Industries Manufacture, Other Expenditure – Industrial Infrastructure for Institutions	750.00	Rs. 448 lakh due to economy measures. Rs. 302 lakh due to shortfall in State's revenue receipts and devolution of GOI receipts
		Investments in Industrial and Financial institutions, Loans to Public sector and other Undertakings, KSFC	500.00	
		Investments in General Financial Institutions, Investments in Public Sector and other Undertakings KIDFC	4452.00	
		Investments in Bangalore International Airport by IDEC	2500.00	Due to significant drop in revenue receipts

(1)	(2)	(3)	Rs. in lakh	(4)
		Investment in Rural Infrastructure Development Corporation by IDEC	1500.00	Significant drop in States Revenue Receipts and also reduction in State's share of Central Assistance by Government of India
		Manufacture – Loans to public sector and other undertakings Vijayanagar Steel Limited – State Renewal Fund (VRS and Other Reliefs) – Loans	3182.34	
		Electrical Engineering Industries – Mysore Lamp Works Limited – Loans to PSUs and LBs	302.00	
		Paper and Newsprint – Loans to PSUs and other undertakings – Loans to Mysore Paper Mills Limited – Dutch Assisted Project Pulp and Paper Cleaner Production	305.89	
		Interest free loan to KSFC – payment of minimum guaranteed dividend to the share holders of KSFC	638.00	
6	7 – Small Scale Industries (Revenue-Voted) **48.73** (23.66)	Village & Small Industries – Small Scale Industries – Resource Support to KSFC	2963.00	Due to shortfall in State's receipts and in devolution of GOI receipts
		Lumpsum provision for SCP (Corporation and Companies viz., LIDKAR, KUIB, KHDC, KSCDS)	800.00	
		Establishment of Mini Tool Room	200.00	
		TSP Boards, Corporations and Apex Institutions TSP	199.88	
		Industrial Promotion Service and Support Organisation – Grants-in-aid	137.00	Economy measures
		KAYAKANAGARA	100.00	Economy measures
		Coir Industries – Rebate on coir products – Rebate	200.00	Economy measures
		Other Village Industries–Industrialisation Programme – VISWA – Lumpsum State	199.80	
	(Capital-Voted) **11.44** (55.13)	Capital Outlay on Village and Small Industries - SSI – Modernisation and Technology upgradation	904.82	Enforcement of Economy measures.
		Specialised Skill Development Institutions – Investments -	375.00	Economy measures.
7	8 – Sericulture and Textiles (Revenue – Voted) **16.94** (10.18)	Social Security and welfare – Social Welfare – Welfare of aged, infirm and Destitutes – Probation and after care services Department – Subsidies to Sari Dothi Scheme –	417.40	
		Special Component Plan	307.00	
		Village and Small Industries – Handloom Industries – SCP for Handloom Textiles	109.00	
		Sericulture Industries – Karnataka Silk worm Seed Cocoons and Silk yarn Development and Price Stabilisation Fund – Lumpsum – State – Provisions for PFSA Scheme – Other Expenditure	225.58	
		Industries – Consumer Industries – Textiles – Government Silk Filature – Chamarajnagar – Operation and maintenance – Raw materials	145.19	Non filling up of vacant posts.

(1)	(2)	(3)	Rs. in lakh	(4)
8	14 – Taxes on Income, Professions, Sales and Other Services (Revenue-Voted) **32.34** (23.23)	Taxes on Sales, Trade etc., - Other Expenditure – Technical assistance for VAT (WBA) – Lumpsum – State	1854.00	No specific reasons
		Special grants as per recommendations of TFC – Computerisation of CT check posts – Special Grants	700.00	Due to creation of infrastructure is still in progress
		EFC – grants for upgradation of commercial taxes administration special grants	139.00	Technical formalities were under progress
9	17 – Treasury and Accounts Administration (Revenue – Voted) **17.42** (26.96)	Treasury and Accounts Administration – Directorate of Accounts and Treasuries – Modernisation of Accounting in Treasuries – Lumpsum – State	1,260.00 116.64	Non-completion of programme on account of technical problem.
10	21 – Bangalore Development Projects (Revenue-Voted) **151.38** (70.83)	Urban Development – Other Urban Development Schemes, Assistance to local bodies, Corporations, Urban Development Authorities, Town Improvement Boards etc., - Bangalore Mega City Project – Grants-in-aid	1662.00	
		Karnataka Infrastructure Project (ADB) – Grants-in-aid	7363.74	
		Karnataka Coastal Management and Urban Development – Grants-in-aid	1050.00	
		High Power Committee for Development of Bangalore City SCP	243.00	
		Grants-in-aid	196.00	
		Karnataka Municipal Development Project – WBA – lumpsum – State	100.00	
		Transfer to reserve funds and deposit accounts, transfer of BMRTS costs to Bangalore Mass Rapid Transit System Fund – Inter Account Transfer	4554.00	
	(Capital-Voted) **141.08** (36.36)	Loans for water supply & sanitation, water supply – loans to Bangalore Water Supply & Sewerage Board, Cauvery Water Supply State IV	8100.10	
		Augmentation of water supply & sewerage system in Bangalore with French Assistance – loans to PSUs and OLBs	804.67	
		Integrated water management to meet additional needs of Bangalore	100.00	
		Loans to local bodies and corporations etc., Bangalore Metropolitan Regional Development Authority – Karnataka Infrastructural Project – loans	2848.72	
		Other loans – loans for Bangalore Mass Rapid Transit System – Loans	4554.00	
11	23 – secretariat (Revenue - Voted) **11.89** (16.87)	Other Administrative Sercives – Other Expenditure – Human resources Development – Lumjpsum – State	495.00	
12	25 – Power Projects (Capital-Voted) **89.00** (96.80)	Loans to power projects – loans to public sector and other undertakings – accelerated power Development programme – loans to KPTCL	8900.00	
13	26 – Small Savings, State Lottery and Insurance (Revenue Voted) **22.44** (19.71)	Miscellaneious general sercices – State Lottery - ,Director of State Lotteries – payment of Commission to Agents Payment of Prize amount - Prize money	942.80 855.80	
14	29 – Food and Civil Supplies (Revenue-Voted) **89.84** (28.30)	Food storage and ware housing – food subsidies – differential cost of food grains – subsidies	9964.75	
		Transportation charges	547.43	

(1)	(2)	(3)	Rs. in lakh	(4)
15	30 – Forest, Ecology and Environment (Revenue-Voted) **49.98** (14.47)	Forest produce – Timber removed by Government agency works	687.00	Non receipt of permission from Government to issue LOC
		Supply of bamboos to paper mills – works	216	- do -
		Other Expenditure – special component programme for scheduled castes	812.13	Rs. 288.00 lakh pooling of funds for redistribution by social welfare Department, Rs. 499.70 – not furnished
		Environmental forestry and wild life – rehabilitation of villages of Bhadra Wild Life Sanctuary	300.00	
		India ECO – Development project	226.51	Rs. 148.90 lakh excess release by Government of India
		Tribal Development around National Park	103.02	
		Transfer of receipt from sanctuaries to protected area management fund – Inter Account transfers	215.60	
		Afforestation and Ecology Development – Assistance to local bodies, corporations etc., ZPs and GPs	176.50	Direct release of funds by GOI to ZPs
16	32 – Home (excluding police intelligence) (Revenue-Voted) **97.94** (11.08)	Police – Criminal Investigation and Vigilence – Special units – Salaries	208.70	
		Special police – establishment of new KSRP battalions – Other Expenditure	102.83	
		State Headquarters police – improvement of traffic in Bangalore City - lumpsum	514.96	
		Lent Establishment – salaries	379.62	
		Commissioner of Police, Mysore – Salaries	286.05	
		District Police – Police Force – Salaries	2640.49	
		Modernisation of police force – modernisation	3466.59	
		Other Expenditure – EFC grants for upgradation of Police Administration – Special grants	798.93	
		Computer infrastructure CCI project	371.91	
		Opening of police stations – infrastructure	199.80	Non receipt of sanction from Government
		Social security and welfare – other programmes – relief to persons affected by riots – general relief – financial assistance/relief	145.50	
17	36 – Housing (Revenue-Voted) **32.15** (10.28)	Rural Housing – provision of house sites for land less – special component plan	600.00	
		Tribal Sub Plan	300.00	
		Other Expenditure – Neralina Bhagya – replacement of thatched roof – lumpsum	100.00	
		Prime Minister's Gramodaya Yojane	366.50	Release of less grant by GOI
		Assistance to housing boards – assistance to HUDCO assisted schemes towards payment of loan and interest – Grants-in-aid	438.22	
		Assistance to local bodies, corporations etc., ZPs and GPs, Indira Awaas Yojana – lumpsum – State	895.73	Release of less grant by Government of India
		Urban Development – Slum Area Improvement – Assistance to local bodies, corporations – Slum Clearance Board – SCP	350.00	Pooling of funds by social welfare Department
		Subsidies	200.00	

(1)	(2)	(3)	Rs. in lakh	(4)
18	37 – Urban Development Authorities (excluding Bangalore Development Projects), City Corporations (excluding Bangalore City Corporation) Town Planning Department (Revenue-Voted) **144.77** (18.84)	Water supply and Sanitation – Water Supply, Assistance to Local Bodies, Corporations etc., KUWS&DB – grants for urban water supply schemes – SCP	948.00	
		Tribal Sub Plan	248.00	
		Grants to urban local bodies under TFC grants – Grants-in-aid	2200.00	
		Special Component Plan	300.00	
		Computerisation and assignments to local bodies and Panchayat Raj Institutions – other miscellaneous compensation and assignments – grants to urban local bodies under SFC recommendations – compensations	7739.50	
		Special grants to corporations, municipalities and town panchayats – special grants for capital Developments – special grants	3430.00	
19	38 – Major and Medium Irrigation (Revenue-Voted) **12.06** (11.91)	Major and Medium Irrigation – Major Irrigation – Commercial – Krishnaraja Sagar Works – Suspense – Stock Debits	142.34	
		Hemavathi Project – Maintenance and Repairs	249.94	Non receipt of LOC
		Tungabhadra Board – Other Expenditure	295.18	
		Other Expenditure – Inter-State Water Dispute – Technical Cell (WRDO) – Payment of Professional and Special Services	194.60	Non receipt of Bills
	(Capital – Voted) **353.22** (19.58)	Capital Outlay on Major and Medium Irrigation, Major Irrigation – commercial – KRS – Right Bank Canal – Suspense Project Debits – Stock	503.72	
		Other Expenditure – Canals and Branches – Normal	258.15	Non release of LOC
		Modernisation of KRS canals – Other Expenditure – canals and branches – normal	451.59	Non receipt of LOC
		- do -	324.81	
		Kabini Project – Other Expenditure – Canals & Branches – Normal	903.39	Short release of LOC
		Suspense – project debits – stock	515.61	
		Harangi project – Other Expenditure – Canals & Branches – normal	677.05	Non release of LOC
		Harangi project – suspense – project debits – stock	232.67	
		Direction and Administration – project establishment – salaries	123.64	Shifting of divisions and sub-divisions
		Hemavathy project – Other Expenditure – Canals & Branches – normal	1825.26	Non payment of pending bills and land compensation due to short release of LOC
		Reservoir	152.94	
		Canals & Branches – Acquisition of land	299.80	
		Reservoir	118.50	
		Suspense – project debits – s tock	895.45	
		Miscellaneous works advances	111.05	
		Hemavathy project (canal zone – Tumkur) Other Expenditure – Canals & Branches – Acquisition of land	1044.77	
		Distributaries – normal	550.07	
		Suspense – project debits – stock	865.80	
		Yagachi project – suspense – project debits – stock	236.17	

(1)	(2)	(3)	Rs. in lakh	(4)
		Cauvery Anicut – Channels Modernisation – Modernisation special repairs – Hullahalli Anicut Channel	270.31	Non release of LOC
		Kattepura Anicut Channel	200.00	Non approval of project estimate by Government
		Dudhganga project – Other Expenditure – Canals & Branches – normal	3505.00	
		Karanja project – AIBP – Other Expenditure – Canals & Branches – normal	660.29	Short release of LOC
		Reservoir	345.34	- do -
		Dam & Appurtenant works	316.16	- do -
		Distributaries – normal	203.56	- do -
		Distributaries – normal	100.26	
		Suspense – project debits – stock	549.63	
		Miscellaneous works advanced	186.90	
		Varahi project – Other Expenditure – Dam and Appurtenant works	149.34	
		Canals & Branches – normal	166.12	
		Uduthorehalla project – Other Expenditure – Distributaries – normal	248.12	Taking up of only potential works
		Dam and Appurtenant works	159.76	- do -
		Iggalur project – Other Expenditure – Canals & Branches – normal	302.88	Non release of LOC
		Nanjapura lift irrigation scheme – Other Expenditure – Canals & Branches – normal	253.65	Non release of LOC
		Hirehalla tank (AIBP) – Other Expenditure – Reservoir	248.96	
		Amarja project (NABARD) – Other Expenditure – Distributaries – normal	278.39	
		Roads	200.00	
		Lower Mullamari Project – Other Expenditure – Reservoir	456.35	
		Suspense – Project Debits – Stock	109.80	
		UKP zones – Upper Krishna Project/Krishna Basin Project AIBP Major works	3682.80	
		Investments in public sector and other undertakings KBJNL assistance for repayments	4056.00	
		Investments	10089.51	
		Other Expenditure – new schemes – KRS down –stream bridge	306.36	Non release of LOC
		Shimsha modernisation (Rs. 101.58 lakh) improvements to tanks under VC Canal command	100.00	- do -
		Sir.Ranga Lift Irrigation Scheme	100.00	Non receipt of administrative approval
		Improvements to EDS Canal	150.00	Want of technical sanction
		Modernisation of distributaries under VC System	100.00	Delay in finalisation of tenders

(1)	(2)	(3)	Rs. in lakh	(4)
20	39 – Minor Irrigation excluding Ground water (Capital voted) **11.26** (10.35)	Capital outlay on Minor Irrigation – Surface water – World Bank Aided Tank Irrigation Projects - Karnataka Tank Development Project – Works	259.19	Non-taking up of works on account of technical reason.
			175.84	
		Lift Irrigation Schemes – Chief Engineer, (Minor Irrigation), Bangalore – Works	159.90	
		Special Component Plan –	1546.60	
		Tribal Area Sub Plan	309.00	
		Capital outlay on Minor Irrigation – Surface Water – Barrages – NABARD Works -	1255.01	
21	41 – Administration of Justice (Revenue –Voted) **17.21** (12.24)	Administration of Justice – Other Expenditure – EFC grants for upgradation of Judicial Administration – Special grants –	496.47	Non-filling up of posts of Presiding Officer in two Courts
		Establishment of regions Office of alternative despute resolution- Lumpsum - State	100.00	
22	44 – Public Works (excluding Ports & Inland Transport (Revenue-Voted) **207.77** (32.54)	General – Machinery and equipment – new supplies	208.63	
		Repairs and carriages – central mechanical organisation – repairs and miscellaneous (works shop section)	120.28	
		Maintenance and repairs – buildings – ordinary repairs – building maintenance as per TFC norms – maintenance	3367.31	
		Maintenance charges of Vidhana Soudha – MS Building and VV Tower – Electricity and water charges	521.27	
		Medical	319.83	
		Education	310.57	
		Building – special repairs – medical	110.65	
		Suspense – debits – stock	4670.11	
		Miscellaneous public works accounts	287.87	
		Housing – Government, Residential buildings – Other housing – maintenance and repairs – building maintenance as per TFC norms – maintenance	373.29	
		Ordinary repairs – repairs	192.68	
		Furnishing – furnishing	376.20	
		State Highways – bridges – repairs to bridges	249.59	
		Road works – road maintenance to meet TFC norms	3403.38	
		Ordinary repairs to roads – repairs	814.70	
		District and other roads – road works – rural road works – Prime Minister Gramodaya Sadak Yojana - Roads	2063.02	Due to less release of grants by GOI
		- do -	586.00	

(1)	(2)	(3)	Rs. in lakh	(4)
		Other Expenditure – District roads and bridges repairs to roads in Ayacut Area – repairs	435.53	
		General – Prorata establishment charges transferred from 2059 – Public works	192.15	
		Transfer to reserve funds and deposit accounts – transfer of grants from Central Road Fund to deposit head Subventions – Inter Account transfers	3994.00	
	(Capital-Voted) **289.13** (44.53)	Capital outlay on public works – General – Direction and Administration – State Sector Schemes percentage establishment charges transferred from 2059 – Public Works – construction	269.19	
		Construction of Mini Vidhana Soudha in districts	12000.00	
		Secretariat – General Services	1623.36	Due to reduction in plan allocation
		Survey settlement and LR institute at Gulbarga from TFC grants – Grants-in-aid	660.00	
		Administration of justice	422.10	Due to reduction in plan allocation
		Sales tax – construction of office buildings	210.38	
		District Administration	142.42	Reduction in plan outlay
		Public works	118.31	Reduction in plan outlay
		Capital Outlay on education, Sports, Art and Culture – Art and Culture – Other Expenditure – buildings – State Plan Schemes – Works	139.48	
		Capital Outlay on Housing – Government Residential Buildings – Other Housing – construction – Secretariat and General Services	110.00	Due to reduction in plan outlay
		Administration of Justice	102.61	- do -
		Direction and Administration – Establishment charges transferred from 2059	152.45	
		Machinery and equipment – Establishment transferred from - 2059	135.21	
		Capital Outlay on information and publicity – Others – Buildings – Works	203.56	- do -
		Capital Outlay on roads and bridges – State Highways – Road works – Development of State Highways under World Bank Assistance – Roads	7262.53	Due to delay in appointment of contractors for taking up works
		- do -	3558.54	
		Other road formation – roads	1613.44	Reduction in plan outlay and due to procedural delays
		District and other roads – Other Expenditure – Central road fund works – Roads financed from central road fund CRF allocations – Roads	2034.00	Due to taking up less No. of works sanctioned by GOI
		Investments in Public Sector and other undertakings – KSRDCL	3590.00	

(1)	(2)	(3)	Rs. in lakh	(4)
		Capital Outlay on other transport services – others – investments in public sector and other undertakings – Rail Infrastructure Development Corporation (Karnataka)	300.00	Reduction in plan outlay due to reduction in State Resources and also Central allocation
		Capital Outlay on Tourist infrastructure – Tourist accommodation – Buildings State Plan Schemes – Works	100.00	
		Miscellaneous loans – State Renewal Fund (VRS and other reliefs)	1000.00	
23	45 – Co-operation (Excluding Agricultural Marketing) (Revenue-Voted) **30.46** (42.37)	Direction and Administration – Registrar of Co-operatives – Salaries	245.16	Vacant posts
		Other General Economic Services – Regulation of Markets Minimum floor price scheme	2080.00	
		Other Expenditure – Scheme for Macro Management of Agricultural Marketing (CSS)	360.00	Due to error in budgeting
24	46 – Rural Development and Panchayat Raj (Revenue-Voted) **183.47** (15.52)	Public works – General – Assistance to local bodies, corporations etc., ZPs and GPs – Block assistance Grants-in-aid to ZPs	554.86	Release of funds as per revised estimates
		Water supply – schemes with bilateral assistance district project cell	100.11	Abolition of few posts
		Assistance to local bodies, corporations etc., ZPs and GPs – Block assistance to ZPs and GPs	1199.77	
		Suspense – debits – PHE Circles – Stock	100.00	
		Sewerage and Sanitation – Sanitation Services – Rural sanitation programme – State Sector – SCP	600.00	
		Tribal Sub Plan	150.00	
		CSS of Rural sanitation programmes – Grants-in-aid to ZPs	816.46	Reduction in subsidy payable to families BPL
		Integrated rural Development programmes – Direction and Administration – Monitoring Cell of IRD – Integrated Wasteland Development Programmes – Other Expenditure	315.26	Direct releases of grants to ZPs by GOI
		Training – Special scheme for providing employment to rural youth – Other Expenditure	125.48	Reduction in grants in revised estimates
		Assistance to local bodies, corporations etc., - ZPs and GPs – Swarnajayathi Grama Swarozgar Yojana – lumpsum – ZPs	308.03	Non release of II instalment of grants by GOI
		DRDA – Administrative charges – lumpsum – ZPs	261.27	- do -
		Land Reforms – Regulation of land holdings and tenancy-Other Schemes-computerisation of land records – Modernisation	310.16	
		CSS of strengthening of revenue Administration and updating of land records – Other Expenditure	123.94	
		Other rural Development programmes – Panchayat Raj - Karnataka Panchayat Raj – Grants-in-aid to ZPs	415.89	Release of grants as per revised estimates
		Assistance to local, corporations etc., ZPs and GPs grants to GPs – Grants-in-aid to ZPs	3511.00	Release of grants as per revised estimates
		Development grants – lumpsum – State	3022.94	- do -

(1)	(2)	(3)	Rs. in lakh	(4)
		ZPs maintenance grants – Grants-in-aid to ZPs	490.14	- do -
		Block grants (per capita grant and Anthyodaya)	193.19	- do -
		Grants to TPs – Grants-in-aid to ZPs	160.85	- do -
		Grants to Panchayat Raj Institutions under TFC – recommendations – Grants-in-aid to ZPs	272.09	
		Grants to Gram Panchayats – Grants-in-aid to ZPs	187.71	
		Other Expenditure – Maidan Development Board SCP	216.00	
		Grants-in-aid	150.00	
		Hill Areas – Estern Ghats – Assistance to local bodies, Corporations etc., - ZPs and GPs – CSS of western ghats	120.26	
		Special Area Programme – State Legislators Local Area Development Scheme – lumpsum – State	138.01	
		Minor irrigation – General – Assistance to local bodies, corporations etc., - ZPs and GPs – Block Assistance (MI)	682.35	Release of grants as per revised estimates
		Others – Assistance to local bodies, corporations etc, - ZPs and MPs – National Project on improved Choolahs- – lumpsum (ZP)	119.55	Non release of funds by GOI
		Roads and bridges – General – Assistance to local bodies, corporations etc., - ZPs and GPs – Block Assistance to ZPs and GPs – Grants-in-aid to ZPs	3946.67	Release of funds as per revised estimates
	(Capital-Voted) **58.89** (52.77)	Water supply – Rural water supply – Scheme with bilateral assistance – Integrated Rural Water Supply and Environmental Sanitation Project (WBA) – Rural Sanitation	3645.00	Delay in commencement of the project
		Integrated rural water supply and environmental sanitation project Phase.II (DANIDA Assisted) – RWS Schemes	1698.47	Project was under completion stage
		Rural Development Engineering Department – RWS Schemes	100.00	Non receipt of sanction from FD
		Integrated RW Sand Sanitation Project (Netherlands Assisted) RWS Schemes	215.78	
		Integrated RWS and Environmental Sanitation Project (WBA), Rural water supply schemes	150.00	
25	47 – Labour and Wakf (Revenue-Voted) **44.18** (26.03)	Medical and Public Health – Urban Health Services – Allopathy Employees State Insurance Scheme – Other Expenditure – lumpsum – State	157.19	Economy measures
		Salaries	140.20	Vacant posts
		Dispensaries unit – drugs and chemicals	261.03	Non acceptance of hundis
		Salaries	188.75	Vacant posts
		Hospital unit – salaries	115.33	Vacant posts
		Labour and employment – General labour welfare child labour – Child labour and rehabilitation – contributions	100.00	
		Urban oriented employment programmes SJRY – Urban wage employment programme – lumpsum – State	1990.55	
		Urban self employment programme – lumpsum – State	1676.19	
		Special component plan	250.00	

(1)	(2)	(3)	Rs. in lakh	(4)
26	48 – Social Welfare (Revenue-Voted) **63.27** (10.39)	Assistance to public sector and other undertakings SC/ST Development Corporation – State plan schemes – Self employment scheme – Grants-in-aid	189.35	
		Assistance to local bodies, corporations etc, ZPs and GPs – Block assistance to ZPs and GPs	1989.93	
		CSS of removal of untouchability – Grants-in-aid for ZP	170.72	
		Education – Construction of residential schools-Assistance for payments	498.50	
		Pre-matric scholar ships	103.01	
		Other Expenditure – compensation to SC/ST victims	109.21	
		Assistance to local bodies, corporations etc., ZPs and GPs – Block Assistance to ZPs and GPs	430.38	
		Special central assistance to TSP – lumpsum – State	174.90	
		Welfare of backward classes – assistance to local bodies and corporations etc, ZPs and GPs	1051.02	
		Education – Welfare of OBC – repayment of HUDCO loans for Navodaya Residential 'Schools	181.00	
		Starting of 25 – Pre-matric Hostels with 50 strength	122.51	
		Karnataka Backward Classes Development Corporation – Subsidies	125.00	
	(Capital-Voted) **11.06** (18.61)	Capital outlay on welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes – Welfare of Schedules Castes – Education – Construction of Hostel Buildings – Construction	421.46 186.42	
27	49 – Women and Children Welfare (Revenue-Voted) **39.66** (13.27)	Child welfare – CSS of training of Auganwadi Women Workers and Grame Sevikas in training centres of Dharawad and Mandya	104.11	
		Women's welfare – revolving fund of Sthree Shakti – Other Expenditure	899.71	
		Special component plan	117.71	
		Assistance to local bodies, corporations etc., ZPs and GPs – CSS of Integrated child Development service – Grants-in-aid	2018.96	
		Honorarium to Auganawadi workers	150.00	
		Nutrition – distribution of nutritious foods and beverages – assistance to local bodies corporations etc, ZPs and GPs	2146.21	

(1)	(2)	(3)	Rs. in lakh	(4)
28	50 – Medical Education (Revenue-Voted) **35.65** (15.32)	Urban health services – Allopathy – Hospitals and Dispensaries – Hospitals attached to teaching institutions – College Hospitals – Electricity and Water Charges	1027.00	Economy measures
		Electricity and Water charges	570.57	
		Drugs and chemicals	145.00	Economy measures
			200.76	Not communicated
		Salaries	568.51	Non filling up of vacant posts
			163.29	
		Office expenses	470.26	
		Major Hospitals – purchase of equipments, ambulances etc – lumpsum - State	231.59	
29	51 – Health & Family Welfare Services (Revenue-Voted) **152.42** (16.99)	Urban health services – Allopathy – Medical stores Department – Government medical stores, Bangalore – Drugs and Chemicals	624.67	Economy measures
		Hospitals and dispensaries – Major hospitals – Major and District hospitals – salaries	168.67	Vacant posts
		Electricity and water charges	116.61	Economy measures
		Karnataka Health Systems Development Project – lumpsum – State	1654.35	No specific reasons
		Office expenses	200.50	
		Purchase of New Motor Vehicles	400.00	Delay in taking decision
		Payment of professional and special services	340.00	Delay in awarding financial and hospital management consultancy contract
		Salaries	132.17	Vacant posts
		Diet expenses	200.00	Decision not taken to provide diet
		Fuel and oil expenses	136.43	Economy measures
		Repairs of motor vehicles	119.67	Less repair work
		Office expenses	212.63	Vacant posts
		Maintenance	187.54	
		Tuberculosis institutions – NTCP – Aid materials by GOI – cost of material and equipments supplied by GOI	102.17	
		Hospitals attached to teaching institutes – buildings	138.61	Economy measures
		Other Expenditure – EFC grants for establishment of regional diagnostic centres – special grants	355.51	Economy measures
		Rural Health Services – Allopathy – Hospitals & Dispensaries CSS of Pradhana Mantri Gramodaya Yojane – Strengthening of PHCs/sub centres – construction	494.97	
		Repairs	232.96	
		Allopathy – education including education in pharmacy – Medical colleges – salaries	453.25	Vacant posts
		Scholarships and stipends	204.00	Short demand for full stipend
		Prevention and control of diseases – Malaria – NAMP (Rural) operational cost by state – salaries	163.40	Vacant posts
		NMEP – continuation of scheme sanctioned under VI Plan – Salaries	242.75	Vacant posts

(1)	(2)	(3)	Rs. in lakh	(4)
		Control of blindness – CSS of national programme for prevention and control of blindness and control of visual impairment blindness and trachoma – lumpsum – State	381.40	Limited to Government of India releases
		Other diseases – control of Hepatitis.B – lumpsum - State	100.00	
		General – assistance to local bodies, corporations etc – provision for vacant posts – Block assistance – lumpsum – State	2620.28	
		Maternity and child health – reproductive and child health services – National component – lumpsum – State	481.38	
		Reproductive and child health services – Sub project – Bellary	283.15	Purchases not made
		Compensation – IUD – compensations	163.04	
		Selected area programme including IPP – India population project VIII – Other Expenditure	900.00	Delay in completion of civil works
		Salaries	250.00	Vacant posts
	(Capital-Voted) **27.62** (22.01)	Co on medical and public health – Urban health services – Hospital and Dispensaries – buildings – Karnataka Health Systems Development project – works	800.00	Non receipt of bills in time
		Hospital equipment – KHSD project – equipment and apparatus	450.00	- do -
		Capital Outlay on family welfare – maternity and child health – reproductive and child health – National component works	341.00	Delay in approval of plan and estimates
		Selected area programme (including IPP) – WB assisted IPP – IX – construction	563.11	
		Loans for family welfare – other loans – loans (RCH Programme) – interest free loan to ANMs for purchase of two wheelers	177.60	Fall in demand
		Loans to para medical staff for purchase of two wheelers	137.98	
30	55 – Internal debt, loans and advances from Central Government and interstate settlements (Capital – Voted) **87.18** (100)	Internal debt of the State Government – Ma;rket loan bearing interest – 11 per cent KSDL 2001 – repayment of internal debt.	8718.50	Error in budgetting
	(Capital-Charged) **528.65** (26.75)	Loans from GIC of India – Housing Schemes	265.23	
		Loans from NABARD – Loans from RBI for contribution to the share capital of co-operative credit institutions in the State	228.16	No specific reasons
		Ways and means advances from RBI – Overdraft with RBI	35000.00	OD was not availed
		Clean and secured ways and means advances – repayment of Debt	26412.00	Due to less expenditure

APPENDIX 2.6

Injudicious re-appropriation of funds

(Reference: Paragraph 2.3.7 Page. 39)

(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	4702 – Capital Outlay on Minor Irrigation 101 – Surface Water 5 – Barrages 01 – Construction of Barrages 059 – Other Expenditure 141 - Works	**469.00**	**(+) 51.82**	**520.82**	**2173.02**	**(+) 1652.20**
2	2202 – General Education 02 – Secondary Education 191 – Assistance to local bodies, Corporations etc. 1 – Zilla Panchayats and Gram Panchayats 01 – Block Assistance to Zilla Panchayats and Gram Panchayat 463 – Haveri	2290.78	(+) 92.85	2383.63	3811.27	(+) 1427.64
3	2202 – General Education 02 – Secondary Education 191 – Assistance to local bodies 1 – ZPs and GPs 01 – Block Assistance to ZPs & GPs 462 – Gadag	1600.79	(+) 57.01	1657.80	2284.90	(+) 627.10
4	5054 – Capital Outlay on Roads and Bridges 04 – District and other roads 800 – Other Expenditure 3 – NABARD assisted works 01 – Rural roads 172 – Roads	12056.00	(+) 1067.62	13123.62	13619.33	(+) 495.71
5	4711 – Capital outlay on flood control projects 01 – Flood control 103 – Civil works 1 – Other flood control works 368 – Civil works	143.38	(+) 73.25	216.63	617.79	(+) 401.16
6	2202 – General Education 02 – Secondary Education 110 – Assistance to non-Government Secondary Schools 1 – Private Junior Colleges 01 – Maintenance 101 – Grants-in-aid	4260.01	(+) 120.00	4380.01	4627.57	(+) 247.56
7	2055 – Police 104 – Special Police 01 – Karnataka State Reserve Police and Karnataka Armed Reserve Police 060 – Other charges	56.73	(+) 40.00	96.73	328.12	(+) 231.39
8	2202 – General Education 02 – Secondary Education 191 – Assistance to local bodies, Corporations etc. 1 – ZP and GPs 01 – Block assistance to ZP and GPs 408 – Chickamagalur	2302.11	(+) 70.00	2372.11	2577.91	(+) 205.80

Sl No.	Head of account	Provision (Original plus supplementary)	Re-appropriation	Final grant	Actual expenditure	Excess (+)/ Savings(-)
9	2055 – Police 800 – Other Expenditure 05 – Special repairs to police quarters 152 – Special repairs	205.80	(+) 25.00	230.80	383.13	(+) 152.33
10	2202 – General Education 02 – Secondary Education 191 – Assistance to local bodies, Corporations etc. 1 – ZP and GPs 01 – Block assistance to ZP and GPs 466 – Koppal	1072.95	(+) 46.80	1119.75	1249.97	(+) 130.22
11	2202 – General Education 01 – Elementary Education 052 – Machinery & equipments 01 – Machinery & equipments 108 – Machinery & equipments	250.00	(+) 15.00	265.00	366.48	(+) 101.48
12	2015 – Elections 103 – Preparation & printing of electoral rolls 01 – Parliamentary & Assembly constituencies 094 – Printing charges	399.00	(+) 199.00	598.00	709.66	(+) 111.66
13	2055 – Police 104 – Special police 01 – Karnataka State Reserve Police and Karnataka Armed Reserve Police 041 – Travel Expenses	278.17	(+) 143.00	421.17	496.98	(+) 75.81
14	2055 – Police 108 – State Headquarters police 01 – Commissioner of Police 050 – Office expenses	30.01	(+) 3.00	33.01	102.41	(+) 69.40
15	2851 – Village and Small Industries 107 – Sericulture Industries 1 – State Sericulture Industries 02 – Grainages seed/commercial 050 – Office expenses	1.83	(+) 3.00	4.83	62.28	(+) 57.45
16	2211 – Family welfare 108 – Selected Area Programme including IPP 71 – India population project – IX 225 – New supplies	617.50	(+) 96.00	713.50	768.29	(+) 54.79
17	4702 – Capital outlay on Minor Irrigation 800 – Other Expenditure 1 – Land acquisition charges and settlement of claims 145 – Acquisition of land	180.00	(+) 158.19	338.19	390.50	(+) 52.31
18	4702 – Capital outlay on Minor Irrigation 101 – Surface water 1 – Water tanks – construction of of new tanks, pick ups etc. 06 – Restoration of old and breached tanks and desilting of tank 141 – Works	105.00	(-) 24.05	80.95	1763.21	(+) 1682.26

Sl No.	Head of account	Provision (Original plus supplementary)	Re-appropriation	Final grant	Actual expenditure	Excess (+)/ Savings(-)
19	4702 – Capital outlay on Minor Irrigation 101 – Surface water 1 – Water tanks – construction of of new tanks, pick ups etc. 01 – Construction of new tanks – Bangalore Urban 436 – NABARD Works	1064.30	(-) 688.92	375.38	1318.17	(+) 942.79
20	4702 – Capital outlay on Minor Irrigation 101 – Surface water 3 – Lift Irrigation Schemes 01 – Chief Engineer, Bangalore (Minor Irrigation) 141 – Works	1027.50	(-) 727.79	299.71	595.46	(+) 295.75
21	2015 – Elections 105 – Charges for conduct of elections to Parliament 01 – General Elections to Parliament 124 – Bye-election	109.80	(-) 21.59	88.21	185.16	(+) 96.95
22	2702 – Minor Irrigation 80 – General 001 – Direction & Administration 4 – Other Minor Irrigation projects Establishment 04 – Execution Bijapur (North) – Salaries	399.90	(-) 9.62	390.28	461.54	(+) 71.26
23	2406 – Forestry and Wildlife 01 – Forestry 102 – Social and farm forestry 2 – Other Schemes 11 – Social forestry Project (MNP) (State Sector) 500 – Lumpsum – State	300.00	(-) 300.00	-	47.91	(+) 47.91
24	2408 – Food, Storage & Ware Housing 01 – Food 102 – Food subsidies 01 – Food subsidies – differential cost of food 106 – Subsidies	27300.00	(-) 1.91	27298.09	17333.34	(-) 9964.75
25	2702 – Minor Irrigation 01 – Surface Water 102 – Lift Irrigation Scheme 1 – Chief Engineer, Minor Irrigation, Bangalore 02 – Maintenance and repairs 151 – Maintenance and repairs	1650.99	(-) 487.06	1163.93	645.44	(-) 518.49
26	2055 – Police 109 – District police 1 – Police force 01 – Police establishment in existing districts 229 – Equipments and clothing	1234.80	(-) 716.62	518.18	257.97	(-) 260.21
27	2210 – Medical & Public Health 110 – Hospitals 2 – Major Hospitals 36 – Purchase of equipments, ambulances etc., (Medical Education).	887.95	(-) 100.00	787.95	556.36	(-) 231.59

Sl No.	Head of account	Provision (Original plus supplementary)	Re-appropriation	Final grant	Actual expenditure	Excess (+)/ Savings(-)
28	4702 – Capital outlay on Minor Irrigation 101 – Surface Water 3 – Lift Irrigation Schemes 01 – Chief Engineer, Bangalore (Minor Irrigation) 436 – NABARD Works	532.90	(-) 98.11	434.79	274.89	(-) 159.90
29	2055 – Police 101 – Criminal investigation and vigilance 03 – State Intelligence – Salaries	1134.40	(-) 66.62	1067.78	928.23	(-) 139.55
30	2202 – General Education 01 – Elementary Education 191 – Assistance to local bodies, Corporation etc. 1 – ZPs and GPs 01 – Block assistance to ZPs and GPs 463 – Haveri	4005.74	(+) 52.25	4057.99	2336.15	(-) 1721.84
31	4702 – Capital Outlay on Minor Irrigation 101 – Surface Water 5 – Barrages 01 – Construction of Barrages 059 – Other Expenditure 436 – NABARD Works	574.46	(+) 680.55	1255.01	-	(-) 1255.01
32	2202 – General Education 01 – Elementary Education 191 – Assistance to local bodies, Corporation etc. 1 – ZPs and GPs 01 – Block assistance to ZPs and GPs 407 – Mysore	6928.15	(+) 64.18	6992.33	6191.38	(-) 800.95
33	2202 – General Education 01 – Elementary Education 191 – Assistance to local bodies, Corporation etc. 1 – ZPs and GPs 01 – Block assistance to ZPs and GPs 462 – Gadag	2877.84	(+) 5.26	2883.10	2161.27	(-) 721.83
34	2202 – General Education 01 – Elementary Education 191 – Assistance to local bodies, Corporation etc. 1 – ZPs and GPs 01 – Block assistance to ZPs and GPs 408 – Chickmagalur	4681.85	(+) 80.70	4762.55	4189.13	(-) 573.42
35	2202 – General Education 01 – Elementary Education 191 – Assistance to local bodies, Corporation etc. 1 – ZPs and GPs 01 – Block assistance to ZPs and GPs 417 – Gulbarga	9836.77	(+) 300.30	10137.07	9608.12	(-) 528.95
36	2202 – General Education 02 – Secondary Education 110 – Assistance to non-government secondary schools 2 – Private higher secondary schools converted into junior colleges 01 – Maintenance – Grants-in-aid	6170.82	(+) 90.00	6260.82	5875.59	(-) 385.23

Sl No.	Head of account	Provision (Original plus supplementary)	Re-appropriation	Final grant	Actual expenditure	Excess (+)/ Savings(-)
37	2202 – General Education 02 – Secondary Education 191 – Assistance to local bodies, Corporations etc. 1 – ZPs and GPs 01 – Block assistance to ZPs & GPs 407 – Mysore	3142.49	(+) 55.00	3197.49	2841.74	(-) 355.75
38	2202 – General Education 01 – Elementary Education 191 – Assistance to local bodies, Corporations etc. 1 – ZPs and GPs 01 – Block assistance to ZPs & GPs 401 – Bangalore (Urban)	10541.68	(+) 8.23	10549.91	10222.70	(-) 327.21
39	2202 – General Education 02 – Secondary Education 191 – Assistance to local bodies, Corporations etc. 1 – ZPs and GPs 01 – Block assistance to ZPs & GPs 417 – Gulbarga	4141.57	(+) 71.84	4213.41	3930.38	(-) 283.03
40	2202 – General Education 02 – Secondary Education 191 – Assistance to local bodies, Corporations etc. 1 – ZPs and GPs 01 – Block assistance to ZPs & GPs 415 – Dharwar	2297.61	(+) 5.25	2302.86	2048.61	(-) 254.25
41	2202 – General Education 01 – Elementary Education 191 – Assistance to local bodies, Corporations etc. 1 – ZPs and GPs 01 – Block assistance to ZPs & GPs 466 – Koppal	2464.62	(+) 65.82	2530.44	2289.47	(-) 240.97
42	2210 – Medical & Public Health 110 – Hospitals 1 – Hospital attached to teaching Institutions 13 – Buildings	252.90	(+) 100.00	352.90	133.69	(-) 219.21
43	2202 – General Education 02 – Secondary Education 191 – Assistance to local bodies, Corporations etc. 1 – ZPs and GPs 01 – Block assistance to ZPs & GPs 401 – Bangalore (Urban)	5805.96	(+) 43.39	5849.35	5650.29	(-) 199.06
44	2202 – General Education 02 – Secondary Education 191 – Assistance to local bodies, Corporations etc. 1 – ZPs and GPs 01 – Block assistance to ZPs & GPs 406 – Tumkur	5411.27	(+) 29.70	5440.97	5285.50	(-) 155.47
45	2202 – General Education 02 – Secondary Education 191 – Assistance to local bodies, Corporations etc. 1 – ZPs and GPs 01 – Block assistance to ZPs & GPs 410 – Hassan	3252.05	(+) 56.55	3308.60	3201.84	(-) 106.76

Sl No.	Head of account	Provision (Original plus supplementary)	Re-appropriation	Final grant	Actual expenditure	Excess (+)/ Savings(-)
46	2202 – General Education 02 – Secondary Education 191 – Assistance to local bodies, Corporations etc. 1 – ZPs and GPs 01 – Block assistance to ZPs & GPs 461 – Bagalkot	2144.10	(+) 20.49	2164.59	2074.48	(-) 90.11
47	2215 – Water Supply and Sanitation 01 – Water Supply 102 – Rural Water Supply 8 – Additional Support to Zilla Parishad Sector 03 – Pradhan Mantri Gramodaya Yojana 500 – Lumpsum State	1127.00	(+) 513.47	1640.47	1553.63	(-) 86.84
48	2215 – Water Supply and Sanitation 01 – Water Supply 191 – Assistance to local bodies, Corporation etc. 2 – Zilla Parishads and Mandal Panchayats 02 – Centrally Sponsored Scheme for accelerated rural water supply programme 202 – Grants-in-aid	10732.41	(+) 872.54	11604.95	11525.86	(-) 79.09
49	2055 – Police 109 – District Police 1 – Police Force 01 – Police Establishment in existing districts 041 – Travel expenses	1626.19	(+) 99.44	1725.63	1652.87	(-) 72.76

APPENDIX 2.7

Cases of New Service/New Instrument of Service
(Reference : Paragraph 2.3.8 Page. 40)

(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	46 – Rural Development & Panchayat Raj	2215 – Water Supply & Sanitation 01 – Water Supply 102 – Rural Water Supply 7 – Scheme with bilateral assistance 81 – District project cell 500 – Lumpsum - State	0.25	2.60	2.35
		2215 – Water Supply & Sanitation 01 – Water Supply 191 – Assistance to local bodies, Corporation etc., 3 – BWSSB 80 – Cauvery Water Supply Scheme Stage IV – Phase.I 101 – Grants to BWSSB	-	3.11	3.11
2	7 – Small Scale Industries	2851 – Village & Small Industries 102 – Small Scale Industries 80 – Grants to GTTC	-	1.45	1.45
		6851 – Loans for Village & Small Industries 102 – Small Scale Industries 1 – Loans for KSSIDC Ltd 80 – Loans to GTTC	-	3.38	3.38
3	50 – Medical Education	2210 – Medical & Public Health 01 – Urban Health Services - Allopathy 110 – Hospitals & dispensaries 1 – Hospitals attached teaching institutions 18 – College Hospitals 050 - Office expenses	0.25	4.95	4.70
4	51 – Health &Family Welfare Services	2211 – Family Welfare 191 – Assistance to local bodies, corporations etc 1 – ZPs and GPs 01 – Block Assistance to ZPs & GPs 457 – Grants-in-aid to ZP Udupi	0.04	3.09	3.05
		2210 – Medical & Public Health 01 – Urban Health Services – Allopathy 110 – Hospitals & Dispensaries 2 – Major Hospitals 06 – Major & District Hospitals 050 – Office expenses	0.31	1.86	1.55

Sl. No.	No. and Name of the Grant	Head of Account	Budget Provision	Actual expenditure	Excess
		2210 – Medical & Public Health 01 – Urban Health Services – Allopathy 110 – Hospitals & Dispensaries 2 – Major Hospitals 80 – Secondary level Hospitals (KFW) 500 – Lumpsum	0.15	15.07	14.92
		4210 – Capital Outlay on Medical and Public Health 01 – Urban Health Services – Allopathy 110 – Hospitals & Dispensaries 2 – Hospital equipments 84 – Secondary level hospitals (KFW) 313 – Equipment & Apparatus (including computers)	0.25	2.62	2.37
5	10 – Primary, Secondary and Vocational Education	2202 – General Education 05 – Language Development 800 – Other Expenditure 19 – District institute for education & Training and College for Teachers education & Training 500 – Lumpsum	0.18	2.93	2.75
		2202 – General Education 02 – Secondary Education 800 – Other Expenditure 3 – National Policy on education - CPS of vocationalisation of Higher secondary education 002 to 014 – Salaries	0.64	4.01	3.37
		2202 – General Education 01 – Elementary Education 800 – Other Expenditure 1 – Other schemes 26 – Yoga education 059 – Other Expenditure	-	6.12	6.12
6	21 – Bangalore Development Projects	6215 – Loans for Water Supply & Sanitation 01 – Water Supply 190 – Loans to PSU & Other undertaking 09 – Replacement of corroded pipes at TG Halli 0 – Loans to PSU & LB	2.00	26.10	24.10
7	39 – Minor Irrigation (excluding ground water)	4702 – Capital Outlay on Minor Irrigation 101 – Surface Water 1 – Water tanks – construction of water tanks, pickups etc. 06 – Restoration of old & breached tanks & desilting 141 – Works	1.05	17.63	16.58
		4711 – Capital Outlay on Flood Control Projects 01 – Flood Control 103 – Civil Works 1 – Other Flood Control Works 368 – Civil Works	1.44	6.18	4.74

Sl. No.	No. and Name of the Grant	Head of Account	Budget Provision	Actual expenditure	Excess
8	44 – Public Works (excluding Ports and Inland Transport)	7615 – Miscellaneous loans 101 – Loans to contractors for puchase of machinery 3 – Other Contractors 03 – Communications and Building 394 – Loans	0.22	37.27	37.05
9	38 – Major and Medium Irrigation	4701 – Capital outlay on Major and Medium Irrigation 01 – Major Irrigation – Commercial 359 – Bennithora Project 4 – Other Expenditure 03 – Canals & Branches 381 – Normal	0.70	14.68	13.98
		07 – Distributaries 169 – Distributaries - Normal	0.10	3.11	3.01
		4701 – Major & Medium Irrigation 03 – Medium Irrigation – Commercial 211 – Arkavathy Project 4 – Other Expenditure 01 – Reservoir 165 – Reservoir	0.50	4.95	4.45
		4701 – Major & Medium Irrigation 03 – Medium Irrigation – Commercial 402 – Chulkinala Project (NABARD) 4 – Other Expenditure 03 – Canals & Branches 381 – Normal	0.02	2.06	2.04
10	15 – Pension and Other Retirement Benefits	2071 – Pension & Other Retirement Benefits 01 – Civil 101 – Superannuation and other Retirement Allowances 4 – Payment of Pensionary charges to other Government's under the State Re-organisation Act 1956 02 – Maharastra 251 – Pension	0.58	3.24	2.66
		2071 – Pension & Other Retirement Benefits 01 – Civil 115 – Leave encashment benefits 1 – General Services 11 – State Legislature 126 – Terminal leave benefits	0.04	5.43	5.39
		2071 – Pension & Other Retirement Benefits 01 – Civil 115 – Leave encashment benefits 2 – Social Services 10 – Medical & Public Health 126 – Terminal leave benefits	2.12	7.82	5.70

Sl. No.	No. and Name of the Grant	Head of Account	Budget Provision	Actual expenditure	Excess
11	32 – Home (excluding Police Intelligence)	2055 – Police 104 – Special Police 01 – KSRP & Karnataka Armed Reserve Police 060 – Other Charges	0.57	3.28	2.71
12	49 – Women and Children Welfare	2235 – Social Security & Welfare 02 – Social Welfare 102 – Child Welfare 04 – CSS of I.C.D.S 500 – Lumpsum - State	0.04	4.23	4.19
		2236 – Nutrition 80 – General 800 – Other Expenditure 01 – Prime Ministers Gram Vikas Yojana	-	15.74	15.74
13	45 – Co-operation (excluding Agricultural Marketing)	4425 – Capital Outlay on Co-operation 108 – Investments on other co-operatives 50 – Share capital assistance to Karnataka State Co-operative Marketing Federation 211 – Investments	-	8.00	8.00
14	1 – Agriculture (excluding Malnad Area Development Board)	2402 – Soil and Water Conservation 102 – Soil Conservation 05 – CSS for soil conservation in catchments of river valley projects 002 to 014 – Salaries	0.65	3.27	2.62
		2402 – Soil and Water Conservation 102 – Soil Conservation 15 – Soil & water conservation - water shed Development Department Directorate of watershed Development 002 to 014 – Salaries	1.16	6.87	5.71
		2402 – Soil and Water Conservation 102 – Soil Conservation 02 – Divisional and Other Establishments 002 to 014 – Salaries	1.32	4.14	2.82
		Total	**14.58**	**225.19**	**210.61**

APPENDIX 2.8

Cases where amount of savings not surrendered
(Reference: Paragraph 2.3.10 (a) Page.41)

(Rupees in crore)

Sl. No.	No. & Name of the Grant (Section)	Amount of savings	Amount actually surrendered	Amount not surrendered
1	1 – Agriculture (excluding Malnad Area Development Board) (Revenue-Voted)	53.64	33.68	19.96
	(Revenue-Charged)	0.25	0.20	0.05
	(Capital-Voted)	2.47	-	2.47
2	2 – Horticulture (Revenue-Voted)	25.36	-	25.36
	(Revenue-Charged)	0.13	-	0.13
3	3 – Animal Husbandry (Revenue-Voted)	53.44	7.44	46.00
4	4 – Fisheries, Ports & Area Development (Revenue-Voted)	57.78	8.92	48.86
5	6 – Mines & Geology (Revenue-Voted)	1.82	0.62	1.20
6	7 – Small Scale Industries (Revenue-Voted)	48.73	39.29	9.44
7	8 – Sericulture & Textiles (Revenue-Voted)	16.94	5.70	11.24
	(Capital-Voted)	2.91	-	2.91
8	9 – Higher Education, Science & Technology (Revenue-Voted)	12.47	5.51	6.96
	(Capital-Voted)	0.29	-	0.29
9	10 – Primary, Secondary and Vocational Education (Revenue-Voted)	220.94	103.85	117.09
10	11 – Stationary & Printing (Revenue-Voted)	0.56	0.38	0.18
11	12 – Youth Services (Revenue-Voted)	7.34	1.64	5.70
12	13 – Kannada & Culture (Revenue-Voted)	5.90	3.57	2.33
13	14 – Taxes on Income, Professions, Sales & Other Services (Revenue-Voted)	32.33	29.65	2.68
14	15 – Pension & Other Retirement Benefits (Revenue-Voted)	172.77	-	172.77
15	16 – Assistance to Government Servants & Miscellaneous Loans (Revenue-Voted)	6.43	-	6.43
	(Capital-Voted)	7.41	-	7.41
16	17 – Treasury & Accounts Administration (Revenue-Voted)	17.42	16.28	1.14
17	20 – Police Intelligence (Revenue-Voted)	1.77	0.02	1.75
18	21 – Bangalore Development Projects (Revenue-Voted)	151.38	-	151.38
	(Capital-Voted)	141.08	-	141.08
19	22 – Governor, Ministers & Public Service Commission (Revenue-Charged)	2.02	1.98	0.04
20	23 – Secretariat (Revenue-Voted)	11.89	3.87	8.02
21	24 – General Administration (Revenue-Charged)	1.21	0.62	0.59

Sl. No.	No. & Name of the Grant (Section)	Amount of savings	Amount actually surrendered	Amount not surrendered
22	25 – Power Projects (Revenue-Voted)	112.45	-	112.45
	(Revenue-Charged)	0.59	-	0.59
	(Capital-Voted)	89.00	-	89.00
23	26 – Small Savings, State lottery & Insurance (Revenue-Voted)	22.44	1.46	20.98
24	27 – Muzarai (excluding Wakf & Haj) (Revenue-Voted)	0.12	0.07	0.05
25	28 – Prisons, Home guards, Civil Defence & Sainik Welfare (Revenue-Voted)	8.82	8.02	0.80
	(Capital-Voted)	0.35	0.30	0.05
26	29 – Food & Civil Supplies (Revenue-Voted)	89.84	-	89.84
	(Revenue-Charged)	0.01	-	0.01
	(Capital-Voted)	4.80	-	4.80
27	30 – Forest, Ecology & Environment (Revenue-Voted)	49.98	28.73	21.25
	(Capital-Voted)	3.28	2.19	1.09
28	31 – Transport Services (Revenue-Voted)	3.08	2.43	0.65
29	32 – Home (excluding Police Intelligence) (Revenue-Voted)	97.94	4.77	93.17
30	33 – Information & Publicity (Revenue-Voted)	5.78	3.11	2.67
31	34 – Tourism & Haj (Revenue-Voted)	1.64	-	1.64
32	36 – Housing (Revenue-Voted)	32.15	16.12	16.03
	(Capital-Voted)	0.10	-	0.10
33	37 – Urban Development Authorities (excluding Bangalore Development projects), City Corporations (excluding BCC), Town Planning Department (Revenue-Voted)	144.77	-	144.77
	(Capital-Voted)	9.56	-	9.56
34	38 – Major & Medium Irrigation (Revenue-Voted)	12.06	8.87	3.19
	(Capital-Voted)	353.22	124.09	229.13
	(Capital-Charged)	4.31	0.82	3.49
35	39 – Minor Irrigation (excluding ground water) (Revenue-Voted)	4.60	1.47	3.13
	(Capital-Voted)	11.26	4.54	6.72
	(Capital-Charged)	0.10	-	0.10
36	40 – State Legislature (Revenue-Voted)	5.70	3.48	2.22
37	41 – Administration of Justice (Revenue-Voted)	17.21	12.92	4.29
38	42 – Revenue (excluding Wakf, Haj & Muzarai) (Revenue-Charged)	1.26	-	1.26
39	43 – Planning, Institutional Finance & Statistics (excluding Science and Technology) (Revenue-Voted)	4.93	1.22	3.71
	(Capital-Voted)	0.05	-	0.05
40	44 – Public works (excluding Ports & Inland Transport) (Revenue-Voted)	207.77	-	207.77
	(Capital-Voted)	289.13	135.60	153.53

Sl. No.	No. & Name of the Grant (Section)	Amount of savings	Amount actually surrendered	Amount not surrendered
41	45 – Co-operation (excluding Agricultural Marketing) (Revenue-Voted)	30.46	4.35	26.11
	(Capital-Voted)	6.36	4.75	1.61
42	46 – Rural Development & Panchayat Raj (Revenue-Voted)	183.47	160.35	23.12
	(Capital-Voted)	58.89	54.43	4.46
43	47 – Labour and Wakf (Revenue-Voted)	44.18	15.93	28.25
	(Capital-Voted)	2.65	1.00	1.65
44	48 – Social Welfare (Revenue-Voted)	63.27	-	63.27
	(Capital-Voted)	11.06	-	11.06
45	49 – Women & Children Welfare (Revenue-Voted)	39.66	0.17	39.49
	(Capital-Voted)	3.25	-	3.25
46	50 – Medical Education (Revenue-Voted)	35.65	20.63	15.02
47	51 – Health & Family Welfare Services (Revenue-Voted)	152.42	94.70	57.72
	(Capital-Voted)	27.62	20.59	7.03
48	53 – Sugar (Revenue-Voted)	0.02	-	0.02
	(Capital-Voted)	1.20	-	1.20
49	54 – Interest payments (Revenue-Voted)	2.94	-	2.94
50	55 – Internal Debt, Loans & Advances from Central Government and Inter State Settlements (Capital-Voted)	87.18	69.63	17.55
51	56 – Ground Water (Revenue-Voted)	1.68	0.92	0.76
52	57 – Infrastructure Development (Revenue-Voted)	7.58	6.17	1.41
53	58 – Civil Aviation (Revenue-Voted)	0.33	0.30	0.03
54	59 – Adult Education and Public Libraries (Revenue-Voted)	3.97	1.03	2.94
55	60 – City Municipal Councils, Town Municipal Councils and Town Panchayats (Revenue-Voted)	2.56	-	2.56
	(Capital-Voted)	0.13	-	0.13
	Total	**3411.51**	**1078.38**	**2333.13**

Appendix 3.1
Excess payment of family pension
(Reference: Paragraph 3.3.1 Page 60)

(Rupees In lakh)

Treasury	No.of cases	Amount
Bangalore (PPT)	72	13.47
Bangalore (Rural)	35	4.85
Bangalore(Urban)	13	1.56
Belgaum	46	18.34
Bellary	28	4.48
Bidar	26	8.46
Bijapur	20	4.74
Bagalakot	5	1.45
Chikkamagalur	5	0.71
Chitradurga	16	3.66
Davanagere	12	1.72
Dharawad	17	1.82
Gadag	3	0.79
Gulbarga	15	2.69
Hassan	16	2.06
Koppal	1	0.02
Karawar (Uttara Kannada)	22	2.14
Kolar	15	1.56
Mandya	17	2.13
Mysore	11	3.74
Mangalore (Dakshina Kannada)	6	0.69
Madikeri (Kodagu)	21	3.13
Raichur	9	2.02
Shimoga	7	0.55
Tumkur	25	4.70
Udupi	4	0.84
Total	467	92.32

Appendix 3.2
Purchase of Tools and equipment
(Reference: Paragraph 3.13 Page 75)

(Amount in lakh)

Sl. No.	Name of the equipment	Quantity (Nos)	Rate paid	Total amount paid	Rate admissible	Total amount admissible	Excess	
1	Table for motors	581	17690.40	102.78	4274.00	24.83	77.95	314
2	Table for motor generator	104	22058.40	22.94	5175.00	5.38	17.56	326
3	Cathode oscilloscope 30 MHz	210	37128.00	77.97	25537.00	53.63	24.34	45
4	Function generator digital	146	16052.40	23.44	10767.00	15.72	7.72	49
	(I) Total			**227.12**		**99.56**	**127.57**	
1	Decade capacitance box range 0.0001 UF to 10 UF	365	9556.00	34.88	1795.00	6.55	28.33	432
2	Decade inductance box range 100 UF to 10 Henry	365	10592.40	38.66	1645.90	6.00	32.66	544
	(II) TOTAL			**73.54**		**12.55**	**60.99**	
1	Digital Oscilloscope 100 MHz	7	272772.00	19.09	142204.00	9.95	9.14	92
2	Digital multimetre	48	27000.00	12.96	6169.80	2.96	10.00	338
3	Rheostat 2.3A	216	2730.00	5.90	627.90	1.36	4.54	334
	Rheostat 2.5 A	216	2020.20	4.37	627.90	1.36	3.01	321
	Rheostat 5.2A	216	3767.40	8.14	1310.40	2.83	5.31	187
	Rheostat 3.2	216	1810.00	3.89	627.90	1.36	2.53	187
	Rheostat 2.8A	216	3931.20	8.49	2566.20	5.54	2.95	53
4	Constant voltage Transformer (500 KVA)	172	9937.20	17.09	6934.20	11.93	5.16	43
5	Output power metre	94	10865,40	10.21	4477.20	4.21	6.00	143
6	Thermos couple metre 0 to 100 Ma	42	10374.00	4.36	5388.20	2.26	2.10	93
	Thermos couple metre 0 to 500 Ma	42	17472.00	7.34	7807.80	3.28	4.06	123
7	Main control panel	31	151570.00	46.99	11340.00	35.15	11.84	34
8	DC power supply	33	242000.00	79.86	221810.00	73.20	6.66	9
9	Step generator	68	229320.00	155.94	32700.00	22.24	133.70	601
10	Ttainer	146	22659.00	33.08	6006.00	8.77	24.31	278
11	Decento Component trainer	144	19973.60	28.78	7098.00	10.22	18.56	182
12	Signal tracer	180	7535.00	13.56	3440.00	6.19	7.37	119
13	Power supply 0-30V.2A	84	6716.00	5.64	3112.00	2.61	3.03	116
14	Power Supoply 0-300 V/250	88	10046.00	8.84	6006.00	5.29	3.55	67
15	AF Oscillator	176	10128.00	17.83	4585.00	8.07	9.76	420
16	Flou metre	27	21840.00	5.90	5624	1.52	4.38	288
17	Electrical Mechanic Trainer	35	136500.00	47.77	112798.50	39.48	8.29	204
18	Direct and Indirect Air conditional systems	5	1276450	63.82	364844	18.24	45.58	249
	(III) Total			**609.85**		**278.02**	**331.83**	
1	Voltage Stabilizer (Automatic) 5KVA	26	31013.00	8.06	2500.00	0.65	7.41	1140
2	Cold storage plant	5	1031580.00	51.58	200000.00	10.00	41.58	415

3	Deep freezer 160 Litres	7	67074.00	4.70	2528.00	1.77	2.93	166
4	Bottle cooler 10.128 litre	7	59481.00	4.16	25200.00	1.76	2.40	136
	(IV) Total			**68.50**		**14.18**	**54.32**	
1	Colour Television 51 cm	7	18250.00	1.28	12500.00	0.88	0.40	46
2	Trolley for colour TV	7	5200.00	0.36	3500.000	0.24	0.12	49
3	Tape recorder (two in one)	7	2900.00	0.20	1500.00	0.10	0.10	50
4	Overhead Projector with tralley	7	52000.00	3.64	21500.00	1.51	2.13	141
5	Screen for Overhead Projector	7	12800.00	0.90	3000.00	0.21	0.69	329
6	Zig-zag machine	1	44500.00	0.44	9000.00	0.09	0.35	389
7	Over locking machine	1	6800.00	0.07	5000.00	0.05	0.02	40
8	Button holing machine	1	165000.00	1.65	40000.00	0.40	1.25	313
9	Double needle machine	1	84000.00	0.84	45000.00	0.45	0.39	87
10	Grinding machine	1	20966.00	0.21	7000.00	0.07	0.14	200
11	Electric furnace	4	58530.00	2.34	35000.00	1.40	0.94	67
12	Potable electric hand driller	8	7793.00	0.62	2100.00	0.17	0.45	264
13	Cathode-ray Oscilloscope	36	37329.00	13.44	21000.00	7.56	7.88	104
14	Steel Table (4x2 feet)	1	3052.00	0.03	1600.00	0.02	0.01	50
15	Steel Filing Cabinet	1	7085.00	0.07	5500.00	0.06	0.01	16
16	Steel table (4x2x25" feet)	1	4632.00	0.05	2400.00	0.02	0.03	150
17	Steel Typist table	1	2060.00	0.02	1400.00	0.01	0.01	100
18	Welding cable	200 M	264.52	0.53	70.00	0.14	0.39	278
19	Oil cooled welding machine	4	59077.00	2.36	9000.00	0.36	2.00	555
	Total			29.05		13.74	17.31	

Appendix 3.3

(Reference: Paragraph 3.15 Page 77)
Department-wise details of misappropriations and defalcations

(Amount : Rupees in lakh)

Sl. No.	Department	Awaiting completion of investigation		Pending in courts		Others		Total	
		Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
1.	Agriculture	5	8.22	--	--	--	--	5	8.22
2.	Horticulture	1	1.21	1	0.05	4	13.31	6	14.57
3.	Animal Husbandry and Veterinary Services	2	1.20	--	--	--	--	2	1.20
4.	Commerce and Industries	7	17.40	1	2.51	1	0.97	9	20.88
5.	Law and Parliamentary Affairs	8	3.56	1	0.12	5	0.38	14	4.06
6.	Education	8	6.54	--	--	5	1.78	13	8.32
7.	Finance	1	0.52	2	0.87	1	1.64	4	3.03
8.	Forest, Environment and Ecology	12	264.79	2	2.46	1	0.25	15	267.50
9.	Health and Family Welfare	22	132.41	5	1.73	2	0.62	29	134.76
10.	Home	3	86.29	--	--	1	0.26	4	86.55
11.	Information, Tourism and Youth Services	3	0.95	1	0.29	13	31.35	17	32.59
12.	Planning	--	--	--	--	1	1.55	1	1.55
13.	Public Works	8	71.17	3	1.11	13	137.38	24	209.66
14.	Water Resources	39	209.55	2	0.60	31	45.98	72	256.13
15.	Revenue	13	10.98	--	--	--	--	13	10.98
16.	Rural Development and Panchayat Raj	35	382.48	--	--	9	71.24	44	453.72
17.	Social Welfare	13	38.78	--	--	--	--	13	38.78
18.	Labour	2	3.50	2	1.87	2	3.49	6	8.86
19.	Women & Child Development	4	1.63	--	--	--	--	4	1.63
	TOTAL	**186**	**1241.18**	**20**	**11.61**	**89**	**310.20**	**295**	**1562.99**

Appendix 3.4

Details of Departmental Notes pending as of October 2002 (Excluding General and Statistical Paras)

(Reference: Paragraph 3.16 Page 77)

Sl. No.	Department	Audit Report (Civil)						
		1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01
1.	Agriculture	-	-	2	-	-	-	-
2.	Agriculture, Forest, Home & Transport	-	-	1	-	-	-	-
3.	Animal Husbandry and Veterinary Services	-	-	-	-	1	1	2
4.	Commerce and Industries	-	-	-	2	3	3	5
5.	Education	-	-	-	-	1	2	2
6.	Finance	-	-	-	-	4	2	3
7.	Forest, Ecology and Environment	1	2	-	-	-	-	2
8.	Health and Family Welfare	-	3	5	1	2	3	3
9.	Horticulture	-	-	1	1	-	-	-
10.	Home	-	-	2	-	-	2	-
11.	Housing	-	2	-	-	1	-	1
12.	Information, Tourism, Youth Services & Sports	-	-	-	2	1	3	-
13.	Legislature Secretariat	-	-	-	-	-	1	-
14.	Minor Irrigation	-	-	-	3	3	1	9
15.	Planning	-	-	-	-	-	1	-
16.	Public Works	-	2	-	7	4	6	3
17.	Revenue	-	-	1	1	-	1	1
18.	Rural Development and Panchayat Raj	-	-	-	1	-	1	-
19.	Social Welfare	-	2	-	3	3	1	1
20.	Urban Development	-	-	-	-	-	-	7
21.	Water Resources	-	-	-	1	-	9	5
	Total	1	11	12	22	23	37	44

Appendix 4.1
List of works for which budget provision was made in 2001-02, but not utilised
(Reference: Paragraph 4.1.4.2 Page 84)

(Rupees in lakh)

Sl.No	Name of the work	Estimated cost	Provision made	Remarks
1	Installation of 500 KVA DG set at MS Buildings, Bangalore	50.00	15.00	Administrative approval is awaited
2	Construction of Police Station at Ashok Nagar, Bangalore	35.86	4.00	
3	Construction of Police Commissioner's office at Bangalore	98.00	10.00	
4	Construction of JCCT (Vigilance) office building at Mysore	45.00	10.00	Site not available
5	Construction of office building to accommodate Joint Director of Agriculture at Mysore	2.00	30.00	
6	Construction of Circle Office building in Miller Tank Bund Road, Bangalore	30.00	9.75	
7	Construction of Chief Secretary designated quarters at Bangalore	40.00	25.00	
8	Construction of Sub Treasury Building at Shorapur	-	5.50	
9	Construction of Civil Judge's residence at Saundatti	-	2.00	
10	Construction of District Judge's quarters at Bidar	-	3.00	
11	Construction of JMFC Judge's quarters at Aland	-	4.00	
12	Construction of JMFC quarters at Shahabad	-	3.00	
13	Construction of Taluk Office building at Honnavar	-	3.00	
14	Construction of Mini Vidhana Soudha at Mysore	360.00	21.00	1/3rd grant not available
15	Construction of 'D' group employees quarters at MGTB Sanatorium at Hosur Road, Bangalore	72.00	5.00	
16	Construction of Deputy SP Office at Kushalanagar	-	10.00	Handed over to Police Housing Corporation
17	Construction of CTO Office at Madikeri	-	15.00	Site not available
18	Construction of new building for protection and control office at Madikeri	-	6.00	Estimate submitted for administrative approval
19	Construction of District Office at Mangalore	-	5.00	Site to be suggested
20	Makuta – Kerala Road Development (Mysore-Kerala Interstate Road)	-	50.00	Jurisdiction comes under National Highway
21	Railway over bridge at Bidadi	-	3.00	Estimate sent to Railways
22	Railway over bridge at Ramanagaram	-	5.00	
23	Construction of Mini Vidhana Soudha at Devanahalli	-	10.00	Proposal dropped by Government
24	Construction of Munsiff and JMFC quarters at Anekal	-	4.00	Site not available
25	Construction of store cum rest house, Bidar	8.00	11.70	Revised estimate not sanctioned
26	Construction of District Judge's quarters at Bidar	8.00	3.00	Want of administrative approval
27	Construction of quarters to Headquarters Assistant to Deputy Commissioner, Bidar	8.00	2.50	
28	Construction of Mini Vidhana Soudha at Aurad	45.00	20.00	Entrusted to KHB
		TOTAL	295.45	

Appendix 4.2
Expenditure incurred in excess of original sanctioned estimates
(Reference: Paragraph 4.1.5.1 Page 86)

(Rupees in lakh)

Sl.No	Name of the Work	Year of approval of original estimate	Cost of original estimate	Expenditure incurred up to December 2001	Excess expenditure	Percentage of excess
1	Court complex at Dharwar	1995-96	228	259.28	31.28	14
2	Additional rooms at I.B at Hubli	1997	10	16.10	6.10	61
3	Junior College at Gudigeri	1996	8	12.87	4.87	60
4	JMFC Building at Mundgod	1995-96	15	19.55	4.55	30
5	Taluk Office building at Yellapur	1998-99	17.25	41.40	24.15	140
6	Construction of court building (II Stage) at Yellapur	1997-98	25.00	29.23	4.23	17
7	Construction of Composite Junior College at Manchikeri, Yellapur taluk	1996-97	8.00	11.07	3.07	38
8	Construction of First Grade College at Yellapur	1993-94	9.00	11.23	2.23	25
9	Construction of JMFC Building at Khanapur	1996-97	40.00	62.65	22.65	56
10	Commercial Tax building at Khanapur	1998-99	74.15	106.30	32.15	43
11	Expansion of General Hospital at Somwarpet	1994-95	27.50	32.90	5.40	20
12	Construction of bridge across Cauvery River at 3.20 km of Murnadu – Batamuri Road	1991-92	72.78	173.32	100.54	138
13	Construction of Byrambada Bridge at 8.20 km of Murnadu-Anamathi road in Virajpet	1992-93	24.00	56.87	32.87	137
14	Construction of commercial tax building at Mangalore	1981-82	46.70	73.77	27.07	58
15	Construction of Text Book Depot at Mangalore	1993-94	19.30	34.24	14.94	77
16	Construction of District Excise Office Building, Mangalore	1986-87	16.15	21.05	4.90	30
17	Construction of additional rooms to P.U.C College, Building at Puttur	1992-93	9.90	19.72	9.82	99
18	Construction of Computer Science Building (Women Polytechnic), Mangalore	1994-95	22.40	30.57	8.17	36
19	Construction of bridge across Gowrihole in Sullia taluk	1991-92	13.20	20.25	7.05	53
20	Construction of bridge across Sevaji River in Sullia	1991-92	9.00	13.10	4.10	45
21	Puttur Bypass road from 0 to 2.40 km - 1st stage	1991-92	25.00	35.76	10.76	43
22	Puttur Bypass road from 2.40 to 4.12 km - 2nd stage	1992-93	60.00	81.63	21.63	36
23	Construction of a bridge across Chikkathorepalya in Magadi	1988-89	19.30	29.65	10.35	53
24	Construction of a bridge across Arkavathy River in Ramanagaram	1988-89	5.00	16.38	11.38	228

Sl.No	Name of the Work	Year of approval of original estimate	Cost of original estimate	Expenditure incurred up to December 2001	Excess expenditure	Percentage of excess
25	Construction of bridge across Arkavathy River near Doddamaralawadi	1993-94	27.00	35.13	8.13	30
26	Construction of bridge at 1.50 km of Nilgiri road in Bangalore South taluk	1993-94	16.00	25.28	9.28	58
27	Construction of 4 lane Krishnaraja Puram - Whitefield road.	1988-89	46.00	68.75	22.75	49
28	Krishnaraja Puram – Whitefield road via Kanabalahalli to Bangalore - Varthur Road – 4 lanes	1993-94	28.00	40.66	12.66	45
29	Bangalore-Mysore Road via Mandya – widening of road from 5.5 km to 9.5 km	1995-96	100.00	183.52	83.52	83
30	Construction of over bridge in km 57 at Channapatna	1999-00	81.00	93.72	12.72	16
31	Construction of Female Jail in Bangalore South taluk	1997-98	83.00	112.00	29.00	35
32	Construction of Sub Jail at NR Pura	1991-92	27.80	51.00	23.20	83
33	Construction of IB at Kemmangundi	1992-93	16.00	49.03	33.03	206
34	Construction of PHC building at Chickmagalur	1985-86	16.45	24.56	8.11	49
35	Construction of First Grade College at NR Pura	1991-92	21.34	40.67	19.33	91
36	Construction of Information and Publicity Building at Chickmagalur	1989-90	13.40	21.23	7.83	58
37	Constn. of Karnataka Guest House and Staff quarters at New Delhi	1983-84	154.27	206.50	52.23	34
38	Construction of MS Building V Stage adjacent to Town Planning Department	1993-94	102.70	223.63	120.93	118
39	Construction of Administrative Training and Research Institute, Bangalore	1997-98	90.00	108.82	18.82	21
40	Construction of court building at Malur	1991-92	57.70	104.84	47.14	82
41	Construction of JMFC building at Shikaripura	1993-94	37.00	56.92	19.92	54
42	Construction of JMFC building at Thirthahalli	1993-94	16.00	49.20	33.20	207
43	Construction of JMFC building at Kunigal	1993-94	36.30	56.74	20.44	56
44	Construction of additional rooms and improvements to IB at Jog	1992-93	65.00	87.40	22.40	34
45	Construction of R&D Central Press building at Peenya	1998-99	54.00	103.14	49.14	91
46	Construction of Multistoried office building at Mangalore	1981-82	46.70	73.77	27.07	58
47	Fire station at Banashankari	1996-97	47.00	76.13	29.13	62
48	Construction of Revenue Complex at Bangalore	1991-92	65.00	145.78	80.78	124
49	Construction of Hostel building to DTI at Banashankari, Bangalore	1992-93	21.60	51.66	30.06	139
50	Renovation of southern wing of Raj Bhavan building	1999-01	70.00	252.13	182.13	260
51	Construction of Junior College at Kotaladinne, Kolar District	1993-94	48.00	74.34	26.34	55

Sl.No	Name of the Work	Year of approval of original estimate	Cost of original estimate	Expenditure incurred up to December 2001	Excess expenditure	Percentage of excess
52	Construction of College building at Hosanagar	1991-92	46.25	68.05	21.80	47
53	Construction of OPD/OT Block – Dist. Hospital at Tumkur	1993-94	75.00	108.47	33.47	45
54	Construction of Burns Ward in the premises of KR Hospital, Mysore	1994-95	46.00	70.23	24.23	53
55	Construction of Auditorium at GK Grounds for MMC, Mysore, 1st stage	1994-95	119.20	166.50	47.30	40
56	Construction of Women Hostel, Government Indian Medical Hospital, Bangalore	1993-94	26.80	33.89	7.09	26
57	Construction of State Women Home at Davanagere	1995-96	35.00	58.53	23.53	67
58	Construction of Karnataka Bhavan at Bannerghatta road	1997-98	290.00	352.55	62.55	22
59.	Construction of bridge at 330 KM of Muruvyadu – Balamuri Road	1991-92	72.78	170.50	97.72	134
				TOTAL	**1751.24**	

Appendix 4.3
Schedule of settlement with Treasuries (SST)
(Reference: Paragraph 4.1.5.5 Page 87)

Sl No.	Name of the Division	Month up to which prepared	Difference (Rupees) PART I Cash remitted and acknowledged	Difference (Rupees) PART II Cheques issued
1	PWD, Bangalore	1/02	(-) 13268661	6047540
2	NH Division, Bangalore	4/02	15697214	13010557
3	NH Special Division, Bangalore	6/02	-	20552323
4	Shimoga	5/02	(-) 225322	32701
5	Chickmagalur	8/00	51744	2859926
6	Bidar	2/01	(-) 866148	4856180
7	Gulbarga	5/02	(-) 139232	2815868
8	Raichur	7/02	(-) 548334	9938572
9	Bijapur	5/02	472509	521585
10	Yadgir	4/02	1069204	35823034
11	No.1, Buildings Division	3/02	92231	76000558
12	Dharwar	9/00	157458	2667913
13	Belgaum	6/01	2994460	802462
14	Karwar	3/01	9798	52236588
15	Mangalore	4/02	199951	24366680
16	Hassan	5/02	4234531	1734543
17	Tumkur	5/02	437691	998905
18	Bagalkot	6/02	(-) 2261	14224539
19	Gadag	4/01	148657	7179893
20	Udupi	4/02	(-) 116772	2339752
21	Chikkodi *	-	-	-

(*) Chikkodi Division was formed in July 2001. However, SSTs have not been prepared and sent by the Division till September 2002.

Appendix 4.4
(Reference: Paragraph 4.1.6.1 Page 89)

(a) Statement showing time over run relating to lingering works

(Rupees in lakh)

Sl. No	Name of the work	Estimated cost	Name of the contractor	Amount put to tender	Date of start	Up to date expr	Remarks	Probable due date of completion	Total delay as on June 2002	
									Year	Month
CE, C&B (South) Bangalore										
1	**(1) Building Works** Constn of Munsiff Court Bldg. at Arakalgud	33.00	AR Shashi-Kumar	28.34	29.4.95	21.09	Work under progress	28.4.96	6	2
2	Constn of Court's Record property room at Ramanagaram	45.00	Deccan House & Con.	41.28	20.5.00	15.78	Building completed up to roof level	20.5.01	1	1
3	Constn of new Jail at Chickmagalur	41.50	BA Nagaraj	54.32	June 98	37.30	90% RCC roof laid. Balance work under progress	June 99	3	0
4	Constn of Police Station at Gandasi	7.00	B Ramesh	7.14	26.7.95	6.87	Work under progress	26.7.96	5	11
5	Constn of SP Office at Tumkur	99.00	CN Balavardhan	87.00	24.11.99	39.92	Roof laid and remaining work under progress	24.11.00	1	7
6	Constn of IB at Ramanagaram	10.00	Thammaiah	8.00	24.2.97	3.37	Original contract rescinded. Work under progress	24.2.98	4	4
7	Constn of CTO Bldg at Koramangala	470.00	BG Shirke	338.00	20.6.98	397.88	Allied work under progress	20.6.00	2	0
8	Constn of Mini Vidhana Soudha at Pandavapura	38.00 65.00	Raja Rao	50.85	15.4.96	26.43	Work nearing completion	15.4.97	5	2
9	Constn of Mini Vidhana Soudha at Holalkere	45.00	KSCC	20.69	1.3.93	20.69	Withdrawn from KSCC. Tender approved for balance work	1.3.94	8	3
10	Constn of Mini Vidhana Soudha at Malur	45.00	M Venkata giriyappa	41.59	23.6.93	34.74	Floor polish, painting under progress	23.6.94	8	0
11	Constn of Mini Vidhana Soudha at Honnali	45.00	Eshwarappa	38.40	March 93	21.88	Gr floor completed. Agency to be called for 1st floor	March 94	8	3
12	Constn of DTI Bldg and Hostel at Mangalore	16.40 38.40	Mahabala Suvarna	26.64	12.11.98	27.96	Joining work under progress	12.11.99	2	7
13	Constn of staff quarters at Challakere	58.75	Vamana Reddy	47.00	22.11.94	27.09	Flooring & plastering work under progress	22.12.95	6	6
14	Constn of PWD Qtrs at Jeevan Bhimanagar, Bangalore	40.00	M/s Kavin & Kralor	34.55	4.2.98	15.27	Rescinding proposal submitted	4.2.99	3	4
15	Constn of Judicial quarters at Tumkur	45.00	Mallikarjuna swamy	24.55	1.6.95	24.03	Work under progress	1.6.96	6	0
16	Constn of Junior College for Boys at Hassan	10.00	Dasegowda	9.77	3.11.93	3.06	Work above lintel under progress	Nov 94	7	7
17	Constn of Junior College Bldg at Vanivilasapura, Hiriyur Tq	8.00	K Venkatesh	8.43	25.5.96	6.87	Plastering work under progress	June 97	5	0

18	Constn of Junior College at Chintamani, Kolar	8.00	Md.Ghouse Mohideen	8.19	20.2.97	4.19	Gr floor completed and handed over. 1st floor work under progress	February 1998	4	2
19	Constn of Junior College at Thaggahalli, Mandya	8.00	Ramanna	9.50	16.6.96	5.37	SE ordered for rescinding proposal	June 97	5	0
20	Constn of Office & Godown at PU Bldg at Malleswaram	162.00	K Damodar	118.46	23.5.94	110.61	Work under progress	May 96	6	0
21	Constn Of Govt 1st Grade College at Sira	65.94	CR Umesh	48.39	16.9.99	9.15	Work under progress	Sept.2000	1	9
22	Constn Of Lib Bldg, Maharani's Science College, Bangalore	23.00	Narayan V Shetty	20.73	10.10.94	19.66	Original contract rescinded and work entrusted to 2nd agency.	Oct.95	7	8
23	Constn of First Grade College for Women at Sagar	58.00	KV Jayaram	21.54	10.2.96	56.80	Gr floor work under progress. Tender for First floor is approved.	Feb.97	5	4
24	Increase of bed strength in KC General Hospital at Bangalore	95.00	K Shivaraju	95.00	26.9.97	57.33	Contractor stopped the work for want of payment due to non-receipt of LOC	Sept.98	3	8
25	Constn of Staff Qtrs at Magadi Rd, Bangalore	49.00	R Krishna & Co.	46.00	17.1.96	44.06	Miscellaneous work to be done	Jan.97	5	5
26	Constn of 500 bedded hospital at Jayanagar, B'lore	430.00	TV Ramakrishna Reddy	90.98	17.3.98	262.53	Allied works under progress	Mar. 99	3	3
27	Constn Of staff Qtrs at KC General Hospital, Bangalore	45.00	K Rangaraju	27.37	6.3.95	26.40	Sanitary works are under progress	Mar.96	6	4
28	Constn of 4th floor of Govt Pharmacy College at Subbaiah Circle, Bangalore	118.00	M/s Kavin & Kralor	102.00	31.10.98	23.86	Rescinding proposal to be furnished by SE	Oct.99	2	5
29	Constn of centenary building at Regional Institute of Ophthalmology at Minto Hospital, Bangalore	165.00	M/s Kavin & Kralor	102.00	31.10.98	45.16	Rescinding proposal to be furnished by SE	Oct.99	2	5
30	Constn of Unani Medical Hospital at Bangalore	75.00	M/s Kavin & Kralor	45.61	18.2.98	20.52	Rescinding proposal to be furnished by SE	Feb.99	3	4
31	Constn of Veera Soudha at Vidhurashwatha, Gowribidanur Taluk	39.00	Ramakrishna Reddy	57.45	5.1.98	62.52	Painting work under progress	Jan.99	3	5
32	Constn of O/o Asst Dir of Agriculture at Belur	8.00	HR Manjunath	10.23	10.12.98	3.87	Work under progress	Dec.99	2	6
	Total (1)	**2454.59**				**1482.26**			**1 to 8 years**	

33	**(2) Road Works** Constn of bridge across Tigallanahalli Halla (Belur Hodenahally Rd)	17.00	Sri Venkata Reddy	22.51	13.2.97	14.50	Work under progress	13.8.98	3	10
34	Constn of bridge near Padavathu – Kyathadaka, Vitala Road	20.00	Sri Visweswariah Hebbar	34.78	31.5.96	27.22	Work under progress	30.4.98	4	2
35	Constn of bridge across Shimsha Ethambady-Byanadodi, Malavalli	75.00	Sri Dasharatha Rama Reddy	100.84	9.6.96	71.76	Work under progress	9.11.98	3	7
36	Asphalting of selected reaches of Bhadravathi – Sirsi Road	10.00	Sri Rangaswamy	10.71	7/95	10.44	Balance work for 600 mtrs is pending	10/95	6	8
37	Impts to selected reaches of Kollegal-Koratagere Road 107 to 140 km	23.75	BS Ramakrishna	23.00	7/97	5.20	Rescinding proposals submitted	12/97	4	6
	Total (2)	**145.75**				**129.12**			**3 to 8 years**	

(3) CE, C&B (North), Dharwad										
38	Constn of Munsiff & JMFC Building II Stage at Aland	28.30	Babu Ghantari	28.29	31.1.96	21.22	Work under progress	1.2.98	4	4
39	Constn of AEE Office at Shahapur	10.60	Gurinatha Reddy	7.84	27.3.00	0.47	Work under progress	26.12.00	1	6
40	Constn of Sub-treasury office at Shahabad	9.58	Taranath S Annur	9.51	3.9.96	9.30	Flooring is in progress. Tender for balance work called for.	4.9.97	4	9
41	Munsiff and JMFC Judge quarters at Aurad	7.02	RS Gavalkar	20.50	12.9.96	18.03	2nd Floor RCC works completed	11.2.97	5	4
42	Constn of Mini Vidhana Soudha at Dharwad	700.00	KH Jadhav	36.20	12.4.00	146.89	Tender to be received (20.02.2002)	11.7.00	2	0
	Total (3)	**755.50**				**195.91**			**2 to 5 years**	
GRAND TOTAL (1)+(2)+(3)		**3355.84**				**1807.29**			**1to 8 years**	

(b) Statement showing cost over run relating to lingering works

(Rupees in lakh)

Sl No	Name of the work	Esti-mated cost	Name of the contractor	Amount put to tender	Date of start	Up to date expr	Remarks	Probable due date of completion	Cost over run	Per-centage of cost over run
CE (C&B) South, Bangalore										
(1) Building Works										
1	Constn Of Admntve Trg & Research Institute, Bangalore	90.00	N Srinivas	77.00	11.9.98	108.77	Works other than civil works are under progress	10.9.99	18.77	20.8
2	Constn of Munsiff Court building at Belur	15.00	KSCC	16.50	29.4.97	25.47	Work withdrawn from KSCC. Balance under progress.	29.4.98	10.47	69.8
3	Constn of building for Office of JD/DD of Agriculture, Chickmagalur	16.45	BA Nagaraj	23.65	July 93	24.56	Work under progress	July 94	8.11	49.3

4	Constn of mini Vidhana Soudha, Sidlaghatta	45.00	Muni krishnappa	35.97	19.8.93	51.44	Work under progress	19.8.94	6.44	14.3
5	Constn of mini Vidhana Soudha at Turuvekere	45.00	M.Keshava raja	44.08	16.12.93	53.63	Work under progress	16.12.94	8.63	19.2
6	Constn of mini Vidhana Soudha at Channagiri	45.00	KSCC	8.90	3/93	52.30	2nd stage under progress	3/94	7.30	16.2
7	Constn of Junior College at Mudigere	9.99	CH Abu-bakar	9.00	3/93	11.69	Work under progress	3/94	1.70	0.2
8	Constn of Junior College at Sagar	52.00	R Prabhakar	-	24.11.95	53.64	Work under progress	11/96	1.64	3.1
9	Constn of College building at Hosanagar	46.25	Ravindra	28.37	16.7.97	68.02	Work under progress	7/98	21.77	47.0
10	Constn Of Govt Polytechnic building (II Stage) at Chamarajanagar	40.00	KSCC	-	7/94	47.75	Work withdrawn from KSCC. Balance work to be re-tendered	7/95	7.75	19.4
	Total (1)	**404.69**				**497.27**			**92.58**	**23**
11	**<u>Road Works</u>:** Constn of bridge across Bindaganalu tank canal of Nagamangala Taluk	15.00	Hanumanth appa	17.38	11.3.96	19.72	Work under progress	10.9.97	4.72	31.5
12	Constn of bridge near Mudupayadu-Balmuri Road @ 330 km across river Cauvery	72.78	Seshagiri Rao	157.00	7.11.94	170.50	Bridgework completed. Road works under progress	16.11.94	97.72	134.3
13	Asphalting & improvements to Maddur Road at 65 km, Kundapura Taluk	20.00	Thimappa Shergar	19.21	14.12.94	20.88	Work under progress	13.4.96	0.88	4.4
14	Improvements to km 25 to 32, 51 to 63 at selected reaches Kolara-Sopura Road	30.00	Nara-simhaiah	28.60	Jan. 92	31.34	Rescinding proposals submitted	Jan. 93	1.34	4.5
15	Constn of Bridge cum Approach Road in Bantwal	53.00	B Ahmed	38.24	22.2.94	53.78	Bridgework completed. Road works under progress	10.2.97	0.78	3.3
	Total (2)	**190.78**				**296.22**			**105.44**	**55.3**
GRAND TOTAL (1) + (2)		**595.47**				**793.49**			**198.02**	**33.3**

Appendix 4.5
Details of lingering works
(Reference: Paragraph 4.1.6.2 Page 90)

(Rupees in lakh)

Sl. No	Name of the Division	Name of the work	Estimated cost	Tender cost	Date of commencement	Due date of completion	Grants provided Year	Grants provided Amount	Expenditure incurred
Wasteful Expenditure: (a) Works stopped 'in between' due to non-availability of grants									
1	Dharwad	Mini Vidhana Soudha, Navalgund	45.00 92.93	19.53 7.43	1995-96 1999-00 2001-02	Sept.97 July 01 Work order not issued	97-98 98-99 99-00 00-01 01-02	2.00 - 8.65 6.00 10.00	19.53 7.43 26.96
2	Shimoga	Construction of bridge across Hirekalagodu -halla on Bennadur Road	43.20 92-93	48.79	Dec 1993	Dec 1994	92-93 93-94 94-95 95-96 96-97 97-98 98-99 99-00 00-01 01-02	2.00 3.00 3.50 2.00 1.00 4.00 5.00 1.00 - 0.80	3.83
		Construction of bridge across Dandavathi near Bidaragere	46.00 95-96	36.71	Oct 1996	April 1998	95-96 96-97 97-98 98-99 99-00 00-01 01-02	2.00 2.00 4.00 5.00 1.00 - 0.80	9.04
3	Davanagere	Construction of Junior College at Vanivilasa pura	8.00 94-95	8.42	July 1997	March 2002	01-02	4.00	7.62
		Construction of Junior College at Doddabatti	8.00 94-95	10.16	March 2001	Dec 2001	01-02	NIL	2.00
4	Belgaum	8 road works	43.40	26.21	93-94 to 99-00	93-94 to 99-00	99-00 00-01 01-02	3.95 2.61 2.00	22.59
								Total – (a)	**72.04**

(b) Balance works not taken up

1	Gulbarga	Improvements to 0 to 11 KM of Wadi-Balawadgi road	61.00	51.58	Aug 1998	May 1999			39.22
2	Bidar	Widening and asphalting to Bhalki Nelanga road in KM 18 to 26 in Bhalki	30.00	25.17	3/96	3/98			9.22
		Widening and asphalting to Hudgi Kabirabad Wadi Road	10.00	10.90	3/96	3/97			3.03
3	Shimoga	Improvements to Kudlagere-Kammanaghatta Road in Bhadravathi	70.00	79.92	7/00	3/01			28.82
								Total – (b)	80.29

(c) Work stopped due to non acquisition of land

1	Karwar	6 road works	236.00	229.55	March 1998 to Oct 1998	March 2000 to Jan 2001			30.99
								Total – (c)	30.99

The land acquisition proceedings were initiated only in May 1999 and March 2000. The Forest Department did not agree to part with forestland. The works remained as it is.

<u>Escalation in cost</u>:
(d) Delay in taking decision

								Constn. of balance work	Tender cost of II agency	Extra Cost
1	Belgaum	Mini Vidhana Soudha at Bailhongal	39.37 3/93	24.75	Oct 1996	Partially completed in 3/2001	54.20	9.79	16.03	45.48

The work was taken up depending upon the grants made available. With the result, there was increase in rates every year. This also resulted in abandonment of work. The work is still incomplete.

2	Yadgir	Mini Vidhana Soudha at Yadgir	11.54 92-93	18.89	Sept 1994	Dec 1999	29.44	-	-	10.55

The work was taken up on right wing of the building where no acquisition of land was required. Still the decision to start the work was delayed by four years. The work is completed.

Total – (d)	**56.03**

(e) Delay in withdrawal of works										
3	Udupi	Mini Vidhana Soudha at Karkala	57.52 93-94	67.65	July 1996	-	24.53	43.12	65.86	22.74
The first agency stopped the work due to non-payment of bills. There was delay of 3-1/2 years in withdrawal of work and entrusting to second agency.										
4	Gulbarga	Improvements to Mustoor cross to Azalapur from 0 to 36 KM	205.00 97-98	181.07	March 1998	July 1999	144.52	54.83	60.03	23.48
The work is not completed. Due to slow progress, the work was withdrawn from KSCC (July 2000). The balance work was entrusted to second agency (August 2000).										
5	Bijapur	Improvements to Ittangihal-Lohagaon Dhannargi 21 to 37 KM	107.00 97-98	113.00	April 1999	May 2000	99.70	13.30	27.09	13.79
Work is completed, except in 2.2 Kms due to obstruction from the villagers.										
6	Hassan	Mini Vidhana Soudha at Arasikere	45.00 92-93	35.56	Feb 1994	Feb 1996	9.59		40.43	14.46
		JMFC Building at Arakalgud	33.00 93-94	29.11	April 1995	April 1997	16.37		28.34	15.40
Due to inefficiency of the contractors, the contracts were rescinded.										
7	Mangalore	Construction of a bridge across Pudiyahalla in Puduvettu Kayar Thadka Road	18.00 94-95	18.00	Aug 1995	June 1997	8.81		17.39	8.20
Due to slow progress of the work by the contractor.										
									Total – (e)	98.07

GRAND TOTAL: Wasteful Expenditure (a + b + c) Rs.183.32 lakh

Escalation in Cost (d + e) Rs.154.10 lakh

Rs.337.42 lakh

Appendix 4.6
Details of road works in which the bitumen used in excess of the quantity required
(Reference: Paragraph 4.1.6.3 (iv) Page 91)

Name of the Division	Quantity of 'Primer Coat' executed (in Sqm)	Quantity of Bitumen used in item 'Primer Coat' @ 10 kg/ 10 Sqm (in kgs)	Extra quantity of Bitumen to be used in item 'Track Coat' in lieu of Primer Coat – 1.5 kg/10 Sqm (4kgs–2.5 kgs/ 10 Sqm)	Extra quantity of Bitumen used for item 'Primer Coat' (in kgs) (col 3 – col 4)	Value (Rs) (calculated @ Rs.8000 per MT as per Schedule of Rates of 1999-2000) (col 5 X Rs.8 per kg)
1	2	3	4	5	6
Gulbarga	214208	214208.000	32131.200	182076.800	1456614.40
Bagalkot	160971	160971.000	24145.650	136825.350	1094602.80
Chickmagalur	69687	69687.000	10453.050	59233.950	473871.60
Tumkur	34289	34289.000	5143.350	29145.650	233165.20
Shimoga	91517	91517.000	13727.550	77789.450	622315.60
Mangalore	48944	48944.000	7341.600	41602.400	332819.20
Karwar	238069	238069.000	35710.350	202358.650	1618869.20
Dharwar	456303	456303.000	68445.450	387857.550	3102860.40
TOTAL	**1313988**	**1313988.000**	**197098.200**	**1116889.800**	**8935118.40**

Appendix 4.7

Entrustment of ten or more piece works to a single contractor under 'Head of Account 3054'
(Reference: Paragraph 4.1.7 Page 91)

Sl. No.	PW Agreement Nos.	No. of piece works	Item of work	Amount (Rupees in lakh)	Name of the Contractor
01	42 to 52	11	Providing paved shoulder in km 108.500 to 110.520	5.47	D Balakrishna Reddy
02	279 to 292	14	Patching of pot holes and improvements to WBM	5.83	YN Ramesh
03	579 to 582, 587 to 594	12	Improvements by widening NH at Ch 176.375 to 181.100 km	3.98	Chandrashekhar
04	23 to 36	13	Re-asphalting work of Chikballapur-Mudigere Road - km 118.710 to 134.40	6.20	M Shivananda
05	77 to 86	10	Re-asphalting work at Kollegal-Koratagere Road – km 118.100 to 121.50	5.00	YR Venugopal
06	711 to 727	17	Link road between SH 3 and SH 49	8.50	GR Suresh
07	895 to 906	12	Improvements to Nellikere-Sira Road km 11.10 to 13.50	6.00	M Shivananda
08	564 to 577	14	Re-asphalting of Ayanur-Malur Road – km 22 to 26.80	6.93	P Sheshagiriyappa
09	946 to 961	16	Widening and Improvements to Hospet-Mangalore Road	5.17	NS Srinivas
10	962 to 975	14	Widening and Improvements to Honnali – Baindoor Road	4.79	Ramesh Babu
11	1368 to 1380	13	Widening and Improvements to Masoor-Battemallappa Road – Km 0 to 5	12.00	Mansoor Ali Khan
12	148 to 158	11	Improvements to Jademudi Road – km 11 to 15.60	8.80	U Malleshappa
13	442 to 455	14	Pothole filling in Vasture-Koppa Road – km 0 to 39	6.69	KN Devegowda
14	1195 to 1203 and 1209 to 1226	28	Repairs to Wanmarapalli Raichur road in Aurad taluk – km 2 to 7	11.21	Madappa khoba

Appendix 4.8
Splitting up of purchase sanctions
(Reference: Paragraph 4.1.8.1 Page 91)

Sl. No.	Name of the material	Year	Amount (Rs. in lakh)	No. of sanctions	Authority sanctioning purchases	Name of the Division
1	Purchase of IB materials and sign boards	1999-00	3.28	10	CE/SE	Bagalkot
		2000-01	1.32	5		
		2001-02	5.48	13		
2	Purchase of IB materials	1999-00 to 2001-02	23.57	49	CE/SE	Dharwad
3	Purchase of IB materials	2001-02	4.63	29	CE/SE	Gulbarga
4	Purchase of traffic sign boards and angles	1999-00	27.95	173	CE/SE	Karwar
5	Synthetic enamel paint, Mini Asphalt Boiler, purchase of Kurlon, Mattress, Road delineators	2000-01 2001-02	20.46	155	CE/SE	Belgaum
6	Purchase of traffic sign boards and MS Angles	2001-02	5.24	10	CE/SE	Chickmagalur
7	Bitumen emulsion	1999-00	2.28	3	SE	Davanagere
8	Name Boards	1999-00	3.64	8	SE	
9	Aluminium camber boards	1999-00	1.39	2	SE	Shimoga
10	Aluminium straight edge	1999-00	1.08	2	SE	
11	Cement	2000-01	6.92	3	SE	Chitradurga and Davanagere
12	Steel	2000-01	6.16	4	SE	
		TOTAL	113.40	466		

Appendix 4.9

Statement showing the Component-wise details for increase in cost of work

(Reference: Paragraph 4.7 Page 103)

(Amount in Rupees)

Sl. No.	Item of work	Tendered Amount	Executed amount	Net excess	Savings
1	Excavation for tunneling not requiring permanent supports	12100800	2851200	-	9249600
2	Excavation for tunneling including excavation for supports full face blasting (Item 2 & 2A)	2484690	35277588	32792898	-
3	Excavation for tunneling including excavation for supports – heading and benching (Item 3)	6126246	7482516	1356270	-
4	Excavation for shaft (Item 4)	6684480	-	-	6684480
5	Removing and hauling fallen muck	1056850	3431227	2374377	-
6	Providing and fixing temporary supports (Item 6)	1332500	5191956	3859456	-
7	Providing and fixing permanent supports (Item 7)	5680312	19459602	13779290	-
8	Providing and fixing jungle wood	803610	41265	-	762345
9	Lining (sides)	35924000	53583107	17659107	-
10	Lining (bed)	6007200	5956800	-	50400
11	Providing and filling with CC 1:5:10 for bed	1404800	1732800	328000	-
12	Drilling grout holes	1093680	837144	-	256536
13	Clearing grout holes	302715	231710	-	71005
14	Grouting	647745	8874798	8227053	-
15	Providing and fixing rock bolts	9527760	17479627	7951867	-
16	Drilling drainage holes	527220	218160	-	309060
17	De-watering	1484664	-	-	1484664
18	Excavation in all kinds of soils, soft rock / hard rock (Items 19, 20 & 21)	6094 31255 1150200	36098 183901 3206405	30004 152646 2056205	-
19	Other items (Items 25 to 29)	710217	-		710217
			Total	**90567173**	**19578307**

Net Excess	Rs.90567173
Net Savings	Rs.19578307
Cost increase	Rs.70988866

Appendix 5.1
Avoidable extra expenditure on purchase of Stores
(Reference: Paragraph 5.1.4 Page 111)

Date of proforma invoice	Amount of invoice (Rupees in lakh)	Name and Quantity and unit cost (in brackets) indicated in the proforma invoice	Date of sending proposal for Government sanction	Period of delay in sending proposal to Government	Date of sanction by Government	Date of advance payment	Extent of delay (in months) at the level of		Quantity supplied	Amount payable at pre-revised rates (Rupees in lakh)	Extra expenditure (Rupees in lakh)
							DGIGP	Govern ment			
18.08.1995	24.96	Carbine - 200 (Rs.11150)	20.09.1995	1 month	18.09.1999	24.03.2000	6	48	135	15.05	
		Chest - 20 (Rs.3740)							14	0.52	
		Magazine - 792 (Rs.300)							792	2.38	6.87
		Chest for magazines -13 (Rs.1080)							13	0.14	
26.06.1995	42.00	Cartridges .303 BDR- 449600	04.09.1996	2 months	26.03.1997	04.04.1997	-	6	408727	85.83	8.58
19.03.1996	52.41	(Rs.21.00)	14.04.1996	1 month	15.03.1997	27.03.1997	-	11			
24.06.1996	17.01	Pistol Auto 9mm-300	06.08.1996	1 month	05.02.1998	21.04.1997	2	18	284	48.00	3.14
23.10.1996	33.99	(Rs.16900)	07.01.11997	2 month	27.10.1997	05.02.1998	3	9			
19.12.1997	135.08	Cartridges .303 BDR 500800 (Rs.23.10)	12.01.1998		06.08.1998	4.12.1998	4	6	455452	105.20	12.26
		Cartridges 9mm ball - 200600 (Rs.9.62)							183056	17.61	
10.06.1998	47.91	Cartridges 7.62 mm 300000 (Rs.15.97)	17.08.1998	2 months	02.11.1998	24.03.1999	5	2	272727	43.55	4.36
24.08.1998	47.62	Spare parts for Pistol Auto *12800	16.10.1998	1 month 1 month	19.02.1999	24.03.2000	13	4	8395	33.03	14.59
15.09.1998	127.20	Cartridges .303 BDR 500800 (Rs.25.40)	22.10.1998		30.01.1999	21.10.1999	10	3	455452	115.68	11.52
03.07.1999	154.39	Gun 7.62 mm - 100 (Rs.131900)	12.08.1999	1 month	22.02.2001	14.03.2001	-	18	100	131.90	8.43
		Chest for LMG - 100 (Rs.3250)							100	3.25	
		Magazine - 2500 (Rs.748)							1412	10.56	
		Box for magazine - 25 (Rs.1800)							14	0.25	
Total	**682.67**									**612.89**	**69.75**

* 45 items of spare parts each with different unit cost

Appendix - 6.1

Packages W4b and W4c Clear water Transmission Mains.

(Reference: 6.1.7.1.2 Page 126)

(Rupees in crore)

Sl.No.	Financial parameters	SPML	Dodsal
1.	Working capital available	35.00	33.10
2.	Working capital required :		
	1998-99	36.50	65.30
	1999-2000	35.90	39.50
	2000-01	1.00	10.00
3.	Cummulative post-tax profit for the last five years	44.39	27.02
4.	Average profit margin (per cent)	6.49	3.62
5.	Average turnover for the last five years	125.90	153.70
6.	Banking limit available	128	141.06
7.	Networth of the company	65	33.91
8.	Networth as a percentage of average turnover	52	17
9.	Works on hand including works tendered and Projects on hand (for 1998-99)	113.22*	173.70
10.	Surplus bid capacity after excluding the tendered works	284.84	Not available

* including packages W3b, W4b and W4c

Appendix 6.2

Utilisation Certificates in respect of grants paid between 1 April 1986 and 31 March 2001 and not received as on 01 October 2002

(Reference: Paragraph 6.10 Page 149)

(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 2002		Outstanding as on 1st October 2002	
			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**							
	2204 - Sports and Youth Services	1989-90	15	9.10	--	--	15	9.10
		1990-91	1	0.10	--	--	1	0.10
		1996-97	4	1580.40	--	--	4	1580.40
		1997-98	6	2064.77	--	--	6	2064.77
		1998-99	8	184.75	--	--	8	184.75
	TOTAL		**34**	**3839.12**			**34**	**3839.12**
III	**KANNADA & CULTURE**							
	2205 - Art & Culture	1986-87	15	12.86	--	--	15	12.86
		1987-88	5	5.01	--	--	5	5.01
		1988-89	23	19.48	--	--	23	19.48
		1990-91	26	67.96	--	--	26	67.96
		1991-92	3	2.25	--	--	3	2.25
		1993-94	26	52.98	--	--	26	52.98
		1999-00	31	273.75	--	--	31	273.75
		2000-01	10	40.77	--	--	10	40.77
	TOTAL		**139**	**475.06**	**--**	**--**	**139**	**475.06**
IV	**HEALTH & FAMILY WELFARE**							
	2210-Medical & Public health	1986-87	14	5.52	14	5.52	--	--
		1990-91	4	22.83	4	22.83	--	--
		1991-92	1	1.00	1	1.00	--	--
		1992-93	8	215.30	8	215.30	--	--
		1993-94	17	330.81	17	330.81	--	--
		1994-95	44	781.78	44	781.78	--	--
		1995-96	39	544.38	39	544.38	--	--
		1996-97	51	1713.20	51	1713.20	--	--
		1997-98	36	525.58	36	525.58	--	--
		1999-00	21	704.27	--		21	704.27
		2000-01	22	787.71	--	--	22	787.71
	TOTAL		**257**	**5632.38**	**214**	**4140.40**	**43**	**1491.98**
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	1459.80	--	--	21	1459.80
		1998-99	4	254.50	--	--	4	254.50
		1999-00	9	175.63	--	--	9	175.63
	TOTAL		**41**	**2186.45**	**--**	**--**	**41**	**2186.45**
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	--	--	4	0.77
	TOTAL		**10**	**3.96**	**--**	**--**	**10**	**3.96**
VII	**AGRICULTURE**							
	2402 - Soil Conservation	1992-93	**3**	**25.75**	**--**	**--**	**3**	**25.75**
VIII	**FOREST, ECOLOGY AND ENVIRONMENT**							
	2406 - Forest and Wild life	1992-93	**5**	**56.00**	**--**	**--**	**5**	**56.00**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
IX	**CO-OPERATION**							
1.	2425 - Co-operation	1986-87	1	1.96	--	--	1	1.96
		1988-89	21	4043.52	--	--	21	4043.52
		1989-90	20	3551.68	--	--	20	3551.68
		Total	42	7597.16	--	--	42	7597.16
2.	3475 – Other General Economic Services	1997-98	1	979.13	--	--	1	979.13
		1998-99	2	371.34	--	--	2	371.34
		Total	3	1350.47	--	--	3	1350.47
	TOTAL		**45**	**8947.63**	**--**	**--**	**45**	**8947.63**
X	**COMMERCE AND INDUSTRIES**							
1.	2851 - Village and Small Industries	1989-90	36	77.96	--	--	36	77.96
		1990-91	31	964.31	--	--	31	964.31
		1992-93	30	63.80	--	--	30	63.80
		1993-94	133	532.89	--	--	133	532.89
		1994-95	34	49.65	--	--	34	49.65
		Total	264	1688.61	--	--	264	1688.61
2.	2852 - Industries	1990-91	7	11.81	--	--	7	11.81
	TOTAL		**271**	**1700.42**	**--**	**--**	**271**	**1700.42**
XI	**PLANNING**							
	2515 – Other Rural Development Programmes	1990-91	6	156.58	--	--	6	156.58
		1991-92	39	1233.84	--	--	39	1233.84
		1992-93	6	96.20	--	--	6	96.20
		1993-94	33	1419.37	--	--	33	1419.37
		1994-95	61	2327.86	--	--	61	2327.86
	TOTAL		**145**	**5233.85**	**--**	**--**	**145**	**5233.85**
XII	**RURAL DEVELOPMENT AND PANCHAYAT RAJ**							
	2515 – Other Rural Development Programmes	1988-89	23	428.36	--	--	23	428.36
		1989-90	3	24.30	--	--	3	24.30
		1990-91	45	372.48	--	--	45	372.48
		1991-92	18	112.45	--	--	18	112.45
		1992-93	15	119.85	--	--	15	119.85
		1993-94	4	1.90	--	--	4	1.90
		1994-95	11	47.44	--	--	11	47.44
		1999-00	29	5947.12	--	--	29	5947.12
		2000-01	54	9745.12	6	4420.02	48	5325.10
	TOTAL		**202**	**16799.02**	**6**	**4420.02**	**196**	**12379.00**
XIII	**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	--	--	39	213.60
		1998-99	14	94.60	1	1.10	13	93.50
		1999-00	19	84.47	--	--	19	84.47
	TOTAL		**121**	**582.00**	**1**	**1.10**	**120**	**580.90**
	GRAND TOTAL		**1284**	**45488.24**	**221**	**8561.52**	**1063**	**36926.72**

Errata

Report of the Comptroller and Auditor General of India for the year ended 31 March 2002(Civil) – Government of Karnataka

Page No.	Para No.	Line No.	For	Read
10	1.5.4	11 from bottom	More Receipts were noticed……	As a result of this, more receipts were noticed……

Appendix 7.1
Summarised financial results of Government commercial and quasi-commercial undertakings
(Reference: Paragraph 7.2 Page 151)

(Figures in columns (5) to (12) are in thousands of Rupees)

Serial Number	Name of the Undertaking	Year of commencement	Period of accounts	Government Capital	Mean capital	Free reserves	Block assets (Gross)	Cumulative depreciation	Net Profit (+)/ Loss (-)	Interest on capital added back	Total returns
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	Government Silk Filatures, Santhemarahally	1970	1999-2000	2145	26985	--	2145	1541	(-)11828	1889	(-)9939
2.	Government Silk Filatures, Mambally	1970	2000-2001	2808	29198	--	28960	2061	(-)10735	2044	(-)8691
3.	Government Silk Filatures, Chamarajanagar	1970	1998-1999	2295	20759	--	2261	1601	(-)11230	1453	(-)9777
4.	Government Silk Filatures, Kollegal	1970	2000-2001	1629	22915	--	1576	1365	(-)14670	1604	(-)13066
5.	Government Central Workshop, Madikeri	1954	2000-2001	450	2344	--	677	677	(-)2057	164	(-)1893