सत्यमेव जयते

Report of the Comptroller and Auditor General of India

Compliance Audit

for the year ended March 2020

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Karnataka

Report No. 3 of the year 2021

Report of the
Comptroller and Auditor General of India

Compliance Audit

for the year ended March 2020

Government of Karnataka
Report No. 3 of the year 2021

Table of contents

	Paragraph Number	Page Number
Preface		v
Overview		vii
Part I – Expenditure Audit		
Chapter-I: Introduction		
About this report	1.1	1
Budget profile	1.2	1
Application of resources of the State Government	1.3	2
Persistent savings	1.4	2
Grant-in-aid from Government of India	1.5	3
Authority for conducting Audit	1.6	4
Organisational structure of the Office of the Principal Accountant General (Audit I), Karnataka, Bengaluru	1.7	4
Planning and conduct of Audit	1.8	4
Significant audit observations and response to audit	1.9	5
Responsiveness of Government to Audit	1.10	5
Status of placement of Separate Audit Reports of autonomous bodies in the State Legislature	1.11	7
Year-wise details of performance audits and paragraphs appeared in Audit Report	1.12	8
Chapter –II: Compliance Audit		
Department of Higher Education		
Improper Financial Management in Bangalore University	2.1	9
Loss of terminal benefits to NPS employees	2.2	19
Department of Animal Husbandry and Fisheries		
Loss due to non-remittance of Government revenue and misappropriation	2.3	22
Department of Food and Civil Supplies, Consumer Affairs and Legal Metrology		
Avoidable payment of interest on procurement of rice	2.4	24
Department of Labour		
Non/short realisation of revenue	2.5	26
Department of Health & Family Welfare Services		
Short levy of liquidated damages	2.6	29
Avoidable expenditure	2.7	31
False certification of works not actually executed	2.8	34

	Paragraph Number	Page Number
Department of Rural Development and Panchayat Raj		
Avoidable expenditure on payment of Goods and Services Tax for inadmissible services	2.9	36
Part II – Revenue Audit		
CHAPTER-I: General		
Trend of revenue receipts	1.1	39
Analysis of arrears of revenue	1.2	41
Evasion of tax detected by the Departments	1.3	41
Pendency of refund cases	1.4	42
Response of the Government/Departments towards Audit	1.5	42
Analysis of the mechanism for dealing with the issues raised by Audit	1.6	46
Audit Planning	1.7	47
Results of Audit	1.8	48
Coverage of Part-II of this Report	1.9	48
CHAPTER-II : VAT on Sales Trade *etc.* and Goods and Services Tax		
Tax administration	2.1	49
Internal Audit	2.2	49
Goods and Services Tax	2.3	49
Results of Audit	2.4	51
Paragraphs		
Non-levy of penalty under Section 72(1) of the KVAT Act	2.5	52
Short-levy of tax on sale of liquor	2.6	53
Incorrect/Excess claim of Transitional Credit	2.7	54
Short-levy of tax due to incorrect allowance of sub-contractor payments	2.8	55
Incorrect/Excess adjustment of credit amount	2.9	55
Non/Short-payment of differential tax liability declared in audited statement of accounts	2.10	58
Non-follow-up of pending tax liabilities declared in the returns	2.11	59
Non-levy of penalty under Section 74(4) of KVAT Act for non-filing of Form VAT 240	2.12	60
Incorrect allowance of Input Tax Credit	2.13	61

	Paragraph Number	Page Number
CHAPTER-III: Stamp Duty and Registration Fee		
Tax administration	3.1	65
Internal Audit	3.2	65
Results of Audit	3.3	65
Paragraphs		
Short-levy of Stamp Duty and Registration Fee due to misclassification of documents	3.4	66
Short-levy of Stamp Duty and Registration Fee due to suppression of facts	3.5	68
Short-levy of Stamp Duty and Registration Fee on Joint Development Agreements	3.6	70
Short-levy of Stamp Duty and Registration Fee due to Undervaluation	3.7	71
Short-levy of Stamp Duty and Registration Fee on Gift Deeds	3.8	73

List of Appendices

Details	Appendix Number	Page Number
Year-wise breakup of Outstanding Inspection Reports and Paragraphs (issued up to 31 March 2019)	1.1	77
Paragraphs (excluding General and Statistical) yet to be discussed by PAC as of 31 December 2019	1.2	80
Statement showing details of candidates' fee receipts which were not available in admission register nor traced in bank accounts	2.1	81
Statement showing the DDs not traced to bank accounts in respect of department of CBSMS	2.2	82
Statement showing the DDs not traced to bank accounts in respect of department of CBSMS	2.3	83
Ground fee prescribed for various categories	2.4(a)	84
Statement of short collection of ground fee	2.4(b)	84
Statement showing the loss of interest in respect of Mangalore University	2.5	85
Statement showing the loss of interest in respect of Bangalore University	2.6	87
Statement showing the loss of interest in respect of Rani Channamma University	2.7	89
Statement showing the remittances not traced to KTC-25	2.8	90
Month wise details of loss of revenue for registration/renewal of shops and Establishments	2.9	91
Statement showing the loss of revenue due to non-renewal of registrations	2.10	92
Statement showing the short levy of penalty	2.11	93
Statement showing the quantity of RCC/RMC as per estimates	2.12	94
Statement showing the items of works falsely certified	2.13	95
Abstract of GST paid to Manpower Services	2.14	96

Preface

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2020 has been prepared for submission to the Governor of Karnataka under Article 151 (2) of the Constitution to be tabled in the State Legislature.

Part-I of this Report contains significant results of the Compliance Audit of the Departments of the Government of Karnataka under Agriculture, Food and Allied Industries, Education, Skill Development and Employment, Finance, Health and Welfare and Rural Development clusters.

Part-II of this Report contains significant results of the Compliance Audit of the Departments of the Government of Karnataka under Revenue Sector including Commercial Taxes Department and the Department of Stamps and Registration.

The instances mentioned in this report are those, which came to notice in the course of test audit for the period 2019-20 as well as those, which came to notice in earlier years, but could not be reported in the previous Audit Reports. Instances relating to period subsequent to 2019-20 are also included, wherever found necessary.

Audit was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

Overview

This Report of the Comptroller and Auditor General of India (C&AG) contains two parts. Part I relating to Expenditure Audit contains nine paragraphs and Part II relating to Revenue Audit contains 14 paragraphs. Some of the major findings are mentioned below:

Part-I: Expenditure Audit

Introduction

Budget profile and application of resources of the State Government

During the year 2019-20, as against the total outlay of ₹7,54,121 crore, the application of resources was ₹5,03,792 crore. While the total expenditure (i.e., total of revenue expenditure, capital outlay and loans and advances) increased by 55 *per cent* during the period 2015-16 to 2019-20, the revenue expenditure increased by 49 *per cent* during the above period. The revenue expenditure (₹1,74,258 crore) constituted 81 *per cent* of the total expenditure (₹2,13,857 crore) during 2019-20.

(Paragraph 1.2 and 1.3)

Responsiveness of Government to audit

A total of 7,516 Inspection Reports containing 38,140 paragraphs were outstanding against 54 departments as at the end of March 2020.

(Paragraph 1.10.1)

Status of placement of Separate Audit Reports of autonomous bodies in the State Legislature

The Karnataka Building and Other Construction Workers' Welfare Board has not placed before the State Legislature, the SARs for the years 2006-07 to 2015-16. The Karnataka Test Book Society was yet to submit the revised accounts for the year 2007-08 and the Karnataka State Commission for Protection of Child Rights (established in July 2009) was yet to be submit the annual accounts since inception.

(Paragraph 1.11)

Compliance Audit

Department of Higher Education

Improper Financial Management in Bangalore University

Improper financial management in Bangalore University resulted in misappropriation of ₹12.97 lakh, manipulation of records and suspected misappropriation of ₹1.28 lakh and loss of revenue of ₹87.87 lakh.

(Paragraph 2.1)

Loss of terminal benefits to NPS employees

Non-implementation of National Pension System architecture as prescribed by Pension Fund Regulatory and Development Authority in three Universities resulted in loss of ₹2.83 crore to 577 employees of these Universities who joined the service after 01 April 2006.

(Paragraph 2.2)

Department of Animal Husbandry and Fisheries

Loss due to non-remittance of Government revenue and misappropriation

Manipulation of records and non-remittance of cash receipts into Government Account at the office of the Assistant Director, Department of Animal Husbandry and Veterinary Sciences, Channapatna resulted in loss of revenue and misappropriation of Government revenue- ₹1.38 lakh.

(Paragraph 2.3)

Department of Food and Civil Supplies, Consumer Affairs and Legal Metrology

Avoidable payment of interest on procurement of rice

The Karnataka Food and Civil Supplies Corporation Limited made belated payments to the Chattisgarh State Civil Supplies Corporation for procurement of rice despite availability of funds resulting in avoidable extra expenditure of ₹5.25 crore towards interest.

(Paragraph 2.4)

Department of Labour

Non/short realisation of revenue

The delay in updating the revised rates for registration/renewal on the online portal resulted in short realisation of revenue of ₹2.38 crore. Huge pendency of renewal of registration of shops and commercial establishments resulted not only in non-realisation of revenue to the extent of ₹37.21 crore but also continuation of the establishments without valid registrations.

(Paragraph 2.5)

Department of Health and Family Welfare Services

Short levy of liquidated damages

The Chief Engineer, Health Engineering Wing levied nominal penalty for delays on part of the contractors in completing the works based on the recommendations of the Executive Engineers of the divisions. This resulted in short levy of liquidated damages of ₹14.63 crore besides extending undue benefit to the contractors.

(Paragraph 2.6)

Avoidable expenditure

Adopting Cement Concrete (Machine Mixed) for M25 grade concrete instead of Ready-Mix concrete in estimate/BOQ by the department of Health and Family Welfare, Engineering Sub-Division resulted in avoidable expenditure of ₹3.30 crore and undue benefit to the contractor.

(Paragraph 2.7)

False certification of works not actually executed

The Assistant Engineer, Health and Family Welfare Engineering sub-division, Kalaburagi recorded execution of items of work in the Measurement book which were not actually executed. This was certified by the Assistant Executive Engineer and approved by the Executive Engineer. This resulted in irregular payment of ₹97.59 lakh besides extending undue benefit to the contractor.

(Paragraph 2.8)

Department of Rural Development and Panchayat Raj

Avoidable expenditure on payment of Goods and Services Tax for inadmissible services

Payment of Goods and Services Tax (GST) by the Zilla Panchayats for service rendered by Manpower Agencies which fall under 'Pure Services' with nil rate of GST resulted in avoidable expenditure of ₹1.29 crore on inadmissible service.

(Paragraph 2.9)

Part-II: Revenue Audit

General

Total revenue receipts of the State Government for the year 2019-20 amounted to ₹1,75,442.79 crore against ₹1,64,978.66 crore for the previous year. Of this, 63 *per cent* was raised by the State through tax revenue (₹1,02,362.79 crore) and non-tax revenue (₹7,681.47 crore). The balance 37 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹30,919.00 crore) and grants-in-aid (₹34,479.53 crore).

(Paragraph 1.1)

A total of 1,652 Inspection Reports, containing 4,831 observations, involving money value of ₹2,782.82 crore, were pending with the Departments for settlement at the end of June 2020.

(Paragraph 1.5)

Test-check of the records of 254 units of Value Added Tax, State Excise, Stamp Duty and Registration Fee and other Departmental Offices conducted during the year 2019-20 showed under-assessment/short-levy/loss of revenue aggregating ₹2,491.66 crore in cases pointed out through 1,189 paragraphs.

(Paragraph 1.8)

VAT on Sales, Trade, etc. and Goods and Services Tax

Non-levy of penalty under Section 72(1) of the KVAT Act, for delay in payment of tax by 208 assessees and under Section 74(4) for non-filing of Form-VAT-240 by 7,346 assessees amounted to ₹32.72 crore.

(Paragraph 2.5 and 2.12)

Short levy of tax on sale of liquor by 30 Bars and Restaurants situated in urban areas for the period from March 2014 to March 2017 amounted to ₹6.15 crore inclusive of interest and penalty.

(Paragraph 2.6)

A check of Form VAT 240, TDS certificates and re-assessment orders revealed that 16 assessees had availed excess transitional credit amounting to ₹2.66 crore.

(Paragraph 2.7)

Short levy of tax due to incorrect allowance of sub-contractor payments, by 13 dealers, amounted to ₹1.16 crore inclusive of interest and penalty.

(Paragraph 2.8)

Cross-verification of credit amounts brought forward and adjusted against the output tax liability with Returns filed for previous tax-periods, Form VAT 240 and re-assessments revealed that 12 dealers had brought forward/adjusted excess credit amounting to ₹1.56 crore and total liability amounted to ₹2.67 crore inclusive of penalty and interest.

(Paragraph 2.9)

Additional tax of ₹6.11 crore (inclusive of interest and penalty), determined by the Auditors in the audited statement of accounts, was not paid by 65 dealers.

(Paragraph 2.10)

Tax amounting to ₹5.25 crore (inclusive of interest and penalty) was not paid by 93 assessees, though declared in the returns.

(Paragraph 2.11)

Short levy of tax of ₹4.47 crore (inclusive of interest and penalty) due to incorrect allowance of input tax credit (ITC) on exempted goods and immovable property, errors in computation of ITC and allowance of ITC without realizing the corresponding output tax.

(Paragraph 2.13)

Stamp Duty and Registration Fee

Misclassification of lease deeds, Sale-agreements and Power of Attorney with respect to their sub-clauses in six cases led to short-levy of stamp duty and registration fee of ₹22.83 crore.

(Paragraph 3.4)

Suppression of existence of buildings, plant and machinery and actual consideration passed-on from the purchaser led to lesser valuation and subsequent short-levy of SD and RF amounting to ₹10.14 crore in 25 cases.

(Paragraph 3.5)

Adoption of incorrect rates, valuation based on inadequate inputs in 62 Joint Development Agreements in nine SROs led to short levy of Stamp Duty and Registration Fee of ₹6.59 crore.

(Paragraph 3.6)

Adoption of incorrect guidance values and non-adherence to special instructions etc. led to undervaluation and subsequent short levy of SD and RF amounting to ₹4.81 crore in 25 cases.

(Paragraph 3.7)

Misclassification of Gift deeds between different entities as between family members and application of incorrect rates led to short levy of SD and RF amounting to ₹1.13 crore in seven cases.

(Paragraph 3.8)

PART-I
EXPENDITURE

Chapter I

Chapter-I

Introduction

1.1 About this Report

Part I of the report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from compliance audit of Government Departments and Autonomous Bodies.

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

The primary purpose of the Report is to bring important results of audit to the notice of the State Legislature. The audit findings are expected to enable the Executive to take corrective actions as also to frame policies and issue directives that will lead to improved management, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the follow-up on previous Audit Reports. Chapter-II contains observations arising out of compliance audit in Government Departments and Autonomous Bodies respectively.

1.2 Budget Profile

The position of budget estimates and actual expenditure there against by the State Government during the period 2015-16 to 2019-20 is given in **Table 1.1** below:

Table 1.1: Budget and actual expenditure of the State during 2015-16 to 2019-20

(₹ in crore)

Expenditure	2015-16		2016-17		2017-18		2018-19		2019-20	
	BE	Actual	BE	Actual	BE	BE	Actual	BE	Actual	BE
General services	30,997	30,799	35,018	31,265	38,009	34,484	45,744	42,655	50,492	48,824
Social services	45,728	46,307	50,960	54,549	55,887	58,652	70,226	67,935	71,350	66,373
Economic services	32,175	33,846	38,277	40,421	43,671	42,856	44,152	48,285	52,907	52,636
Grant-in-aid & contributions	6,549	6,076	5,980	5,686	7,187	6,490	6,167	5,425	6,856	6,425
Total (1)	**1,15,449**	**1,17,028**	**1,30,235**	**1,31,921**	**1,44,754**	**1,42,482**	**1,66,289**	**1,64,300**	**1,81,605**	**1,74,258**

Expenditure	2015-16		2016-17		2017-18		2018-19		2019-20	
	BE	Actual	BE	Actual	BE	BE	Actual	BE	Actual	BE
Capital outlay	**20,564**	**20,713**	**25,716**	**28,150**	**32,033**	**30,667**	**35,246**	**34,659**	**40,080**	**35,530**
Loans & advance disbursed	**733**	**657**	**625**	**1,934**	**1,597**	**5,093**	**5,817**	**4,487**	**2,503**	**4,069**
Repayment of public debt	5,788	4,110	6,841	7,420	8,176	8,269	11,136	11,083	9,964	10,180
Contingency fund	5	0	5	0	5	0	5	0	5	0
Public accounts disbursement	2,83,523	1,55,095*	3,42,036	1,67,154*	5,09,624	1,94,537*	5,10,667	2,34,330*	5,19,964	2,45,292 *
Closing balance	-	27,118	-	34,354	-	26,184	-	22,004	-	34,463
Total (2)	**3,10,613**	**2,07,693**	**3,75,223**	**2,39,012**	**5,51,435**	**2,64,750**	**5,62,871**	**3,06,563**	**5,72,516**	**3,29,534**
Grand Total (1 + 2)	**4,26,062**	**3,24,721**	**5,05,458**	**3,70,933**	**6,96,189**	**4,07,232**	**7,29,160**	**4,70,863**	**7,54,121**	**5,03,792**

BE – Budget Estimates

*Does not include investments

Source: Annual Financial Statement and State Finance Audit Reports of respective years

1.3 Application of resources of the State Government

As against the total budget outlay of ₹7,54,121 crore, the application of resources was ₹5,03,792 crore during 2019-20. The total expenditure (Total of Revenue Expenditure, Capital Outlay and Loans and Advances) of the State increased by 55 *per cent* from ₹1,38,398 crore to ₹2,13,857 crore during the period 2015-16 to 2019-20 while the revenue expenditure increased by 49 *per cent* from ₹1,17,028 crore to ₹1,74,258 crore during the same period. The revenue expenditure constituted 80 to 85 *per cent* of the total expenditure while capital expenditure was 15 to 17 *per cent* during the period from 2015-16 to 2019-20.

During the period from 2015-16 to 2019-20, total expenditure increased at an annual average rate of 12 *per cent* whereas revenue receipts grew at an annual average growth rate of 11 *per cent*.

1.4 Persistent savings

During the last five years, 13 out 29 grants showed persistent savings of more than ₹10 crore and which were also five *per cent* or more of the total grants as detailed in **Table 1.2** below:

Table 1.2: Grants indicating persistent savings

(₹ in crore)

Sl. No.	Number and name of the grant	Amount of savings				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue (Voted)						
1	1-Agriculture and Horticulture	803.18 (14)	653.97 (10)	455.50 (7)	1,340.72 (17)	1,178.55 (14)
2	4-Department of Personnel and Administrative Reforms	90.20 (16)	143.15 (22)	107.10 (14)	165.93 (13)	104.29 (10)
3	12-Information, Tourism	18.04	34.15	94.01	98.11	42.5

Sl. No.	Number and name of the grant	Amount of savings				
		2015-16	2016-17	2017-18	2018-19	2019-20
	and Youth Services	(5)	(8)	(11)	(16)	(9)
4	21-Water Resources	198.62 (20)	119.16 (12)	169.89 (16)	125.31 (12)	290.53 (27)
5	22-Health and Family Welfare	904.50 (15)	605.01 (9)	403.91 (6)	427.44 (5)	756 (9)
6	23-Labour and Skill Development	126.72 (13)	111.37 (12)	606.35 (36)	204.81 (16)	222.91 (16)
7	27-Law	45.28 (7)	72.89 (11)	79.63 (10)	59.28 (6)	61.76 (6)
8	28-Parliamentary Affairs and Legislation	28.94 (16)	24.82 (14)	59.21 (25)	34.33 (18)	14.46 (8)
Revenue (Charged)						
9	4-Department of Personnel and Administrative Reforms	16.24 (7)	23.05 (10)	24.34 (9)	22.67 (15)	56.52 (34)
Capital (Voted)						
10	3-Finance	67.61 (46)	37.97 (33)	38.54 (30)	34.52 (30)	19.32 (15)
11	11-Women and Child Development	64.19 (13)	49.91 (26)	21.56 (11)	71.55 (44)	14.58 (15)
12	12-Information, Tourism and Youth Services	7.80 (21)	93.28 (24)	169.34 (35)	242.22 (42)	126.36 (27)
13	21-Water Resources	2,231.65 (25)	1,252.97 (13)	2,638.20 (21)	547.46 (5)	1110.85 (8)

Note: Figures in brackets indicate percentage of savings to total provision
Source: Appropriation Accounts of relevant years

1.5 Grant-in-aid from Government of India

Grants-in-aid from Government of India showed an increasing trend during the years 2016-17 to 2019-20 as compared to the previous year as shown in **Table 1.3**.

Table 1.3: Grant-in-aid received from Government of India[1]

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan grants*	5,548	7,045	-	-	-
Grants for State Plan schemes*	8,105	8,102	-	-	-
Grants for Central plan schemes*	139	116	-	-	-
Grants for Centrally sponsored Schemes	137	440	11,617	10,393	12,214
Other transfers/Grants to States	-	-	7,316	11,714	17,593
Finance Commission Grants	-	-	2,708	3,374	4,673
Total	**13,929**	**15,703**	**21,641**	**25,481**	**34,480**

* There are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

[1] This does not include devolution.

1.6 Authority for conducting Audit

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

1.7 Organisational structure of the Office of the Principal Accountant General (Audit-I), Karnataka, Bengaluru

The State Offices of the C&AG of India were restructured (March 2020) on the basis of allocation of clusters, each cluster containing departments with inter-connected outcomes and linkages. Prior to restructuring, the Principal Accountant General (Audit-I), Karnataka, Bengaluru, was responsible for audit of expenditure incurred by 65 Departments in the State and 11 Autonomous Bodies under the General and Social Services Sectors. Post-restructuring, the Principal Accountant General (Audit-I) is responsible for audit of expenditure incurred by 54 Departments and 03 Autonomous Bodies under the Finance, Health and Welfare, Education, Skill Development and Employment, Agriculture, Food and Allied Industries, Water Resources, General Administration and Rural Development clusters. The Principal Accountant General (Audit-I) is assisted by three Group Officers and various subordinate officers. This report includes observations relating to departments under the jurisdiction of the Principal Accountant General (Audit-I)

1.8 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also

---

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

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

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

[5] Audit of (i) all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of anybody or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ one crore.

[6] Amended during 2020.

considered in this exercise. The frequency and extent of audit are decided based on risk assessment.

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

During 2019-20, in the General and Social Sector Audit Wing (*i.e.*, prior to restructuring), 6,161 party days were used to carry out audit of 622 units and to conduct performance audit and compliance audits. Similarly, 447 party days were used to carry out financial (certification) audit of 26 units.

1.9 Significant audit observations and response to audit

Audit has reported significant deficiencies

- in implementation of various programmes/activities;
- lapses in internal controls in selected departments, as well as
- observations noticed during compliance audit of the Government departments/organisations.

Nine paragraphs included in Part I of this report were forwarded demi-officially to the Principal Secretaries / Secretaries of the Departments concerned between January and March 2021 with a request to send their responses within six weeks. Government replies were received for six paragraphs and the replies are suitably incorporated in the Report.

1.10 Responsiveness of Government to Audit

1.10.1 Outstanding Inspection Reports

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

As on 31 March 2020, 7,516 IRs (38,140 paragraphs) were outstanding against 54 Departments[7]. Age-wise details of pendency are given in **Table 1.4** below:

Table 1.4: Age-wise details of pendency of IRs and paragraphs

Sl. No.	Age	Number of IRs	Number of paragraphs
1	< 1 year	291	2,941
2	1-2 years	721	7,458
3	2-5 years	2,224	13,783
4	5-10 years	1,719	7,113
5	>10 years	2,561	6,845
Total		**7,516**	**38,140**

Source: Information derived from IR Registers maintained in PAG (Audit I) Office

A review of the pending IRs issued up to March 2020 showed that while four *per cent* of the total IRs were pending *i.e.,* 291 IRs (2,941 paragraphs) for less than one year, 4,664 IRs (28,354 paragraphs) were pending for more than one year but for less than 10 years. However, around 34 *per cent* of IRs *i.e.,* 2,561 IRs (6,845 paragraphs) were pending for more than 10 years. Further, review of IRs pending for more than 10 years revealed that Rural Development and Panchayat Raj, Primary and Secondary Education and Women and Child Development Departments had highest pendency of IRs at 693, 354 and 219 respectively. Year-wise and department-wise details of IRs and paragraphs outstanding are detailed in **Appendix 1.1**.

1.10.2 Follow-up action on Audit Reports

The Hand Book and the Rules of Procedure (Internal Working), 1999 of the Public Accounts Committee provides for all the departments of Government to furnish detailed explanations in the form of Action Taken Notes (ATNs) to the audit observations which featured in Audit Reports, within four months of their being laid on the Table of Legislature.

The administrative departments did not comply with these instructions and nine departments as detailed in **Table 1.5** did not submit ATNs for 19 paragraphs for the period 2003-04 to 2017-18 even as on 31 December 2020.

Table 1.5: Details of Departmental Notes pending as of 31 December 2020 (Excluding General and Statistical Paragraphs)

Sl. No.	Department	03-04	11-12	12-13	14-15	16-17	17-18	Total
1	Education	-	-	-	-	-	3	3
2	Food, Civil Supplies and Consumer Affairs	-	-	-	-	1	-	1
3	Health and Family Welfare (Medical Education)	-	-	-	1	-	-	1
4	Health and Family Welfare	-	-	-	-	-	1	1
5	Horticulture/Sericulture	-	-	-	-	-	1	1
6	Minor Irrigation	1	-	-	-	1	2	4
7	Minority Welfare	-	-	-	-	-	2	2

[7] Information pertains to the departments under the jurisdiction of the Office of the Principal Accountant General (Audit-I), Karnataka, Bengaluru post-restructuring.

Sl. No.	Department	03-04	11-12	12-13	14-15	16-17	17-18	Total
8	Revenue	-	1	2	-	-	1	4
9	RDPR	-	-	-	-	-	2	2
Total		**1**	**1**	**2**	**1**	**2**	**12**	**19**

Source: Information derived from PAC watch Registers maintained in PAG (Audit I) Office

1.10.3 Paragraphs to be discussed by the Public Accounts Committee

A review of the position of paragraphs pending discussion by the Public Accounts Committee as of 31 December 2020 showed that 85 paragraphs (including performance audits and reviews) were yet to be discussed. Department-wise details of paragraphs (excluding General and Statistical) pending discussion by the Public Accounts Committee as of 31 December 2020 are detailed in **Appendix 1.2**.

1.11 Status of placement of Separate Audit Reports of autonomous bodies in the State Legislature

Several autonomous bodies have been set up by the Government in the fields of Education, Labour Welfare and Child Welfare. The audit of accounts of three autonomous bodies in the State, under the jurisdiction of Pr. Accountant General (Audit I), has been entrusted to the CAG. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SARs) and its placement in the Legislature is given in **Table 1.6.**

Table 1.6: Status of entrustment of audit, rendering of accounts and issue of Separate Audit Reports

Sl. No	Name of the Autonomous Body	Period of entrustment of audit of accounts to CAG	Year up to which accounts rendered	Year up to which audit report issued	Placement of audit reports before the Legislature	Year to which accounts due	Period of delay in submission of accounts (up to 30th June 2020)
1	Karnataka Building and Other Construction Workers Welfare Board, Bengaluru	As per Act	2016-17	2015-16	Report not yet placed (2006-07 to 2015-16)	NA	NA
2	Karnataka Text Book Society, Bengaluru	Up to 2020-21	2006-07	2006-07 SAR issued on 24.01.2020	Nil	NA	NA
3	Karnataka State Commission for Protection of Child Rights, Bengaluru	As per Act	Established in July 2009. Accounts yet to be submitted since inception				

The Karnataka Building and Other Construction Workers' Welfare Board has not placed before the State Legislature, the SARs for the years 2006-07 to 2015-16. The Karnataka Test Book Society was yet to submit the revised accounts for the year 2007-08 and the Karnataka State Commission for Protection of Child Rights (established in July 2009) was yet to be submit the annual accounts since inception. Delay in finalisation of accounts carries the risk of financial irregularities going undetected, and therefore, the accounts need to be finalised and submitted to Audit at the earliest.

1.12 Year-wise details of performance audits and paragraphs appeared in Audit Report

The year-wise details of performance audits and paragraphs that appeared in the Audit Report for the last three years along with their money value are given in **Table 1.7** below:

Table 1.7: Details regarding the performance audits and paragraphs that appeared in the Audit Report during 2016-17 to 2019-20

Year	Performance Audit		Paragraphs		Replies received	
	Number	Money Value (₹ in crore)	Number	Money Value (₹ in crore)	Performance audit	Draft Paragraphs
2016-17	01	247.98	12	50.85	01	12
2017-18	01	265.82	12	286.37	01	12
2018-19	01	7.01	17	2,802.96	01	17

Source: Audit Reports (General and Social Sector Audit) of 2016-17, 2017-18 and 2018-19.

During 2019-20, nine paragraphs involving ₹68.90 crore have been included in this Report.

Chapter II

Chapter-II

Compliance Audit

Department of Higher Education

2.1 Improper Financial Management in Bangalore University

Improper financial management in Bangalore University resulted in misappropriation of ₹12.97 lakh, manipulation of records and suspected misappropriation of ₹1.28 lakh and loss of revenue of ₹87.87 lakh.

Financial Management is an integral component of an organisation and involves planning, organizing, controlling and monitoring financial resources to achieve organisation goals and objectives. As per Canons of Financial Propriety stipulated under Karnataka Financial Code, 1958 (KFC), it is the duty of every Government servant merely not to observe complete integrity in financial matters, but also to be constantly watchful to see that the best possible value is obtained for all public funds spent by him or under his control and to guard scrupulously against every kind of wasteful expenditure from public funds.

Scrutiny of the records (October 2019-January 2020) of Bangalore University[8] (BU) for the period 2014-15 to 2018-19 showed improper/inefficient financial management as detailed below:

2.1.1 Misappropriation of fees by staff of Canara Bank School of Management Studies

Bangalore University (BU) offers Master of Business Administration (MBA) program (both day and evening courses) through Canara Bank School of Management Studies (CBSMS), which was constituted during the year 1998 under the aegis of the BU. Admission for the above course is through the Post Graduate Common Entrance Test (PGCET), conducted by Karnataka Examination Authority (KEA). Any unfilled seats shall be filled by the University after issuing a notification in this regard followed by a separate exam conducted by the University. The students were being admitted to the course on the recommendations of the Admission Committee formed every year for this purpose.

The students allotted admission by the KEA are required to pay a portion of the first-year fees to KEA at the time of counselling and balance amount of the fees was to be remitted to BU through Demand draft (DD). In cases of admission directly by the BU, the students have to remit the entire fees through DD/Challan drawn in the name of the Finance Officer, BU and obtain an official receipt for the fees paid.

[8] Bangalore University was trifurcated into Bangalore University, Bangalore Central University and Bangalore North University during 2015 and each of these Universities function independently.

The concerned department would enter the details of the students in the Admission register after the student has submitted the proof of having paid the complete fees. The department then prepares a statement of students who have reported along with details such as the eligibility, work experience, fee receipt/ challan number with the approval of the Head of the Department for onward submission to the Registrar (Administration). Copies of the fee receipt/challan numbers were to be enclosed along with the statement. The administration section under the Registrar is to verify each and every record and scrutinize the application and all relevant documents, fee receipt of every student recommended for admission. The students who do not match the criteria fixed are to be rejected.

Similarly, for payment of course fees pertaining to the second year, the students were required to obtain DD/Challan for the fee amount and were required to submit the receipt to the department in proof of having paid the fees.

During the period 2014-19, as per the information furnished by BU, a total of 145 students were admitted for the evening batch of MBA course (53 through KEA and 92 by the University).

A review of the records of CBSMS for the period 2014-19 showed the following:

(i) ***The admission register did not contain the details of 10 students for 2016-17 and one student for 2017-18. The admission register was incomplete at several places i.e., the columns for filling the details of the course fees (comprising of tuition fee, registration fee, admission fee, sports fee etc.) paid did not indicate the particulars of the challan number, bank remittance details, date of remittance etc.***

(ii) ***The Director, CBSMS submits the statement indicating the details of students for admission to the Registrar every year. These statements included a certificate by the Director, CBSMS, stating that the registration and eligibility fees[9] from the candidates are duly collected and remitted to the University Account. However, these statements were not supported with the challans/receipts of the fees remitted to the University account.***

(iii) ***Audit observed that in some cases, the CBSMS had collected the fees in cash from the students assuring that the fees paid by them would be remitted to University Account. This was supported by the fact that the department had submitted a consolidated DD instead of individual DDs by students and a few of the students had brought this issue to the notice of the University. Collection of fees by cash was not allowed as per the University directions.***

(iv) ***The vital check of scrutiny of documents such as application details, eligibility criteria, experience, verification of payment of fees to the University with challans/receipts was not carried out by the Admission***

[9] Eligibility fees refers to the fees to be paid by Indian nationals who have passed the qualifying examination outside Karnataka

section functioning under the Registrar and the certificate submitted by the Director, CBSMS was accepted. The absence of this secondary check for verification of payment of fees exposed the weakness in the internal control mechanism existing within the University.

(v) Audit attempted to verify the remittance of the fees collected from the students admitted to MBA evening course and observed that the copies of challan/fee receipt amounting to ₹12.97 lakh in respect of 38 students were neither on record nor could the amounts indicated in the statement as having been collected be traced to the bank statements/University accounts resulting in short remittance of fees* (Appendix 2.1)*. The fact that the Director, CBSMS certified all the students having paid the fees/dues indicates that the amounts were collected from the students but had not been remitted to the University account. Non-remittance of fees stated to have been collected resulting in adoption of fraudulent practices and consequent misappropriation of funds.

(vi After the trifurcation of Bangalore University into Bangalore, Bangalore Central and Bangalore North Universities in 2015, the Director and Assistant of CBSMS, Bangalore University campus were transferred (February 2019) to CBSMS, Bengaluru Central University campus. Allegations of misappropriation of the admission fee pertaining to MBA evening courses for the academic year 2018-19 were raised in Bangalore Central University and an Inquiry Committee was constituted August 2019). The Committee found the allegations against both as proven and proposed (October 2019) disciplinary proceedings against them. This substantiates the audit observation that the concerned officials were in the habit of adopting fraudulent practices and committing misappropriation of funds.

The State Government replied (January 2021) that the untraced amount would be recovered from persons responsible for the misappropriation and criminal proceedings would be initiated against them for their misdeed.

The reply cannot be accepted as the State Government/University ought to have initiated action immediately on this being pointed out by audit (October 2019-January 2020) and in the light of the fact that similar allegations against them were proven (October 2019) in Bangalore Central University.

It is recommended that suitable action be taken against the earlier Director and Assistant of CBSMS for short remittance of amounts and the staff of admission section for their failure to verify the payment of fees and the correctness of the statement furnished by the Director. The internal control mechanism in place needs to be strengthened to prevent recurrence of such incidents.

2.1.2 Manipulation of records and suspected misappropriation of funds

The University provides a monthly stipend to research scholars undertaking research in various fields of study. The research scholars prefer the stipend claims in the prescribed format which is certified by the guide concerned and countersigned by the Head of the Department. The claim is accompanied by an extract of the attendance certificate for the period of claim. The claims of the scholars are verified by the finance section and passed for payment. The payment is then credited to the bank accounts of the scholars concerned.

The Vice Chancellor of BU, based on a complaint received (28 June 2017) from a Post-Graduate Research student alleging manipulation of records and misappropriation of stipend, ordered (3 July 2017) detailed enquiry of the complete work done by a Senior Assistant during his entire working period in the finance section. The official was entrusted with the work of processing the stipendiary applications of research students, processing all files of SC/ST group regarding finance, processing of bills of monthly pensionaries etc., along with many other works. The official was suspended on 4 July 2017 and based on the initial internal enquiry, a police complaint was lodged on 22 July 2017 against the official for manipulation and misappropriation of nine bills including that of the above complainant amounting to ₹4.32 lakh (Claim applications were manipulated and an amount of ₹4.32 lakh was drawn against the original claim of ₹0.72 lakh). The official had meddled with the claims of the research scholars wherein the claim for one month of ₹8,000 was modified.

(i) as a claim of six months by prefixing either the month (For ex. A scholar claimed stipend for November 2016. It was meddled to read for six months by prefixing 'June 2016 to' November 2016) or the date (For ex. A scholar claimed stipend for May 2017. It was meddled to read for six months by prefixing '1.12.2016 to' 31.05.2017).

(ii) by prefixing numerical '6 x' before 8,000.

(iii) by prefixing numerical '4' to 8,000 to make it read as ₹48,000/-.

(iv) by prefixing 'forty' in words to eight thousand to read as Rupees forty-eight thousand.

These modifications were carried out by the official after obtaining the approval of the Assistant Finance Officer/Deputy Finance Officer (AFO/DFO) for the original claims. Further, as per the complaint lodged with the police, the excess amounts transferred to the students was collected in cash by the official from the students stating that the amounts were credited to their account instead of some other students account by mistake.

The official initially remitted the excess amount of ₹40,000 through Demand Draft to the University account after collecting the same from the complainant and an amount of ₹1.6 lakh pertaining to four cases was remitted on 16 August 2017. The details of remittance of the balance ₹1.6 lakh was neither forthcoming from the records produced nor was stated to audit. The official served (27 November 2017) with a show cause notice for which the official submitted (5 December 2017) his reply, which was not accepted by the University.

Subsequently, the Vice Chancellor appointed (8 August 2018) Shri. B. Shivalinge Gowda, Retired District and Session Judge for enquiry into the

allegation of manipulation and misappropriation. The Inquiry Report submitted (11 January 2019) stated that "the act of manipulations narrated above clearly demonstrates that it cannot and couldn't have been act of oversight instead, premeditated, deliberate and well planned and the reason is obvious". The inquiry officer further held the allegation of manipulation as proved but not of misappropriation and instructed that University may take suitable action in terms of its statutes.

Audit noticed that the suspension of the official was revoked (13 June 2018) pending departmental enquiry, which was irregular. No reasons were recorded for revoking the suspension. Though the inquiry officer submitted a report confirming the allegations, the University had not taken any action against the official so far and Vice Chancellor had deferred (20 July 2019) the proposal for initiating suitable action against the official and instructed to keep it under abeyance without according any reasons.

Audit further test checked the records (mainly vouchers) relating to the audit period to the extent they were made available and observed manipulation of following four bills in addition to the above nine bills resulting in disbursement of excess stipend of ₹1.28 lakh.

(i) Shri. Omkaramurthy B.M, Department of Studies in Chemistry had preferred (February 2017) a claim of stipend amount of ₹8000 for the month of January 2017. After obtaining approval of Assistant Finance Officer/Deputy Finance Officer (AFO/DFO), the claim of ₹8000 was numerically suffixed 'x 6' enabling it to be read as for six months and prefixing numerical '4' to 8000 to read as ₹48,000. The words 'August 2016 to' was written above January 2017. However, the amount in words entered by the claimant was left as it is without modification but in the bill passing seal, the amount in words was modified as forty-eight thousand.

Further, in the instant case, the entire amount of ₹48,000 was credited (7 February 2017) to the bank account of the official instead of that of the claimant. An amount of ₹8,000 was credited to the account of the claimant through cash deposit on 8 February 2017. As per the police complaint, in two out of the nine cases referred to above, the official had adopted the same modus operandi.

(ii) Stipend amount claims of Sunithamma K Department of Science and Engineering (August 2016 to December 2016) for ₹36,129 was passed for ₹40,000. The Bill Register was not authorized by Superintendent.

(iii) Though an amount of ₹22,400 was paid during May 2016 as stipend for the months November 2015 to March 2016 to Shri Ravikumar E and recorded in the Bill Register, the student again preferred a claim for ₹18,000 being the stipend for the months of January to March 2016. This claim was modified for ₹40,305 as follows.

- ***A reference was invited to another BR No.9637/31.01.2016 for ₹28,155.***

- ***While the changes to the figures were made, the amount in words entered by the claimant was not modified.***
- ***In the bill passing seal, the amount both in figures and words were written as ₹40,305.***
- ***However, there was no entry in the Bill Register/Ledger Folio regarding the above payment. This raises doubts on the genuineness of the claim.***

(iv)Stipend amount claim of Shri Krishna Nayak, Department of Kannada, for the months of March to April 2017 for ₹16,000 was overwritten as ₹24,000 by inserting February 2017 mentioning the amount as ₹800 and the bill was passed for ₹24,000. The claim was not supported by attendance sheet for the month of February 2017. The amount in words entered by the claimant was also modified as Rupees twenty-four thousand.

The finance section of the University failed to exercise the necessary checks such as comparing the amount of the bill both in words and figures, the attestation of modifications made in the bills etc., before printing the cheques which indicates the deficiency of the existing control mechanisms besides the possibility of their involvement in these instances.

As can be seen from the above, audit noticed four more cases from the records made available other than those reported to police. Thus, it can be concluded that the University had not effectively verified the full period of working of the Senior Assistant in the finance section from 15 February 2005 to 04 July 2017 even though it was ordered for detailed enquiry for the whole period.

The manipulation of claims of the individual students by the official for higher amounts indicates the intention of the official to siphon off University funds either through transfer to his account or through collection of cash from students for excess amounts transferred.

It is recommended that action may be taken against all the concerned to prevent occurrence of such instances in future. Additional checks such as attestation of the modifications to the claims by the claimants, obtaining acknowledgements from the students for having received the claimed amount, comparing the amount both in words and figures before passing the bill and printing cheques, etc., should be put in place.

2.1.3 Operation and Management of Bank accounts

The Government of Karnataka issued (January 2017) set of guidelines for operation of funds to ensure transparency and accountability in the management of funds/money through bank accounts. These guidelines were applicable to all State Government Departments, Local bodies or Authorities, Boards, Corporations, Societies, Universities and other State autonomous bodies. The guidelines covered aspects such as opening of new bank account, management of bank accounts and disclosure of bank accounts and stipulated among other things that only Sweep-in-Sweep-out deposit accounts must be considered for operation of funds in Banks and for all other kinds of bank accounts (savings/current account *etc*.,) further sanction of the administrative department in the form of a Government order is mandatory.

BU had exhibited 23 bank accounts in the financial statements of the University. Audit, however, observed that BU has maintained 94 bank accounts in the name of Finance Officer / Heads of various Departments of University in State Bank of India, Nagarabhavi branch besides a bank account in Bank of Baroda. BU had neither prepared a list of bank accounts as required under the guidelines nor were the details forthcoming from the records. Hence, audit could not ensure the exact number of the bank accounts being operated by the University and the possibility of the bank accounts remaining concealed cannot be ruled out. Failure of BU to exhibit the transactions of all the bank accounts in its books of accounts does not present a true and fair picture of the financial statements of the University.

In addition to the existing accounts, BU had opened (February 2017) a current account in Axis Bank for collection of all types of fees online and entered (March 2017) into a Memorandum of Understanding (MoU) stipulating the time limit for transfer of amounts collected online to the University Account. Since the account was opened after issue of the guidelines cited supra, the BU was required to obtain specific sanction from the Principal Secretary, Department of Higher Education. No such approval was obtained. Audit observed that BU invited closed quotations[10] and attractive offers made by other banks in the quotations were not considered despite the University having banking transactions with State Bank of India for its banking operations. The reasons for preferring private sector bank for its banking operations was not on record. Moreover, opening of current account instead of sweep-in-sweep-out account[11] not only contravened the Government guidelines but also resulted in loss of interest[12] of ₹37.79 lakh.

Further, as per the terms and conditions of the MoU,

- the total amount collected during the day till 7.00 pm will be transferred to SBM Account of BU within seven days (Clause 3d);
- that bank has to credit the entire fee collected by them to the said current account through core banking system on each day (Clause 5);
- that the bank shall transfer the amount in the current account of first party immediately and account should be settled within seven days. If there is any delay on the part of the bank in transferring amount due to the second party, the bank shall be liable to pay interest at prevailing bank interest rates on the amount due for the period of delay (Clause 7).

---

[10] Canara Bank, State Bank of Mysuru and State Bank of India

[11] It is an account which is flexible in nature giving advantage and flexibility both of a fixed deposit and savings bank account. In other words, it is a combination of both savings cum fixed deposits accounts

[12] As sweep-in sweep out has both the components of savings bank and fixed deposit, interest is calculated on the closing balances for the day @ 4 *per cent* applicable for savings account.

Since the banks do not provide any interest for the funds retained in the current accounts, the reasons/justification for stipulating seven days for transfer of funds from the current account to SBM savings account were to be have been explicitly recorded. This was neither done nor were the reasons explained to audit.

Scrutiny of Bank Account Statement revealed that

- Axis Bank did not adhere to the timelines for credit of the fee collected as stipulated in the MoU.
- The average time taken to transfer the daily receipts to university account was 12, 15 and 9 days during 2017, 2018 and 2019 respectively.
- The delay in crediting of the amount by Axis Bank to the current account and further transfer to the SBM Account of the university resulted in loss of interest of ₹17.43 lakh for delays in excess of the stipulated seven days during the three-year period.

Thus, the action of the BU to open a current account with a private bank and to incorporate terms and conditions that are unfavourable to the BU resulted in loss of interest revenue to the tune of ₹55.22 lakh to the University.

The State Government accepted the audit observation and stated (March 2021) that

(i) though BU was legally constrained to procure the service of online fee collection from the State Bank of India which had succeeded in the tender process as lowest bidder, Axis bank which was unqualified bidder had been awarded the procurement. This measure of the University blatantly infringes KTPP Act, 1999 and the rules made thereunder and attracts punitive action against the University.

(ii) BU opened the current account in Axis Bank without the express sanction of the Higher Education Department

(iii) BU had not adhered to its directions of February 2020 to transfer the fees collected online to its account within two days.

(iv) the VC of BU had been instructed to institute criminal proceedings against officers/officials responsible for the loss, recoup the loss, close the current account in Axis Bank, open sweep-in-sweep out account with SBI and ensure transfer of receipts within two days and submit compliance report to Government within the outer limit of 30 days.

It is recommended that the State Government follow up on its instructions and ensure that responsibility be fixed and action taken for not ensuring compliance to guidelines and procedures stipulated by the State Government.

2.1.4 Absence of reconciliation

Reconciliation is one of the important controls that assists in detecting fraud, detecting errors, reducing the risk of transactions which could lead to levy of penalties, interest charges *etc*., and helps to spot unexplained differences which could be indicative of theft or misappropriation. Audit observed absence of reconciliation mechanism resulting in loss of revenue as illustrated below.

- **Loss of revenue due to non-realisation of DDs - ₹23.21 lakh.**

BU offers various Undergraduate, Post- graduate and Ph. D courses for which it collects registration, admission, examination and development fee from affiliated colleges and students through DDs. These DDs are deposited in separate bank accounts meant for revenue collection (collection accounts). The Finance Officer is expected to ensure that the DDs remitted to these collection accounts were credited to the University account in a timely manner.

Scrutiny of Bank financial statements furnished by BU for the years 2015-16 to 2018-19 revealed that receipts amounting to ₹23.21 lakh were returned by the bank for various reasons such as time-barred DDs, server problem, absence of date, signature *etc*. No documents were maintained for monitoring the receipt of these instruments from the bank, their return to the concerned for revalidation / modifications and their subsequent realization. In the absence of reconciliation, detection of failed transactions and their subsequent realisation was not possible and this resulted in failure to reclaim ₹23.21 lakh to the University.

- **Demand drafts/receipts not traced to Bank statements - ₹8.66 lakh.**

DDs amounting to ₹8.66 lakh drawn in the name of Finance Officer, BU pertaining to two departments (Physical Education and CBSMS) relating to Ground fee for utilisation of the University playgrounds and admission fees paid by the II-year MBA students could not be traced/found in the bank statements (**Appendix 2.2 and Appendix 2.3**). This could be a case of non-submission of the DD to the bank for realisation or the DD becoming time-barred besides carrying the risk of diversion/misappropriation of funds. Failure to periodically reconcile the accounts resulted in non-detection of revenues remaining unrealised indicating the absence of control mechanisms.

It is recommended that the matter be investigated and suitable action be taken on the basis of such investigation to prevent recurrence of such omissions.

2.1.5 Short collection of ground fee of ₹0.79 lakh and doubtful remittance of another ₹0.78 lakh by Physical Education Department

BU College of Physical Education lets out playgrounds on rental basis for sports /other purposes to schools/colleges and private organisations by collecting Ground fee. Different rates were prescribed for different categories (**Appendix 2.4a**) and the fee was to be paid through DDs drawn in favour of the Finance Officer, BU.

Scrutiny of the register of the receipt of the Ground Fee showed that rates prescribed were not adopted resulting in short collection of ₹78,500 and consequent loss of revenue to the University (**Appendix 2.4b**). Further, ₹78,200 was recorded in the register as collected from Karnataka Rajya Amateur Kabaddi Association, Bengaluru on 23 June 2015. However, the details of the DD number or Receipt number was not indicated and the amount could not be traced in the bank statements. Hence, the remittance of the same was doubtful.

2.1.6 Abnormal delay in submission of NDC bills – ₹1.91 crore

Under Rule 36 of the Manual of Contingent Expenditure, 1958, the Controlling and Disbursing Officers are authorised to draw sums of money by preparing Abstract Contingent Bills (AC Bills) and are required to present Non-payment Detailed Contingent (NDC) bills (vouchers in support of final expenditure) before the 15th of the month following the month to which the bill relates. Controlling Officers should also ensure that no amounts were drawn from the treasury unless required for immediate disbursement. Further, as per Rule 243 of the Karnataka Financial Code, 1958, all advances are subject to adjustment by the officials receiving them in accordance with the rules applicable to each case. Every advance must be adjusted by the end of the month succeeding the one in which the advance is drawn, where the date within which adjustment should be made is not prescribed in the order itself.

Audit scrutiny of AC bills register, NDC bills register and vouchers showed that there was an abnormal delay in submission of NDC bills for 111 AC Bills valuing ₹1.92 crore, the delays ranging from 123 days to 3,322 days. Further, it was observed that in respect of 27 AC Bills drawn during 26 April 2014 to 24 May 2019 for ₹14.84 lakh, NDC bills were yet to be submitted.

Considerable delay in submitting NDC Bills not only violates rules but also paves way for possible misappropriation of funds besides indicating that checks such as whether the amounts drawn on AC Bills were really for immediate disbursement, whether any advances were pending adjustment against the individuals who have drawn AC Bills, the periodicity of adjustment *etc*., were not carried out by the Finance Officer in dealing with such advance payments.

It is recommended that action be taken against the concerned for non-submission of NDC bills within the prescribed time and the outstanding balance be recovered immediately.

2.1.7 Amounts drawn through self-cheques for ₹20.72 lakh

As per the provisions of KFC Rule 3, every government servant should see that proper accounts are maintained for all Government financial transactions with which he is concerned. It also specifies that he has to render accurately and promptly all such accounts and returns relating to them as have been prescribed by Government, the Accountant General or the competent authority.

Funds released by BU to University Vishweshwariah College of Engineering (UVCE) towards Hostel miscellaneous expenditure were deposited into a bank account[13]. An amount of ₹20.72 lakh was withdrawn during April 2018 to December 2018 by a Junior Assistant from UVCE through self-cheques for the purpose of mess maintenance and cleaning charges. However, no vouchers or bills in support of the expenditure incurred were available in the records produced to audit. Hence, the genuineness of the expenditure could not be ascertained.

It is recommended that suitable action be taken against the concerned for failure to comply with the codal provisions.

Thus, absence of an effective internal control system within the Bangalore University resulted in improper financial management through violation of the guidelines/instructions prescribed by both the Government and University, which paved way for misappropriation of ₹12.97 lakh by staff, manipulation of records and misappropriation of ₹1.28 lakh by an official and loss of revenue of ₹87.87 lakh by way of loss of interest, non-realisation of Demand Drafts, short collection of ground rent *etc*.

As the issues pointed out by audit are only illustrative and not exhaustive, it is recommended that the State Government carry out a detailed investigation into the various financial irregularities existing in the University and take appropriate action thereon.

2.2 Loss of terminal benefits to NPS employees

Non-implementation of National Pension System architecture as prescribed by Pension Fund Regulatory and Development Authority in three Universities resulted in loss of ₹2.83 crore to 577 employees of these Universities who joined the service after 01 April 2006.

Government of Karnataka (GoK) introduced (March 2006) New Defined Contributory Pension Scheme (NPS), which was mandatory for all employees appointed to State Government service on or after 01 April 2006. Contributions made by the Government Servants and the matching contribution by the State government shall be kept in Public Account of the State on which appropriate interest shall be given till appointment of the Central Record Keeping Agency and Pension Fund Managers. The State Government in January 2010 decided to avail the services of NPS architecture set up by Pension Fund Regulatory and Development Authority (PFRDA) and accordingly signed an agreement with the NPS Trust (January 2010) to be governed in *toto* by the NPS architecture and other parameters, directions regulations, guidelines *etc*., as may be issued from time to time. The State Government also signed an agreement (January 2010) with the National Securities Depository Limited (NSDL), appointed by PFRDA as the Central Record Keeping Agency (CRA) for performing the functions of record keeping, accounting, administration and customer services for subscribers to the schemes of pension funds approved by PFRDA.

[13] SB Account No. 64156935644, SBI City Branch, Bengaluru

Government of Karnataka instructed (February 2015) State Autonomous Bodies/Boards/Corporations/Societies/Universities/State Aided Institutions under various departments of State Government to mandatorily adopt NPS for employees appointed on or after 01 April 2006 and the employer's contribution towards this scheme shall be paid from their own resources. No time frame was, however, specified by which these institutions were to adopt the NPS.

Under NPS, the total contribution uploaded in an employee's account is invested by three[14] Pension Fund Managers (PFM's) as prescribed by NSDL and units are allotted in the subscribers account accordingly. PFM's would invest the money in different financial instruments within the investment guidelines laid down by PFRDA and declare Net Asset Value (NAV)[15] at the end of each day. Accordingly, units based on NAV were to be credited in the subscriber's account. The present value of the investment is to be arrived at by the units held multiplied by NAV.

Seven Universities[16] were selected for audit during 2019-20 for the period up to March 2019. Scrutiny of the records relating to implementation of NPS revealed the following:

i. All the Universities except Karnataka Folklore University, which did not have any regular employees, had adopted and extended the NPS to its employees.

ii. Only four out of seven Universities had registered themselves with NSDL. Bangalore University had registered in August 2020 after being pointed out by Audit; Mangalore University and Karnataka Folklore University were yet to register.

iii. In the absence of time frame within which the institutions were required to comply with the Government instructions, the Universities had registered between the period August 2016 to December 2019. The delay in registering would lead to a loss in terminal benefits to the employees of these Universities.

iv. Mangalore University (MU) and Bangalore University (BU) invested[17] (2009 and 2016 respectively) the deducted contributions (both employee and employer contribution) with LIC of India in New Group

[14] SBI Pension Funds private limited, LIC Pension Fund limited and UTI Retirement Solutions Limited.

[15] NAV- It is calculated by adding up the value of all the securities and cash in the fund's portfolio (its assets), subtracting the fund's liabilities, and dividing that number by the number of units that the fund has issued.

[16] Bangalore University, Davanagere University, Karnataka Folklore University, Karnataka Sanskrit University, Mangalore University, Rani Channamma University and Vijayanagara Sri Krishnadevaraya University

[17] Policy No. NGSCA 508000192 (Mangalore) and NGSCA 501005587 (Bangalore)

Superannuation Cash Accumulation Plan[18]. Though MU had started deductions from employees before receipt of Government instructions, it had not registered itself with NSDL after February 2015 and continued its investment with LIC. Audit observed from the statements of returns furnished by Universities that the return received on investment was less than the return that would have been earned in NSDL for NPS scheme calculated as at the end of March 2020. The loss[19] in this regard was ₹64.13 lakh and ₹189.57 lakh for the employees of MU and BU as detailed in **Appendix 2.5** and **Appendix 2.6** respectively.

v. As per the information made available by Rani Channamma University (RCU), an amount of ₹2.40 crore being the employees and employer contribution for the period from February 2015 to September 2016 was not invested. The investment with NSDL started from October 2016 onwards including the earlier contribution. The delay in investing the NPS contribution with NSDL resulted in a loss of ₹29.62 lakh to the employees of RCU as detailed in **Appendix 2.7**.

vi. The details of month-wise deductions, investments and returns realised on investments in respect of the other Universities are awaited, hence the loss could not be quantified.

Thus, investment of monthly deductions by two universities with LIC in violations of the State Government instructions and delay in investment by one University resulted in non-transfer of contributions to NSDL and consequent loss of ₹283.32 lakh to 577 employees of these Universities (138 in MU, 221 in BU and 218 in RCU). This also undermined the provision of a sustainable solution for ensuring financial security and stability to NPS subscribers after retirement.

The State Government replied (January 2021) that BU was taking necessary action to adopt NPS to the employees of the University who joined service after 01.04.2006 in accordance with PFRDA Stratagem and the University had received Drawing and Disbursing Office (DDO) and Directorate of Treasuries and Accounts (DTA) registration numbers. It further stated that BU was stringently instructed to instantly withdraw the legacy and monthly contributions under NPS architecture invested in LIC and adopt the NPS for all the employees who joined service after 01.04.2006.

No reply was furnished in respect of MU. The University, however, replied (January 2021) that the value of NAV of LIC from 2016 to 2019 was higher compared to that of SBI and UTI except in 2020 and the investment suffered a

---

[18] This is a non-linked non-participating Group Superannuation Cash Accumulation Plan suitable for employer having defined contribution for their employees. The following types of interest rates shall be provided on the Policy Account Value:

i. Minimum Floor Rate: 0.5 *per cent* per annum during entire policy term

ii. Additional Interest Rate: At the beginning of each financial quarter a non-zero positive interest rate (declared by corporation)

iii. Residual Addition: Starting from fifth policy anniversary a non-zero positive interest rate (declared by corporation) at the end of each policy year.

[19] Loss is the difference of total value of investment (total number of units that can be purchased multiplied by average NAV of three funds as on 31 March 2020) and total investment made by universities and interest earned from LIC of India

loss to the employees only in 2020. The reply was incorrect as the returns paid by LIC were not NAV based. Moreover, the investment was against the Government directions.

The State Government should ensure that all the Universities in the State register themselves immediately with NSDL and thereby adopt NPS for all the employees as per the PFRDA stratagem. Action should be initiated against the institutions for the delay in compliance, which has resulted in loss to the employee's terminal benefits.

Department of Animal Husbandry and Fisheries

2.3 Loss due to non-remittance of Government revenue and misappropriation

Manipulation of records and non-remittance of cash receipts into Government Account at the office of the Assistant Director, Department of Animal Husbandry and Veterinary Sciences, Channapatna resulted in loss of revenue and misappropriation of Government revenue- ₹1.38 lakh.

The Government of Karnataka under Article 4 (a) Chapter II General Principles and Rules of the Karnataka Financial Code, 1958 (KFC) stipulates that all transactions to which any Government servant in his official capacity is a party, must, without any reservation, be brought to account, and all moneys received should be paid in full without undue delay in any case within two days, into a Government treasury, to be credited to the appropriate account and made part of the general treasury balance.

Article 6 of KFC stipulates that a Government Officer receiving money on behalf of Government must give the payer a receipt and Article 34 stipulates that every departmental controlling officer should obtain regular accounts and return from his subordinates for the amount realised by them and paid into the treasury and consolidate the figures in a register so as to show the total receipts for each month classified according to the heads of accounts in the Budget Estimate.

The remittance of money into Government account is to be ensured by the Treasury, once the remittance challans are filled and duly signed by the head of the department and acknowledged by the designated Bank with seal affixed on the challans. The same will be reflected in form No-25 of the Karnataka Treasury Code (KTC) in which the Treasury shows the details of departmental receipts, which should be tallied with the entries in the remittance register maintained by the concerned office.

Audit scrutiny of records (December 2020/January 2021) in the Office of the Assistant Director of the Department of Animal Husbandry and Veterinary Services (AD, AH & VS), Channapatna, Ramanagara district for the period from 2015-16 to 2019-20 showed that, in ten out of seventy-two test checked cases, an amount of ₹1,38,470 was collected as service charges towards the

supply of semen straw[20] and other poultry farm charges. The challans used for remittance of cash receipts into the designated Bank[21] were entered in the Remittance register of the audit entity against the respective heads of accounts. The remittances of the collected amount as indicated in the challans shown in the **Appendix 2.8** ***could not be traced in the Schedule of receipts of the Sub-Treasury maintained in KTC-25.***

Confirmation was sought (January 2021) from the Sub-treasury, Channapatna, Ramanagara District and the designated Bank i.e., State Bank of India, Channapatna with respect to the said 10 cases of remittances. The Sub-Treasury, Channapatna confirmed (January 2021) that the amounts of remittances as mentioned in the letter could not be traced to the schedule of receipts of the Sub- Treasury maintained in KTC 25. The State Bank of India, Channapatna also confirmed (January 2021) that all the ten remittance cases referred were not received by the Bank and the seal (rubber stamp for cash received by the Bank, branch, and dated stamp) on the challans for depositing the amount did not pertain to the Bank. The initials on the referred challans also did not pertain to any of the Bank branch staff/official and numbers mentioned in the concerned challans were not connected to the remittances.

The manipulation of records and use of fictitious instrument in Government transactions is a serious lapse on the part of AD, AH & VS, Channapatna. Further, AD, AH & VS, Channapatna had also failed to reconcile the cash book entries with the Treasury statement periodically as per the codal provisions to ensure whether all the Governmental receipts collected by the department were duly remitted to the Government account. Thus, non-adherence to the prescribed procedure coupled with fraudulent practice resulted in misappropriation of revenue/ loss of ₹1.38 lakh to the Government.

The matter was referred to the State Government in February 2021, reply is awaited.

Detailed investigation needs to be carried out by the Government to fix the responsibility for the misappropriation and recover the amount besides initiating criminal proceedings/disciplinary action on the erring officials. The DDO should conduct periodical reconciliation of Cash book with the connected records/registers to ensure prompt remittance of Government moneys and prevent such occurrences in future.

[20] Semen straw is a tool used for artificial insemination of cattle/animals.

[21] State Bank of India, B.M. Road, Channapatna

Department of Food and Civil Supplies, Consumer Affairs and Legal Metrology

2.4 Avoidable payment of interest on procurement of rice

The Karnataka Food and Civil Supplies Corporation Limited made belated payments to the Chattisgarh State Civil Supplies Corporation for procurement of rice despite availability of funds resulting in avoidable extra expenditure of ₹5.25 crore towards interest.

The Government of Karnataka (GoK) launched 'Anna Bhagya Scheme' (ABS) in July 2013 on the lines of 'Antyodaya Anna Yojana' (AAY) of the Government of India introduced in August 2002 to distribute food grains at subsidised rate to the poorest people and Below Poverty Line (BPL) families. Under the Anna Bhagya Scheme (ABS), the eligible BPL and AAY card holders were to be provided rice of 10 kgs per person, in a family, 20 kgs for two persons in a family and a maximum of 30 kgs for three persons or more in a family at ₹1 per kg.

In order to meet the additional demand of rice for the implementation of the ABS, GoK decided to purchase 1,50,000 MT of rice in three phases from M/s Chattisgarh State Civil Supplies Corporation (CGSCSC). A Memorandum of Understanding (MOU) was entered into by Karnataka Food and Civil Supplies Corporation Limited (KFCSC) with the CGSCSC in July 2013. The MOU detailed the terms and conditions for the supply of rice to KFCSC by CGSCSC to various designated places at ₹2,290 per quintal plus railway freight, handling and transportation charges up to Chattisgarh Railway point, besides payment terms according to which the cost of rice and Railway/Container freight charges of each rake shall be made in advance by KFCSC. A clause on appointment of Arbitrator with mutual consent of GoK and Government of Chattisgarh was also included in the MOU. In case of any dispute arising out of operation of the scheme or interpretation of the terms of MOU, the decision of the Arbitrator would be final and binding on both the Corporations. Further, the GoK had released advance amount of ₹1,915.76 crore between June 2013 and May 2014 to KFCSC towards purchase of food grains under Public Distribution System/Anna Bhagya scheme.

Audit scrutiny of records of the KFCSC for the period[22] 2012-13 to 2018-19 revealed that the CGSCSC supplied 15,36,389 quintals of rice to KFCSC between July 2013 to December 2013. The KFCSC paid ₹317 crore as against ₹377.68 crore belatedly between July 2013 and December 2013 and balance amount of ₹60.68 crore[23] in three instalments. The third and final installment of ₹45.68 crore was made by KFCSC during October 2014 with a delay of eight months after the second installment was paid in February 2014. The CGSCSC claimed interest of ₹6.16 crore at 11 *per cent* for the delayed

[22] Period 2012-13 to 2013-14 audited during October 2015 to February 2016 and for the period 2017-18 to 2018-19 audited during November 2020.

[23] KFCSC paid ₹5.00 crore in January 2014; ₹10.00 crore in February 2014 and ₹45.68 crore in October 2014.

payment from KFCSC as the belated payment was violating clause 10 of the MOU which specified advance payment of cost of rice by KFCSC together with ₹6.22 lakh outstanding towards handling charges. The KFCSC stated (October 2014) that the requirement of rice went up drastically as 30 kg of rice was distributed to BPL households at ₹1 per kg and the required quantity of rice was procured from various sources which led to locking up of funds and therefore requested for waiver of interest on outstanding payments. However, the CGSCSC expressed (February 2015) its inability to waive the interest amount as the supply was made from the quantity procured under state pool by utilizing borrowed funds. CGSCSC continued to request for payment of interest on the delayed payments by KFSCS.

The issue of disagreement between the Corporations with respect to payment of interest and handling charges was placed before the Board of Directors by KFCSC in its 278th Board meeting held in April 2015. The Board directed KFCSC to pay 50 *per cent* of the amount claimed by CGSCSC along with justification. However, the decision of the Board was not communicated to the CGSCSC as there was an objection by the AG audit team during transaction audit for 2015-16 regarding the matter. The KFCSC in its 290th board meeting held in August 2017 directed to investigate the reasons for the delay in timely remittance and fix responsibility and initiate disciplinary action against delinquent officers. Based on the request made by KFCSC (October 2017), the GoK appointed (November 2017) Additional Chief Secretary, GoK as arbitrator to settle the dispute between the two Corporations. The arbitrator after hearing both parties, passed an order (July 2018) directing KFCSC to make interest payment of ₹5.25 crore[24] as full and final settlement within one week of receipt of the order and submit acknowledgement obtained by CGSCSC to the Government. Accordingly, the KFCSC paid the amount of ₹5.25 crore to the CGSCSC on 31 July 2018.

Out of ₹1,915.76 crore released by GoK, KFCSC had received ₹895 crore as of December 2013 (loading date of final consignment) for procurement of rice under ABS. It had also Open Cash Credit (OCC) facility of ₹650.00 crore[25] from a nationalized bank for working capital requirement for procurement of rice, wheat *etc.*, under Public Distribution System (PDS). Despite availability of funds[26] KFCSC made belated payments with delays ranging from 1 to 232 days which resulted in avoidable expenditure of ₹5.25 crore towards interest and consequent loss to KFCSC.

The State Government accepted (March 2021) that the KFCSC had availed cash credit of ₹400 crore under II OCC Account and had the KFCSC paid the balance of ₹45.68 crore from its bank cash credit account to CGSCSC during February 2014 then interest at 10.25 *per cent* would have been paid to the bank up to October 2014. But KFCSC had paid interest at 11 *per cent* to

[24] As per the calculation sheet attached to the arbitration proceedings, interest was computed for each instalment with delays beyond 15 days from the date of dispatch of the railway rake.

[25] OCC of ₹400 crore and ₹250 crore from Indian Bank.

[26] Under OCC A/C-I was ₹221.80 crore as on 1 February 2014 and in OCC A/C-II ₹263.93 crore as on 15 March 2014 and releases from GoK.

CGSCSC. The actual loss is only at 0.75 *per cent* (11 - 10.25) which works out to ₹35.80 lakhs. The reply cannot be accepted as the analysis made does not address the reasons for belated payments. Moreover, KFCSC was bound by the contractual terms and conditions to make payments within the stipulated time period. Further, the reply is silent about the action taken by the Managing Director as per the Board directives (August 2017) to investigate the reasons for the delay in remittance and initiate disciplinary action against the persons responsible for the loss.

The Corporation should implement the directives of the Board to investigate the reasons for delay in remittance and initiate action against the concerned responsible for the loss on the basis of such investigation. It should also ensure that terms and conditions of the agreements are scrupulously followed to prevent such occurrences in the future.

Department of Labour

2.5 Non/short realisation of revenue

The delay in updating the revised rates for registration/renewal on the online portal resulted in short realisation of revenue of ₹2.38 crore. Huge pendency of renewal of registration of shops and commercial establishments resulted not only in non-realisation of revenue to the extent of ₹37.21 crore but also continuation of the establishments without valid registrations.

The Government of Karnataka (GoK), with an intention to provide for the regulation of conditions of work and employment[27] in shops and commercial establishments, had enacted (February/March 1962) the Karnataka Shops and Commercial Establishments Act, 1961 (Act) which came into effect from 1 October 1964. For smooth implementation of the Act, GoK notified (December 1963) the Karnataka Shops and Commercial Establishments Rules, 1963 (Rules). As per Section 4(1) and 4(3) of the Act and Rule 3 of the Rules, the employer of every establishment shall send to the Inspector of the area concerned, a statement in the prescribed form together with such fees as may be prescribed within 30 days from the date on which the establishment commences its work. On receipt of the statement and fees, the Inspector shall, on being satisfied about the correctness of the statement, register the establishment in the register of establishments and shall issue a Registration Certificate (RC) to the employer. The RC shall be valid for five years' period. Further, as per Section 4(4) and Rule 3A, the RC shall be renewed before the date of its expiry on payment of the prescribed fees.

The Department of Labour entered (March 2012) into an agreement with M/s KEONICS for developing a software for online registration/renewal of licences of the shops and commercial establishments of the State. A portal *'e-karmika'* was designed and hosted by M/s KEONICS, which is currently

[27] Employment condition - working hours, rest intervals overtime, holidays, termination of service *etc.*

maintained by National Informatics Centre (NIC). The entire process of both registration and renewals was shifted to this online platform in a phased manner[28] across the state from June 2012 to April 2015. The applicants, after registering with *e-karmika*, were required to upload the details along with the payment of the prescribed fees at prevalent rates to complete the process of registration/renewal. The details of the entire manual data of the shops and commercial establishments, which were registered and renewed prior to 2014 were also digitised and migrated to this online portal during 2014-15.

Compliance audit of the Department of Labour for the period ending March 2019 was conducted during April to June 2019. Out of 67 units in the Department, 16 units (Office of the Commissioner of Labour, three offices of Deputy Labour Commissioner, four offices of Assistant Labour Commissioner and six offices of the Labour Officer and two Boards[29]) were test-checked. Audit observed instances of delay in implementation of revised rates for registrations/renewals and non-renewal of registrations in many of the offices test-checked. Hence, consolidated data for the State as a whole was sought (October 2020) from the Commissioner of Labour. Analysis of the data and information furnished revealed the following:

(i) Delay in implementation of revised rates for registration/renewal of the registration of shops and commercial establishments:

GoK notified (March 2018) the revised rates[30] for registration/renewal of registrations which were effective from the date of notification (24 March 2018). Since the department had shifted to the online platform for registration/renewals in 2014-15 itself, the rates were to be immediately updated in *e-karmika* portal. Audit observed that the department had approached the NIC for updating the revised rates only during January 2019. The Department received 32,171 applications for registrations and 15,620 applications for renewals after the notification till the rates were updated on the portal. The delay in updating the portal resulted in registering/ renewing the registrations at pre-revised rates leading to a loss of revenue to the State exchequer of ₹2.38 crore as detailed in **Appendix 2.9.**

The State Government replied (March 2021) that the revised rates were to be updated in the *e-karmika* online application by the software developers (KEONICS), who withdrew the technical and maintenance support due to some technical issues during 2017-18. Hence the department could not implement the revised rates immediately. The reply is not acceptable since the maintenance and regular updating of website is an essential work of the

[28] Bengaluru Urban - June 2012; Mysuru and Bengaluru 1&2 - October 2012; Kalaburagi and Belagavi - April 2015.

[29] Karnataka Labour Welfare Board, Bengaluru and Karnataka State Unorganised Workers Social Security Board, Bengaluru

[30] Renewals/registration (₹300- establishments with zero employees, ₹600- establishments with 1-9 employees, ₹4000/- establishments with 10-19 employees, ₹10000- establishment with 20 to 49 employees, ₹20000 – establishment with 50 to 99 employees, ₹40000- establishment with 100 to 250 employees, ₹50000- establishment with 251 to 500 employees, ₹70000 – establishment with 501 to 1000 employees and ₹75000 for more than 1000 employees).

department and any changes were to be updated/modified immediately to ensure that there is no loss of revenue to Government.

(ii) Huge pendency in renewal of registration of shops and commercial establishments

Of the 6,95,448 establishments as per data available on the portal, 3,64,775 shops/establishments were due for renewal as of November 2020. This included cases of renewal of establishments established prior to 1961. The year wise details of the number of establishments due for renewal and total revenue to be realised is detailed in **Appendix 2.10**.

The Act solely empowers the Inspector to conduct inspections and convict the concerned for any violation of the provisions of the Act including non-renewal. The relevant provisions are indicated below:

- Section 27 of the Act describes the powers and duties of Inspectors which inter alia includes inspection of the premises and examinations of records as may be deemed necessary.
- Section 30 of the Act states that whoever contravenes the provisions of Section 4 and other Sections of the Act, shall on conviction, be furnished with fine, which for the first offence may extend to one thousand rupees and for a second or subsequent offence, may extend to two thousand rupees.
- Section 31(1) of the Act states that no prosecution shall be instituted save on a complaint in writing by an Inspector.
- Section 32 states that no court shall take cognizance of any offence under this act or rules or orders made thereunder unless the complaint thereof is made within six months from the day on which the offence is alleged to have been committed.

As per the information made available to audit, the Inspectors of the department had conducted 1,01,028 inspections under the Act during the audit period and levied a penalty of ₹1.38 crore. However, the break-up of the violations was not made readily available to audit. In the absence of details of the violations, audit could not ascertain the extent of violations under Section 4 of the Act and convictions made thereon and the sufficiency of inspections carried out.

Thus, non-renewal of registration of establishments after expiry of every five years from the initial date of registration, as per the codal provisions, resulted not only in huge pendency of the cases due for renewal and non-realisation of revenue to the extent of ₹37.21 crore at the current rates but also continuation of the establishments without valid registrations.

The pendency of renewals of establishments dating back to earlier than 1961 indicate that the department failed to ensure periodic renewals of registrations and also had not refined its database by carrying out necessary inspections to remove any establishments that may have closed its operations.

The State Government replied (March 2021) that

(i) during implementation phase of the online portal *e-karmika*, there were instances where many shops and commercial establishments were closed but were not informed to the concerned authorities though enabling provision was made in the online portal.

(ii) the department had shortage of Labour Inspectors/Senior Labour Inspectors who are the notified authorities as per the 1961 Act for the purpose of registration and renewal of shops and establishments.

(iii) with the enactment of the Karnataka Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and the Unorganised Workers Social Security Act, the core activities of the department had drastically shifted from enforcement to welfare activities and the Labour Inspectors/Senior Labour Inspectors were carrying out voluminous amount of such work of the Boards established under the above Acts.

(iv) the Labour Inspectors/Senior Labour Inspectors would be strictly instructed to verify the status of shops and commercial establishments and carryout registration and renewals of such establishments.

The reply is not acceptable as it is primary responsibility of the Labour Inspector, the notified authority to carry out such inspections as may be required to ensure that all shops and commercial establishments are registered and periodically renewed such that there is no loss of revenue to Government and that no establishment functions without a valid registration.

In view of the huge pendency of renewal of registrations, the department should take up a survey of shops and commercial establishments in the State immediately to ascertain the actual status of their existence and registration and ensure that the establishments continue to function with valid registrations. The department should also initiate action for the loss caused due to delay in updating the portal.

Department of Health and Family Welfare Services

2.6 Short levy of liquidated damages

The Chief Engineer, Health Engineering Wing levied nominal penalty for delays on part of the contractors in completing the works based on the recommendations of the Executive Engineers of the divisions. This resulted in short levy of liquidated damages of ₹14.63 crore besides extending undue benefit to the contractors.

The Chief Engineer, Health Engineering Wing, Health and Family Welfare Services Department is responsible for construction, repair, maintenance of the Health and Medical institutions of the department. Tenders were invited during the period (November 2013 to November 2017) for the works of various hospitals at the district and taluk level by the Chief Engineer.

Clause 41.1 of general conditions of the tender document stipulate that the contractor shall pay liquidated damages to the employer at the rate per day as stated in the contract data for each day after the completion date is later than the intended completion date (for the whole of the works or the milestone as stated in the contract data). The total amount of liquidated damages shall not exceed amount defined in the contract data. Different rates were prescribed for imposition of liquidated damages based on the milestones besides rates for overall delay. The maximum amount of liquidated damages for the whole of the works was ten *per cent* of final contract price.

Audit reviewed (July 2019) 30[31] out of 375 works selected across four divisions[32] for the period 2017-18 and 2018-19 and observed delay in completion of six works. The Executive Engineers of the divisions attributed the delay both to the department and the contractors. Periodic notices were issued to the contractors for the delay in completion of the work. However, the Executive Engineers while recommending for extension of time proposed for levy of nominal penalty in the range of ₹100 - ₹5000 for the delay on part of the contractors, which was approved by the Chief Engineer as detailed below:

(i) The work of Renovation and Expansion of 100 bedded MCH at Gadag was due for completion on 25 November 2015 but was completed on 31 January 2019 after a delay of 1,166 days. The delay attributed to the contractor was 230 days. A nominal penalty of ₹1,000 per day was levied as against ₹25,950 per day as per the contract.

(ii) The work of construction of District Health Office Building in Yadgir was completed after a delay of 417 days of which 294 days' delay was attributed to the contractor. However, a penalty of only ₹100 per day was levied as against ₹25,600 per day as per the contract.

(iii) The delay in completion of the work of construction of 100 Bed MCH wing at District Hospital, Bidar was 120 days. The delay attributed to the contractor was 60 days and a penalty of ₹100 per day was levied instead of ₹1,99,356 per day (one *per cent* of the contract price).

(iv) The work of construction of Trauma Care Centre at Kalaburagi was completed after a delay of 444 days. Penalty was levied at ₹400 per day instead of ₹39,725 per day for 30 days of delay attributed to the contractor.

(v) The delay in completion of the work of Upgradation of Taluk level hospital at Yellapura was 375 days. Though 253 days' delay was attributed to the contractor, penalty was levied at ₹200 per day as against ₹81,374 per day as per the contract.

(vi) The work of construction of Super Specialty hospital in the premises of Gulbarga Institute of Medical Sciences, Kalaburagi was due for completion on 26 September 2019. Extension of time of 365 days was

[31] 22 works of estimated cost more than one crore and 8 works of estimated cost less than one crore. Works were selected across all the four divisions based on highest estimated cost of the work

[32] Bengaluru, Dharwad, Kalaburagi and Mysuru

approved by the Chief Engineer subject to levy of penalty of ₹5000 per day for 92 days of delay attributed to the contractor and the work was to be completed by 26 September 2020. The penalty to be levied as per the contract was ₹12,41,465 per day.

The levy of penalty at nominal rates was against the contractual terms and conditions stated above. Moreover, the basis or the rationale behind levying such nominal amounts were neither recorded nor was explained to audit.

Imposing nominal rates resulted not only in short levy of liquidated damages amounting to ₹14.63 crore as detailed in the **Appendix 2.11** but also in extending undue benefit to the contractors. Further, the delay in timely completion of the works defeated the very objective of the department in providing healthcare services on time to the intended beneficiaries.

The State Government replied (April 2021) that the delay was mainly due to field issues such as delay in handing over site, shifting of utilities, design clearances and approval to the additional works which were not envisaged at the time of preparation of estimate. It further stated that non-levy of penalty would attract price escalation for the extended period which increases the cost of the work and to avoid this, a nominal penalty was levied to the contractor.

The reply is not acceptable as the State Government merely stated the reasons for the delays and did not furnish the basis for arriving at the nominal amounts as low as ₹100 per day for the delays attributed to the contractor in violation of the contractual terms and conditions. Further, as per the reply, the work of construction of Super Specialty hospital in the premises of Gulbarga Institute of Medical Sciences, Kalaburagi was still under progress though extension of time provided ended on 29 September 2020. However, the reply does not indicate the action proposed to be taken for the additional delay in completion of the work.

The State Government should fix responsibility for the short levy of liquidated damages.

2.7 Avoidable expenditure

Adopting Cement Concrete (Machine Mixed) for M25 grade concrete instead of Ready-Mix concrete in estimate/BOQ by the department of Health and Family Welfare, Engineering Sub-Division resulted in avoidable expenditure of ₹3.30 crore and undue benefit to the contractor.

Department of Health & Family Welfare Services follows the Schedule of Rates (SR) of Public Works, Ports and Inland Water Transport Department for preparation of estimates for various works undertaken by it. The SR provides separate rates to be adopted for providing Machine Mixed Reinforced Cement concrete (RCC) and Ready-Mix Cement Concrete (RMC) for different grades (M20, M25, M30, M35). The SR also specified that all concrete above M20 grade for RCC work must be design mixes in accordance with IS 456:2000 recommendations[33].

The cost of RMC is cheaper when compared to machine mixed cement concrete and preferred in projects where volumes of execution are high. RMC is a process of preparing concrete in a batch plant[34] by testing all necessary properties of concrete ingredients according to set engineered design so that better quality concrete is produced. RMC can be procured from an already established plant or can be manufactured at site after erecting such plant. Machine mix is mixing of ingredients using concrete mixer to prepare concrete at site when used in small quantity or where the load is not high.

Scrutiny of records in the office of the Assistant Executive Engineer, Health and Family Welfare Department Engineering Sub-Division, Belagavi revealed that the work of construction of Super Speciality Hospital in the premises of Belagavi Institute of Medical Sciences, Belagavi estimated to cost ₹138.60 crore was awarded (March 2018) to an agency[35] at a negotiated cost of ₹162.83 crore (@17.5 per cent tender premium). The stipulated due date for completion of the work was September 2019 and the work is currently under progress. An expenditure of ₹56.05 crore was incurred as of July 2020. The estimate was technically sanctioned by Technical Advisory Committee.

The Work included providing and laying of RCC of M 25 with machine mix (19,435.11 cubic meters) for items such as foundations for footings, retaining walls, roof slabs, staircases, lintels, beams *etc*., and RMC of Grade M35 (2,221.65 cum) as indicated in **Appendix 2.12**.

Audit observed that though the quantity of works to be executed involving M25 grade was substantially high in comparison with the quantity involving M35, the estimate was prepared by adopting RCC (machine mix) rates instead of RMC rates. This was injudicious and uneconomical and was also against the IS 456:2000 recommendations which specified adopting RMC for all works involving concrete above M 20 grade. Faulty preparation of estimate allowed the contractors to quote the rates for machine mix instead of RMC.

Further, the tender conditions clearly specified establishment of concrete batching plant. The contractor had established the plant as evident from the photographs appended to the monthly progress report of the consultant. Since use of RMC is more economical, it is apparent that the contractor would have used the plant for manufacturing M 25 grade also. Hence, the payments to the contractor should have been regulated at the rates applicable to RMC and not of Machine Mix.

[33] IS 456:2000 recommends that minimum grade of concrete shall not be less than M20 in reinforced cement concrete. Design mix (Ready mix) concrete is preferred to nominal (machine) mix. All concrete above M20 grade for Reinforced Cement Concrete works must be of design mix

[34] Batch plant also known as concrete plant is an equipment used to manufacture high quality concrete by combining various ingredients such as water, sand, admixture, silica *etc.*

[35] M/s BSR Infratech India Ltd

Thus, adoption of rates for RCC (Machine mix) instead of RMC for M25 grade of concrete in the estimate resulted in avoidable expenditure of ₹3.30 crore and undue benefit to the contractor as detailed in **Table 2.1.**

Table 2.1: Statement showing the details of extra cost.

(Amount in ₹)

Item no in the BOQ	Floors	BOQ Quantity in cum	Quantity executed in cum	Rate at which paid	Rate payable RMC[36]	Excess per cum (e-f)	Extra cost (d*g)
a	b	c	d	e	f	G	h
13	M 25 (Foundation)	7,470.25	5,897.74	9,500.00	7,332.17	2,168.00	1,27,86,300.00
15	M 25 (Ground Floor)	3,795.48	3,720.05	9,700.00	7,332.17	2,368.00	88,09,078.00
16	M25 First floor)	1,880.93	1,787.00	10,000.00	7,393.86	2,606.00	46,56,922.00
17	M 25 (Second floor)	1,880.93	1,877.81	10,000.00	7,455.55	2,544.00	47,77,148.00
18	M 25 (Third Floor)	2,086.25	806.28	10,000.00	7,517.23	2,483.00	20,01,993.00
Total		**17,113.84**	**14,088.88**				**3,30,31,441.00**

Source: BOQ/RA Bills, SR and audit calculation.

The State Government replied (April 2021) that

(i) the work included items such as foundation, columns, beams *etc.*, which were to be executed in a phased manner and hence they were provided with M25 concrete with machine mix considering the field constraints and difficulty in supply of M25 RMC concrete in discrete quantities.

(ii) adoption of RMC M25 grade of concrete for entire 90 per cent quantity in the estimate was not considered as it was practically not feasible for continuous work and to complete the project.

(iii) Since the roof slab is laid at one stretch and consumes huge quantity of concrete, M35 grade concrete with RMC was provisioned and executed accordingly.

(iv) the quantity of M35 grade is only about 10 *per cent* and to maintain required quality of the concrete without chance of getting mixed up with the M25 grade as well as for simultaneous placing of concrete, this M35 concrete was to be outsourced to a private certified working RMC plant instead of batching plant established at the work site.

The reply cannot be accepted for the following reasons.

i. The SR clearly specified that all concrete above M20 grade for RCC works must be of design mix in accordance with IS-456-2000 recommendation and the design mix is manufactured from RMC plant.

ii. The tender conditions clearly specified establishment of concrete batching plant of capacity not less than 30 cum/hour, which indicates

[36] Includes basic rate as per SR, additional rate of ₹50.00/cum per floor for every additional floor plus area weightage of 5 *per cent* & tender premium of 17.5 *per cent*.

that the grade of concrete through RMC would not only be consistent but also significantly speeds up the construction process unlike the machine mix which is highly inconsistent.

iii. The reply that the quantity of M35 grade concrete was only about 10 per cent and this M35 concrete was to be outsourced to a private certified working RMC plant instead of batching plant established at the work site clearly implies that the batching plant proposed in the tender and established at the site was for preparation M25 grade concrete.

iv. Since the work of laying of roof is carried out after the foundation work followed by columns and beams, the question of simultaneous pouring of concrete would not arise.

The State Government should fix responsibility on the officials responsible for preparation and approval of the injudicious estimate.

2.8 False certification of works not actually executed

The Assistant Engineer, Health and Family Welfare Engineering sub-division, Kalaburagi recorded execution of items of work in the Measurement book which were not actually executed. This was certified by the Assistant Executive Engineer and approved by the Executive Engineer. This resulted in irregular payment of ₹97.59 lakh besides extending undue benefit to the contractor.

The provisions of Karnataka Public Works Departmental (KPWD) Code stipulate the following:

Rule	Provision
109	The measurement book is the basis of all accounts of quantities and Assistant Executive Engineer (AEE) is responsible for ensuring that all measurement books in his jurisdiction are carefully accounted and kept and measurements are properly recorded.
110 (8)	Measurements recorded by the field engineer shall be check measured by AEE in order to detect errors in measurement, to prevent fraudulent entries and to check or verify whether the works carried out at site and measured are in accordance with the sanctioned plans and estimates and prescribed specifications. The AEE shall exercise such checks as may be necessary to satisfy himself that the measurements recorded are accurate and are devoid of either over measurements or under measurements or omissions. Check measurements should therefore be conducted with discretion and diligence. After check measurement, the AEE shall record in his handwriting and under his signature with date about the correctness of the measurement. A false certificate either by the field engineer or by the AEE who is a check-measuring officer, can be construed as an attempt to fraudulent claim payment from Government by unfair means and invites penal action.

Tenders were invited (February 2017) for the works of construction of 100 bedded Mother and Child Hospital at Bidar at an estimated cost of ₹20.00 crore. The contract was awarded to the lowest bidder M/s Eranna Mamadapur, for a contract price of ₹19.93 crore. The work was completed in March 2019 and the buildings were handed over (November 2019) to the department.

Scrutiny of the records *viz*., Measurement Books and Running Account Bills in the office of the AEE, Engineering sub division, Kalaburagi with reference to the above work revealed the following:

1. The contractor had submitted (July 2018) two Running Account (RA) Bills (5 and 6) claiming to have executed the items of work shown therein and the Assistant Engineer (AE) in charge of the work certified that he has check measured (14 April 2018 to 23 June 2018) the works and they have been actually carried out by the contractor and recommended the bills for payment. The measurements taken by the AE were recorded in Measurement Book bearing number GIB-343.
2. The check measurements of the AE were approved (28 April and 23 June 2018) by the AEE and countersigned (31 July 2018) by the Executive Engineer (EE). An amount of ₹2.94 crore (RA Bill 5) and ₹1.70 crore (RA Bill 6) amounting to ₹4.64 crore was paid (September 2018) to the contractor.
3. The RA bills contained the items of work such as supplying, installing, testing and commissioning of (i) Passenger/hospital lift, (ii) Diesel Generating Set, 62.5 Kilovolt Amps (KVA) and (iii) Modular General Operation Theatre.
4. However, as per the invoice copies accessed by audit
    - the various components of the passenger/hospital lift were supplied between March 2018 and February 2019 but was stated to have been handed over in working condition on 28 March 2018;
    - the Diesel Generating Set was supplied on 17 July 2018; installed and commissioned on 2 January 2019;
    - the equipment for Modular OT were supplied on 18 August 2018 and installed on 20 September 2018.

Hence, the works which was certified as having been executed was in fact not carried out at the time of payment of the bills but was actually done later on.

Audit further noticed that both the AE who had certified the measurements and the AEE who had approved the check measurements were transferred (June 2018 and July 2018 respectively). The new AE who had taken charge of the work inspected (August 2018) the progress of work and brought it to the notice of the new AEE with photographs that the structural works were in progress and the items of works claimed to have been executed, check measured and paid were not actually executed. Subsequently, the AEE served (August 2018) a show cause notice to the previous AE with a copy marked to the EE. The action taken thereon by the EE and the reply, if any, furnished by the earlier AE was neither forthcoming from the records nor was explained to audit which indicates that no action was taken on the concerned.

It is clear from the above that the items of work recorded as executed in Measurement book/RA bills were actually not executed during the months of April 2018 and June 2018 but were carried out subsequently. This indicates that the concerned officials had falsely certified these items of works as executed during the period of check measurement and approved the payment of ₹97.59 lakh for these works as detailed in **Appendix-2.13**, which was highly irregular. This also indicates the possibility of collusion by the AE/AEE with the contractor.

Thus, violation of the KPWD codal provisions by the Engineers of the Engineering wing of the Health and Family Welfare Services department resulted not only in false certification of fictitious measurements but also led to irregular payment of ₹97.59 lakh for works not actually executed.

The State Government replied (April 2021) that as per the report of EE, Engineering Division, Kalaburagi, the work was executed as per Bill of Quantity specifications, payments were made to the recorded items after satisfactory completion and handed over the completed work to the Hospital authorities within the agreed rates without any additional financial implication.

The reply is not acceptable as it does not address the specific audit observation regarding the recommendation for payments of bills for items of works that were actually not executed but were check-measured and recorded in the measurement books. The reply is also silent on the complaint raised by AE and action taken by EE thereupon.

The State Government should fix accountability on the officers concerned for false certification of check measurements and payments made thereon on the basis of such certification.

Department of Rural Development and Panchayat Raj

2.9 Avoidable expenditure on payment of Goods and Services Tax for inadmissible services

Payment of Goods and Services Tax (GST) by the Zilla Panchayats for service rendered by Manpower Agencies which fall under 'Pure Services' with nil rate of GST resulted in avoidable expenditure of ₹1.29 crore on inadmissible service.

The Government of India, Ministry of Finance (Department of Revenue) vide its Notification No. 12/2017- Central Tax (Rate) dated 28 June 2017 notified that the intra-state supply of services including 'Pure Services'(excluding works contract service or other composite supplies involving supply of goods) provided to the Central Government, State Government or Union territory or Local Authority or a Governmental authority by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under Article 243W of the Constitution, is exempt from Central tax leviable with effect from 1 July 2017.

As per the Notification, the supply of services without involving any supply of Goods would be treated as supply of 'Pure Services'. Accordingly supply of man power for cleanliness of roads, public places, architect services, consulting engineer services, advisory services and like services provided by business entities not involving any supply of goods would be treated as supply of pure services and do not attract levy of Central and State Goods and Service Tax (GST).

Audit scrutiny of records in Zilla Panchayats (ZPs) of Dakshina Kannada, Davanagere, Dharwad, Gadag, Mysuru and Raichur for the period 2017-18 to 2019-20 revealed that the ZPs entered into contract with manpower service providers to provide services of Technical Assistants, computer operators, drivers, attenders, cleaners, security guards, gardeners and toilet cleaners, *etc*., for the day to day administrative functioning of the ZP, it's maintenance and under the different welfare schemes of the Government like Mahatma Gandhi National Rural Employment Guarantee Scheme, Akshara Dasoha. The ZPs made payments to the service agencies towards wages of the outsourced staff as per the bills claimed by them, which was inclusive of 18 *per cent* GST. This resulted in additional payment of ₹1.29 crore by the six ZPs to the manpower agencies as detailed in the **Appendix 2.14** which was avoidable as 'pure services' are exempt from GST.

The ZPs of Gadag, Mysuru and Raichur replied that the matter would be examined and taken up with the service providing agencies. ZP, Dakshina Kannada replied that they had not received any order or circular from Rural Development and Panchayat Raj (RDPR) department that manpower services were exempt from GST and that they will bring it to the notice of RDPR department and take necessary action in due course.

The matter was referred to the Government in March 2021 and reply of the Government is still awaited.

The departmental officers should initiate action to get back the incorrect payment made towards GST and in future ensure the correctness of the tax rates as specified in the Act or Rules before making payments to the claimants.

PART-II
REVENUE

Chapter I

Chapter-I

General

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Karnataka during the year 2019-20, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from the Government of India during the year together with the corresponding figures for the preceding four years are mentioned in **Table 1.1.1.**

Table 1.1.1
Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1.	**Revenue raised by the State Government**					
	• Tax revenue	75,550.18	82,956.13	87,130.38	96,829.71	**1,02,362.79**
	• Non-tax revenue	5,355.04	5,794.53	6,476.53	6,772.87	**7,681.47**
	Total	**80,905.22**	**88,750.66**	**93,606.91**	**1,03,602.58**	**1,10,044.26**
2.	**Receipts from the Government of India**					
	• Share of net proceeds of divisible Union taxes and duties[1]	23,983.34	28,759.94	31,751.96	35,894.83	30,919.00
	• Grants-in-aid	13,928.75	15,703.19	21,640.78	25,481.25	34,479.53
	Total	**37,912.09**	**44,463.13**	**53,392.74**	**61,376.08**	**65,398.53**
3.	**Total revenue receipts of the State Government (1 and 2)**	**1,18,817.31**	**1,33,213.79**	**1,46,999.65**	**1,64,978.66**	**1,75,442.79**
4.	**Percentage of total revenue raised by the State Government to total revenue receipts (1 to 3)**	**68**	**67**	**64**	**63**	**63**

Source: State Finance Accounts 2019-20

The above table indicates that during the year 2019-20, the revenue raised by the State Government (₹ 1,10,044.26 crore) was 63 *per cent* of the total revenue receipts. The balance 37 *per cent* of the receipts during 2019-20 came from the Government of India.

[1] Figures under the major heads of account 0005-Central Goods and Service Tax, 0008-Integrated Goods and Services Tax, 0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0028-Other Taxes on Income and Expenditure-Minor head-901, 0032-Taxes on Wealth, 0037-Customs, 0038-Union Excise Duties, 0044-Service Tax and 0045-Other taxes and Duties on Commodities and Services - Minor head-901, as share of net proceeds assigned to States booked in the Finance Accounts of the Government of Karnataka for 2019-20, under 'A-Tax Revenue' have been excluded from the revenue raised by the State Government and included in the State's share of divisible Union taxes.

1.1.2 The details of the tax revenue raised during the period 2015-16 to 2019- 20 are given in **Table 1.1.2.**

Table 1.1.2
Details of Tax Revenue

(₹ in crore)

Sl. No.	Head of revenue	2015-16		2016-17		2017-18		2018—19		2019-20		Percentage of increase (+)/decrease (-) in 2019-20 over 2018-19	
		BE	Actual	BE	Actual	BE/RE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	Taxes on sales, trade etc.	41,329.00	40,448.63	46,504.10	46,105.17	24,485.68	25,093.16	13,532.05	14,003.06	15,149.00	16,424.32	11.94	17.29
2.	State Goods and Services Tax (SGST)	---	---	---	---	24,087.53	24,182.18	41,649.95	41,956.03	42,748.00	42,147.23[2]	2.63	0.45
3.	State Excise	15,200.00	15,332.88	16,510.00	16,483.75	18,050.00	17,948.51	19,750.00	19,943.93	20,950.00	21,583.95	6.07	8.22
4.	Stamp Duty and Registration Fee	8,200.00	8,214.71	9,100.00	7,805.98	9,000.00	9,023.68	10,400.00	10,774.69	11,828.00	11,308.34	13.73	4.95
5.	Taxes on Vehicles	4,800.00	5,001.69	5,160.00	5,594.39	6,006.00	6,208.57	6,656.42	6,567.67	7,100.00	6,762.58	6.66	2.96
6.	Others	6,916.39	6,552.27	6,590.34	6,966.84	4,300.55	4,674.28	3,832.37	3,584.33	3,938.98	4,136.37	2.78	15.40
Total		**76,445.39**	**75,550.18**	**83,864.44**	**82,956.13**	**85,929.76**	**87,130.38**	**95,820.79**	**96,829.71**	**1,01,713.98**	**1,02,362.79**	**6.15**	**5.71**

Source: State Finance Accounts 2019-20

As could be seen from the table above, the increase in collection under VAT which is restricted to goods not brought under GST and arrears for the earlier period has been significant compared to the previous year. The collection under '*others*' has also showed significant increase owing to increase in collection under Electricity-tax.

1.1.3 The details of the non-tax revenue raised during the period 2015-16 to 2019-20 are indicated in **Table 1.1.3**.

Table 1.1.3
Details of Non-Tax Revenue

(₹ in crore)

Sl. No.	Head of revenue	2015-16		2016-17		2017-18		2018-19		2019-20		Percentage of increase (+)/decrease (-) in 2019-20 over 2018-19	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	Non–ferrous mining and metallurgical Industries	2,048.15	2,003.80	2,402.83	2,419.43	2,667.65	2,746.80	3,000.00	3,026.58	3,550.00	3,629.03	18.33	19.90
2.	Other[3] Non-tax receipts	3,158.02	3,351.24	3,817.62	3,375.10	4,276.97	3,729.73	5,180.94	3,746.29	4,505.41	4,052.44	(-) 13.03	8.17
Total		**5,206.17**	**5,355.04**	**6,220.45**	**5,794.53**	**6,944.62**	**6,476.53**	**8,180.94**	**6,772.87**	**8,055.41**	**7,681.47**	**(-) 1.53**	**13.41**

Source: State Finance Accounts 2019-20

[2] Includes interest (₹ 106.28 crore), penalty (₹ 35.69 crore), fee (₹ 163.31 crore), input tax credit cross-utilization of SGST and IGST (₹14,809.94 crore), apportionment of IGST-transfer-in of tax component to SGST (₹ 2,053.18 crore) and advance apportionment from IGST (₹ 330.72 crore).

[3] Other Non-tax receipts include Interest receipts, Dividends and Profits and other receipts from General, Social and Economic Services.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2020 on some principal heads of revenue amounted to ₹ 19,549.97 crore as detailed in **Table 1.2**.

Table1.2
Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2020	Replies of Department
1.	0039 (State Excise)	761.73	Out of the total arrears, ₹ 95.26 crore was stayed by courts and ₹ 341.24 crore was covered by Revenue Recovery Certificates. The remaining amount of ₹ 325.23 was at various other stages.
2.	0040 (Taxes on sales, trade etc.)	18,626.74	Out of the total arrears, ₹ 3,338.98 crore was stayed by courts, ₹ 806.65 crore was before BIFR[4]/AAIFR[5], ₹ 835.79 crore was under liquidation process, ₹ 141.15 crore was covered by Revenue Recovery Certificates, ₹ 13,412.00 crore was under Court and Departmental recovery, write off proposals were made for ₹ 52.82 crore and payments of ₹ 39.35 crore received were under verification.
3.	0030 (Stamp and Registration)	161.50	Not Furnished
Total		**19,549.97**	

Source: Information received from the Departments concerned.

Details of arrears of revenue, if any, from Energy, Transport and Revenue Department though called for (December 2020) were not received (May 2021).

1.3 Evasion of tax detected by the Departments

The details of cases of evasion of tax detected by the State Excise Department, Commercial Taxes Department (CTD) and Department of Stamps and Registration are given in **Table 1.3.**

Table1.3
Evasion of tax

(₹ in crore)

Sl. No.	Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	Number of cases in which assessment/investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2020
					Number of cases	Amount of demand	
1.	0039 (State Excise)	02	01	03	00	00	03
2.	0040 (Taxes on sales, trade etc.)	5678	13083	18761	12054	1423.24	6707
3.	0030 (Stamp and Registration)	09	01	10	00	00	10

Source: Information received from the Departments concerned.

[4] Board for Industrial and Financial Reconstruction.
[5] Appellate Authority for Industrial and Financial Reconstruction.

As could be seen from the table above, there have been no disposal of cases in respect of Department of Stamps and Registration and State Excise Department. In case of Commercial Taxes Department 36 *per cent* of cases are pending for disposal. Early action may be taken to settle these cases in the interest of revenue.

1.4 Pendency of refund cases

The number of refund cases pending at the beginning of the year, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2019-20 as reported by the Commercial Taxes Department, Department of Stamps and Registration and State Excise Departments are given in **Table 1.4.**

Table 1.4
Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	Sales Tax/VAT		State Excise		Stamps & Registration	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	2,316	433.70	00	00	1799	9.16
2.	Claims received during the year	12,240	3,843.73	NF	35.68	3445	18.42
3.	Refunds made during the year	12,671	3,888.50	NF	35.68	2522	11.64
4.	Balance outstanding at the end of the year	1,885	388.93	00	00	2722	15.94

NF-Not furnished.

Source: Information received from the Departments concerned.

While the State Excise Department did not furnish the number of cases, the Commercial Taxes Department were able to settle 87 *per cent* of the refund cases compared to 48 *per cent* by the Department of Stamps and Registration.

1.5 Response of the Government/Departments towards Audit

Principal Accountant General (Audit-I) conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the inspections and those not settled on the spot are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the Principal Accountant General within one month from the date of issue of IRs. Serious financial irregularities are reported to the heads of the departments and the Government.

4,831 paragraphs involving ₹ 2,782.82 crore contained in 1,652 IRs (issued upto December 2019), remained outstanding at the end of June 2020. The details along with the corresponding figures for the preceding two years are given in the **Table 1.5.**

Table 1.5
Details of pending Inspection Reports

	As of June 2018	As of June 2019	As of June 2020
Number of IRs pending for settlement	1,385	1,359	1,652
Number of outstanding audit observations	4,099	3,802	4,831
Amount of revenue involved (₹ in crore)	1,467.14	1,822.98	2,782.82

1.5.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2020 and the amounts involved are given in **Table1.5.1**.

Table 1.5.1
Department-wise details of IRs

(₹ in crore)

Sl. No	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Finance	Commercial Taxes	681	2,551	1,105.14
2.		State Excise	71	91	15.63
3.	Revenue	Land Revenue	209	453	254.28
4.		Stamps and Registration fees	417	1,096	388.32
5.	Transport	Taxes on motor vehicles	182	420	46.55
6.	Commerce and Industries	Non-ferrous mining and metallurgical industries	82	206	969.34
7.	Energy	Electricity tax	10	14	3.56
Total			1,652	4,831	2,782.82

Audit did not receive even the first replies (required to be received from the heads of offices within one month from the date of issue of the IRs) for 140 IRs out of 254 IRs issued during 2019-20. This large pendency of the IRs due to non-receipt of the replies indicated that the Heads of Offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the Principal Accountant General in the IRs.

1.5.2 Departmental Audit Committee meetings

The Government issued (March 1968) instructions to constitute 'Ad hoc Committees' in the Secretariat of all the Departments to expedite the clearance of audit observations contained in the Inspection Reports (IRs). These Committees are to be headed by the Secretaries of the Administrative

Departments concerned and attended by the designated officers of the State Government and a nominee of the Principal Accountant General. These Committees are to meet periodically and, in any case, at least once in a quarter. The Department-wise number of ad hoc committee meetings held and paragraphs settled during the year 2019-20 were as under **Table 1.5.2**.

Table 1.5.2
Departmental Audit Committee meetings

(₹ in crore)

Sl. No	Department	No. of meetings held	No. of paragraphs settled	Money value
1.	Commercial Taxes	7	70	13.99
2.	State Excise	1	22	8.35
3.	Transport	1	65	6.08
	Total	9	157	28.42

Ad hoc committee meetings were not convened by the Department of Stamps and Registration, Department of Mines and Geology and Revenue Department. The Government may pass suitable instructions to the Department for the conduct of Audit Committee Meetings and action may be taken by the Department to convene Departmental Audit Committee meetings for clearance of outstanding IRs and audit observations.

1.5.3 Non-production of records to Audit for scrutiny

The programme for local audit of Tax Revenue/Non-tax Revenue offices is drawn up and intimations sent sufficiently in advance, to enable them to keep the relevant records ready for audit.

During 2019-20, 254 offices under Finance, Revenue, Transport and Commerce and Industries Departments were taken up for audit. Out of these, in three offices, the records/files mentioned below were not produced to audit. Hence, the correctness of the assessments made and taxes levied or revenue collected could not be ensured in the cases mentioned below in **Table 1.5.3.**

Table 1.5.3
Details of non-production of records

Sl. No.	Name of the Office/ Department		No. of Offices	Number of records not produced to audit
1.	Finance Department	Commercial Taxes	1	5 Refund files pertaining to four dealers in one Office
2.	Revenue Department	Stamps and Registration Fee	2	Remittance challans in two Offices
	Total		3	

1.5.4 Response of the Departments to the Draft Audit Paragraphs

Draft Paragraphs proposed for inclusion in the Audit Report are forwarded by the Principal Accountant General to Additional Chief Secretary/Principal Secretaries/ Secretaries of the Departments concerned through demi-official letters. According to the instructions issued (April 1952) by the Government, all Departments are required to furnish their remarks on the Draft Paragraphs within six weeks of their receipt. The fact of non-receipt of replies from the

Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Fourteen observations contained in 16 draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Sector) for the year ended 31 March 2020 were forwarded to the Additional Chief Secretary/Principal Secretaries to the Government and copies endorsed to the heads of Departments concerned between December 2020 and February 2021.

In case of 11 draft paragraphs relating to Commercial Taxes Department, replies have been received from the Department, out of which replies for three have been endorsed by the Government.

In case of five draft paragraphs relating to Department of Stamps and Registration, general replies have been received from the Department for all five draft paragraphs. However, case-wise replies have not been received either from the Department or the Government (March 2021).

1.5.5 Follow-up on the Audit Reports-Summarised position

According to the Rules of Procedure (Internal Working) of the Committee of Public Accounts (PAC), the Departments of Government are to furnish detailed explanations (Departmental Notes) on the audit paragraphs to the Karnataka Legislative Assembly Secretariat within four months of an Audit Report being laid on the Table of the Legislature. The Rules further require that before such submission, Departmental Notes are to be vetted by the Principal Accountant General.

94 paragraphs (including Performance Audits) were included in six[6] Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Karnataka which got placed before the State Legislature between March 2016 and December 2020.

As of April 2021, out of 94 paragraphs, Departmental Notes have been received for 73 paragraphs. Out of 73 paragraphs, Departmental Notes for 72 paragraphs were received belatedly, with an average delay of six to 20 months. However, Departmental Notes for the remaining 21 paragraphs from three Departments (Commercial Taxes, Stamps and Registration and Mines and Geology) have not been received yet.

[6]
1. Report of the Comptroller and Auditor General of India on Revenue Sector for the year ended 31 March 2015.
2. Report of the Comptroller and Auditor General of India on Revenue Sector for the year ended March 2016.
3. Report of the Comptroller and Auditor General of India on Revenue Sector for the year ended March 2017.
4. Report of the Comptroller and Auditor General of India-Grant, Lease, Eviction of Encroachment and Regularisation of Unauthorised Occupation of Government Lands.
5. Report of the Comptroller and Auditor General of India on Revenue Sector for the year ended March 2018.
6. Report of the Comptroller and Auditor General of India on Revenue Sector for the year ended March 2019.

1.6 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of compliance by the Department/Government to the issues highlighted in the Inspection Reports/Audit Reports, action taken on the paragraphs and Performance Audits included in the Audit Reports of the last ten years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.6.1 and 1.6.2 discuss the performance of the State Excise Department[7]in respect of the cases detected in the course of local audit during the last ten years and also the cases included in the Audit Reports for the years 2009-10 to 2018-19.

1.6.1 Position of Inspection Reports

The summarised position of the Inspection Reports (IRs) issued during the last ten years, paragraphs included in these reports and their status as on 31 March 2020 are tabulated below in **Table 1.6.1.**

Table 1.6.1
Position of Inspection Reports

(₹ in crore)

Sl. No.	Year	Opening Balance			Addition during the Year			Clearance during the Year			Closing Balance		
		IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
1.	2010-11	954	1307	356.20	15	49	21.00	0	10	0.29	969	1346	376.91
2.	2011-12	969	1346	376.91	1	1	0.01	0	0	0	970	1347	376.92
3.	2012-13	970	1347	376.92	25	63	58.67	7	24	2.13	988	1386	433.46
4.	2013-14	988	1386	433.46	18	230	13.18	12	90	56.42	994	1526	390.22
5.	2014-15	994	1526	390.22	38	103	21.67	23	200	21.83	1009	1429	390.06
6.	2015-16	1009	1429	390.06	31	66	9.40	38	85	11.72	1002	1410	387.74
7.	2016-17	1002	1410	387.74	30	29	7.07	15	46	17.01	1017	1393	377.80
8.	2017-18	1017	1393	377.80	27	36	4.39	819	707	316.48	225	722	65.71
9.	2018-19	225	722	65.71	55	20	2.75	5	28	7.46	275	714	61.00
10.	2019-20	275	714	61.00	10	16	1.94	6	33	12.49	279	697	50.45

During the above period, two Departmental Audit Committee meetings were held, one each in 2017-18 and 2019-20, by the State Excise for settlement of IRs/paragraphs.

During regular inspection of Offices, the pending IRs/paragraphs are reviewed on the spot after obtaining compliance. Settlements of IRs/paragraphs are also made on receipt of compliance from the Department.

1.6.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Table 1.6.2**.

[7] Under the Revenue head-0039.

Table 1.6.2
Recovery in accepted cases

(₹ in crore)

Sl. No.	Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year 2019-20	Cumulative position of recovery of accepted cases as of 31-03-2020
1.	2009-10	1	1.02	1	1.02	-	-
2.	2010-11	1 PA	181.68	-	9.19	-	0.15
3.	2011-12	-	-	-	-	-	-
4.	2012-13	2	3.09	2	3.09	-	0.17
5.	2013-14	1	2.14	1	2.14	-	2.14
6.	2014-15	4	10.57	3	10.37	-	9.62
7.	2015-16	-	-	-	-	-	-
8.	2016-17	1 PA	132.57				
9.	2017-18	-	-	-	-	-	-
10.	2018-19	-	-	-	-	-	-
	Total	**10**	**331.07**	**7**	**25.81**		**12.08**

As seen from the table above, the percentage of recovery by the State Excise Department in accepted cases for the years 2009-10 to 2018-19 was only 46.80 *per cent*. Therefore, the Department must take immediate action to pursue recovery of the dues involved in accepted cases.

1.7 Audit Planning

The Auditable Units under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes critical issues in Government revenues, the budget speech, white paper on state finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years, etc.

During the year 2019-20, there were 974 auditable units, of which 254 units were planned and audited, which was 26 *per cent* of the total auditable units. The details are shown in **Table 1.7.1**.

Table 1.7.1
Details of units audited

Sl. No	Department	Number of units		
		Auditable Units during the year 2019-20	Units planned for audit during 2019-20	Units audited during 2019-20
1.	Commercial Taxes	430	134	134
2.	Stamps and Registration	285	58	59
3.	State Excise	134	19	18
4.	Mines and Geology	34	11	11
5.	Transport	91	32	32
	Total	**974**	**254**	**254**

1.8 Results of Audit

Position of local audit conducted during the year

Test-check of the records of 254 units of Sales Tax/Value Added Tax, Stamps and Registration Fee, State Excise, Taxes on Motor Vehicles, and Mines and Geology conducted during the year 2019-20 showed under assessment/short-levy/loss of revenue aggregating ₹ 2,491.66 crore in respect of cases pointed out through 1,189 paragraphs. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹ 128.96 crore raised through 190 paragraphs during 2019-20. The Departments collected ₹ 72.10 crore pointed out in 564 paragraphs pertaining to the audit findings of previous years during 2019-20.

1.9 Coverage of Part II of this Report

Part II of this Report contains 14 paragraphs selected from the audit observations made during the local audit referred to above and during earlier years, (which could not be included in earlier reports) involving financial effect of ₹ 106.69 crore.

The Departments/Government had accepted audit observations in 515 cases relating to 14 paragraphs involving ₹ 53.98 crore, out of which ₹ 0.89 crore had been recovered in 26 cases. The replies in the remaining cases had not been received (April 2021). These are discussed in succeeding Chapters II and III.

Chapter II

Chapter-II

VAT on Sales, Trade, *etc.* and Goods and Services Tax

2.1 Tax Administration

On introduction of Goods and Services Tax (GST), the organisational set-up of the Commercial Taxes Department (CTD) continued as in the Value Added Tax (VAT) regime. The erstwhile Local VAT Offices (LVOs) were re-designated as Local GST Offices (LGSTOs), erstwhile VAT Sub-Offices (VSOs) were re-designated as Sub GST Offices (SGSTOs) and the Audit Offices continued as such. The applicable laws and Rules are administered at the Government level by the Additional Chief Secretary, Finance Department. The Commissioner of Commercial Taxes (CCT) who is the head of the Commercial Taxes Department is assisted by 14 Additional Commissioners. There are 13 Divisional Offices, 13 Appeal Offices, 13 Enforcement/Vigilance Offices and one Minor Acts Division in the State managed by 42 Joint Commissioners (JCCTs). There are 123 Deputy Commissioners (DCCTs), 321 Assistant Commissioners (ACCTs) and 526 Commercial Tax Officers (CTOs) in the State. At the field level, the tax is being administered through 118 Local GST Offices and Sub GST Offices headed by ACCTs and CTOs respectively. The DCCTs, ACCTs and CTOs head 266 Audit Offices where assessments/re-assessments are finalised by the Department.

2.2 Internal Audit

As per the information furnished by the Department, the Internal Audit Wing is functioning from the year 2011-12. During the year 2019-20, 317 Offices were due for audit, of which, 65 Offices were audited. Year-wise details of the number of objections raised, settled and pending along with tax effect, as furnished by the Department, are given in **Table 2.1**.

Table 2.1
Year-wise details of observations raised by IAW

(₹ in crore)

Year	Observations raised		Observations settled		Observations pending	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
2015-16	9161	288.45	987	6.98	8174	281.47
2016-17	3429	140.85	44	1.23	3385	139.62
2017-18	2339	21.90	102	6.85	2237	15.05
2018-19	2554	47.69	144	2.76	2410	44.93
2019-20	6383	39.22	48	0.26	6335	38.96
Total	**23866**	**538.11**	**1325**	**18.08**	**22541**	**520.03**

As seen from the table, 22,541 cases involving ₹ 520.03 crore were pending for settlement as on 31 March 2020. Early action may be taken to settle pending observations.

2.3 Goods and Services Tax (GST)

Goods and Services Tax, a multistage and destination-based tax, came into effect from 1 July 2017 after enactment of the Karnataka State Goods and Services Tax Act, 2017 on 27 June 2017. A few relevant aspects relating to

GST registrations and the filing pattern of monthly GSTR-3B return have been given below:

2.3.1 GST Registrations

The category-wise registrations under GST have been given in table 2.2 below.

Table 2.2
GST Registrations

Category of Registrant	Number of Registrants	Percentage of total
Normal taxpayers	735620	84.86
Composition taxpayers	110780	12.78
Tax Deductors at Source	15366	1.77
Tax Collectors at Source	630	0.07
Input Service Distributors	779	0.09
Others (Casual, NRTP, OIDAR)	3708	0.43
Total Registrants	**8,66,883**	

Source: Figures furnished by the Department

The total registrations under GST as on 31 March 2020 were 8.67 Lakh, of which normal taxpayers accounted for 84.86 *per cent* and composition taxpayers were around 12.78 *per cent*.

2.3.2 GST Return filing pattern

2.3.2.1 Filing pattern of GSTR 3B

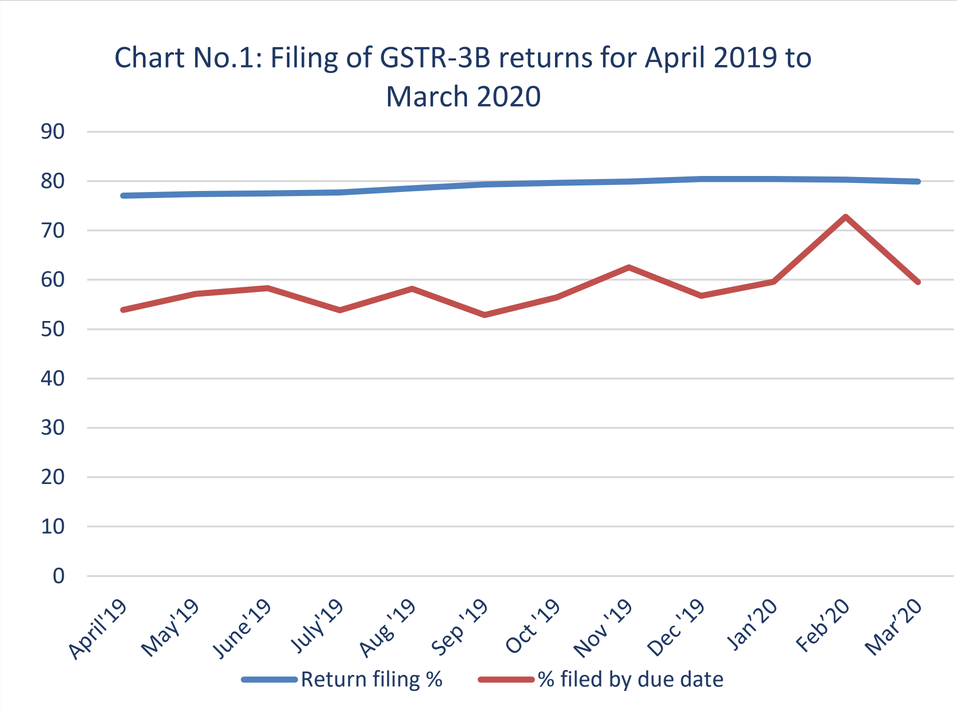
The trends of filing of GSTR-3B[8] for the period from April 2019 to March 2020, as per the figures furnished by the Department, have been depicted in Table 2.3 below.

Table 2.3
Filing pattern of GSTR-3B

GSTR-3B					
Months	**Due for filing**	**Returns filed**	**Return filing per cent**	**Returns filed by due date**	**Percent filed by due date**
April'19	811705	625231	77.03	437278	53.87
May'19	813675	629375	77.35	464949	57.14
June'19	818270	634076	77.49	476844	58.27
July'19	825571	641552	77.71	444574	53.85
Aug '19	824120	647061	78.52	479447	58.18
Sep '19	822011	651931	79.31	434314	52.84
Oct '19	826873	658570	79.65	466528	56.42
Nov '19	832137	664670	79.88	520356	62.53
Dec '19	836248	672241	80.39	474347	56.72
Jan’20	840887	676231	80.42	501365	59.62
Feb’20	844900	678180	80.27	614615	72.74
Mar’20	847997	677706	79.92	504637	59.51

[8] GSTR-**3B** return is a monthly self-declaration, to be filed by a registered **GST** taxpayer, consisting details regarding outward supplies, input tax credit, payment of tax etc.

The filing of GSTR-3B on an average for the year 2019-20 was 78.99 *per cent*. It was noticed that GSTR-3B returns were filed within the due date on an average by only 58.47 *per cent*.



2.4 Results of Audit

There are 430 auditable units in the Commercial Taxes Department. Out of these, audit selected 134 units for test-check wherein 4.55 lakh assessments were finalised. Out of these, Audit test-checked 2.37 lakh dealers (52.08 *per cent*) during the year 2019-20 and noticed 12,658 cases (5.34 *per cent* of audited sample) of non/short-levy of tax, non/short payment of tax as per Form VAT 240, non-levy of tax on sale of liquor, non/short-levy of tax on works contract receipts, non/short-levy of penalties and interest, non-follow-up on payments, incorrect/excess allowance of input tax credit and non-observance of provisions of Acts/Rules, etc., in 126 units involving an amount of ₹ 280.58 crore. These cases are illustrative only as these are based on test-check of records. The observations broadly fell under the following categories as given in **Table 2.4**.

Table 2.4

Results of Audit

(₹. in crore)

Sl. No.	Category	No. of Paragraphs	No. of cases	Amount
I	**Value Added Tax**			
1	Non/ short payment of tax as per VAT-240	36	102	5.95
2	Non/ short levy of tax	149	209	51.19
3	Non levy of tax on sale of liquor	21	57	15.34
4	Non/short levy of penalties (Under Sections 72(1), 72(2) & 74(4) of KVAT Act)	137	9982	49.58
5	Non/short levy of interest	29	127	2.97
6	Not-Acknowledged Returns	37	372	11.62

7	Incorrect/ excess allowance of Input Tax Credit (ITC)	86	149	13.40
8	Excess carry forward of credit	29	39	2.59
9	Non/short-levy of tax on works contract receipts, incorrect allowance of sub-contractor payments etc.	44	64	31.97
10	Incorrect/excess refund	26	28	4.77
11	Non-levy/payment of tax on URD purchases	23	35	1.58
12	Incorrect credit taken as Transitional Credit to GST	13	19	3.93
13	Non/short declaration of output tax (e-UPASS)	41	1053	60.86
14	Other irregularities including non-filing of TDS	91	418	24.62
	Total	**762**	**12,654**	**280.37**
II	**Entry Tax (KTEG)**			
15	Non/short levy of Entry Tax/interest	4	4	0.21
	Grand total	**766**	**12,658**	**280.58**

During the course of the year, the Department reported recovery of ₹ 17.15 crore in 417 paragraphs that were pointed out in the earlier years.

A few illustrative cases of non/short-realization of VAT, penalty and interest involving ₹ 61.19 crore are discussed in the following paragraphs.

2.5 Non-levy of penalty under section 72(1) of the KVAT Act

According to Section 35 (1) of the KVAT Act, 2003, every registered dealer shall furnish a return and shall pay tax due on such return within twenty days (or fifteen days[9]) after the end of the preceding month or any other tax period as may be prescribed.

Section 72(1) of KVAT Act, 2003 states that a dealer who fails to furnish a return or who fails to pay the tax due on any return furnished as required under the Act shall be liable to pay together with any tax or interest due, a penalty equal to:

a) five *per cent* of the amount of tax due or ₹ 50 whichever is higher, if the default is not for more than 10 days; and
b) ten *per cent* of the tax due, if the default is for more than 10 days.

During test-check of returns (1.26 lakh) pertaining to 4,704 assessees (3.70 *per cent*) out of 1.27 lakh assessees in 23 Local GST Offices(LGSTOs) in eight districts[10] between October 2019 and June 2020, Audit noticed that 208 assessees (4.42 *per cent* of the audited sample) had filed 1324 returns for the years 2013-14 to 2017-18 in which tax of ₹ 89.63 crore was paid belatedly, i.e. beyond 20 days after the expiry of the applicable tax period. Though all these cases attracted penalty under Section 72(1) of the Act, it was neither paid by the assessees nor was any effort made by the Officers concerned to impose the same. This has resulted in non-levy of penalty of ₹ 5.73 crore.

It is pertinent to note here that basic checks on the returns filed by the dealers are not exercised by the Department and hence the belated payments of taxes go unnoticed, escaping levy of penalty.

9 In case of dealers opted for paying tax under Composition Scheme.
10 Belagavi, Bengaluru, Dharwad, Mangaluru, Mysuru, Raichur, Uttara Kannada and Yadgir.

After these cases were brought to the notice of the Department in June 2020, an amount of ₹ 7.61 lakh was collected in six cases, notices were issued in five cases amounting to ₹ 5.12 lakh, orders were passed in 17 cases amounting to ₹ 1.27 crore and reassessment order was passed in one case amounting to ₹ 1.28 lakh. Replies are awaited in remaining 179 cases (April 2021).

It is recommended that the Department may adhere to stricter implementation of penal provisions for delay in payment of taxes.

2.6 Short-levy of tax on sale of liquor

According to Section 4 (1) (a) (ii) of the Karnataka Value Added Tax (KVAT) Act, 2003, every registered dealer shall be liable to pay tax on his taxable turnover at the rate of five and one half *per cent* on sale of goods mentioned in the Third Schedule of the Act. Under Section 5 (1) of the KVAT Act, 2003, tax shall be exempt for the sale of goods specified in First Schedule of the said Act. As per the First Schedule of the KVAT Act, 2003, tax payable on sale of liquor including beer, fenny, liqueur and wine was exempted.

The Government vide Notification[11] of 28 February 2014 removed exemption of tax payable on sale of liquor and introduced Value Added Tax (VAT) at the rate of five and one half *per cent* on sale of liquor by CL-9 licensees[12] i.e. Bar and Restaurants situated in areas coming under Bruhat Bangalore Mahanagara Palike, City Municipal Corporation, City Municipal Council and Town Municipal Council or Town Panchayat and CL-7 licensees[13] i.e. Hotel and Boarding houses with effect from 1 March 2014. The aforesaid Notification was amended on 21 April 2014[14], where tax on sale of liquor by CL-9 licences situated in rural areas was exempted.

During test-check of records of 379 CL-9 and CL-7 licensees (Audited sample-100 per cent) in 14 Local GST Offices in seven[15] Districts between November 2019 and March 2020, Audit noticed that in respect of 30 licensees (7.91 *per cent*) (Bar and Restaurants situated in urban areas, Hotel and Boarding houses), the turnover of sale of liquor for the period from March 2014 to March 2017 was ₹ 71.85 crore. Tax payable at the rate of five and one half *per cent* amounted to ₹ 3.95 crore, of which only ₹ 0.31 crore was paid. This resulted in non-payment of tax of ₹ 3.64 crore. Further penalty and interest under Sections 72(2) and 36 of KVAT Act, 2003, amounted to ₹ 0.36 crore and ₹ 2.15 crore respectively.

Hence, total non-payment of tax including penalty and interest works out to ₹ 6.15 crore. Though the tax on sale of liquor by Bars and Restaurants situated in urban areas and by Hotel and Boarding houses was to be levied with effect from 1 March 2014, the Department did not take action to verify whether the taxes were getting paid from all the dealers concerned.

---

[11] Notification No. FD 21 CSL 2014 (II) dated 28 February 2014.
[12] CL-9 licence is given by the Excise Department for sale of liquor in Bar and Restaurants.
[13] CL-7 licence is given by the Excise Department for sale of liquor in Hotel and Boarding Houses.
[14] Notification No. FD 41 CSL 2017, Bangalore dated 21 April 2014.
[15] Bengaluru, Chitradurga, Davanagere, Koppal, Mandya, Raichur and Yadgir.

After these cases were brought to the notice of the Department during June and December 2020, reassessment orders were passed in 15 cases and amount of ₹ 3.41 crore was demanded. In one case, wherein three years were objected, recovery proceedings initiated with respect to two years amounting to ₹ 0.24 crore and another year was forwarded for review. Replies are awaited in remaining 14 cases (April 2021).

It is recommended that the Department may review all such cases in the other Districts as well and demand taxes wherever they are not paid.

2.7 Incorrect/Excess claim of Transitional Credit

As per Section 140(1) of KGST Act, 2017, a registered person, other than a person opting to pay tax under section 10, shall be entitled to take, in his electronic credit ledger, the amount of Value Added Tax (VAT) credit carried forward in the return relating to the period ending with the day immediately preceding the appointed day (1 July 2017), furnished by him under the existing law in such manner as may be prescribed:

Provided that the registered person shall not be allowed to take credit in the following circumstances, namely:

i. where the said amount of credit is not admissible as input tax credit under this Act; or
ii. where he has not furnished all the returns required under the existing law for the period of six months immediately preceding the appointed date;
iii. Provided that the registered person shall not be allowed to take credit unless the said credit was admissible as VAT credit under the existing law and is also admissible as input tax credit under this Act.

Audit conducted a test-check of records of 358 assessees (25.05 *per cent*), who had claimed transitional credit of ₹ 30.91 crore, out of 1,429 assessees in eight[16] Local GST Offices (LGSTOs) in five districts[17] between April 2019 and March 2020. It was noticed that 16 assessees (4.47 *per cent* of the audited sample) had claimed transitional credit of ₹ 3.71 crore in their TRAN-1 forms. However, a check of VAT returns, Audited Statement of Accounts filed in Form VAT-240, filing or otherwise of TDS certificates and re-assessment orders in these cases revealed that these dealers were eligible to claim transitional credit of only ₹ 1.05 crore. This resulted in incorrect/ excess claim of transitional credit of ₹ 2.66 crore.

After these cases were brought to the notice of the Department and Government between November to December 2020, an amount of ₹ 0.68 crore was collected in three cases. Replies are awaited in the remaining 13 cases.

It is recommended that the CTD should consider reviewing all cases and detect cases where transitional credit has been availed incorrectly.

[16] LGSTO-60-Bengaluru, LGSTO-70-Bengaluru, LGSTO-75-Bengaluru, LGSTO-140-Bengaluru, LGSTO-195-Mysuru, LGSTO-230-Sagar, LGSTO-260-Mangaluru and LGSTO-535-Sindhanuru.

[17] Bengaluru, Mangaluru, Mysuru, Raichur and Shivamogga.

2.8 Short-levy of tax due to incorrect allowance of sub-contractor payments

According to Section 4 (1) (c) of the Karnataka Value Added Tax (KVAT) Act, 2003, tax shall be levied in respect of transfer of property in goods (whether as goods or in some other form) involved in the execution of works contracts at the rates specified in the Sixth Schedule of the Act. Section 15(1) of the KVAT Act, 2003 provides that a dealer who executes works contract may elect to pay, in lieu of the net amount of tax payable by him under this Act, by way of composition at the specified rate on the total consideration for the works contracts executed.

As per Rule 3(2) of KVAT Rules, 2005 the taxable turnover shall be determined by allowing the deductions from the total turnover as prescribed in clauses (a) to (m). Rule 3(2) (i-1) of the KVAT Rules provides for deduction of all amounts paid or payable to sub-contractors as the consideration for execution of works contract whether wholly or partly, provided that no such deduction shall be allowed unless the dealer claiming deduction produces document in proof that the sub-contractor is a registered dealer liable to pay tax under the Act and that the turnover of the such amounts is included in the return filed by such sub-contractor.

During test-check of 245 out of 4,886 (5.01 *per cent*) records of seven Local GST Offices (LGSTOs) in six[18] Districts between August 2019 and January 2020, Audit noticed 13 cases (5.31 *per c*ent) in which the civil works contractors had claimed deduction of ₹ 46.71 crore in turnover towards sub-contractor payments for the tax periods 2015-16 to 2017-18 (upto June 2017).

On cross-verification of returns filed by these works contractors with those filed by related sub-contractors, it was noticed that a turnover aggregating ₹ 25.64 crore only was declared in the returns filed by the sub-contractors as against ₹ 46.71 crore claimed as exemption by the works contractors in their returns, in contrary to Rule 3(2)(i-1) of KVAT Rules. This resulted in excess allowance of sub-contractor turnover of ₹ 21.07 crore and consequent short-levy of tax of ₹ 0.84 crore. Besides, penalty of ₹ 0.06 crore and interest of ₹ 0.26 crore was also leviable. Total liability worked out to ₹ 1.16 crore.

After these cases were brought to the notice of the Department in December 2020, Reassessment orders were passed in three cases and tax of ₹ 0.20 crore was demanded Replies are awaited in remaining 10 cases (April 2021).

It is recommended that the Department may consider verification of claims of works contractors vis-à-vis sub-contractors, as a risk parameter for selection of cases for detailed scrutiny.

2.9 Incorrect/Excess adjustment of credit amount

According to Section 10 of the KVAT Act, 2003, the tax payable by a dealer under the Act on sale is called 'Output Tax' while the tax paid by the dealer on purchases is called 'Input Tax'. A dealer is liable to pay the net tax after setting off input tax paid against output tax payable.

[18] Belagavi, Bengaluru, Hubballi, Mangaluru, Tumakuru, and Uttara Kannada.

The said provision of the KVAT Act, 2003, also stipulates that "where the input tax deductible by a dealer exceeds the output tax payable by him, the excess amount shall be adjusted or refunded together with interest, as may be prescribed". As per Rule 127 of the Karnataka Value Added Tax Rules, 2005, any dealer, whose input tax deductible exceeds the output tax payable by him as specified under sub-section (5) of Section 10 on the basis of the return submitted for any month or quarter during a year or where any dealer, in whose case the input tax deductible exceeds the output tax payable by him on the basis of any final return submitted under sub-section (4) of Section 27, such dealer may, adjust such amount towards the tax payable by him under this Act or the Central Sales Tax Act, 1956.

Test check of records of 21,643 out of 24,270 (89.17 *per cent*) in 10 Offices (eight Audit Offices, one LGSTOs and one Admin Office) in four[19] districts were conducted between April 2019 and March 2020. Audit cross verified the credit amounts brought forward and adjusted against the output tax liability by the dealers in their returns with respect to returns/revised returns filed by them for previous tax periods, advices given by auditors in Form VAT-240 and re-assessments concluded by the prescribed authorities.

The cross verification revealed that 12 dealers for the tax periods from 2010-11 to 2017-18 were eligible for input tax credit amounting to ₹ 0.83 crore, however, these dealers had adjusted input tax credit of ₹ 2.39 crore, resulting in excess adjustment of credit amount of ₹ 1.56 crore. Further, penalty (at 10 *per cent*) and interest (at 1.5 *per cent*) wherever applicable amounted to ₹ 0.12 crore and ₹ 0.99 crore respectively. Total liability amounted to ₹ 2.67 crore as detailed in table 2.5 below.

Table 2.5

Excess adjustment of credit amount

(Amount in Rupees)

Sl No.	Assessee TIN No	Tax period	Actual refund/ credit to be brought forward from previous month	Amount brought forward	Excess amount brought forward	Penalty	Delay Period (Months)	Interest	Total amount
1.	29860091301	2014-15	0	2168315	2168315	216832	64	2081582	4466729
	In the re-assessment for the year 2013-14 vide order dated 30.03.2019 by ACCT(Audit)-2.5, Bengaluru, additional liability of tax of ₹ 39,86,036 was raised. Hence, there is no credit eligible to be carried forward to April 2014. However, the assessee had brought forward credit of ₹ 21,68,315 for the tax period April 2014 and same was not disallowed while passing Rectification order under Section 69(1) read with Section 39(1) for the tax period 2014-15 on 30.09.2019. This had resulted in excess adjustment of credit of ₹ 21,68,315 for the tax period April 2014.								
2.	29320622188	2014-15	3759358	4461767	702409	0	-	0	702409

[19] Ballari, Bengaluru, Chitradurga and Udupi.

	In the re-assessment order dated 24.04.17 under Section 39(1)(a) of KVAT Act for the year 2014-15, credit of ₹ 1,11,27,990 was allowed to be brought forward from March 2014 to April 2014. However, Audit scrutiny revealed that in the reassessment order dated 22.03.2018 for 2012-13, the carried forward amount was restricted to ₹ 37,59,358 but ₹ 44,61,767 was brought forward in VAT 100 for April 2013 and was also not restricted in order under Section 39(1) passed on 26.03.2019 for 2013-14. This had cumulative effect of excess carry forward of ₹ 7,02,409 for 2014-15.								
3.	29680563014	2012-13	0	283642	283642	28364	68	289315	601321
		2013-14	0	345429	345429	34543	79	409333	789305
	In the re-assessment order under Section 39(1)(a) for the year 2011-12 vide order dated 23.03.2018, additional liability of tax of ₹ 16,63,476 was raised. Hence, there was no credit eligible to be carried forward to April 2012. However, the assesee had brought forward credit of ₹ 2,83,642 for the tax period April 2012 and the same was not disallowed while passing re-assessment order for the tax period 2012-13 on 29.01.2018. This had resulted in excess adjustment of credit of ₹ 2,83,642 for the tax period April 2012. Further, as per re-assessment order of 2012-13, there was no credit to be carried forward to April 2013. However as per VAT-100 Return for the period April 2013, the assessee had carried forward ₹ 3,45,429, which resulted in excess carry forward of ₹ 3,45,429.								
4.	29391189357	2015-16	0	1338216	1338216	133822	52	1043808	2515846
	In the re-assessment for the year 2014-15 vide order dated 27.03.2019 by ACCT(Audit)-5.3,Bengaluru, additional liability of tax of ₹ 6,36,23,407 was raised. Hence, there is no credit eligible to be carried forward to April 2015. However, the assesee had brought forward credit of ₹ 13,38,216 for the tax period April 2015 and same was neither demanded by the assessing authority nor paid by the assessee. This had resulted in excess carry forward of credit of ₹ 13,38,216 for the tax period April 2015.								
5.	29700064714	2012-13	0	104935	104935	10494	70	66189	181618
	In the re-assessment order for 2012-13 passed on 16.03.2018, carry forward of credit of ₹ 1,04,935 from March 2012 to April 2012 was allowed. However in the re-assessment order for 2011-12 passed on 23.04.2018, additional demand of tax of ₹ 20,49,939 was raised and no proceedings of credit carried forward was discussed. Interest under Section 36 of KVAT Act had been levied on ₹ 63,037 which was payable for the month of April 2012 after disallowing the credit of ₹ 1,04,935.								
6.	29690075826	2011-12	1851958	3737537	1885579	188558	82	2319262	4393399
		2012-13	0	2788487	2788487	278849	62	2593293	5660629
	As per the reassessment order dated 6.4.2018 for the year 2011-12, the additional tax determined as payable for March 2012 was ₹ 1,65,71,116 and after deducting the amount of ₹ 1,50,83,434 paid in VAT 120 return and TDS of ₹ 8,84,785, the balance tax payable as per the reassessment order was worked out as ₹ 6,42,897. Though the amount of ₹ 27,88,487 was mentioned as carried forward to April 2012, the same was not added to the additional tax payable for March 2012. This had resulted in incorrect allowance of credit of ₹ 27,88,487 in the reassessment order passed for 2012-13 on 22.07.2017.								
7.	29070058416	2013-14	1026298	1071072	44774	4477	25	16790	66041
	As per re-assessment order dated 09.01.2015 for 2012-13, there was ₹ 10,26,298 credit to be carried forward to April 2013. However as per Re-assessment order dated 02.07.2015 for the year 2013-14 , the assessee was allowed to carry forward ₹ 10,71,072 which resulted in excess carried forward of ₹ 44,774.								
	29070058416	2014-15	0	1460690	1460690	146069	13	284835	1891594
	In the re-assessment for the year 2013-14 vide order dated 02.07.2016, the dealer was liable to an amount of ₹ 5,30,950 and there was no credit eligible to be carried forward to April 2014. However, the assesee had brought forward credit of ₹ 14,60,690 as per VAT 100 (Revised) for the tax period April 2014.								
8.	29440487971	2010-11	364105	1377454	1013349	0	-	0	1013349

	In the re-assessment for the year 2010-11 vide order dated 02.07.2015, assessee was allowed to carry forward input tax credit of ₹ 13,77,454 from previous year. However as per VAT-100 of March 2010 only credit of ₹ 3,64,105 was to be carried forward to next year.								
9.	29280470211	2011-12	1129248	1426459	297211	0	-	0	297211
	In the re-assessment for the year 2011-12 vide order dated 26.11.2015, assessee was allowed to carry forward input tax credit of ₹ 14,26,459 from previous year. However as per re-assessment order for the period 2010-11 dated 11.08.2010 only credit of ₹ 11,29,248 was carried forward to next year, resulting in excess carried forward of ₹ 2,97,211.								
10.	29271161099	Apr-15	153733	1413567	1259834	0	-	0	1259834
	In the rectification order dated 28.06.2019 under Section 69 of KVAT Act for the year 2014-15 by ACCT(Audit) 1, Ballari, the credit eligible to be carried forward to April 2015 was ₹ 1,53,733. However, as per the VAT-100 return the assesee had brought forward credit of ₹ 14,13,567 for the tax period April 2015. This has resulted in excess adjustment of credit of ₹ 12,59,834 for the tax period April 2015.								
11.	29720782406	2011-2012	0	672954	672954	0	-	0	672954
	In the re-assessment for the year 2011-12 vide order dated 11.04.2017 by DCCT(Audit)-Udupi, the credit brought forward from March 2011 was ₹ 6,72,954. However, it was noticed in the EFS that the assessee had claimed and taken refund of ₹ 6,72,954 for March 2011 tax period vide order No.97040 on 22.08 2013. This has resulted in excess adjustment of credit of ₹ 672954 for the tax period April 2011.								
12.	29940060702	2016-17	30393	1258635	1228242	122824	45	829063	2180129
	In the re-assessment for the year 2015-16 vide order dated 31.07.2019, the credit eligible to be carried forward to April 2016 was ₹ 30,393. However, as per the VAT-100 return the assesee had brought forward credit of ₹ 12,58,635 for the tax period April 2016. This had resulted in excess adjustment of credit of ₹ 12,28,242 for the tax period April 2016.								
Total			**83,15,093**	**2,39,09,159**	**1,55,94,066**	**11,64,831**		**99,33,471**	**2,66,92,368**

After these cases were brought to the notice of the Department and Government between December 2020 and January 2021, demand notice is issued in one case amounting to ₹ 19.58 Lakh, one case is assigned to Audit, one case is before appellate authority and two cases are before NCLT. Replies awaited in remaining seven cases (April 2021).

It is recommended that the correctness of carry forward credit available in monthly returns, revised returns, audited statement and re-assessment orders with respect to credit brought forward in subsequent monthly returns may be ensured by the Department.

2.10 Non/short-payment of differential tax liability declared in audited statement of accounts

According to Section 31(4) of the Karnataka Value Added Tax (KVAT) Act 2003, every dealer whose total turnover in a year exceeds a prescribed amount[20] shall have the accounts audited by a Chartered Accountant or a Cost Accountant or a Tax Practitioner (Auditor) and shall submit to the prescribed authority a copy of the audited statement of accounts in Form VAT 240 and other documents as prescribed in the Act.

Form VAT 240 provides for the auditor to file a comparative statement of dealer's liability to tax and his entitlements for input tax/refund as declared in the tax returns, and the corresponding correct amount determined on audit. In

[20] ₹ 40 lakh till 31 March 2010, ₹ 60 lakh from 1 April 2010 to 31 March 2011 and ₹ 100 lakh thereafter.

case of a difference between them, the dealer has to pay the differential tax together with the penalty and interest, if any, or to claim refund due to him, as the case may be.

During test-check of records of 3,074 out of 78,363 dealers (3.92 *per cent*) in 16 Local GST Offices in seven[21] Districts between November 2019 and May 2020, Audit noticed that 65 dealers (2.11 *per cent* of the audited sample), in their audited accounts in Form VAT 240, had declared additional tax liability of ₹ 3.78 crore over and above the tax liability declared in the monthly returns for the years from 2014-15 to 2017-18 which was neither paid by the dealers concerned on their own while filing the audited accounts, nor were the dues demanded by the Local GST Offices concerned. Further, penalty (at 10 *per cent*) and interest (at 1.5 *per cent* per month) leviable on such additional tax liability amounted to ₹ 0.38 crore and ₹ 1.95 crore respectively. Total non/short-payment thus works out to ₹ 6.11 crore.

The Department had failed to identify the cases of non-payment of additional tax declared by the dealers in the audited statement of accounts. The Offices concerned were not watching the unacknowledged status[22] of Form VAT 240 in e-FS, which prevented detection of non-payment cases. Mismatch between the digital data sheet depicting summary of Form- VAT 240 and PDF files uploaded[23] has added to the problem as in such cases, identification needs to be taken up case-wise. Thus, lack of a system for scrutinising the audited statement of accounts in the returns filed by the dealers resulted in non-collection of taxes declared by them as payable.

After these cases were brought to the notice of the Department and Government between December 2020 to February 2021, an amount of ₹ 0.07 crore was collected in five cases, re-assessment order was passed in two cases amounting to ₹ 0.60 crore and two cases were assigned to Audit. Replies are awaited in remaining 56 cases (April 2021).

It is recommended that the Department may scrutinise Form VAT 240 to follow up on the collection of additional tax declared by the dealers.

2.11 Non-follow-up of pending tax liabilities declared in the returns

Under Section 35(1) of the Karnataka Value Added Tax (KVAT) Act 2003, every registered dealer shall furnish a return in the prescribed form and shall pay the tax due on such return within 20 days (or 15 days in the case of dealers assessed under composition of tax) after the end of the tax period.

Test-check of 806 returns (44.43 *per cent*) out of 1814 returns (total number of 'Not Acknowledged Returns') between October 2019 and May 2020 in 14 Local GST Offices in five[24] Districts revealed that 293 returns (36.35 *per cent*) pertaining to the tax periods between November 2013 to June 2017 filed by 93 assessees showed a 'Not acknowledged' status in the Electronic Filing System (e-FS) and the respective tax liabilities amounting to ₹ 3.17 crore were not

[21] Bengaluru, Koppal, Mandya, Mangaluru, Mysuru, Raichur and Yadgir.
[22] "Unacknowledged" status indicates non-payment of additional tax.
[23] PDF formats of Form VAT 240, Profit and Loss Account and Balance Sheet.
[24] Belagavi, Bengaluru, Kalaburagi, Shivamogga, and Uttara Kannada.

discharged. Penalty and interest as applicable worked out to ₹ 0.31 crore and ₹ 1.77 crore respectively. Total amount realisable worked out to ₹ 5.25 crore.

Even though the e-FS for online filing of returns clearly indicates a status of 'Not acknowledged' against all returns where the tax liability is not discharged in full, the Officers concerned failed to follow up these cases and ensure timely recovery.

After these cases were brought to the notice of the Department and Government during February 2021, an amount of ₹ 1.59 Lakh was collected in two cases. In one case reassessment order was passed and one case has been assigned to audit. Replies are awaited in remaining 89 cases (April 2021).

It is recommended that "Not acknowledged" returns need to be followed up to ensure collection of tax declared by the dealers.

2.12 Non-levy of penalty under Section 74(4) of KVAT Act for non-filing of Form VAT 240

According to Section 31(4) of the Karnataka Value Added Tax (KVAT) Act, 2003 read with Rule 34(3) of KVAT Rules, 2005 every dealer whose total turnover in a year exceeds one hundred lakh rupees shall have his accounts audited by a Chartered Accountant or a Cost Accountant or a Tax Practitioner and submit a copy of the audited statement of accounts in Form VAT 240 and prescribed documents within nine months after the end of the relevant year.

Further, under Section 74(4) of the KVAT Act, any dealer who fails to submit within the time prescribed a copy of the audited statement of accounts, shall be liable to pay a penalty of five thousand rupees and, a further penalty of fifty rupees per day for so long as the failure to submit a copy of the audited statement of accounts continues.

Test-check of 87,203 out of 95,408 records (Audited sample 91.40 *per cent*) of 38 Local GST Offices in fourteen[25] Districts between April 2019 and May 2020 revealed that 7,346 assessees (8.42 *per cent*) did not file Form VAT 240 for the years 2012-13 to 2017-18 (up to June 2017). Non-submission of Form VAT 240 implies that the assessees have not got their accounts audited by the prescribed Authority. Further, the Assessing Officers concerned had not taken any action to enforce compliance in this regard either by issue of notice or by levy of the mandatory penalty under Section 74(4) of the KVAT Act. Consequently, the Assessing Officers are not ensuring the audit of books of accounts maintained by those assessees and thereby the correctness of tax paid by such assessees. As monthly returns filed by the assessees are deemed to be assessed, failure to enforce such controls built into the system will result in leakage of revenue. Non levy of penalty under Section 74(4) of the KVAT Act in respect of the above assessees works out to ₹ 26.99 crore.

After these cases were brought to the notice of the Department and Government during February 2021, an amount of ₹ 2.86 lakh was collected in nine cases, security deposit of ₹ 1.38 lakh was adjusted and notices were issued for the remaining amount in 31 cases and notices were issued in 277

[25] Belagavi, Bengaluru, Chitradurga, Dakshina Kannada, Dharwad, Gadag, Mandya, Mysuru, Raichur, Shivamogga, Tumakuru, Udupi, Uttara Kannada, Yadgir.

cases amounting to ₹ 0.65 crore. In 7 cases amounting to ₹ 1.25 lakh it was replied that dealers have filed Form 240 and will be availing Karasamadhana Scheme for waiver of penalty. Replies are awaited in remaining 7022 cases (April 2021).

It is recommended that the CTD may review all such cases of non-filing of Form VAT 240 as it serves as a control over the deemed assessment system.

2.13 Incorrect allowance of Input Tax Credit

Under Section 10(2) of the Karnataka Value Added Tax (KVAT) Act 2003, input tax in relation to any registered dealer means the tax collected or payable under this Act on the sale to him of any goods for use in the course of his business, and includes the tax on sale of goods to his agent who purchases such goods on his behalf subject to the manner as may be prescribed to claim input tax in such cases.

During check of 6,312 re-assessments (100 *per cent*) in six[26] Audit Offices and test-check of 984 dealers (4.26 *per cent*) in five LGSTOs (out of 23074 dealers), it was noticed that in 20 re-assessment cases (0.33 *per cent*) in Audit Offices and five dealers (0.50 *per cent* of the Audited sample) in LGSTOs, input tax credit (ITC) was allowed in contravention of the provisions of the KVAT Act as detailed below:

(i) Incorrect allowance of ITC attributable to sale of exempt goods and immovable property

As per Section 11(a)(1) of the KVAT Act, input tax shall not be deducted in calculating the net tax payable in respect of tax paid on purchases attributable to sale of exempted goods under Section 5 of the KVAT Act.

Further, under Section 17 of the KVAT Act, a registered dealer making sale of both taxable and non-taxable goods (exempt under Section 5 of the Act), shall avail the input tax in proportion to taxable sales as per Rule 131[27] of the KVAT Rules.

On a test-check of the VAT Returns of three Local GST Offices (LGSTO-170, Tumakuru, LGSTO-470, Harihara and LGSTO-390, Belagavi) during October 2019 to March 2020, Audit noticed three dealers (M/s Parimala Agro Foods and Feeds Pvt Ltd, M/s Sri Anganeya AgrotechPvt Ltd and M/s Nandagudi Oil and Agro Industries LLP), who were manufacturers of edible oil, had purchased edible crude rice bran, husk, chemicals during the years 2016-17 and 2017-18 (up to June 2017) and claimed ITC on these purchases. They had effected taxable sale of edible oil and exempted sale of de-oiled bran.

---

[26] ACCT(Audit)-1.2-Bengaluru, DCCT(Audit)-2.8, Bengaluru, ACCT(Audit)-2.9, Bengaluru, ACCT(Audit)-4.2, Bengaluru, ACCT(Audit)-4.6, Bengaluru and ACCT(Audit)-5.9, Bengaluru.

[27] Non-Deductible ITC = (Sale of Exempt goods + Non-taxable transactions) X (Total ITC/Total Turnover).

However, they had taken credit of entire ITC without restricting the ITC (non-deductible ITC) attributable to sale of de-oiled rice bran (exempted good) as per the provisions under Section 17 of the KVAT Act read with Rule 131 of KVAT Rules. This resulted in incorrect allowance of ITC of ₹ 1.64 crore. Besides, penalty of ₹ 0.16 crore and interest of ₹ 0.81 crore was also leviable. Total liability worked out to ₹ 2.61 crore.

On a test-check of re-assessment order in ACCT(Audit)-5.9, Bengaluru during December 2019, it was noticed from the re-assessment order for the year 2011-12 dated 10-4-2017 in respect of an assessee, M/s Balaji Constructions (Bangalore) Pvt Ltd that out of 44 (Developer's Share) of the constructed apartments, 24 were sold after receipt of Occupancy Certificate (OC) and hence the proceeds received were relating to sale of immovable property and not included in the taxable turnover of KVAT by the assessee which was accepted in the re-assessment order. As per Section 2(29) read with Section 2(37) of KVAT Act, sale of Flats after OC does not amount to 'Works contract' and hence does not amount to 'Sale' under KVAT Act. In other words, sale of Flats after OC is received is a transaction of sale outside the purview of KVAT Act. Consequently, input tax credit (ITC) is not allowable in respect of flats sold after receipt of OC.

However, ITC relating to sale of immovable property (24 flats) of ₹ 21.15 lakh out of the total ITC claim of ₹ 70.49 lakh relating to the project was not restricted. Besides, penalty of ₹ 2.11 lakh and interest of ₹ 19.03 lakh was also leviable. Total liability worked out to ₹ 42.29 lakh.

(ii) Loss of revenue in the form of ITC

Test-check of re-assessments concluded in five Audit Offices in Bengaluru, between January 2020 and May 2020 revealed that 19 assessees were allowed ITC aggregating ₹ 0.89 crore for the years 2010-11 to 2016-17.

On a verification of the purchase registers of such assessees, it was noticed that there were 37 corresponding selling dealers for the input tax claimed. Cross verification of the details of the selling dealers in e-FS revealed that 8 of them were de-registered during the period in which ITC was allowed, one dealer was not registered during the period in which ITC was claimed, TIN quoted in respect of one dealer was invalid. The remaining 27 selling dealers filed returns but had paid lesser output tax than the input tax claimed by the purchasing dealers or had not filed returns during the period in which ITC was claimed. Consequently, as against the input tax of ₹ 0.89 crore allowed by the Department, the corresponding output tax declared was only ₹ 0.19 crore. Thus, allowing input tax credit without realising the corresponding output tax resulted in loss of revenue of ₹ 0.70 crore. Besides, penalty of ₹ 0.07 crore and interest of ₹ 0.44 crore was leviable. Total dues worked out to ₹ 1.21 crore.

On a verification of purchase details uploaded in eFS, in was noticed that one purchasing dealer in LGSTO-373, Honnavara had claimed input tax credit of ₹ 6.51 lakh in respect of 13 invoices issued by the selling dealer to other dealers against ₹ 0.98 lakh uploaded by the selling dealer in respect of the purchasing dealer. Further, it was noticed in LGSTO-270, Mangaluru that the purchasing dealer had effected purchases and claimed ITC of ₹ 5.59 lakh for the tax periods April 2015 to February 2016. However, the selling dealer had not filed returns for these periods. Thus, the incorrect allowance of ITC resulted in loss of revenue of ₹ 12.11 lakh. Besides, penalty of ₹ 1.21 lakh and interest of ₹ 10.28 lakh was leviable. Total dues worked out to ₹ 23.60 lakh.

After Audit brought these cases to the notice of the Department and the Government during February 2021, an amount of ₹ 1.50 lakh was collected in one case and demand notices were issued in two cases amounting to ₹ 0.80 crore. Replies are awaited in remaining 22 cases (April 2021).

It is recommended that the CTD may institute checks by the Departmental Officers to examine genuineness of the ITC claims.

Chapter III

Chapter-III

Stamp duty and Registration Fee

3.1 Tax Administration

Receipts from Stamp Duty and Registration Fee are regulated by the Indian Stamp Act (IS Act), 1899, the Karnataka Stamp Act (KS Act), 1957, the Registration Act, 1908 and the Rules made thereunder. In Karnataka, the levy and collection of Stamp Duty and Registration Fee is administered at the Government level by the Principal Secretary, Revenue Department. The Department of Stamps and Registration (DSR) under the administrative control of the Revenue Department regulates the levy and collection of Stamp Duty and Registration Fee.

3.2 Internal Audit

The Department stated that though an Internal Audit Cell was constituted in December 2012, it was still not functional due to lack of manpower. But, the Department has a mechanism in place where the District Registrars are in charge of circle-wise periodic audits. The results of such audit are reported to the Inspector General of Registration and Commissioner of Stamps (IGR&CS). The position of observations is as shown in **Table 3.1**.

Table 3.1
Year-wise details of observations

(₹ in crore)

Year	Observations raised		Observations settled		Observations pending	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
2015-16	303	3.49	118	0.53	185	2.96
2016-17	791	6.34	124	2.50	667	3.84
2017-18	629	6.02	121	1.53	508	4.49
2018-19	727	10.26	84	0.26	643	10.00
2019-20	299	1.22	41	0.06	258	1.16
Total	**2749**	**27.33**	**488**	**4.88**	**2261**	**22.45**

As seen from the above, 2,261 observations involving ₹ 22.45 crore were pending settlement as on 31 March 2020. Early action may be taken to settle the pending observations.

3.3 Results of Audit

There are 285 auditable units in the Department of Stamps and Registration. Out of these, audit selected 59 units for test check wherein 9.35 lakh documents were registered. Out of these, Audit test checked 1.24 lakh documents (13.26 *per cent*) during the year 2019-20 and noticed 1264 cases (1.02 *per cent* of audited sample) of short-levy of Stamp Duty and Registration Fee due to undervaluation and suppression of consideration, misclassification of documents, incorrect assessment of value of development agreements and other non-observance of provisions of Acts/Rules, etc., involving an amount of ₹ 216.83 crore. These cases are illustrative only as these are based on test check of records. The observations broadly fell under the following categories.

Table 3.2

Results of Audit

(₹ in crore)

Sl. No.	Category	No. of Paragraphs	Amount
1.	Short-levy of SD and RF due to undervaluation	50	63.02
2.	Short-Levy SD and RF due to suppression of consideration	36	9.35
3.	Short-levy of SD and RF on Development agreements	12	12.07
4.	Short-levy of SD and RF due to misclassification of documents	50	99.55
5.	Other irregularities	85	32.84
	Total	**233**	**216.83**

During the year an amount of ₹ 7.77 crore was recovered in 54 paragraphs pointed out in earlier years.

A few illustrative cases of non/short realisation of Stamp Duty and Registration Fee involving ₹ 45.50 crore are discussed in the following paragraphs.

3.4 Short-levy of Stamp Duty and Registration Fee due to misclassification of documents

According to Section 3 of the Karnataka Stamp Act 1957, Stamp Duty is levied on instruments chargeable with duty as prescribed under various Articles in the Schedule of the Act, ibid. On presentation of a document for registration, the Sub-Registrar classifies the document under the relevant Article, estimates the value of the document and prepares a document summary report containing the details of the property and the transaction. The Stamp Duty and Registration Fee payable is determined based on the value of the properties and the Articles of the Karnataka Stamp Act, 1957 and the Registration Act, 1908.

During audit of two[28] Sub-Registrar Offices (SROs) between September 2019 and October 2019, audit test checked 491 documents (23 *per cent* out of 2,132 documents) and noticed six cases (1.22 *per cent* of the audited sample) of short-levy of SD and RF due to misclassification of documents like Sale-agreements, Powers of Attorney and Lease-deeds. The details are as below.

Lease-deeds:

Stamp duty on lease deeds of immovable property is levied at different rates depending on the term of the lease. For a term between one and ten years, the SD is levied at one per cent and for a term between twenty and thirty years under clause (iii) of Article 30, at three *per cent* on the average annual rent

[28] SROs-Jala and Yelahanka.

including money advanced if any, under clause (v). Whereas, for a term exceeding thirty years, it is to be treated as conveyance and stamp duty is to be levied at five *per cent* on the average annual rent including money advanced if any *or* the market value of the property, whichever is higher, under clause (vi) of the Article.

It was noticed in SRO, Yelahanka that two lease deeds were registered between the same parties for the same property and on the same day. The first lease deed was for a term of 29 years and the second was for a term of four years after the day the term of the first lease ended. Hence the term of the leases were for a period of 33 years, continuous without break. The Sub-Registrar while registering the above deeds treated them as separate leases and levied stamp duty at three *per cent* and one *per cent* respectively under clauses (iii) and (v), instead of levying at five *per cent* as under clause (vi). This led to short-levy of SD and RF of ₹ 2.08 crore.

Sale-agreements:

Under Article 5(e)(i) of the Karnataka Stamp Act, sale-agreements of immovable properties through which possession of the property is delivered or is agreed to be delivered before executing a conveyance document is to be treated at par with conveyance and stamp duty is to be levied at five per cent on the market value of the property. If the sale-agreement is without possession, then stamp duty is to be levied at 0.1 *per cent* limited to ₹20,000.

During audit of SRO, Jala, audit noticed two sale-agreements where possession was either delivered or agreed to be delivered. In one case, the parties had agreed to execute a sale-deed within six months of the sale-agreement, but the vendor had also agreed to deliver physical possession of the property as and when requested by the purchaser. In the other case, it was brought out in the recitals of the agreement that the purchaser was already in possession of the property and was cultivating the land which was the subject matter of the agreement. In both these cases, the Sub-Registrar concerned levied SD at nominal rates instead of five *per cent*. This led to short-levy of SD and RF of ₹ 37.63 lakh.

Power of Attorney:

Under clauses (a) to (d) of Article 41, Stamp duty is charged at nominal rate for documents authorising Powers to Attorney to do specific acts on behalf of the Owner, without the powers to sell the property. However, for documents purporting to provide the Attorney with powers to sell the property, the document is to be treated at par with conveyance and stamp duty is to be charged at five *per cent*, as per clause (eb) of the Article.

Audit noticed one document each in the above mentioned two SROs, wherein the Owners of immovable properties had authorised their respective Attorneys to sell the immovable property through documents registered as General Power of Attorney. In both the cases the SROs concerned had levied stamp duty at nominal rates instead of levying at five *per cent*. This led to short-levy of SD and RF of ₹ 20.38 crore.

These cases were brought to the notice of the Department during November 2019 and January 2021. The IGR&CS has replied that the District Registrars concerned have initiated action in all the cases under Section 46(A) of the KS Act, 1957 and Section 80(A) of the Registration Act, 1908.

It is recommended that the IGR&CS may take up periodic review of such cases under Section 53(A) to mitigate the risk of misclassification and avoid evasion of Government revenue.

3.5 Short-levy of Stamp Duty and Registration Fee due to suppression of facts

Stamp Duty is levied on instruments chargeable with duty as prescribed under various Articles in the Schedule of the Karnataka Stamp Act, 1957 and Registration Fee is levied as per the rates prescribed in the table of Registration Fee under the Registration Act, 1908. The parties executing a document shall provide the details of the properties being conveyed and its market value. As per Section 28 of the Karnataka Stamp Act, 1957, the facts and circumstances affecting the chargeability of an instrument shall be fully and truly set forth by the parties. When documents are presented for registration, the Sub-Registrar shall make such enquiries, examine all relevant records and estimate the market value of the properties in the document.

During audit of 13 Sub-Registrar Offices (SROs) between April 2018 and October 2019, audit test checked 11,882 documents (11.73 *per cent* out of 1,01,255 documents) and noticed 25 cases (0.21 *per cent* of the audited sample) of short-levy of SD and RF due to suppression of value by the parties concerned, not reckoning the advance amounts received as part of consideration, not disclosing the existence of buildings, disregarding the existence of Power of Attorney etc. as detailed below.

a. Actual value determined through related documents:

As per Rule 3 under the Karnataka Stamp (Prevention of undervaluation of instruments) Rules, 1977, the parties to the document shall furnish information about the various items of properties involved in the document and the Sub-Registrar may elicit any information bearing on the subject and examine any records, for the purpose of ascertaining the correctness of the market value.

Audit noticed five documents[29] which were registered by levying SD and RF on the consideration stated in the document based on the information provided in the documents. Further examination of related documents available in the files concerned revealed that the actual value was more than the consideration stated in the document. In one case, the existence of plant and machinery was suppressed, but documented in a subsequent mortgage deed executed on the same day. In two cases, the actual value transacted and the existence of buildings in the land were brought out in certified copies of their respective Board Resolutions. In the remaining two cases, the actual consideration passed-on from the purchaser was disclosed in a subsequent sale-agreement

[29] SROs–Hagaribommanahalli, J.P.Nagar, Kanakapura, Kolar and Sakleshpura.

and the fact that the property was abutting National Highway was documented in the previous Sale-deed preceding the current deed. In all these cases, the value of the documents enhanced due to the disclosures as above but were levied SD and RF based on the value stated in the document. The resultant short-levy of SD and RF amounted to ₹ 8.86 crore.

b. *Non-reckoning of Power of Attorney:*

For a sale-agreement without delivery of possession of the property under Article 5(e)(ii), SD is levied at 0.1 *per cent* limited to ₹ 20,000, on the consideration. But as per explanation under the Article, when a reference of a power of attorney granted by the seller to the purchaser in respect of the property which is the subject matter of the agreement, is made in the agreement, then the possession of the property is deemed to have been delivered. In such cases, SD is levied at five *per cent* on the market value of the property as envisaged under Article 5(e)(i).

Audit noticed eight[30] cases where sale-agreements were accompanied by Power of Attorney which were executed on the same day and registered on the same day at the same SRO. However, neither had the parties mentioned about the execution of the Power of Attorney, in the respective Sale-agreements, nor did the Sub-Registrar reckon the existence of Power of Attorney together with Sale-agreements. This resulted in overlooking the explanatory clause under the Article 5(e)(ii), as per which the possession of the properties were deemed to have been delivered and were to be levied SD at five *per cent* of the market value. But, the Sale-agreements were registered treating them as without-possession, resulting in short-levy of Stamp duty amounting to ₹ 99.93 lakh.

c. *Non-reckoning the advance amounts received by the vendors as part of consideration:*

During the course of a transaction, the parties concerned may first enter into a sale-agreement documenting the willingness and the value agreed to the transaction. The recitals of the sale-agreements would in addition to the value, also contain the advance amounts passed on from the purchaser, as on that date. Later on the parties would execute the actual sale-deed.

Audit noticed twelve[31] cases where parties had executed sale-agreements prior to execution of sale-deeds and were registered at the jurisdictional SROs. In all these cases, the purchasers concerned had passed-on certain amounts as advance to the vendors ranging from ₹ 5.00 lakh to ₹ 1.78 crore. All these sale-agreements were succeeded by sale-deeds which were registered at later dates. While executing the sale-deeds the parties concerned had not included the advance amounts already passed-on to the vendors, as part of the consideration, which resulted in suppression of actual value of the transaction. The subsequent short-levy of SD and RF amounted to ₹ 28.88 lakh.

---

[30] SROs-Byatarayanapura, Dasanapura, Hosakote, Jala and Peenya.

[31] SROs- Hosakote, Hospete, Malleswaram, Mysuru (South) and Ramanagaram.

These cases were brought to the notice of the Department in December 2020. The IGR&CS has replied that the District Registrars concerned have passed final orders for recovery in five cases amounting to ₹ 14.02 lakh and initiated action in the remaining cases under Section 46(A) of the KS Act, 1957 and Section 80(A) of the Registration Act, 1908 (April 2021).

It is recommended to incorporate a system in KAVERI[32] to flag the different instruments between the same parties in respect of the same property.

3.6 Short-levy of Stamp Duty and Registration Fee on Joint Development Agreements

Joint Development is an arrangement between a Developer and a Land Owner, where the Developer forms a layout or builds apartments on the land belonging to the Owner. As per the arrangement, the developed layout or the apartments are shared between the Owner and the Developer in agreed ratios and the Developer is entitled to sell his share in the developed property.

As per Article 5(f) and 41(ea) of the Karnataka Stamp Act, 1957, documents pertaining to Joint Development of property are to be levied Stamp Duty at two *per cent* on the market value of the developer's share in the land ***or*** the market value of the owner's share in the developed property, whichever is higher, including money advanced, if any. Registration Fee[33] is also leviable at one *per cent* ad-valorem on the market value of the property which is the subject matter of development as per Article III(a) of the Registration Act, 1908.

During audit of Nine[34] Sub-Registrar Offices (SRO) between February 2019 and December 2019, Audit test-checked 299 JDAs (34 *per cent* out of 879 JDAs) pertaining to the period 2016-17 and 2018-19 and noticed 62 JDAs (20.73 *per cent* of the audited sample) wherein Stamp Duty and Registration Fee were short-levied. The details are as below.

Development of layouts/sites:

In the case of formation of layouts, the land belonging to the owner would either be agricultural or land converted for non-agricultural purposes. The Developer obtains all the necessary approvals from competent authorities[35], including conversion in the former case and develops a layout by forming individual sites. As per the Zoning Regulations Act, an area comprising 45 *per cent* of the initial land will have to be utilised/reserved for roads, parks and other civic amenities and sites would be formed in the remaining 55 *per cent* of the land. The market value guidelines prescribe higher values for sites

---

[32] Application used in a Sub-Registrar Office for registration of documents.

[33] Registration Fee limited to ₹ 1.50 lakh upto 14.2.2018.

[34] Bommanahalli, Byatarayanapura, Chikkaballapura, Doddaballapura, Ganganagar, Hosakote, Jigani, Sriramapura, Yelahanka.

[35] Bangalore Development Authority (BDA), Bangalore Metropolitan Region Development Authority (BMRDA), Bangalore International Airport Area Planning Authority (BIAAPA) etc.

approved by competent authorities compared to general sites under the jurisdiction of village panchayats.

Out of the 62 cases stated above, 33 cases pertained to development of layouts. Stamp Duty was to be levied on the owner's share of the developed sites, which was higher in value. In all the cases, the Sub-Registrar while computing the value of sites had not adopted the higher values assigned for sites approved by the competent authority. This resulted in short-levy of SD and RF of ₹ 1.75 crore.

Development of apartments:

In the case of construction of apartments, the developer obtains all the necessary approvals and constructs apartments to the extent approved by the competent authorities.

Out of the 62 cases, the remaining 29 cases pertained to development of apartments. The ratio of sharing between the owner and the developer were mentioned in all the documents. However, it was noticed that the floor area ratio[36] (FAR) to determine the total built-up area was mentioned only in 10 cases and in the remaining 19 cases, neither the floor area ratio nor the approximate built-up area were mentioned. The Sub-Registrars concerned had not insisted for the floor area ratio and adopted nominal values to determine the SD and RF payable. The Sub-Registrars had also not considered enhancement of value for commercial complexes as envisaged in the market value guidelines. This was despite circular instructions by the IGR&CS, instructing all the Sub-Registrars to refer such documents to the jurisdictional District Registrars for further proceedings, where the FAR was not mentioned. Audit calculated the built-up area by applying FAR prescribed under the Zoning Regulation Act, 2015 and estimated the value by applying rates as envisaged in the market value guidelines. The consequent short-levy of SD and RF worked out to ₹ 4.84 crore.

These cases were brought to the notice of the Department between March 2019 and January 2020. The IGR&CS has replied that the District Registrars concerned have initiated action in all the cases under Section 46(A) of the KS Act, 1957 and Section 80(A) of the Registration Act, 1908.

It is recommended that the Sub-Registrars may strictly follow the guidelines issued by the IGR&CS and correctly compute the shares in JDA as a significant percentage of JDAs are undervalued.

3.7 Short-levy of Stamp Duty and Registration Fee due to Undervaluation

According to Section 3 of the Karnataka Stamp Act 1957, Stamp Duty is levied on instruments chargeable with duty as prescribed under various Articles in the Schedule of the Act, *ibid*. Under Article 20, for instruments of

[36] Floor Area Ratio is the allowable built-up area for a specific parcel of land, prescribed per sq.mtr.

conveyance, Stamp Duty is charged as a percentage of the consideration or of the market value of the property, whichever is higher. Market Value Guidelines are prescribed for properties situated in the State by the Central Valuation Committee under Section 45-B of the Act. This forms the basis for estimation of market value by the Registering Officer while registering documents chargeable with Stamp Duty. A set of Special Instructions is also appended as Annexure-I to the statement of estimated values to deal with specific enhancements in the nature of the property. These instructions are to be correctly applied during valuation to arrive at the proper market value of the property.

During audit of six Sub-Registrar Offices (SROs) between May 2019 and December 2020, Audit noticed short-levy of Stamp Duty and Registration Fee amounting to ₹ 4.81 crore due to adoption of incorrect guidance values, incorrect classification of the nature of the document, non-adherence to Special Instructions, etc. In this connection, Audit had test checked 4,917 documents (6.56 *per cent* out of 74,898) and noticed the above discrepancies in 25 sale deeds (0.5 *per cent* of the audited sample). The details are as follows.

a. Non-application of sital rates

The rates of properties are prescribed in the market value guidelines generally under different categories namely, agricultural properties, converted properties, sites and apartments. The rates for agricultural land are prescribed per acre, for converted land which are still un-developed, it is prescribed by enhancing the agricultural rates by fixed percentages and for sites and apartments, in square metres, in increasing order of value respectively. The sital rates are applied wherever the properties are developed. Further, there are special instructions, which prescribe application of sital rates for converted properties conveyed in pieces.

Audit noticed 16 documents[37] wherein rates pertaining to converted land were applied even though the properties warranted valuation based on sital rates. In 10 cases, converted properties were conveyed in pieces, in four cases, the lands being conveyed were actually stated to be developed in the recitals of the document itself and in the remaining two cases, specific sital rates were prescribed in the market value guidelines. However, in all these cases, the Sub-Registrars concerned valued the properties by applying rates pertaining to converted un-developed land. This resulted in short-levy of Stamp Duty and Registration Fee of ₹ 4.24 crore.

b. Non-application of enhanced rates

The market value guidelines contain general rates for each area under the jurisdiction of the SRO concerned. In addition, there are a set of special instructions regarding valuation, to be applied depending on specific enhancements in the nature of the property as brought out below.

[37] SROs – Ballari, Doddaballapura and Nelamangala.

Prescribed rates of enhancement

Nature of property	Percentage enhancement of general rates
Property converted for residential purposes	65 *per cent* enhancement
Agricultural property abutting any village road	25 *per cent* enhancement
Property abutting National Highway	50 *per cent* enhancement
Property with roads on two sides	10 *per cent* enhancement
For Commercial sites	30 *per cent* enhancement
For Commercial buildings	40 *per cent* enhancement

Audit noticed seven documents[38] wherein properties (i) abutting NH, (ii) agricultural properties abutting village roads and properties with roads on two sides (iii) property converted for residential purpose and (iii) commercial properties; were conveyed. All these cases warranted enhancement of general rates by percentages prescribed, but were valued at general rates instead. This resulted in short-levy of Stamp Duty and Registration Fee of ₹ 52.49 lakh.

c. *Adoption of incorrect values*

The market value guidelines prescribe general rates for all the areas within its jurisdiction and specific rates for individual properties wherever possible. These values are to be correctly applied while estimating the value of a property being conveyed.

Audit noticed two cases[39]where incorrect rates were applied during valuation of the properties. In one case, incorrect rates were adopted which led to undervaluation. In the other case, two values were depicted in the document, one pertaining to consideration passed on from purchaser to vendor and the other was the value on which stamp duty and Registration Fee were being paid, which was higher. In this case, the SRO valued the document based on the consideration passed on, which was lesser in value. Thus, error in identifying the correct rates for valuation led to short-levy of Stamp Duty and Registration Fee of ₹ 3.54 lakh.

The errors in valuation of the documents brought out in the above sub paragraphs occurred, since the SROs concerned had overlooked the special instructions prescribed for enhancement of general rates wherever applicable.

These cases were brought to the notice of the Department between June 2019 and February 2020. The IGR&CS has replied that the District Registrars concerned have initiated action in all the cases under Section 46(A) of the KS Act, 1957 and Section 80(A) of the Registration Act, 1908.

It is recommended that the Department may judiciously utilise the market value guidelines to enhance revenue realised through Stamp Duty and Registration Fee.

3.8 Short-levy of Stamp Duty and Registration Fee on Gift Deeds

As per Section 122 of the Transfer of Property Act, Gift is the transfer of certain existing moveable or immoveable property made voluntarily and

[38] SROs – Kolar, Maadanayakanahalli, Nelamangala and Sriramapura.

[39] SRO, Kolar.

without consideration, by one person, called the donor, to another, called the donee, and accepted by or on behalf of the donee.

The Stamp Duty and Registration Fee are charged on a Gift deed as per Article 28 of the schedule to the Karnataka Stamp Act, 1957 and Note 11 under Article I of the Registration Act, 1908, respectively, as detailed below:

i) Where the Gift is ***not*** between family members, SD is charged at five *per cent* and RF at one *per cent* on the market value of the property.

ii) Where the Gift is between family members, SD is charged at fixed rates[40] ranging from ₹ 1,000 to ₹ 5,000 depending on the place where the property is situated and RF at a fixed rate of ₹ 500;

Family is defined in Explanation[41] below the Article.

During audit of two Sub-Registrar Offices[42] (SROs) in February and October 2019, audit test checked 49 documents (2.32 *per cent* out of 2105) titled as Gift deeds and noticed seven cases (14.28 *per cent* of the audited sample) of short-levy of SD and RF as detailed below.

a. Gift between distinct entities:

Audit noticed four cases in the above two SROs, wherein SD and RF was charged at fixed rates treating the documents as between family members. Scrutiny of the documents revealed that in one case, a person had gifted property to a temple trust represented by the same person as Chairman and in the other three cases, property belonging to an industry was gifted by its proprietor to his three sons through three Gift deeds. In both the above instances the donors were merely representing the entities and the transaction was not in their personal capacities. Hence, the documents were to be treated as ***not*** between family members and SD and RF had to be charged as at (i) above on the market value of the properties. Consequent short-levy of SD and RF amounted to ₹ 1.12 crore. Audit further adds that documents relating to Gift may be reviewed to avoid short-levy of SD and RF due to deliberate mis-classification between family and non-family members.

b. Application of incorrect rates:

Audit noticed three cases in SRO, Jigani where properties were transferred to non-family members through Gift deeds. In one instance, a person had gifted property to two of his neighbours through two Gift deeds, and in the other instance a person had gifted a property jointly to his Sister and Son-in-law. All the three documents were registered by collecting SD and RF on the market value of the properties. But the market values were estimated by applying incorrect rates. This resulted in undervaluation and subsequent short-levy of SD and RF of ₹ 1.30 lakh.

[40] Within BBMP, BMRDA or City Corporation limits-₹5000; within City, Town Municipal Council or Town Panchayath Area-₹3,000; and other than these two limits-₹1000.

[41] Explanation under Article 28 defines Family in relation to the donor for the purpose of Gift deed as – Father, Mother, Husband, Wife, Son, Daughter, Daughter-in-law, Brothers, Sisters and Grand Children.

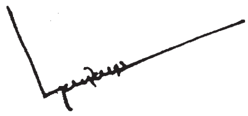
[42] SROs – Jala and Jigani.

These cases were brought to the notice of the Department in July 2020 and referred to the Government in December 2020. The IGR&CS has replied that the District Registrars concerned have initiated action in all the cases under Section 46(A) of the KS Act, 1957 and Section 80(A) of the Registration Act, 1908 (April 2021).

It is recommended that the Sub-Registrars may adhere to the definition of 'family' while charging duty on Gift deeds comprising of family and non-family members.

Bengaluru **(Shanthi Priya S)**
The **Principal Accountant General (Audit-I)**
Karnataka

Countersigned



New Delhi **(Girish Chandra Murmu)**
The **Comptroller and Auditor General of India**

Appendices

Appendix 1.1
(Reference: Paragraph 1.10.1/Page 6)
Year-wise breakup of outstanding Inspection Reports and Paragraphs issued up to 31 March 2020

Sl. No	Department	Less than One Year		1 to 2 years		2 to 5 years		5 to 10 years		More than 10 years		Total	
		No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras
1	Administration Training Institute	0	0	1	50	0	0	0	0	0	0	1	50
2	Agriculture	4	53	44	539	55	319	47	318	173	417	323	1,646
3	Animal Husbandry and Veterinary Services	0	0	0	0	50	248	7	28	101	221	158	497
4	Backward Classes and Minority Welfare	0	0	22	291	25	152	7	33	33	70	87	546
5	Centralised Pension Payment Centre	1	8	10	23	19	41	1	7	3	4	34	83
6	Co-operation	3	34	2	12	26	141	9	38	2	17	42	242
7	Department of Collegiate Education	22	174	44	398	108	610	57	183	75	153	306	1,518
8	Department of Economics Statistics & Planning	0	0	0	0	12	70	3	8	4	8	19	86
9	Department of Finance	3	24	5	30	9	42	9	36	0	0	26	132
10	Department of Higher Education (Universities)	6	165	0	0	7	129	18	251	31	282	62	827
11	Department of Labour	0	0	12	69	2	29	2	3	1	1	17	102
12	Department of Primary & Secondary Education (Department of Public Instruction and Mass Education)	4	40	30	310	109	486	139	467	354	869	636	2,172
13	Department of Public Libraries	8	59	0	0	29	131	15	45	2	4	54	239
14	Department of Technical Education	2	12	19	146	66	444	86	341	33	71	206	1,014
15	Department of Youth, Empowerment and Sports	0	0	13	172	3	32	22	127	29	81	67	412
16	Directorate of Pension, Small Savings & Asset Liability Monitoring	0	0	0	0	0	0	1	3	9	16	10	19
17	Directorate of Translation	1	3	0	0	1	4	0	0	0	0	2	7
18	Disabled Welfare	14	74	0	0	33	212	7	13	8	12	62	311

Sl. No	Department	Less than One Year		1 to 2 years		2 to 5 years		5 to 10 years		More than 10 years		Total	
		No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras
19	Disaster Management	0	0	0	0	0	0	0	0	0	0	0	0
20	Drugs	0	0	26	159	11	13	0	0	2	2	39	174
21	Election/State Election Commission	1	4	1	3	2	11	1	2	0	0	5	20
22	Employees State Insurance Services	0	0	20	92	18	50	12	23	4	4	54	169
23	Employment and Training	0	0	5	37	18	116	8	25	7	8	38	186
24	Fisheries	40	464	3	5	10	43	7	35	55	111	115	658
25	Food, Civil Supplies and Consumer Affairs	2	9	0	0	18	108	17	53	2	3	39	173
26	Gazette	0	0	1	7	1	5	0	0	0	0	2	12
27	General Administration (Revenue/ land Revenue)	4	18	149	823	551	3,460	245	950	120	271	1,069	5,522
28	Governor	0	0	2	13	3	25	2	5	5	12	12	55
29	Health and Family Welfare	0	0	78	1,175	260	1,379	102	261	59	211	499	3,026
30	Horticulture	72	493	1	2	52	199	55	225	87	193	267	1,112
31	Hospitality	0	0	2	9	0	0	0	0	0	0	2	9
32	Indian Medicine (Ayush)	0	0	3	32	47	161	5	8	10	12	65	213
33	Industrial Training Institute	0	0	6	42	15	72	27	91	19	30	67	235
34	Information & Public Relations	0	0	3	39	6	45	4	5	5	10	18	99
35	Karnataka Public Service Commission	0	0	1	6	1	2	1	2	0	0	3	10
36	Karnataka Building and Other Construction Workers Welfare Board	0	0	1	19	1	29	4	66	0	0	6	114
37	Karnataka Group Insurance Department	0	0	1	6	5	23	9	25	0	0	15	54
38	Karnataka Labour Welfare Board	0	0	1	7	1	5	1	14	0	0	3	26
39	Karnataka State Audit and Accounts Department	0	0	0	0	1	9	1	1	0	0	2	10
40	Karnataka Unorganised Workers Social Security Board	0	0	1	8	1	4	1	13	0	0	3	25

Sl. No	Department	Less than One Year		1 to 2 years		2 to 5 years		5 to 10 years		More than 10 years		Total	
		No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras
41	Karnataka Vocational Training and Skill Development Corporation	0	0	0	0	1	32	2	22	0	0	3	54
42	Medical Education	5	52	27	389	54	417	45	127	53	89	184	1,074
43	Minor irrigation	2	12	19	157	46	367	55	248	0	0	122	784
44	Pre-University Education	0	0	0	0	70	579	89	222	37	59	196	860
45	Printing & Stationery	4	45	1	3	8	16	4	15	14	18	31	97
46	Rural Development and Panchayat Raj	90	1,183	113	1,733	213	2,052	349	1,559	693	2,063	1,458	8,590
47	Sainik Welfare	0	0	0	0	0	0	13	41	1	1	14	42
48	Sericulture	0	0	0	0	29	114	1	1	82	236	112	351
49	Social Welfare	0	0	36	435	117	675	48	160	195	656	396	1,926
50	State/Personnel/DPAR	0	0	2	74	0	0	0	0	0	0	2	74
51	Tribal Welfare	0	0	2	21	4	49	2	13	12	28	20	111
52	Vidhana Sabha	0	0	2	19	3	20	3	13	13	52	21	104
53	Water Resources (Major and Medium Irrigation)	3	15	9	66	67	344	147	839	5	13	231	1,277
54	Women and Child Development	0	0	0	0	19	140	26	139	219	529	264	808
	Corporations under Health & Welfare Cluster	0	0	3	37	17	129	3	9	4	8	27	183
	TOTAL	**291**	**2,941**	**721**	**7,458**	**2,224**	**13,783**	**1,719**	**7,113**	**2,561**	**6,845**	**7,516**	**38,140**

Source: Information derived from IR registers maintained in Pr.AG (Audit I) office

Appendix 1.2
(Reference: Paragraph 1.10.3/Page 7)
Paragraphs (excluding General and Statistical) yet to be discussed by PAC as of 31 December 2020

Sl. No.	Department	95-96	96-97	97-98	98-99	00-01	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	Total
1	Agriculture										1					1						2
2	Animal Husbandry and Veterinary Sciences												1		1							2
3	Cooperation								1												1	2
4	Education								1	1			2				1	1		1	4	11
5	Empowerment of Differently Abled and Senior Citizens																		1			1
6	Finance					1			1		1									1		4
7	Food, Civil supplies & consumer affairs																		1	1		2
8	General Administration (Fire and Emergency Services in Karnataka)													1								1
9	Health and Family Welfare	1										1								2	1	5
10	Horticulture/Sericulture															1						1
11	Infrastructure																1					1
12	Labour															1						1
13	Medical Education															2	1	2				5
14	Minor Irrigation						1	2	1			3	2	1		1	2	3	5	1	2	24
15	Minority Welfare																				2	2
16	Personnel and Administrative Reforms (DPAR)																	1				1
17	Printing, Stationery and Publications									1												1
18	Revenue														1	4			1		1	7
19	Rural Development & Panchayat Raj																				2	2
20	Social Welfare				1																1	2
21	Water Resources		1	1	1											1	1			2		7
22	Women & Child Development																	1				1
	Total	**1**	**1**	**1**	**2**	**1**	**1**	**2**	**4**	**2**	**2**	**4**	**5**	**2**	**2**	**11**	**6**	**8**	**8**	**8**	**14**	**85**

Appendix 2.1

(Reference: Paragraph 2.1.1/Page 11)

Statement showing details of candidates' fee receipts which were not available in admission register nor traced in bank accounts

(Amount in ₹)

Sl. No.	Name of the Candidate	MBA Admission Evening Batch	Year	Receipt amount
1	Dharmendra H	2015-17	I year	13,680
2	Prabhu Shankar S	2015-17	II year	32,570
3	Seshadri Kumar V	2015-17	II year	32,570
4	Dr. Rama Prasad. T	2015-17	II year	32,570
5	Vinay Kumar G S	2015-17	II year	32,570
6	Vinod Kumar C.K	2016-18	I Year	33,070
7	Madhunayaka	2016-18	II year	32,570
8	Kamaluddin M	2016-18	II year	32,570
9	Jerald Rodrigues	2016-18	II year	32,570
10	Ajit Kumar M.G	2016-18	II year	32,570
11	Thejaswi B.R	2017-19	I year	33,070
12	Ravi Kumar A.S	2017-19	I year	33,070
13	Harsha S	2017-19	I year	33,070
14	Gauri R	2017-19	I year	33,070
15	Babu Reddy	2017-19	I year	33,070
16	Sai Arun V.H	2017-19	I year	33,070
17	Vidya Shree H.K	2017-19	I year	33,070
18	Roopa Shree N	2017-19	I year	33,070
19	Anil Raj	2017-19	I year	33,070
20	Santosh K.R	2017-19	I year	33,070
21	John Bhaskara A	2017-19	I year	33,070
22	Bharathi K	2017-19	I year	33,070
23	Mohd. Afzal K	2017-19	II year	32,770
24	Santosh K.R	2017-19	II year	32,770
25	Sujatha Patil	2017-19	I year	33,070
26	John Bhaskara A	2017-19	II year	32,770
27	Deepavathi K	2016-18	I & II year	65,640
28	Krithi Chandan V	2016-18	I year	33,070
29	Murali N	2016-18	I year	33,070
30	Nishanth N	2016-18	I & II year	65,640
31	Sunil Desai VR	2016-18	I year	33,070
32	Victor Sachin	2016-18	I & II year	65,640
33	Muralidhara S	2016-18	I year	33,070
34	N. Srinivasa Ulloor	2016-18	I year	33,070
35	Sadwini J	2016-18	I year	33,070
36	Vinayaka Nilogal	2016-18	I year	33,070
37	Shiva Kumar V	2017-19	I year	33,070
Total				**12,97,010**

Source: Records furnished by Bangalore University.

Appendix 2.2

(Reference: Paragraph 2.1.4/Page 17)

Statement showing the DDs not traced to bank accounts in respect of department of CBSMS

(Amount in ₹)

Sl. No.	Name of the Candidate	MBA Admission Batch	Year	Receipt amount	DD No./date	Receipt No./date
1	Raghavendra M	2015-17	I year	13,680	419982/14.09.15	CF-17143/14.9.15
2	Naveen Kumar N	2015-17	I year	13,680	419981/14.9.15	CF-17145/14.9.15
3	Vijaya Kumar A V	2015-17	I year	13,680	688193/15.9.15	CF-17596/28.9.15
4	Chinmaya Hegde	2015-17	I year	13,380	81094/28.9.15	CF-18691/01.10.15
5	Chinmaya Hegde	2015-17	I year	300	675596/20.10.16	CF-11687/21.10.16
6	Anand R	2015-17	I year	13,680	418074/15.09.15	CF-17176/15.9.15
7	Girisha Babu S	2015-17	I year	13,680	418075/15.9.15	CF-17177/15.9.15
8	Lakshmikantha H R	2015-17	I year	13,680	418097/15.9.15	CF-17189/15.9.15
9	Prabhu Shankar S	2015-17	I year	13,680	418166/15.9.15	CF-17244/15.9.15
10	Sunil Kumar G L	2015-17	I year	13,680	418179/15.9.15	CF-17240/15.9.15
11	Jaya Prakasha R	2015-17	I year	13,680	505896/15.9.15	CF-17256/15.9.15
12	Rama Prasad T	2015-17	I year	13,680	652547/18.9.15	CF-17379/22.9.15
13	Thyagaraju	2015-17	I year	24,070	424467/30.10.15	CF-19954/30.10.15
14	Rohith S	2015-17	I year	33,070	421741/15.10.15	CF-19283/15.10.15
15	Kesavanarayana G	2015-17	I year	33,070	421743/15.10.15	CF-19277/15.10.15
16	Madhura N	2015-17	I year	33,070	42179/15.10.15	CF-19284/15.10.15
17	Venkatesh Kalyanam	2015-17	I year	33,070	421763/15.10.15	CF-19301/15.10.15
18	Geevarathna	2015-17	I year	33,070	421794/16.10.15	CF-19329/16.10.15
19	Vinay Kumar G.S	2015-17	I year	33,070	424004/19.10.15	CF-19408/19.10.15
20	Vignesh V	2016-18	I year	35,070	456377/05.12.16	CF-17179/06.01.17
21	Dilip Kumar A	2016-18	I year	33,070	925874/03.12.16	CF-17187/06.01.17
22	Hareesh T P	2016-18	II year	32,570	-	2017PG887476/ 17.8.17
23	Rajendra H K	2016-18	II year	32,570	-	2017PG887505/ 17.8.17
			Total	**5,06,250**		

Source: Records furnished by Bangalore University.

Appendix 2.3

(Reference: Paragraph 2.1.4/Page 17)

Statement of DD not traced to bank accounts in respect of Department of Physical Education

(Amount in ₹)

	A/c No. 64062450768, 64062451183	
Year	**DD/Cheque no**	**Amount**
2014-15	95765	2,000
	41407	4,000
	413997	12,000
	52608	23,000
	096220	10,000
2015-16	755230	2,000
	620940	10,000
	454900	15,000
	620940	10,000
	454900	15,000
	620411	20,000
	620743	15,000
	019454	15,000
	622050	5,000
	454899	10,000
	626874	2,000
	627335	15,000
	645426	5,000
	046716	15,000
	048047	5,000
2016-17	773615	20,000
	707880	10,000
	414714	30,000
2017-18	952624	10,000
	516562	10,000
	377329	15,000
2018-19	140771	15,000
	464957	15,000
	597525	15,000
	598759	10,000
	TOTAL	**3,60,000**

Source: Records furnished by Bangalore University

Appendix 2.4 (a)

(Reference: Paragraph 2.1.5/Page 17)

Ground fee prescribed for various categories

(Amount in ₹)

Name of the Office	Small Field	Big Field	Indoor
Corporate Sector	5,000	15,000	5,000
Private College, School and Samsthe	4,000	10,000	5,000
Government College, School	3,000	5,000	3,000

Source: Information furnished by Bangalore University

Appendix 2.4 (b)

(Reference: Paragraph 2.1.5/Page 18)

Statement of short collection of ground fee

(Amount in ₹)

Sl. No	Name of the Institution	Date	Ground / no. of days hired	Amount Collected	Amount to be collected	Difference
1	Denso Kirloskar Industries pvt Ltd	15/11/2014	Small, big, indoor-1 day	23,000	25,000	2,000
2	Denso Kirloskar	20/12/2014	--do--	23,000	25,000	2,000
3	Stern Logistics limited	28/12/2014	Small-2 days	8,000	10,000	2,000
4	Shashikanth T V	28/12/2014	Big-1 day	10,000	15,000	5,000
5	Abhilash H P	19/02/2015	Small-1day	4,000	5,000	1,000
6	Shine Enterprises	29/12/2014	Small-10 days	40,000	50,000	10,000
7	Ashwini Company	08/08/2015	Big-1 day	2,000	15,000	13,000
8	K R Groups	24/08/2014	Small-1 day	2,000	5,000	3,000
9	Shashikanth T V	18/01/2015	Big-1 day	10,000	15,000	5,000
10	BEO, Bangalore	24/08/2016	Big-2 days	7,500	10,000	2,500
11	Ramesh B G	09/11/2016	Small-1 day	2,000	5,000	3,000
12	Bangalore Electricity Supply Company Ltd	06/10/2016	Big-6 days	60,000	90,000	30,000
Total						**78,500**

Source: Records furnished by Bangalore University

Appendix 2.5

(Reference: Paragraph 2.2/Page 21)

Statement showing the loss of interest in respect of Mangalore University

Sl. No	Period	Contribution towards NPS during the period((₹)	NAV value of SBI as on month ending	NAV value of LIC as on month ending	NAV value of UTI as on month ending	Average NAV value of as on month ending	Total no of units purchased
1	Investment was from Sep 2009 to March 2016	4,85,90,689	18.6979	18.916	18.7273	18.7804	25,87,308.524
2	Apr- 16	10,98,070	18.9393	19.172	18.97	19.0271	57,710.84401
3	May 16	10,21,112	19.1172	19.3459	19.171	19.21136667	53,151.45027
4	Jun-16	10,22,818	19.3732	19.6262	19.4453	19.48156667	52,501.83507
5	Jul-16	10,25,726	20.0296	20.2604	20.1042	20.1314	50,951.54833
6	Aug-16	10,28,208	20.3863	20.6277	20.4539	20.4893	50,182.68072
7	Sep-16	10,31,754	20.6219	20.8462	20.6677	20.71193333	49,814.47088
8	Oct-16	10,32,944	20.7334	20.9722	20.805	20.83686667	49,572.90444
9	Nov-16	10,63,100	21.3967	21.6099	21.4085	21.4717	49,511.68282
10	Dec-16	12,16,918	20.9244	21.1169	20.9175	20.98626667	57,986.39745
11	Jan-17	10,79,634	21.2205	21.4416	21.236	21.29936667	50,688.54942
12	Feb-17	10,81,600	20.8415	21.1066	20.9286	20.9589	51,605.76175
13	Mar-17	10,90,959	21.1742	21.4375	21.2658	21.2925	51,236.77351
14	Apr-17	11,02,190	21.1957	21.4778	21.3056	21.32636667	51,682.03366
15	May-17	11,65,954	21.5631	21.8218	21.6367	21.67386667	53,795.38492
16	Jun-17	11,21,592	21.9459	22.1868	21.9954	22.0427	50,882.69586
17	Jul-17	11,19,552	22.2543	22.5221	22.3555	22.3773	50,030.70075
18	Aug-17	10,97,410	22.2825	22.5621	22.3901	22.41156667	48,966.23321
19	Sep-17	11,00,456	22.2557	22.5093	22.3535	22.37283333	49,187.15406
20	Oct-17	11,30,968	22.3875	22.6965	22.5396	22.5412	50,173.37143
21	Nov-17	11,69,882	22.3074	22.5998	22.4667	22.45796667	52,092.07126
22	Dec-17	11,40,026	22.2769	22.5841	22.4671	22.4427	50,797.18572
23	Jan-18	11,59,280	22.324	22.6387	22.5261	22.49626667	51,532.10607
24	Feb-18	11,51,984	21.9836	22.2786	22.1706	22.14426667	52,021.77238
25	Mar-18	11,53,544	22.4329	22.6816	22.5518	22.55543333	51,142.62196
26	Apr-18	11,79,922	22.2965	22.5813	22.4901	22.45596667	52,543.80796
27	May-18	12,41,916	22.246	22.5249	22.4056	22.39216667	55,462.07379

Sl. No	Period	Contribution towards NPS during the period((₹)	NAV value of SBI as on month ending	NAV value of LIC as on month ending	NAV value of UTI as on month ending	Average NAV value of as on month ending	Total no of units purchased
28	Jun-18	12,30,138	22.2947	22.5289	22.4443	22.42263333	54,861.44208
29	Jul-18	12,51,528	22.6264	22.9083	22.8276	22.78743333	5,4921.8502
30	Aug-18	12,88,748	22.7311	23.0115	22.9383	22.89363333	5,6292.8558
31	Sep-18	14,68,766	22.54	22.763	22.6515	22.6515	64,841.88685
32	Oct-18	12,67,526	22.715	22.9352	22.8249	22.82503333	55,532.27378
33	Nov-18	12,81,942	23.2878	23.5735	23.408	23.4231	54,729.818
34	Dec-18	14,35,230	23.7282	24.0046	23.8224	23.85173333	60,172.98533
35	Jan-19	13,15,866	23.7639	23.9952	23.8589	23.87266667	55,120.19325
36	Feb-19	14,09,964	23.7265	23.9366	23.8383	23.8338	59,158.17033
37	Mar-19	13,23,014	24.4139	24.6211	24.5351	24.52336667	53,949.11792
38	Apr-19	13,32,576	24.3611	24.5813	24.4496	24.464	54,470.89601
39	May-19	15,08,914	25.0669	25.3053	25.1393	25.1705	59,947.71657
40	Jun-19	13,64,306	25.4098	25.6959	25.4481	25.51793333	53,464.59614
41	Jul-19	13,83,748	25.8153	26.0537	25.8136	25.8942	53,438.53064
42	Aug-19	15,27,446	25.8182	25.9523	25.743	25.83783333	59,116.6442
43	Sep-19	15,39,826	25.8545	25.9527	25.8234	25.87686667	59,505.89072
44	Oct-19	15,60,796	26.2396	26.3762	26.2238	26.27986667	59,391.32111
45	Nov-19	18,52,688	26.4471	26.5509	26.4396	26.4792	69,967.67274
46	Dec-19	42,95,313	26.5625	26.6848	26.5315	26.59293333	16,1520.8426
47	Jan-20	19,66,338	26.596	26.5965	26.5643	26.5856	73,962.52106
48	Feb-20	19,29,940	26.9897	26.9117	26.8967	26.9327	71,657.87314
49	Mar-20	19,11,409	26.5185	26.2501	26.285	26.3512	72,535.93764
	TOTAL	**11,28,64,230**					**53,51,093.672**
	Total value of investment on units purchased as on 31.03.2020(₹)			**14,10,01,318** (Total number of units purchased*Average NAV *i.e.*, 53,51,093.67*26.35)			
	Total Value after investment in LIC as on 31.03.2020(₹)			**13,45,94,443** (Data furnished by University)			
		Loss (₹)		**64,06,875**			

Source: Statements of return furnished by Mangalore University.

Appendix 2.6

(Reference: Paragraph 2.2/Page 21)

Statement showing the loss of interest in respect of Bangalore University

Sl. No	Period	Contribution towards NPS during the period ((₹)	NAV value of SBI as on month ending	NAV value of LIC as on month ending	NAV value of UTI as on month ending	Average NAV value of as on month ending	Total no of units purchased
1	Investment from 01.01.2006 to July 2016	12,78,68,058	20.0296	20.2604	20.1042	20.1314	63,51,672.412
2	01.08.2016 to 30.09.2017	2,69,69,780	21.1957	21.4778	21.3056	21.32636667	12,64,621.415
3	Oct-17	16,41,910	22.3875	22.6965	22.5396	22.5412	72,840.39891
4	Nov-17	19,59,054	22.3074	22.5998	22.4667	22.45796667	87,232.02902
5	Dec-17	16,43,530	22.2769	22.5841	22.4671	22.4427	73,232.27597
6	Jan-18	16,43,530	22.324	22.6387	22.5261	22.49626667	73,057.89998
7	Feb-18	16,43,530	21.9836	22.2786	22.1706	22.14426667	74,219.21099
8	Mar-18	20,81,266	22.4329	22.6816	22.5518	22.55543333	92,273.37685
9	Apr-18	18,20,546	22.2965	22.5813	22.4901	22.45596667	81,071.8161
10	May-18	18,37,790	22.246	22.5249	22.4056	22.39216667	82,072.89752
11	Jun-18	18,32,432	22.2947	22.5289	22.4443	22.42263333	81,722.4263
12	Jul-18	18,34,162	22.6264	22.9083	22.8276	22.78743333	80,490.06543
13	Aug-18	18,61,084	22.7311	23.0115	22.9383	22.89363333	81,292.64468
14	Sep-18	19,79,454	22.54	22.763	22.6515	22.6515	87,387.32534
15	Oct-18	19,60,264	22.715	22.9352	22.8249	22.82503333	85,882.19659
16	Nov-18	19,38,232	23.2878	23.5735	23.408	23.4231	82,748.73949
17	Dec-18	19,40,772	23.7282	24.0046	23.8224	23.85173333	81,368.1745

Sl. No	Period	Contribution towards NPS during the period ((₹)	NAV value of SBI as on month ending	NAV value of LIC as on month ending	NAV value of UTI as on month ending	Average NAV value of as on month ending	Total no of units purchased
18	Jan-19	19,44,962	23.7639	23.9952	23.8589	23.87266667	81,472.33936
19	Feb-19	19,67,436	23.7265	23.9366	23.8383	23.8338	82,548.14591
20	Mar-19	18,21,328	24.4139	24.6211	24.5351	24.52336667	74,269.08486
21	Apr-19	20,80,934	24.3611	24.5813	24.4496	24.464	85,061.06933
22	May-19	18,84,340	25.0669	25.3053	25.1393	25.1705	74,863.03411
23	Jun-19	19,19,658	25.4098	25.6959	25.4481	25.51793333	75,227.80058
24	Jul-19	12,96,756	25.8153	26.0537	25.8136	25.8942	50,079.01383
25	Aug-19	18,63,930	25.8182	25.9523	25.743	25.83783333	72,139.56279
26	Sep-19	19,05,766	25.8545	25.9527	25.8234	25.87686667	73,647.47922
27	Oct-19	19,03,482	26.2396	26.3762	26.2238	26.27986667	72,431.1894
28	Nov-19	19,57,272	26.4471	26.5509	26.4396	26.4792	73,917.33889
29	Dec-19	27,76,584	26.5625	26.6848	26.5315	26.59293333	1,04,410.5953
30	Jan-20	31,51,053	26.596	26.5965	26.5643	26.5856	1,18,524.8029
31	Feb-20	21,52,528	26.9897	26.9117	26.8967	26.9327	79,922.47342
32	Mar-20	24,96,186	26.5185	26.2501	26.285	26.3512	94,727.60254
	TOTAL	**21,35,77,609**					**1,00,46,426.84**
	Total value of investment on units purchased as on 31.03.2020(**₹**)			**26,47,23,347** **(**Total number of units purchased*Average NAV *i.e.*, 1,00,46,426.84*26.35**)**			
	Total Value after investment in LIC as on 31.03.2020(₹)			**24,57,78,484** (Data Furnished by University)			
	Loss (₹)			**1,89,44,863**			

Source: Statements of return furnished by Bangalore University

Appendix 2.7
(Reference: Paragraph 2.2/Page 21)
Statement showing the loss of interest in respect of Rani Channamma University

Sl. No	Period	Contribution towards NPS during the period ((₹)	NAV value of SBI as on month ending	NAV value of LIC as on month ending	NAV value of UTI as on month ending	Average NAV value of as on month ending	Total no of units purchased
1	Feb-15	12,85,320	17.56	17.87	17.65	17.69	72,644.31
2	Mar-15	12,89,646	17.53	17.85	17.61	17.66	73,012.61
3	Apr-15	12,90,402	17.49	17.82	17.58	17.63	73,193.53
4	May-15	13,11,724	17.6	17.93	17.69	17.74	73,941.60
5	Jun-15	13,13,348	17.49	17.83	17.58	17.63	74,480.98
6	Jul-15	10,41,850	17.77	18.1	17.87	17.91	58,160.59
7	Aug-15	10,43,072	17.85	18.11	17.9	17.95	58,099.07
8	Sep-15	10,54,898	8.17	18.42	18.21	14.93	70,640.49
9	Oct-15	10,82,866	18.27	18.53	18.32	18.37	58,936.83
10	Nov-15	10,67,346	18.2	18.48	18.26	18.31	58,282.45
11	Dec-15	10,70,044	18.22	18.47	18.29	18.33	58,387.27
12	Jan-16	10,66,634	18.15	21.45	18.22	19.27	55,342.48
13	Feb-16	10,70,990	18.02	18.26	18.08	18.12	59,105.41
14	Mar-16	10,70,990	18.69	18.91	18.72	18.77	57,048.47
15	Apr-16	13,61,482	18.93	19.17	18.97	19.02	71,569.06
16	May-16	12,99,018	19.11	19.34	19.17	19.21	67,633.70
17	Jun-16	12,86,698	19.37	19.62	19.44	19.48	66,063.56
18	Jul-16	12,88,428	20.02	20.26	20.1	20.13	64,015.97
19	Aug-16	12,90,610	20.38	20.62	20.45	20.48	63,007.81
20	Sep-16	13,77,012	20.62	20.84	20.67	20.71	66,490.20
	TOTAL	2,39,62,378					**13,00,056.39**
	Total value of investment on units purchased as on Sep 2016(₹)			**2,69,24,168** (Total number of units purchased*Average NAV as of September 2016 *i.e.*,13,00,056.39*20.71)			
	Total Value as contribution is not invested as on Sep 2016(₹)			**2,39,62,378** (Total Value as contribution not invested)			
	Loss (₹)			**29,61,790**			

Source: Statements of return furnished by Rani Channamma University

Appendix 2.8

(Reference: Paragraph 2.3/Page 23)

Statement showing the remittances not traced to KTC-25

(Amount in ₹)

Sl. No.	Challan date	Date of remittances indicated on the challan	Amount	Head of account
1	26.10.2017	13.11.2017	9,870.00	040300501001
2	27.11.2017	16.12.2017	9,930.00	040300501001
3	30.08.2017	30.08.2017	11,895.00	040300501001
4	25.01.2018	25.01.2018	9,330.00	040300501001
5	28.02.2018	28.02.2018	7,965.00	040300501001
6	06.04.2018	06.04.2018	10,875.00	040300501001
7	28.04.2018	28.04.2018	6,165.00	040300501001
8	30.07.2018	07.08.2018	7,680.00	040300501001
9	01.09.2018	01.09.2018	12,360.00	040300501001
10	26.03.2019	29.03.2019	52,400.00	0403000103002000
		Total	**1,38,470.00**	

Source: Records of the departments

Appendix –2.9
(Reference: Paragraph 2.5/Page 27)

Month wise details of loss of revenue for registration/renewal of shops and Establishments

	Registration				Renewal			
Month	**No of cases**	**Amount collected at pre revised rate**	**Amount to be collected at revised rates**	**Loss of revenue**	**No of cases**	**Amount Collected at pre revised rate**	**Amount to be collected at revised rates**	**Loss of revenue**
Apr-18	986	12,23,750	15,68,700	3,44,950	391	10,35,500	13,59,800	3,24,300
May-18	2,377	26,61,250	33,77,500	7,16,250	595	10,56,750	13,84,300	3,27,550
Jun-18	4,178	50,30,250	64,17,500	13,87,250	861	18,22,750	23,85,000	5,62,250
Jul-18	3,878	46,68,000	60,09,600	13,41,600	920	16,79,000	21,94,600	5,15,600
Aug-18	3,686	42,95,500	5465600	11,70,100	909	16,46,750	21,65,300	5,18,550
Sep-18	3,261	36,11,500	45,85,000	9,73,500	605	10,62,750	13,90,500	3,27,750
Oct-18	3,101	42,19,500	54,26,900	12,07,400	1,341	31,16,500	41,13,000	9,96,500
Nov-18	2,822	37,42,000	48,21,000	10,79,000	1,675	46,03,000	61,32,000	15,29,000
Dec-18	3,372	37,95,750	48,24,100	10,28,350	3,569	97,82,450	1,30,36,200	32,53,750
Jan-19	3,770	50,34,250	65,31,300	14,97,050	4,451	1,15,18,250	1,53,53,600	38,35,350
Feb-19	740	11,90,250	15,64,900	3,74,650	303	14,69,500	19,94,400	5,24,900
TOTAL	**32,171**	**3,94,72,000**	**5,05,92,100**	**1,11,20,100**	**15,620**	**3,87,93,200**	**5,15,08,700**	**1,27,15,500**
Grand Total	**1,11,20,100+1,27,15,500 = 2,38,35,600 or say ₹2.38 crore**							

Source: - *e-karmika*, Commissioner of Labour Department

Appendix 2.10
(Reference: Paragraph 2.5/Page 28)

Statement showing the loss of revenue due to non-renewal of registrations

Period	Number of shops due for renewal as of November 2020	Total revenue to be realised at current rates (Amount in ₹)
Up to 1961	39	85,300
1961-70	12	5,100
1971-80	12	9,700
1981-90	6,266	31,62,500
1991-2000	38,550	2,054,0,100
2001	1,976	11,66,500
2002	5,232	34,85,700
2003	10,902	70,55,700
2004	4,384	39,76,900
2005	6,257	49,37,600
2006	6,807	54,36,400
2007	11,111	1,04,68,000
2008	21,459	1,80,63,300
2009	11,201	1,27,45,800
2010	14,366	1,77,65,300
2011	15,936	2,25,90,700
2012	24,713	3,54,77,700
2013	39,961	3,92,00,800
2014	30,775	3,61,59,700
2015	30,616	3,58,57,700
2016	26,980	3,24,10,600
2017	27,432	2,61,30,000
2018	14,533	1,68,12,600
2019	15,254	1,85,57,100
2020 (up to November	1	4,000
Total	**3,64,775**	**37,21,04,800**

Source: - *e-karmika*, Commissioner of Labour Department

Note: The number of shops due for renewal are during the year and are not cumulative

Appendix-2.11
(Reference: Paragraph 2.6/Page 31)

Statement showing the short levy of penalty

Sl. No.	Work details	Contract price (₹ in Lakh)	Date of Agreement	Due date of completion	Actual Date of completion	Delay		Penalty (Amount in ₹)		Difference (in ₹)
						Total No. of days	Attributed to contractor	To be levied as per contract	Actual penalty collected	
1.	Renovation and Expansion of 100 bedded MCH in Gadag District. Contractor: M/s. Balaji Projects	1451.54	09-05-2014	25-11-2015	31-01-2019	1166	230	230 x 25,950 = 59,68,500	230 x 1000= 2,30,000	57,38,500
2.	Construction of District Health office building, Yadgir District Contractor: Shri. P. Ravindranath	725.59	11-01-2017	02-05-2018	31-05-2019	417	294	294 x 25,600 = 75,26,400 =72,55,900*	294 x 100 = 29,400	72,26,500
3.	Construction of 100 Bed MCH Wing at District Hospital, Bidar Contractor: Shri. Eranna Mamadapur	1993.50	24-06-2017	13-11-2018	13-03-2019	120	60	60 x 1,99,356 = 1,19,61,360	60 x 100= 6000	1,19,55,365
4.	Construction of Super Specialty Hospital in the premises of Gulbarga Institute of Medical Sciences, Kalaburagi Contractor: M/s. Jampana Construction Pvt. Ltd.	12414.65	27-03-2018	26-09-2019	Extension of time was allowed up to 26.09.2020#	365	92	92 x 12,41,465 = 11,42,14,780	92 x 5,000 = 4,60,000	11,37,54,780
5.	Construction of trauma Care Centre, Kalaburagi	2570.94	03-02-2016	08-08-2017	20-11-2018	444	30	30 x 39,725= 11,91,750	30 x 400 = 12000	11,79,750
6.	Upgradation of TLH from 30 beds at Yallapura in U.K. District	644.44	21-09-2016	17-01-2018	31-12-2018	375	253	253 x 81,375 = 20587875 =64,44,000*	253 x 200 = 50,600	63,93,400
	Total									**14,62,98,295**

Source: EOT form and Chief Engineer sanction letter

 # The work is still under progress as per the reply furnished by the State Government (April 2021)

*** Restricted to 10 per cent of the contract price**

Appendix-2.12

(Reference: Paragraph 2.7/Page 32)

Statement showing the quantity of RCC/RMC as per estimates

SL No in the BOQ	Grade of concrete (Machine mixed)	Name of the Work	Quantity of the work (in cum)
Sl.No.13	M 25 Foundation	KSRRB 4.2.1 Providing and laying in position reinforced cement concrete of M 25 with Machine mix, in foundation for footings, pedestals *etc*.	7,470.24
Sl.No.15	M25 Ground floor	KSRRB 4.2.7 Providing and laying in position reinforced cement concrete of M 25 Machine Mix Ground floor for roof slabs, staircase, lintels and beams retaining walls, return walls. *etc*.	3,795.48
Sl.No.16	M25 First floor	KSRRB 4.2.7 Providing and laying in position reinforced cement concrete of M 25 with machine mixed, roof slabs, staircase, lintels and beams retaining walls, return walls *etc*. First floor	1,880.93
Sl. No 17	M25 Second floor	KSRRB 4.2.7 Providing and laying in position reinforced cement concrete of M 25 with machine mixed for roof slabs, staircase, lintels and beams retaining walls, return walls *etc*. second floor	1,880.93
Sl. No 18	M 25 Third floor	KSRRB 4.2.7 Providing and laying in position reinforced cement concrete of M 25 with machine mixed for roof slabs, staircase, lintels and beams retaining walls, return walls *etc*. Third floor	2,086.25
Sl. No 19	M 25 Fourth floor	KSRRB 4.2.7 Providing and laying in position reinforced cement concrete of mix M 25 with machine mix for roof slabs, staircase, lintels and beams retaining walls, return walls *etc*. Fourth floor	2,119.00
Sl. No 20	M 25 Terrace(RMC)	KSRRB 4.2.7 Providing and laying in position reinforced cement concrete of mix M 25 machine mixed, roof slabs, staircase, lintels and beams retaining walls, return walls *etc*. TERRACE	2,02.27
		Total	**19,435.11**
Sl. No 14	M35 All floors	Providing and laying cement concrete of Ready Mix Concrete for RCC for Beams, staircase and Roof with M-35 for all floors	2,221.65

Source: BOQ furnished by Department

Appendix –2.13
(Reference: Paragraph 2.8/Page 36)

Statement showing the items of works falsely certified

Sl. No.	Item No in BOQ	Brief Description of work	Qty	Amount(₹)
1	212	Providing, Supplying, installing, testing and commissioning in all respects for Modular General OT.	2	24,77,458.00
2	214	Providing, Supplying and Fixing of Stainless-steel door.	2	1,58,020.00
2	215	Providing, Supplying and installation- for General OT.	2	15,86,514.00
3	217	Providing, Supplying and installation of single ARM Surgical Pendant.	2	2,40,300.00
4	219	Providing, Supplying, installing, testing and commissioning in all respects for Common Semi- sterile OT Corridor area.	1	14,69,560.00
5	223	Providing, Supplying, installing, testing and commissioning in all respects for scrub station.	1	1,39,269.00
6	398	Supplying, erection, testing and commissioning of KVA Diesel Generating Set on existing CC Platform.	1	7,04,052.00
7	399	Supplying, erection, testing and commissioning of KVA Diesel Generating Set on existing CC. Platform.	1	1,03,490.00
8	400	Supplying, erection, testing and commissioning of passenger/ hospital lift with speed.	1	28,81,273.00
TOTAL				**97,59,936.00**

Source: E-MB No GLB-343 furnished by the department

Appendix 2.14
(Reference: Paragraph 2.9/Page 37)

Abstract of GST paid to Manpower Services

(Amount in ₹)

Name of the Zilla Panchayat	Amount of wages paid	GST paid (@18%)	Total amount paid to service agency including surcharge
Dakshina Kannada (MGNREGA)	2,19,98,912	39,59,796	2,59,58,708
Dakshina Kannada (Akshara Dasoha)	39,69,472	7,14,494	46,83,966
Dakshina Kannada (ZP Maintenance)	1,31,39,148	23,65,034	1,55,04,182
Davanagere	1,04,66,898	18,84,041	1,23,50,940
Dharwad	33,67,388	6,06,129	39,73,516
Gadag	43,91,123	7,90,402	51,81,525
Mysuru	80,77,362.00	14,53,262	95,30,624
Raichur	67,89,275	12,22,059	80,11,334
Total	**7,21,99,578**	**1,29,95,217**	**8,51,94,795**

Source: Information furnished by the respective Zilla Panchayats

https://cag.gov.in/ag1/karnataka