

**REPORT OF THE
COMPTROLLER
AND
AUDITOR GENERAL OF INDIA
(CIVIL)**

FOR THE YEAR ENDED 31 MARCH 2008

GOVERNMENT OF KARNATAKA

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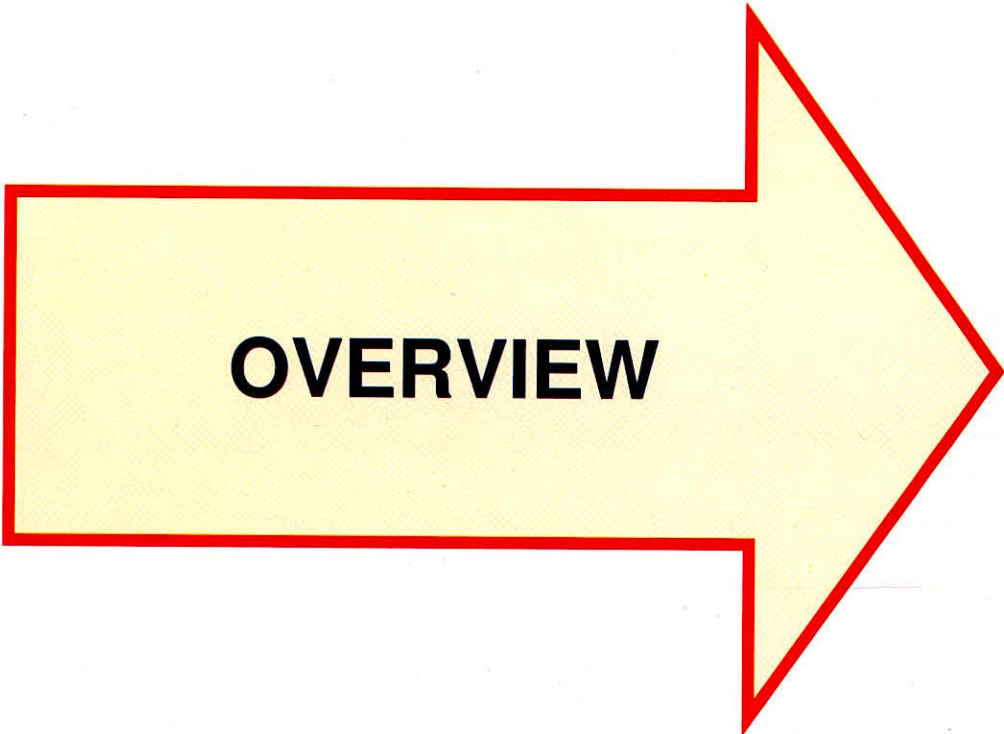
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PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.
2. Chapters I and II of this Report respectively contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2008.
3. Chapter III deals with the findings of performance audit while Chapter IV deals with findings of audit of transactions in various departments including the Public Works and Water Resources Departments, Autonomous Bodies, etc. Chapter V deals with comments on Internal Control System existing in a selected department in the State.
4. The Reports containing points arising from audit of the financial transactions relating to Zilla Panchayats, Statutory Corporations & Government Companies and Revenue Receipts are presented separately.
5. The cases mentioned in the Report are among those which came to notice in the course of test-audit of accounts during the year 2007-08 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the periods subsequent to 2007-08 have also been included, wherever necessary.



OVERVIEW

OVERVIEW

This report includes two chapters containing observations on Finance and Appropriation Accounts of the Government of Karnataka for the year 2007-08 and three chapters comprising three reviews, two long paragraphs and 10 paragraphs dealing with the results of performance audit of selected programmes, internal control system in Government departments as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgment basis. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the financial position of the State and the audit comments on the performance of the Government in implementation of certain programmes and schemes as well as internal control system in Finance Department are given below:

1. Financial position of the State Government

The State's revenue expenditure during 2007-08 grew by 12 *per cent* over the previous year as against nine *per cent* growth of revenue receipts resulting in decrease of revenue surplus by Rs. 376 crore from Rs. 4,152 crore in 2006-07 to Rs. 3,776 crore in 2007-08. Fiscal deficit increased by Rs. 644 crore from Rs. 4,688 crore to Rs. 5,332 crore due to growth in capital expenditure (including loans and advances) and increase in non-debt capital receipts.

As at the end of 2007-08, total investment of the State Government in Government companies, statutory corporations *etc.*, was Rs. 22,279 crore but the returns (Rs. 23 crore) were negligible.

Outstanding liabilities of the State increased from Rs. 37,234 crore in 2002-03 to Rs. 60,142 crore in 2007-08 and their ratio to GSDP was 28 *per cent* during the current year. The amount guaranteed by the State Government on behalf of statutory corporations, Government companies, *etc* and outstanding as of March, 2008 was Rs. 10,786 crore.

(Paragraphs: 1.1.2, 1.6.2, 1.7.1 and 1.7.2)

Against total budget provision of Rs. 57,439.15 crore including (supplementary grants), actual expenditure was Rs. 48,487 crore. Overall unspent provision of Rs. 8,952.14 crore was the result of unspent provision of Rs. 8,957.29 crore in 29 grants/appropriations and excess expenditure of Rs. 5.15 crore in three grants/appropriations. The excess expenditure of Rs. 5.15 crore during the year required regularisation by the Legislature under Article 205 of the Constitution of India.

(Paragraphs: 2.2 and 2.4)

2. Waste Management in Karnataka

Government of India, under the Environment (Protection) Act, 1986 framed (1998 and 2000) rules to regulate the management of municipal solid wastes and biomedical wastes so as to protect and improve the environment. Utilisation of funds provided (2003-08) for municipal solid wastes management was poor due to delay in development of landfill sites and procurement of tools and equipment for door-to-door collection and transportation of wastes. Poor compliance to the rules by the implementing agencies viz. urban local bodies and health care establishments coupled with ineffective monitoring by the State Pollution Control Board resulted in continued environmental pollution and health hazards.

(Paragraph: 3.1)

3. Computerisation in Police Department

The initiative of the Police department to use information and communication technology to build up a database of crime and criminal information and to computerise various activities in order to facilitate early detection of crimes could not be successfully implemented due to deficiencies in planning and absence of a coordinated approach. Delays in implementation, technical deficiencies, lack of proper connectivity *etc.*, resulted in sub-optimal utilisation of the IT assets and facilities created under various projects.

(Paragraph: 3.2)

4. Lift Irrigation Schemes

Lift Irrigation Schemes envisage pumping water for irrigation to higher terrain where flow irrigation was not possible. The Department under utilised the funds provided under the schemes. The programme suffered due to non-availability of water, inadequate supply of power and repairs to machineries. No action was initiated to transfer the *atchkat* of the schemes which were overlapping with other irrigation projects. Despite rejuvenation of defunct lift irrigation schemes under Eleventh Finance Commission grants, most of the schemes continued to remain defunct.

(Paragraph: 3.3)

5. Waiver of agricultural loans and interest subsidy schemes

The Government approved (December 2004-May 2007) various schemes to subsidise the interest rates on agricultural loans provided to the farmers, waive the outstanding loan and interest where farmers had paid interest in excess of the principal amount of loan and waive interest and penal interest outstanding where farmers had cleared the principal amount by a specified period. The implementation of the schemes was not effective due to lack of proper scrutiny of claims by the Department. The co-operative credit institutions preferred ineligible claims often by mis-representing the facts resulting in excess reimbursement of Rs. 110.40 crore.

(Paragraph: 3.4)

6. Administration of Forest (Conservation) Act, 1980

Government of India approval was a pre-requisite for diversion of forest land for non-forest purposes. Continued violation of provisions of the Act, non-compliance to Government of India conditions and non-resumption of forest land on expiry of lease period were noticed. The adverse environmental impact due to diversion of forest land on ecological stability was not assessed by the department. The non-forest land afforested under Compensatory Afforestation Scheme was not notified. Net present value of Rs. 17.09 crore was not recovered from 23 user agencies.

(Paragraph: 3.5)

7. Internal Control Mechanism in Finance Department

The Finance Department was responsible for overall management of the State finances which included mobilisation and collection of revenues and other financial resources, budgeting and proper allocation of available resources to meet the demands of expenditure and day-to-day management of cash balances. Review of Internal Control Mechanism of the Department revealed (2003-08) that the budgetary, expenditure and administrative controls were not effectively enforced. There were persistent savings during the period 2003-07 due to lack of scrutiny of departmental estimates by the Finance Department. Non-adherence to the prescribed rules and procedure resulted in withdrawal of funds from the Consolidated Fund and keeping outside the Government Account exposing them to the risk of misuse. Government injudiciously resorted to open market borrowings of Rs. 1,164.92 crore during 2005-08 even though their cash position was comfortable.

(Paragraph: 5.1)

8. Audit of Transactions

Excess payment/Wasteful/Infructuous expenditure

- Rs. 52.40 lakh was paid (October 2007) to a contractor for construction of a bridge-cum-barrage across the Kagina river near Shankarwadi village in Chittapur taluk of Gulbarga district for de-watering disregarding the contractual stipulations.

(Paragraph: 4.1.2)

- Misclassification of excavated ordinary rock as hard rock in the construction of a bridge-cum-barrage on Kagina river near Meenhabal village in Gulbarga district resulted in extra payment of Rs. 89.47 lakh.

(Paragraph: 4.1.3)

- The objective of providing communication facility to two villages of Bidar district was not achieved even after 16 years of entrustment of work to the contractor and despite incurring an expenditure of Rs. 17.10 crore

(Paragraph: 4.1.4)

**Violation of contractual obligations/undue favour to contractors/
avoidable expenditure**

- Public auction (2003-04) of residential sites by the Bangalore Development Authority in the Shivagilu tank bed layout of Koramangala extension in Bangalore without acquiring them resulted in avoidable litigation and payment of interest of Rs. 77.09 lakh.

(Paragraph: 4.2.3)

- Failure of the Government to release State Finance Commission grants in time to the Karnataka Urban Water Supply and Drainage Board for repayment of loan taken for improving the infrastructure facilities of urban local bodies resulted in avoidable payment of interest of Rs. 9.71 crore.

(Paragraph: 4.2.4)

- Failure of the Agriculture Department to prepare a single series of crop cutting experiments to estimate the crop production and for claiming agricultural insurance resulted in non-reimbursement of the Central share of Rs. 62.22 lakh by Government of India

(Paragraph: 4.2.5)

Regularity issues and other topics

- The objective of providing computer literacy to primary school children through computer assisted learning centres set up in 775 Government Higher Primary Schools of the State could not be achieved due to unfamiliarity of the teachers in operation of servers, unresolved technical problems and inadequate availability of technical support despite incurring an expenditure of Rs. 10.39 crore.

(Paragraph: 4.3.1)

CHAPTER I
FINANCES OF THE STATE
GOVERNMENT

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

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

1.1.1 Summary of receipts and disbursements

Table 1 summarises the finances of the Government of Karnataka for the year 2007-08 as compared to the previous year, covering revenue receipts and expenditure, capital receipts and expenditure, contingency fund transactions and public account receipts/disbursements as emerging from statement-1 and other detailed statements of Finance Accounts.

Table 1: Summary of receipts and disbursements

(Rupees in crore)

(Rupees in crore)

2006-07	Receipts	2007-08	2006-07	Disbursements	2007-08		
					Non-Plan	Plan	Total
Section-A: Revenue							
37,586.94	Revenue receipts	41,151.14	33,435.43	Revenue expenditure	29,061.95	8,312.82	37,374.77
23,301.03	Tax revenue	25,986.76	10,419.42	General services	10,786.54	85.24	10,871.78
4,098.41	Non-tax revenue	3,357.66	10,936.71	Social services	8,339.59	4,784.09	13,123.68
5,374.33	State's share of Union taxes and duties	6,779.23	10,440.24	Economic services	8,009.82	3,443.49	11,453.31
4,813.17	Grants from Central Government	5,027.49	1,639.06	Grants-in-aid/Contributions	1,926.00	-	1,926.00
Section-B: Capital and others							
---	Misc. capital receipts	245.78	8,542.57	Capital outlay	1,450.14	7,198.80	8,648.94
			320.94	General services	55.00	284.02	339.02
			1,292.62	Social services	190.89	1,956.79	2,147.68
			6,929.01	Economic services	1,204.25	4,957.99	6,162.24
59.97	Recoveries of loans and advances	52.07	357.23	Loans and advances disbursements	5.31	751.43	756.74
3,545.94	Public debt receipts	2,356.68	1,749.37	Repayment of public debt	1,328.77	-	1,328.77
--	Contingency fund (recoupment)	13.28	13.28	Contingency fund	-	-	-
47,040.04	Public account receipts	56,159.75	42,636.88	Public account disbursements	-	-	54,054.80
4,606.64	Opening cash balance	6,104.77	6,104.77	Closing cash balance	-	-	3,919.45
92,839.53	Total	1,06,083.47	92,839.53	Total	31,846.17	16,263.05	1,06,083.47

Following are the significant changes during 2007-08 over the previous year:

- Revenue receipts grew by Rs. 3,564 crore due to increase in tax revenue (Rs. 2,686 crore), State's share of union taxes and duties (Rs. 1,405 crore) and Government of India (GOI) grants (Rs. 214 crore) partly off set by fall in non-tax revenue (Rs. 741 crore).
- Revenue expenditure increased by Rs. 3,940 crore. Increase was mainly under social services sector (Rs. 2,187 crore) and economic services sector (Rs. 1,013 crore).
- Miscellaneous capital receipts (Rs. 246 crore) accrued for the first time during the six year period 2002-08 were on account of sale of Government land.
- Capital outlay was more by Rs. 855 crore in social services sector, while it was less by Rs. 767 crore in economic services sector.
- Public debt receipts (excluding ways and means advances) decreased by Rs. 1,267 crore due to reduction in internal debt receipts (Rs. 1,419 crore) and increase in loans and advances from GOI (Rs. 152 crore).
- Recovery of loans and advances was less by Rs. eight crore, while the disbursements were more by Rs. 400 crore.
- Public Account receipts and disbursements increased by Rs. 9,120 crore and Rs.11,418 crore respectively.
- Cash balance of the State Government decreased by Rs. 2,185 crore.

1.1.2 Fiscal position by key indicators

The fiscal position of the State Government as reflected by the key indicators during the current year as compared to the previous year is given in table 2:

Table : 2

(Rupees in crore)

2006-07	Serial number	Major aggregates		2007-08
37,587	1	Revenue receipts (2+3+4)		41,151
23,301	2	Tax revenue		25,987
4,099	3	Non-tax revenue		3,358
10,187	4	Other receipts		11,806
60	5	Non-debt capital receipts	246	298
		Loans and advances recovered	52	
37,647	6	Total receipts (1+5)		41,449
25,766	7	Non-plan expenditure (8+10+11)		30,517
25,583	8	on Revenue account		29,062
4,236	9	Interest payments		4,506
132	10	on Capital account		1,450
51	11	Loans and advances disbursed		5
16,569	12	Plan expenditure (13+14+15)		16,264
7,852	13	on Revenue account		8,313
8,411	14	on Capital account		7,199
306	15	Loans and Advances disbursed		752
42,335	16	Total expenditure (7+12)		46,781
- 4,688	17	Fiscal deficit [(1+5) – 16]		-5,332
4,152	18	Revenue surplus [1-(8+13)]		3,776
-452	19	Primary deficit (6-16+9)		- 826

During 2007-08, revenue expenditure grew by Rs. 3,940 crore (12 *per cent*) as against the increase in revenue receipts by Rs. 3,564 crore (9 *per cent*) resulting in decrease of surplus on revenue account. Given the decrease of Rs. 376 crore in revenue surplus, growth of Rs. 506 crore in capital expenditure (including loans and advances) and increase of Rs. 238 crore in non-debt capital receipts resulted in increase of fiscal deficit by Rs. 644 crore. The increase in fiscal deficit along with increase of Rs. 270 crore in interest payments was the reason for the increase of primary deficit by Rs. 374 crore.

1.2 Methodology adopted for the assessment of fiscal position

The trends in the major fiscal aggregates of receipts and expenditure as emerged from the statements of Finance Accounts were analysed over the period from 2002-03 to 2007-08. The norms/ceilings prescribed by the Twelfth Finance Commission (TFC) as well as its projections and projections made by the State Government in their Fiscal Responsibility Act and in other statements required to be laid before legislature under the Act are used to make assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP)¹ as published by the Director of Economics and Statistics, Government of Karnataka (table 3) is the good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage of GSDP at current market prices. For revenue receipts, revenue expenditure, *etc.*, buoyancy projections are provided to estimate the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) trends in aggregate receipts, (ii) application of resources (iii) assets and liabilities and (iv) management of deficits. Observations made also take into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. In addition, selected indicators of financial performance of the Government are listed in this section; some of the terms used in this context are explained in **Appendix 1.1-Part C**. Summarised financial position of the State Government as on 31 March 2008, abstract of receipts and disbursement for the year 2007-08, sources and application of funds and the time series data on State Government finances are given in **Appendices 1.2 to 1.5**.

Table 3: Growth of GSDP

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
GSDP (Rupees in crore)	1,17,919	1,29,181	1,49,854	1,67,975	1,88,274 ϕ	2,15,282 μ
Rate of growth (<i>per cent</i>)	7.8	9.6	16.0	12.1	12.1	14.3

ϕ quick estimates, μ advance estimates

¹ GSDP is defined as the total income of the State or the marked value of goods and services produced using labour and all other factors of production.

1.2.1 Fiscal reforms path in Karnataka

In Karnataka, fiscal reforms and consolidation were brought to the forefront with the State Government formulating the first Medium Term Fiscal Plan (MTFP) for the period 2000-01 to 2004-05 based on broad parameters of fiscal correction laid down by the Eleventh Finance Commission (EFC). MTFP became a rolling annual document to report on the actual performance of the State against fiscal targets of the previous year and to put in place a multi-year medium term reform framework dovetailed to the budgetary exercise.

The statutory backing for MTFP was provided by the Karnataka Fiscal Responsibility Act, 2002 (Act), which came into force from 1 April 2003. The Act aims to ensure fiscal stability and sustainability, enhance the scope for improving social and physical infrastructure and human development by achieving revenue surplus, reducing fiscal deficit, removing impediments to the effective conduct of fiscal policy and prudent debt management through limits on borrowings, debt and deficits, greater transparency in fiscal operations by the use of medium-term fiscal framework.

To give effect to the fiscal management principles, the Act prescribed the following fiscal targets for the State Government.

- elimination of revenue deficit by the end of the financial year 2005-06.
- reduction of fiscal deficit to not more than three *per cent* of the estimated GSDP by the end of the financial year 2005-06.
- limiting the total liabilities to not more than 25 *per cent* of the estimated GSDP within a period of 13 financial years, i.e., by the end of the financial year 2014-15.
- maintaining outstanding guarantees within the limit stipulated under the Karnataka Ceiling to Government Guarantees Act, 1999.

Revenue and fiscal deficits may exceed the specified limits due to unforeseen demands on the State finances on account of natural calamities to the extent of actual fiscal costs attributable to the situation.

1.2.2 Fiscal policy statements 2007-08

The State Government laid the MTFP for the period 2007-11 before the State Legislature along with the annual budget for the 2007-08, which *inter alia* contained:

- medium term fiscal objectives of the State Government.
- evaluation of the performance of the prescribed fiscal indicators in the previous year.
- recent economic trends and prospects for growth and development.
- strategic priorities and key fiscal policies of the Government and evaluation of their consistency.
- four year rolling targets.
- assessment of sustainability relating to the revenue deficit and the use of capital receipts for productive purposes.

1.2.3 Roadmap to achieve the fiscal targets as laid down in the Act

Keeping in view the fiscal targets laid down in the Act, the State Government developed its own Fiscal Correction Path (FCP) indicating the milestones of outcome indicators with target dates of implementation during the period from 2004-05 to 2008-09 (**Appendix 1.6**). The State's MTFP 2007-11 presented along with budget for 2007-08 contained budget estimates of outcome indicators. The variations between FCP and MTFP regarding significant indicators for the year 2007-08 were as given in the table 4:

Table 4 : Variations between FCP and MTFP

(Rupees in crore)

Outcome indicator	Projection vis-à-vis Actual for 2007-08		
	FCP projection	Budget estimates	Actual
Revenue receipts	36,282	40,762	41,151
Revenue expenditure	34,661	39,135	37,375
Expenditure on capital account	5,346	8,207	8,649
Revenue surplus	1,621	1,627	3,776
Fiscal deficit	5,875	6,305	5,332
Fiscal Liabilities / GSDP ratio (in per cent)	32	31	28

The State achieved the fiscal targets laid down in the Act one year ahead, with the year 2004-05 ending in revenue surplus of Rs. 1,638 crore and fiscal deficit for the year (Rs. 3,600 crore) at less than three *per cent* of GSDP. The revenue surplus increased to Rs. 4,152 crore in 2006-07 which although marginally declined to Rs. 3,776 crore in 2007-08. The fiscal deficit for the years 2005-06 to 2007-08 was also below three *per cent* of GSDP. Outstanding guarantees given by the Government (Rs. 10,786 crore) were within the prescribed limit of 80 *per cent* of the State's revenue receipts of the second preceding year. The ratio of fiscal liabilities to GSDP continued to decline from 2004-05 and was around 28 *per cent* in 2007-08. As a result, the State received the full benefit of incentive grants of Rs. 286 crore for the EFC award period. Under GOI's scheme of States' Debt Consolidation and Relief Facility (DCRF)², the State got the benefit of interest relief of Rs. 824 crore for the years 2005-06 (Rs. 292 crore), 2006-07 (Rs. 276 crore) and 2007-08 (Rs. 256 crore) along with waiver of GOI loan of Rs. 1,074 crore.

1.2.4 Mid-term review of fiscal situation

According to the half-yearly review report for the current year placed before the State Legislature in compliance with the provisions of the Act, realisation of revenues up to end of September 2007 was below target. Revenue receipts

² In pursuance of the recommendations of the TFC for fiscal consolidation and elimination of revenue deficit of the States, Government of India formulated a scheme of DCRF under which general debt relief is provided by consolidating and rescheduling at substantially reduced rates of interest on the Central loans granted to States enacting the Fiscal Responsibility Act and debt waiver is granted based on fiscal performance, linked to the reduction of revenue deficits of States.

at the year-end, however, exceeded the budget estimates. At the end of the year revenue expenditure was less than the budgeted estimates and capital expenditure was more than the budget estimates as stated in the mid term review. As forecast in the mid term review, the revenue surplus for the year exceeded the projection made in the mid term review by Rs. 1,627 crore, while the fiscal deficit was less by Rs. 754 crore.

1.3 Trends and composition of aggregate receipts

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from the GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recovery of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from public account. Sources of receipts under different heads during 2002-08 are indicated in table 5.

Table 5: Trends in growth and composition of aggregate receipts

	(Rupees in crore)					
Sources of State's receipts	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
I. Revenue receipts	16,169	20,760	26,570	30,352	37,587	41,151
II. Capital receipts	6,361	8,052	8,556	5,788	3,606	2,577
Recovery of loans and advances	928	64	47	124	60	52
Public debt receipts	5,433	7,988	8,509	5,664	3,546	2,279
Miscellaneous capital receipts	Nil	Nil	Nil	Nil	Nil	246
III. Contingency fund	8	0	41	39	0	13
IV. Public account receipts	27,879	30,513	36,325	38,026	47,040	56,160
a. Small savings, Provident fund etc.	1,399	1,422	1,521	1,651	1,748	1,994
b. Reserve fund	338	396	570	1,289	1,656	1,034
c. Deposits and advances	13,428	14,686	17,211	15,926	19,073	19,899
d. Suspense and miscellaneous	10,606	11,308	14,390	16,393	20,772	30,714
e. Remittances	2,108	2,701	2,633	2,767	3,791	2,519
Total receipts	50,417	59,325	71,492	74,205	88,233	99,901

Total receipts increased by 98 per cent from Rs. 50,417 crore in 2002-03 to Rs. 99,901 crore in 2007-08, of which increase of revenue receipts was by 154 per cent from Rs. 16,169 crore to Rs. 41,151 crore during the period. While non debt receipts decreased by 68 per cent from Rs. 928 crore to Rs. 298 crore, public account receipts increased by 101 per cent from Rs. 27,879 crore to Rs. 56,160 crore during the period. Public debt receipts, which create future repayment obligations, decreased from Rs. 5,433 crore to Rs. 2,279 crore which might improve the fiscal position of the State. The share of revenue receipts as a percentage of total receipts increased steadily from 32 in 2002-03 to 43 in 2006-07 with marginal decline to 41 in 2007-08. The share of capital receipts witnessed a steep fall from 14 per cent in 2003-04 to three per cent in 2007-08. The percentage share of public account receipts was 55 in 2002-03, declined to 51 during the period 2003-06 which thereafter increased to 53 per cent in 2006-07 and further to 56 per cent in 2007-08.

1.3.1 Revenue receipts

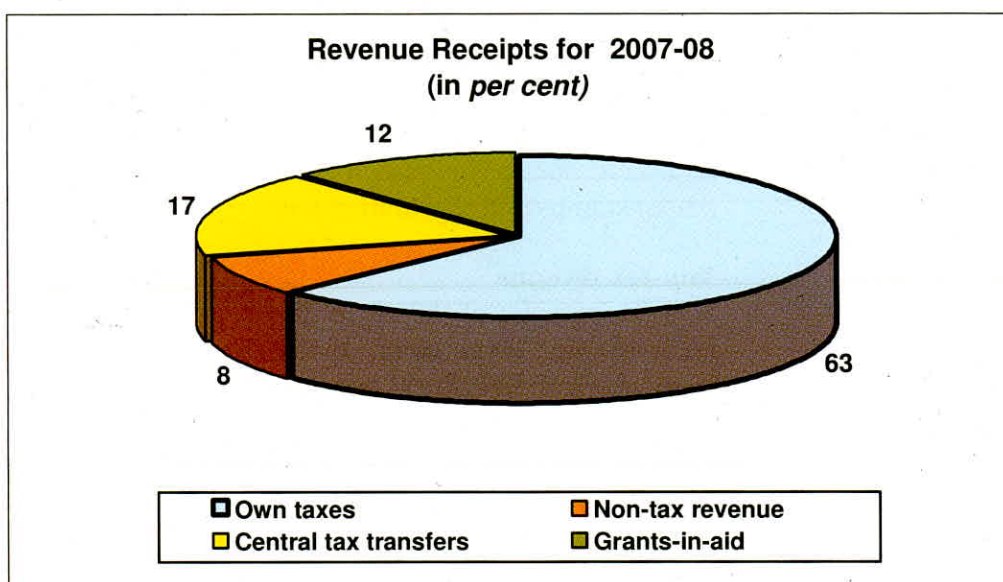
Statement-11 of the Finance Accounts details the revenue receipts of the Government. Revenue receipts are linked to economic activity and GSDP is its natural base. Apart from the quantum and rate of growth of revenue receipts, it is equally important to look at these receipts relative to this base and its expansion over time. Overall revenue receipts, their annual rate of growth, ratio of these receipts to GSDP and their buoyancy are indicated in table 6.

Table 6: Revenue receipts – Basic parameters

	(Rupees in crore)					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue receipts (RR)	16,169	20,760	26,570	30,352	37,587	41,151
State's own taxes	10,440(65)	12,570 (61)	16,072(60)	18,632(61)	23,301(62)	25,987 (63)
Non-tax revenue	1,278 (8)	2,958 (14)	4,473(17)	3,875(13)	4,099(11)	3,358 (08)
Central tax transfers	2,786 (17)	3,245 (15)	3,878(15)	4,213(14)	5,374(14)	6,779 (17)
Grants-in-aid	1,665 (10)	1,987 (10)	2,147(8)	3,632(12)	4,813(13)	5,027 (12)
Rate of growth of RR (per cent)	5.5	28.4	27.9	14.2	23.8	9.0
RR-GSDP (per cent)	13.7	16.1	17.7	18.1	20.0	19.1
Revenue buoyancy w.r.t GSDP (ratio)	0.7	3.0	1.7	1.2	2.0	0.6
State's own taxes buoyancy w.r.t GSDP (ratio)	0.8	2.1	1.7	1.3	2.1	0.8
Revenue buoyancy w.r.t State's own taxes (ratio)	0.9	1.4	1.0	0.9	0.9	0.8
GSDP growth (per cent)	7.8	9.6	16.0	12.1	12.1	14.3

Note: Figures in parenthesis represent percentage composition of revenue receipts.

Revenue receipts showed progressive increase from Rs. 16,169 crore in 2002-03 to Rs. 41,151 crore in 2007-08. On an average 74 per cent of the revenue came from State's own resources and the balance was from transfers from GOI in the form of State's share of taxes and grants-in-aid during the period 2002-08. The Composition of revenue receipts during 2007-08 is indicated graphically below:



Revenue buoyancy widely fluctuated varying from 0.6 to 3.0 depending upon the rates of growth of revenue receipts and the GSDP during the period 2002-08. Given the increase by two percentage points in GSDP growth relative to the previous year and steep fall in growth rate of revenue receipts by 15 percentage points led to a sharp deterioration in their buoyancy ratio with reference to GSDP in 2007-08. The trends in revenue buoyancy not only moved in tandem with state's own tax buoyancy ratios with respect to GSDP during the period 2002-08 but the trends in the latter determined the former as more than 70 per cent of revenue receipts are contributed by the State's own resources.

Tax revenue

Taxes on sales, trade *etc.*, was the main source of State's own tax revenue which contributed 53 per cent followed by state excise (18 per cent), stamps and registration fees (13 per cent) and taxes on vehicles (6 per cent). Table 7 below shows the trends in major constituents of tax revenue during 2002-08

Table 7: Tax revenue

Tax revenue	(Rupees in crore)					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Taxes on sales, trade, <i>etc.</i>	5,474	6,649	8,700	9,870	11,762	13,894
Rate of growth	3.89	21.47	30.85	13.45	19.17	18.13
State excise	2,094	2,334	2,806	3,397	4,495	4,767
Rate of growth	5.92	11.46	20.22	21.06	32.32	6.05
Stamps and registration fees	1,115	1,356	1,760	2,213	3,206	3,409
Rate of growth	30.41	21.61	29.79	25.74	44.87	6.33
Taxes on vehicles	676	800	983	1,105	1,374	1,650
Rate of growth	-5.06	18.34	22.88	12.41	24.34	20.09

The marginal reduction in growth rate of taxes on sales, trade, *etc.*, by one percentage point during 2007-08 over the previous year was, as stated by the State Government in its MTFP 2008-12, was due to non revision of administered price of petrol and diesel, reduced collections of central sales tax on account of reduction of rate of taxation and abolition of special entry tax. A steep decline in rate of growth of state excise from 32 per cent to 6 per cent during the year was mainly on account of ban on sale of arrack from July, 2007 and low overall rate of tax on liquor. Fall in number of documents registered due to slow down in the real estate market led to a reduced growth rate of stamps and registration fees.

Non-tax revenue

Non-tax revenue of the Government included interest on loans and advances made by the Government, dividends and interest on equity investments and lending, fees and fines and user charges for socio-economic services. A decline in non-tax revenue by Rs. 741 crore from Rs. 4,099 crore in 2006-07 to Rs. 3,358 crore in 2007-08 was mainly due to reduction of receipts from State lotteries over the previous year on account of their ban from April, 2007. This loss in non tax revenue was partly offset by more revenue by way of royalty charges (Rs. 100 crore) and increase (Rs. 468 crore) in the amount representing unspent balance in the panchyati raj bodies fund in public account written back to consolidated fund .

Non tax revenue of Rs. 2,099 crore (63 *per cent*) from agriculture, forestry, fisheries, irrigation, *etc.*, accounted for major share of total non tax revenue during the year. While general services like police, jails, public works, miscellaneous general services contributed Rs. 679 crore (20 *per cent*), the share of social services was Rs. 181 crore (five *per cent*). Revenue in the form of dividend and interest was Rs. 399 crore (12 *per cent*).

Collection of user charges as ratio of revenue receipts to revenue expenditure under education, medical and public health, water supply and sanitation, irrigation and power during the period 2002-08 was negligible at less than one *per cent*.

Grants-in-aid from GOI

Grants-in-aid from GOI increased from Rs. 1,665 crore in 2002-03 to Rs. 5,027 crore in 2007-08 as detailed in the table below:

Table 8 : Grants-in-aid from GOI

(Rupees in crore)

		2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Non-plan		421	530	263	1,736	2,224	1,531
Plan	State	570	796	1,089	915	1,284	1,916
	Central	45	42	46	37	43	71
	Centrally sponsored	629	619	749	944	1,262	1,509
Total		1,665	1,987	2,147	3,632	4,813	5,027

The increase of GOI grants by Rs. 214 crore in 2007-08 was due to increase in plan grants by Rs. 907 crore offset by decrease in non-plan grants by Rs. 693 crore. Increase of plan grants was mainly under block grants (Rs. 385 crore), grants for agriculture (Rs. 154 crore) and grants for other rural development programmes (Rs. 102 crore). Decrease of non-plan grants by Rs. 693 crore over the previous year was due to reduction in National Calamity Contingency Fund grants (Rs. 316 crore) and grants for other rural development programmes (Rs. 246 crore)

Central tax transfers

Increase of state's share of union taxes by Rs. 1,405 crore over the previous year was mainly under corporation tax (Rs. 474 crore), taxes on income other than corporation tax (Rs. 425 crore), customs (Rs. 233 crore) and service tax (Rs. 161 crore) and union excise duties (Rs. 110 crore).

Arrears of revenue

As of March, 2008 arrears of revenue pertaining to taxes on sales, trade, *etc.*, entry tax, entertainment tax, agricultural income tax, profession tax, luxury tax, state excise and taxes and duties on electricity aggregated Rs. 4,729 crore. Revenue of Rs. 682 crore (pertaining to taxes and duties on electricity: Rs. Seven crore and state excise: Rs.675 crore) were outstanding for more than five years.

1.4 Application of resources

1.4.1 Growth of expenditure

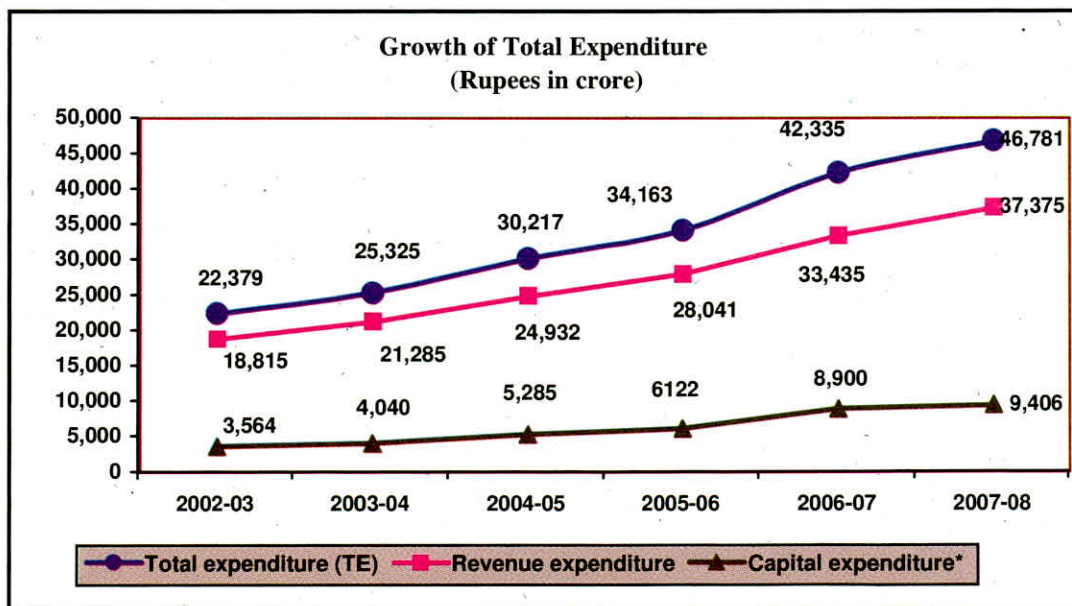
Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, extend the network of these services through capital expenditure and investments and discharge their debt servicing obligations.

Total expenditure, its annual growth rate and ratio of expenditure to GSDP and to revenue receipts and its buoyancy in relation to GSDP and revenue receipts are indicated in table 9 followed by its graphic representation.

Table 9 : Total expenditure – Basic parameters

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total expenditure (TE)* (Rupees in crore)	22,379	25,325	30,217	34,163	42,335	46,781
Rate of growth (Per cent)	5.4	13.2	19.3	13.1	23.9	10.5
TE/GSDP ratio (Per cent)	19.0	19.6	20.2	20.3	22.5	21.7
Revenue receipts/TE ratio (Per cent)	72.2	82.0	87.9	88.8	88.8	88.0
Buoyancy of total expenditure with						
GSDP(Ratio)	0.7	1.4	1.2	1.1	2.0	0.7
Revenue receipts (ratio)	1.0	0.5	0.7	0.9	1.0	1.2

* Total expenditure includes revenue expenditure, capital expenditure & loans and advances



* includes disbursement of loans and advances

Total expenditure increased from Rs. 22,379 crore in 2002-03 to Rs. 46,781 crore in 2007-08 (109 *per cent*). Revenue expenditure which constituted 84 *per cent* of total expenditure in 2002-03 decreased to 80 *per cent* in 2007-08. Capital expenditure (including loans and advances) increased by 164 *per cent* from Rs. 3,564 crore in 2002-03 to Rs. 9,406 crore in 2007-08. It constituted 20 *per cent* of total expenditure in 2007-08 as against 16 *per cent* in 2002-03. During 2007-08, plan capital expenditure constituted 85 *per cent* of total capital expenditure. Of this, 17 *per cent* (Rs. 1,507 crore) was towards repayment of off-budget borrowings.

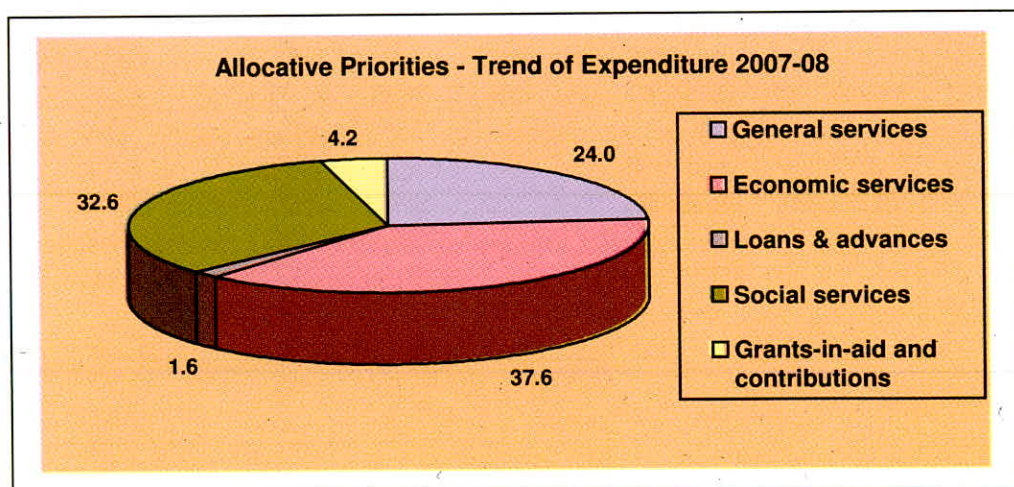
The buoyancy ratio of total expenditure with respect to revenue receipts was around one during the last three years indicating that fact incremental total expenditure was solely determined by availability of revenue receipts. As a result, the ratio of revenue receipts to total expenditure remained at 88 and 89 *per cent* during the period 2004-08.

1.4.2 Trends in total expenditure by activities:

In terms of activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. Relative share of these components in total expenditure (including disbursements of loans and advances) is indicated in table 10 followed by its graphic representation.

Table 10: Components of expenditure – Relative share

	<i>(in per cent)</i>					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
General services	32.1	36.2	33.2	30.0	25.4	24.0
<i>Of which interest payments</i>	45.8	40.5	37.8	36.7	39.4	40.2
Social services	29.6	29.2	27.2	29.3	28.9	32.6
Economic services	32.9	28.1	35.0	36.4	41.0	37.6
Grants-in-aid	2.6	2.5	2.6	3.4	3.9	4.2
Loans and advances	2.8	4.0	2.0	0.9	0.8	1.6



The movement of relative share of these components indicates that while the share of social services in total expenditure increased from 30 *per cent* in 2002-03 to 33 *per cent* in 2007-08, the relative share of general services, considered as non-developmental declined from 32 *per cent* in 2002-03 to 24 *per cent* in 2007-08. The share of economic services expenditure increased from 33 *per cent* in 2002-03 to 38 *per cent* in 2007-08 with inter-year variations. While the share of grants in aid indicated an increasing trend, the loans and advances revealed fluctuations during the period 2002-08.

1.4.3 Incidence of revenue expenditure

Revenue expenditure has the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and make payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in table 11.

Table 11: Revenue expenditure – Basic parameters

	(Rupees in crore)					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue expenditure (RE)	18,815	21,285	24,932	28,041	33,435	37,375
Non-plan revenue expenditure (NPRE)	15,570	17,732	19,807	22,972	25,583	29,062
Plan revenue expenditure (PRE)	3,245	3,553	5,125	5,069	7,852	8,313
Rate of growth (Per cent)						
NPRE	6.2	13.9	11.7	16.0	11.4	13.6
PRE	-17.7	9.5	44.2	-1.1	54.9	5.9
NPRE/ GSDP (Per cent)	13.2	13.7	13.2	13.7	13.6	13.5
NPRE as <i>per cent</i> of TE	69.6	70.0	65.5	67.2	60.4	62.1
NPRE as <i>per cent</i> to revenue receipts	96.3	85.4	74.5	75.7	68.1	70.6
Buoyancy of revenue expenditure with						
GSDP (ratio)	0.1	1.4	1.1	1.0	1.6	0.8
Revenue receipts (ratio)	0.2	0.5	0.6	0.9	0.8	1.2

Revenue expenditure increased by 99 *per cent* from Rs. 18,815 crore in 2002-03 to Rs. 37,375 crore in 2007-08. While plan revenue expenditure increased by 156 *per cent* from Rs. 3,245 crore to Rs. 8,313 crore, non-plan revenue expenditure increased by 87 *per cent* from Rs. 15,570 crore to Rs. 29,062 crore. The non plan revenue expenditure was 78 *per cent* of revenue expenditure and 71 *per cent* of revenue receipts during 2007-08. The increase of Rs. 3,479 crore in 2007-08 over the previous year was mainly due to increase in subsidy payments (Rs. 451 crore), salaries (Rs. 1594 crore), pension payments (Rs. 745 crore) and interest payments (Rs. 270 crore). The trends in non plan revenue expenditure vis-à-vis the normative assessment made by TFC about NPRE while estimating the pre-devolution non-plan revenue deficit/surplus for the State indicated that actual NPRE exceeded TFC's projections during the period 2005-08 as shown in the table below:

	(Rupees in crore)	
	Normative assessment of TFC	Actual expenditure
2005-06	17,001	22,972
2006-07	18,473	25,583
2007-08	21,735	29,062

The increase in plan revenue expenditure by Rs. 461 crore was mainly under water supply, sanitation, housing and urban development (Rs. 252 crore), education, sports, art and culture (Rs. 69 crore) and health and family welfare (Rs. 45 crore).

1.4.4 Committed expenditure

Expenditure on salaries

Salary expenditure increased from Rs. 4,941 crore in 2002-03 to Rs. 8,169 crore in 2007-08 as indicated in table below:

Table 12 : Expenditure on salaries

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 ³
Expenditure on salaries ⁴	4,940.70	5,322.76	5,392.15	5,932.49	6,526.52	8,168.73
Non-plan	4,634.00	5,007.07	5,074.62	5,597.59	6,110.82	7,705.26
Plan ⁵	297.70	315.69	317.53	334.90	315.70	463.47
As percentage of GSDP	4.2	4.1	3.6	3.5	3.5	3.8
As percentage of Revenue receipts	30.6	25.6	20.3	19.5	17.4	19.8

Expenditure on salaries as a percentage of revenue receipts increased from 17 per cent in 2006-07 to 20 per cent during the year due to implementation of pay commission award. It was, however, around 28 per cent of revenue expenditure (net of pensions and interest payments), within the limit of 35 per cent recommended by TFC. The expenditure on salaries for 2007-08 exceeded FCP projection of Rs. 6,907 crore by Rs. 1,262 crore but was below the budget estimate (MTFP) by Rs. 378 crore.

Pension payments

Year-wise break-up of expenditure incurred on pension during the years 2002-03 to 2007-08 was as under:

Table 13 – Expenditure on pensions

(Rupees in crore)

Head	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on pension	1,773	1,901	2,157	2,237	2,496	3,241
As per cent of GSDP	1.5	1.5	1.4	1.3	1.3	1.5
As per cent of revenue receipts	11.0	9.2	8.1	7.4	6.6	7.9

Expenditure on pension payments (Rs. 3,241 crore) constituted eight per cent of the total revenue receipts of the State during 2007-08. The increase (Rs. 745 crore) of expenditure on pension during the current year was due to the State's pay commission award. The expenditure on pensions for 2007-08 exceeded FCP projection by Rs. 32 crore but was below the budget estimate (MTFP) by Rs. 175 crore.

³ Actual expenditure in state sector (Rs.3,511.43 crore) plus expenditure (revised estimates) in district sector (Rs.4,657.30 crore)

⁴ Includes salary expenditure of panchayat raj institutions. Source : Finance department

⁵ Includes salaries under centrally sponsored schemes.

Interest payments

The details of interest payments of the State Government for the period 2002-08 and its percentage with reference to revenue receipts and revenue expenditure are given in table 14.

Table 14: Interest payments

Year	Revenue receipts	Revenue expenditure	Interest payment	Percentage of interest payment with reference to	
	(Rupees in crore)			Revenue receipts	Revenue expenditure
2002-2003	16,169	18,815	3,292	20.4	17.5
2003-2004	20,760	21,285	3,710	17.9	17.4
2004-2005	26,570	24,932	3,794	14.3	15.2
2005-2006	30,352	28,041	3,765	12.4	13.4
2006-2007	37,587	33,435	4,236	11.3	12.7
2007-2008	41,151	37,375	4,506	10.9	12.1

Interest payments increased by Rs. 1,214 crore from Rs. 3,292 crore in 2002-03 to Rs. 4,506 crore in 2007-08. Interest payments aggregating Rs. 1,961 crore (44 *per cent*) were on NSSF loans, the interest rate of which was hiked by 100 basis points from April 2007.

The ratio of interest payments to revenue receipts determines the sustainability of debt of the State. The interest payments relative to revenue receipts at 11 *per cent* in 2007-08 were below the norm of 15 *per cent* prescribed by TFC.

Subsidies

In any welfare State it is not uncommon to provide subsidies/subventions to disadvantaged sections of the society and making provision for merit goods – education, housing, health, *etc.* at subsidised prices. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public service to the people. Budgetary support to financial institutions, inadequate returns on investments and poor recovery of user charges from the social and economic services provided by the Government fall in the category of implicit subsidies. The trends in the explicit subsidies given by the State Government are given in table 15.

Table 15 : Subsidies

Year	Amount (Rs. in crore)	Percentage increase (+)/ decrease (-) over previous year	Percentage of subsidy to revenue expenditure
2002-03	2,230	(-) 22	12
2003-04	2,066	(-) 07	10
2004-05	2,732	32	11
2005-06	3,712	36	13
2006-07	4,355	17	13
2007-08	5,420	24	14

Subsidy payments during 2007-08 were mainly in the areas of power (Rs. 2,300 crore), co-operation (Rs. 1,793 crore), food (Rs. 651 crore) and transport (Rs. 230 crore) as detailed below:

Power

Power sector continued to be highly subsidised in the form of financial assistance being extended to electricity supply companies to cover loss due to rural electrification (Rs. 1,650 crore), pension payment contribution (Rs. 589 crore), irrigation pump set regularisation (Rs. 45 crore), fixed meter connection (Rs. 13 crore).

The power subsidy during the year included Rs. 1.82 crore paid to M/s. Mysore Cements Limited for using alternative source of energy. There was delay in refunding sales tax paid by the company on diesel used for captive generation of power. On the directions of High Court of Karnataka for the payment of interest for the delay in accordance with law, expenditure on this avoidable payment of interest (Rs. 1.82 crore) was accounted for as subsidy in accounts of the Government.

The power subsidy on rural electrification during the year did not include subsidy of Rs. 113 crore given to KPTCL for meeting the debt servicing obligations of Power Finance Corporation and Rural Electrification Corporations loans. The Finance accounts did not show this liability as the loans were not taken over by the Government. The State Government had similarly released Rs. 130 crore in 2006-07 and had stated (November, 2007) that debt would be included on off-budget side in 2008-09. This was however, against the State's commitment in MTFP 2007-11 to phase out off-budget borrowings from 2008-09. MTFP 2007-11, however, did not exhibit this liability on off-budget side.

Co-operation

Subsidy of Rs. 1,793 crore in the co-operative sector represented Rs. 1,250 crore on crop loans waiver and Rs. 542 crore on interest waiver. The subsidy on co-operation increased by Rs. 972 crore over the previous year mainly due to increase in crop loan waiver by Rs. 750 crore.

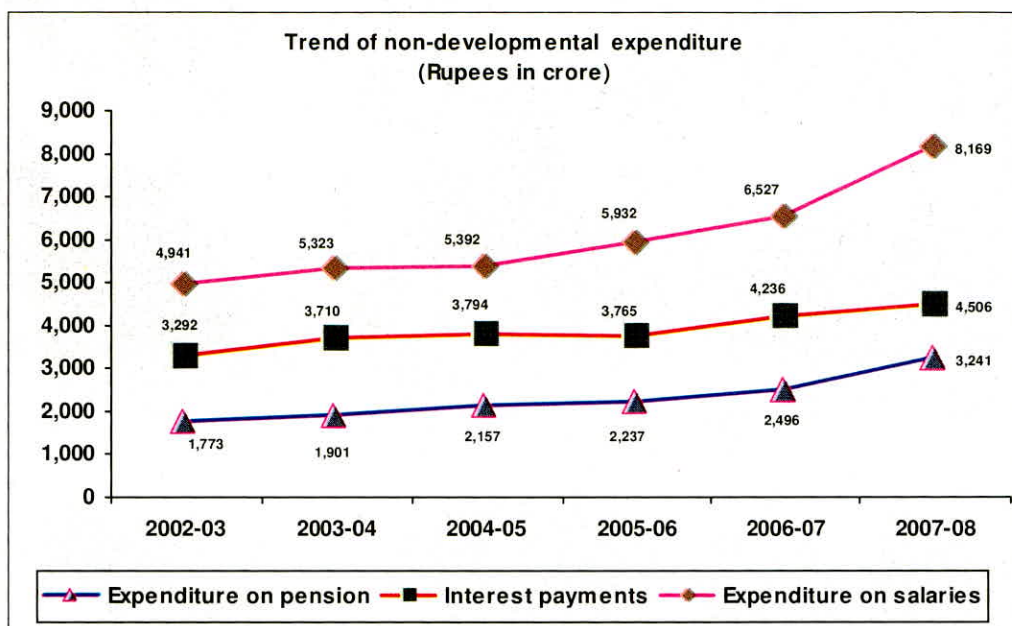
Food

Food subsidy to meet the difference between the cost price of food grains and issue price from the public distribution system declined from Rs. 750 crore in 2006-07 to Rs. 650 crore in 2007-08. Subsidy of rupees one crore was for providing food security to senior citizens under the centrally sponsored 'Annapoorna' scheme.

Transport

Transport subsidy declined from Rs. 273 crore in 2006-07 to Rs. 230 crore in 2007-08. Forty *per cent* of subsidy (Rs. 92 crore) was towards free/concessional facility extended to students, freedom fighters, physically challenged, etc.

Trends in expenditure on pension, interest payments and salaries are graphically depicted below:



1.5 Expenditure by allocative priorities

1.5.1 Quality of expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running efficiently and effectively the existing social and economic services would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP better is the quality of expenditure. table 16 gives these ratios during 2002-08.

Table 16 : Indicators of quality of expenditure

(Rupees. in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Capital expenditure	2,936	3,029	4,674	5,822	8,543	8,649
Revenue expenditure, of which	18,815	21,285	24,932	28,041	33,435	37,375
Social & Economic services						
Salary component	3,589.85	3,796.47	3,887.09	4,315.20	4,791.43	5,982.91
Non-salary component	7,538.82	7,820.27	10,346.18	12,530.91	16,585.52	18,594.08
As per cent of total expenditure (excluding loans and advances)						
Capital expenditure	13.50	12.46	15.79	17.19	20.35	18.79
Revenue expenditure	86.50	87.54	84.21	82.81	79.65	81.21
As per cent of GSDP						
Capital expenditure	2.50	2.34	3.12	3.47	4.54	4.02
Revenue expenditure	16.00	16.50	16.60	16.70	17.80	17.36

The trends presented in table 16 revealed that capital expenditure increased by Rs. 5,713 crore during 2002-08. Capital expenditure as a percentage of total expenditure remained on an average around 17 *per cent* during the period 2003-08 with inter- year variations. As a percentage of GSDP too, it exhibited relative stability around an average of three *per cent* with inter year variations during the period 2003-08. As salary component of revenue expenditure did not include the corresponding grants-in-aid component, it is difficult to draw a definite inference from the trends in expenditure on salary but expenditure on non-salary component (net of subsidy) picked up since 2003-04.

1.5.2 Expenditure on social services

Given the fact that human development indicators such as access to basic education, health services and drinking water and sanitation facilities *etc.*, have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. Table 17 summarises the expenditure incurred by the State Government in expanding and strengthening social services in the State during 2002-08.

Table 17 : Expenditure on social services

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Education, sports, art and culture						
<i>Revenue expenditure, of which</i>	3,564.01	3,766.02	4,357.91	4,837.40	5,703.21	6,811.21
<i>Salary component⁶</i>	2,017.82	2,142.56	2,292.74	2,606.79	3,019.53	3,742.21
<i>Non-salary component</i>	1,546.19	1,623.46	2,065.17	2,230.61	2,683.68	3,069.00
Capital expenditure	6.71	5.31	4.92	52.67	54.98	120.77
Total	3,570.72	3,771.33	4,362.83	4,890.07	5,758.19	6,931.98
Health and family welfare						
<i>Revenue expenditure, of which</i>	953.65	958.93	1,035.61	1,138.50	1,206.66	1,477.94
<i>Salary component⁶</i>	570.10	581.78	573.95	616.03	651.87	855.75
<i>Non-salary component</i>	383.55	377.15	461.66	522.47	554.79	622.19
Capital expenditure	50.47	36.77	8.30	7.69	142.95	354.24
Total	1,004.12	995.70	1,043.91	1,146.19	1,349.61	1,832.18
Water supply, sanitation, housing and urban Development						
<i>Revenue expenditure, of which</i>	576.04	794.22	857.89	911.77	1,205.44	1,493.06
<i>Salary component</i>	12.02	13.34	12.86	14.69	14.54	17.30
<i>Non-salary component</i>	564.02	780.88	845.03	897.08	1,190.90	1,475.76
Capital expenditure	167.32	288.81	411.38	969.78	925.48	1,431.53
Total	743.36	1,083.03	1,269.27	1,881.55	2,130.92	2,924.59
Other social services						
<i>Revenue expenditure, of which</i>	1,232.55	1,445.87	1,471.34	2,011.12	2,821.40	3,341.47
<i>Salary component⁶</i>	189.40	207.16	216.59	214.12	249.89	318.35
<i>Non-salary component</i>	1,043.15	1,238.71	1,254.75	1,797.00	2,571.51	3,023.12
Capital expenditure	70.80	96.32	61.44	75.16	169.21	241.14
Total	1,303.35	1,542.19	1,532.78	2,086.28	2,990.61	3,582.61
Social services						
<i>Revenue expenditure, of which</i>	6,326.25	6,965.04	7,722.75	8,898.79	10,936.71	13,123.68
<i>Salary component⁶</i>	2,789.34	2,944.84	3,096.14	3,451.63	3,935.83	4,933.61
<i>Non-salary component</i>	3,536.91	4,020.20	4,626.61	5,447.16	7,000.88	8,190.07
Capital expenditure	295.30	427.21	486.04	1,105.30	1,292.62	2,147.68
Grant Total	6,621.55	7,392.25	8,208.79	10,004.09	12,229.33	15,271.36

⁶ Includes salary expenditure of panchayat raj institutions. Source: Finance Department

Expenditure on social services increased from Rs. 6,622 crore in 2002-03 to Rs. 15,271 crore in 2007-08. Out of total developmental expenditure of Rs.32,887 crore, expenditure on social services accounted for 46 *per cent* during the year.

Expenditure on interest waiver was required to be classified under the major head '2235- Social Security and Welfare' in social services sector. The expenditure of Rs. 542 crore on this account in 2007-08 was, however, accounted for under major head '2425-Co-operation' in economic services sector according to budget provision made by the State Government. Thus the expenditure under social services sector was understated by Rs. 542 crore. Taking this into account, share of social services sector in the developmental expenditure would be 48 *per cent*.

The revenue expenditure under social services sector increased by 107 *per cent* from Rs. 6,326 crore in 2002-03 to Rs. 13,124 crore in 2007-08 while the capital expenditure registered an increase from Rs. 295 crore to Rs. 2,148 crore. A steep increase of capital expenditure by Rs.855 crore (66 *per cent*) during the current year was mainly due to an increase of Rs. 411 crore under water supply and Rs. 148 crore under urban development. Capital expenditure on social services during the year, however, included Rs. 237 crore (11 *per cent*) on repayment of off-budget borrowings comprising mainly of Rs 120 crore given to Karnataka Housing Board; Rs 34 crore to Karnataka Land Army Corporation; Rs 30 crore to Slum Clearance Board for repayment of HUDCO loans.

While the salary component in revenue expenditure on social services decreased from 44 *per cent* in 2002-03 to 37 *per cent* in 2007-08, the share of non salary component increased from 56 to 63 *per cent*.

While projecting the expenditure requirements for estimating the pre-devolution non-plan revenue deficit/surplus of the States during its award period 2005-10, which formed the basis of NPRE deficit grants and restructuring plan of state finances, TFC assigned different growth rates to NPRE in various sectors implicitly suggesting the changes in the expenditure pattern of the States during its award period. Recognising the need to improve quality of education and health services in states, TFC recommended that non-plan expenditure under education and health and family welfare should increase by five to six *per cent* while non-salary expenditure under non-plan heads should increase by 30 *per cent* per annum. The trends emerging from finance accounts for the current year, however, revealed that the non-plan salary expenditure increased by 27 *per cent* and 28 *per cent* under education and health and family welfare respectively, while the non-salary component increased in these sectors respectively by 17 and 29 *per cent*.

1.5.3 Expenditure on economic services

The expenditure on economic services includes all such expenditures as to promote directly or indirectly, productive capacity within the State's economy. The expenditure on economic services (Rs. 17,616 crore) accounted for 54 *per cent* of total developmental expenditure of Rs. 32,887 crore. The actual share of economic services expenditure would be 52 *per cent* as the expenditure is overstated to the extent of Rs. 542 crore (*see para 1.5.2*).

In the economic services sector, expenditure on priority sectors like agriculture and allied activities (Rs. 4,597 crore), irrigation and flood control, (Rs. 3,720 crore) and energy (Rs. 2,741 crore) consumed 63 *per cent* of the total expenditure on economic services. Major trends during 2002-08 were as follows:

Table 18: Economic services sector expenditure

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture and allied activities						
<i>Revenue expenditure, of which</i>	1,077.10	1,348.92	2,064.90	2,866.65	3,140.84	4,518.05
<i>Salary component⁷</i>	413.68	430.70	420.01	459.07	467.08	585.37
<i>Non-salary component</i>	663.42	918.22	1,644.89	2,407.58	2,673.76	3,932.68
Capital expenditure	22.95	7.45	18.80	17.17	33.15	78.93
Total	1,100.05	1,356.37	2,083.71	2,883.82	3,173.99	4,596.98
Irrigation and flood control						
<i>Revenue expenditure, of which</i>	206.73	179.06	213.91	215.81	294.42	278.52
<i>Salary component⁷</i>	128.48	140.36	92.42	89.40	76.66	88.58
<i>Non-salary component</i>	78.25	38.70	121.49	126.41	217.76	189.94
Capital expenditure	2,028.46	1,881.46	3,009.73	3,329.69	4,115.74	3,441.50
Total	2,235.19	2,060.52	3,223.64	3,545.50	4,410.16	3,720.02
Power & energy						
<i>Revenue expenditure, of which</i>	1,906.92	1,733.05	1,896.71	1,836.93	2,402.01	2,307.76
<i>Salary component</i>	0.09	0.09	0.13	0.25	0.13	0.18
<i>Non-salary component</i>	1,906.83	1,732.96	1,896.58	1,836.68	2,401.88	2,307.58
Capital expenditure	---	---	---	50.00	430.47	432.90
Total	1,906.92	1,733.05	1,896.71	1,886.93	2,832.48	2,740.66
Transport						
<i>Revenue expenditure, of which</i>	395.79	311.43	617.60	756.10	1,563.98	1,325.53
<i>Salary component</i>	16.21	17.80	15.01	18.27	19.21	22.27
<i>Non-salary component</i>	379.58	293.63	602.59	737.83	1,544.77	1,303.26
Capital expenditure	423.08	510.21	895.82	1,030.45	1,823.50	1,511.62
Total	818.87	821.64	1,513.42	1,786.55	3,387.48	2,837.15
Other economic services						
<i>Revenue expenditure, of which</i>	1,215.88	1,079.24	1,717.39	2,271.83	3,038.99	3,023.45
<i>Salary component⁷</i>	242.04	262.68	263.37	296.58	292.52	352.90
<i>Non-salary component</i>	973.84	816.56	1,454.02	1,975.25	2,746.47	2,670.55
Capital expenditure	90.36	74.63	127.08	71.40	526.15	697.29
Total	1,306.24	1,153.87	1,844.47	2,343.23	3,565.14	3,720.74
Economic services						
<i>Revenue expenditure, of which</i>	4,802.42	4,651.70	6,510.52	7,947.32	10,440.24	11,453.31
<i>Salary component⁷</i>	800.51	851.63	790.95	863.57	855.60	1,049.30
<i>Non-salary component</i>	4,001.91	3,800.07	5,719.57	7,083.75	9,584.64	10,404.01
Capital expenditure	2,564.85	2,473.75	4,051.43	4,498.71	6,929.01	6,162.24
Total	7,367.27	7,125.45	10,561.95	12,446.03	17,369.25	17,615.55

The revenue expenditure under economic services sector increased by 138 *per cent* from Rs. 4,802 crore in 2002-03 to Rs. 11,453 crore in 2007-08 while the capital expenditure grew by 140 *per cent* from Rs. 2,565 crore to Rs. 6,162 crore. The capital expenditure on economic services declined by Rs 767 crore (11 *per cent*) during the current year mainly due to fall in expenditure of Rs.657 crore under major and medium irrigation. Capital expenditure on economic services, however, included Rs. 1,215 crore

⁷ Includes salary expenditure of Panchayat Raj Institutions. Source: Finance Department

(20 per cent) on repayment of off-budget borrowings comprising mainly of Rs. 913 crore given to Krishna Bhagya Jala Nigam Limited and Karnataka Neeravari Nigam Limited for repayment of borrowings made by these special purpose vehicles.

While the salary component in revenue expenditure on economic services decreased from 17 per cent in 2002-03 to nine per cent in 2007-08, the share of non salary component increased from 83 to 91 per cent. Non salary component in revenue expenditure during the year showed an increase of Rs.819 crore over the previous year. However, taking into account subsidy component of Rs. 4,311 crore and Rs.5,307 crore in 2006-07 and 2007-08 (included in the non-salary component of revenue expenditure), the actual increase was only Rs. 177 crore. Since capital expenditure is inclusive of expenditure on repayment of off-budget borrowings and non-salary component of revenue expenditure is inclusive of subsidy component, it is difficult to make comments on the quality of expenditure based on the trends revealed in table 18.

1.5.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided by way of grants to local bodies and others during 2002-08 was as presented in table 19.

Table 19: Financial assistance to local bodies and other institutions

(Rupees in crore)						
Description	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Panchayat raj institutions	4,515.66	4,524.31	4,956.93	6,088.61	7,767.93	9,122.39
Urban local bodies	644.42	892.48	1,169.85	1,605.85	2,113.48	2,468.20
Educational institutions (including universities)	646.99	603.16	688.93	695.62	750.27	878.23
Co-operative societies and co- operative institutions	5.00	57.62	167.65	955.45	882.98	1,895.60
Other institutions and bodies (including statutory bodies)	1,863.28	1,702.81	1,745.28	1,837.43	2,400.54	2,361.00
Total	7,675.35	7,780.38	8,728.64	11,182.96	13,915.20	16,725.42
Percentage growth over previous year	3	1	12	28	24	20
Revenue receipts	16,168.76	20,759.88	26,569.66	30,352.05	37,586.94	41,151.14
Assistance as a percentage of revenue receipts	47	37	33	37	37	41
Revenue expenditure	18,814.50	21,284.71	24,931.85	28,040.89	33,435.43	37,374.77
Percentage of assistance to revenue expenditure	41	37	35	40	42	45
Percentage of assistance to panchayat raj institutions to total assistance	59	58	57	54	56	55

The assistance to Panchayat Raj Institutions (PRI) increased from Rs. 4,516 crore in 2002-03 to Rs. 9,122 crore in 2007-08 while the assistance to Urban Local Bodies (ULB) increased from Rs. 644 crore to Rs. 2,468 crore. Out of the total devolution of Rs. 9,122 crore to PRIs, Rs. 4,657 crore (51 per cent) were towards salaries during 2007-08 as the State Government's functions viz., education, water supply and sanitation, housing, health and

family welfare *etc.*, remained transferred to PRIs. Assistance (Rs. 2,361 crore) to other institutions and bodies included expenditure of Rs. 2,300 crore on subsidy paid to electricity supply companies.

1.5.5 Delay in furnishing utilisation certificates

Of the 2,290 utilisation certificates (UC) due in respect of grants and loans aggregating Rs. 938 crore paid upto 2007-08, 2005 UCs for an aggregate amount of Rs. 834 crore were in arrears. Department-wise break-up of outstanding UCs was as given in **Appendix 1.7**.

1.5.6 Non-submission of accounts

To identify the institutions which attract audit under sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of service) Act, 1971, the Government/heads of the department are required to furnish to audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. As of March 2008, 16 departments of the Government have not furnished details for the year 2007-08 as shown in **Appendix 1.8**.

1.5.7 Audit of performance of the autonomous bodies

The audit of accounts of eight bodies in the State has been entrusted to the Comptroller and Auditor General of India. The details of entrustment, rendering of accounts to audit, issuance of separate audit report and its placement in the Legislature is indicated in **Appendix 1.9**.

1.5.8 Misappropriations, losses, defalcations, etc.,

The State Government reported 216 cases of misappropriation, defalcation, *etc.*, involving Government money amounting to Rs. 10.02 crore upto the period 31 March 2008 on which final action was pending. The department - wise breakup of pending cases is given in **Appendix 1.10**.

1.5.9 Write-off of losses, etc.

In nine cases pertaining to five departments Rs. 15.06 crore were written off during the year. Details are in **Appendix 1.11**

1.6 Assets & Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. Appendix 1.2 gives an abstract of such liabilities and assets as on 31 March 2008, compared with the corresponding position on 31 March 2007. While liabilities shown in this statement consist mainly of internal borrowings, loans and advances from GOI, receipts from the public account and reserve funds; assets comprise mainly of capital outlay and loans and advances given by the State Government and the cash balances. The liabilities of the State depicted in the Finance Accounts, however, do not include pension, other retirement

benefits payable to retired / retiring State employees, guarantees/letters of comfort issued by State Government and borrowings through special purpose vehicles termed off-budget borrowings. Appendix 1.2 shows that the growth rate of assets fell from 22 in 2006-07 to 12 *per cent* in 2007-08, while that of liabilities decreased from 11 to 6 *per cent*.

1.6.1 Incomplete projects

Incomplete projects/works reflect failure on part of the State to prioritise expenditure and to spread its resources adequately over these projects. Additional statement of Finance Accounts gives the details of these works. As reported by the departments of the State Government, there were 429 incomplete projects/works. Expenditure incurred upto end of 2007-08 was Rs. 1,480.29 crore which represented an increase of 29 *per cent* over the sanctioned cost (Rs. 1,144.64 crore) of the incomplete works.

1.6.2 Investments and returns

As of March 2008, Government had invested Rs. 22,279 crore in 84 Government companies (Rs. 20,735 crore), 17 statutory corporations (Rs. 1,172 crore), 44 joint stock companies (Rs. 34 crore) and cooperative institutions (Rs. 338 crore). (table 20).

Table 20 : Return on investment

(Rupees in crore)

Year	Investment at the end of the year	Amount of return	Percentage of return	Average interest rate on Government borrowing – market loans (<i>per cent</i>)	Difference between interest rate and return
2002-2003	6,150.37	21.3	0.4	9.4	9.0
2003-2004	7,984.19	18.0	0.2	9.4	9.2
2004-2005	10,741.40	16.7	0.2	8.5	8.3
2005-2006	14,052.53	16.9	0.1	7.6	7.5
2006-2007	18,698.37	19.5	0.1	7.7	7.6
2007-2008	22,279.35	23.4	0.1	7.6	7.5

During the current year the Government's investment was Rs. 3,581 crore in Government companies (Rs. 3,479 crore), Statutory corporations (Rs. 100 crore) and one crore each in joint stock companies and cooperative institutions. The return from investment was 0.1 to 0.4 *per cent* during 2002-08 while the Government paid interest on its borrowing at an average rate of eight to nine *per cent*. The aggregate cumulative loss was Rs. 3,319 crore against the total investment of Rs. 3,421 crore made by the Government in 27 companies which included the following major companies under economic services sector.

Table : 21

Sl. No.	Company	Investment	(Rupees in crore)	
			Amount	Cumulative loss to end of
1.	Karnataka State Road Development Corporation	1,217.37	71.45	2006-07
2.	Karnataka State Industrial Investment and Development Corporation, Bangalore	920.55	504.86	2006-07
3.	Karnataka State Road Transport Corporation	468.67	166.09	2006-07
Total		2,606.59	742.4	

1.6.3 Loans and advances by State Government

In addition to investment in corporations, companies and cooperative societies, Government has also been providing loans and advances to many of these institutions/organisations. Total outstanding loans and advances as of March 2008 were Rs. 6,946 crore (table 22).

Table 22 : Average interest received on loans advanced by the State Government

(Rupees in crore)						
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Opening balance	4,556.46	4,256.04	5,202.95	5,767.53	5,943.58	6,240.83
Amount advanced during the year	627.58	1,011.20	611.43	299.60	357.23	756.74
Amount repaid during the year	928.00	64.29	46.85	123.55	59.97	52.07
Closing balance	4,256.04	5,202.95	5,767.53	5,943.58	6,240.83	6,945.50
Net addition (+) / reduction (-)	-300.42	946.91	564.58	176.05	297.26	704.67
Interest received (Rupees in crore)	19.98	96.27	88.18	94.95	38.49	58.46
Interest received as <i>per cent</i> to outstanding loans and advances	0.4	2.0	1.6	1.6	0.6	0.8
Average interest	9.4	9.4	8.5	7.6	7.7	7.6
Difference between weighted interest and interest received (<i>per cent</i>)	9.0	7.4	6.9	6.0	7.1	6.8

During the current year loans amounting to Rs. 757 crore were advanced by the Government. Terms and conditions of repayment were not specified in respect of loans amounting to Rs. 751 crore (16 cases). Loans advanced during the year included expenditure of Rs. 91 crore for discharge of its guarantee obligation in respect of three Government companies (Rs. 88 crore) and one cooperative institution (Rs. 3 crore) besides financial assistance of Rs.22 crore to one statutory board for repayment of loans.

As brought out in the Statement No.5 (ii) of the Finance accounts, recovery of loans and advances aggregating Rs. 2,242 crore (principal Rs. 777 crore; interest Rs. 1,465 crore) was overdue as of March 2008, from 63 government/cooperative institutions (detailed accounts of which were kept by Accounts office). Nearly 50 *per cent* of this pertained to five major defaulters viz., Karnataka Urban Water Supply and Drainage Board, Bangalore Water Supply and Sewerage Board, Karnataka Housing Board, New Government Electric Factory and Mangalore Chemicals and Fertilizers. In these cases the overdue interest (Rs. 732 crore) was twice the amount of the principal (Rs.366 crore) due for recovery.

The State Government ordered (July 2007) waiver of interest of Rs. 7.11 crore on loan outstanding against M/s. Mysore Papers Mills Limited, a State Government undertaking. In the absence of directive on adjustment transaction the same was not carried out in the books of accounts of Government. This resulted in assets still figuring in Statement 5(ii). MTFP 2008-12 also acknowledged the existence of such cases which lead to non reflection of complete information in the finance accounts of the State Government warranting major exercise of reconciliation.

1.6.4 Management of Cash balances

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) - ordinary and special - from Reserve Bank of India (RBI) has been put in place. The operative limit for normal WMA is reckoned on the three-year average of revenue receipts and the operative limit for special WMA are fixed by the RBI from time to time depending on the holdings of Government Securities. During the year, the limit of normal WMA was fixed at Rs. 625 crore. The operative limit of special WMA varied between Rs. 699.75 crore and Rs. 3,732 crore during the year depending on the securities held by the State. WMA and overdraft availed and interest paid by the State is detailed in table 23 below.

Table 23 : Ways and means advances and overdrafts of the State and interest paid thereon

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Ways & Means advances						
Availed in the year	4,045.45	4,623.92	1,462.79	--	---	78.13
Interest paid	5.22	7.94	1.2	--	---	0.04
No. of days availed	170	163	61	--	---	4
Overdraft						
Availed in the year	47.84	757.72	--	--	---	-
Interest paid	0.01	0.9	--	--	---	-
Number of days	1	33	--	--	---	-

During 2007-08, Government availed special ways and means advances amounting to Rs. 78 crore to meet the mismatch between its receipts and expenditure only for four days. The liquidity position of the State continued to be stable and the state did not avail overdraft during the year. The cash balance of the State at the year end was Rs. 3,919 crore. In view of surplus cash balance the possibility of arranging for buy-back option of state development loans with the help of RBI was required to be explored to reduce the future interest liability.

1.7 Un-discharged liabilities

Total liabilities, as defined in the Karnataka Fiscal Responsibility Act, are the liabilities under the consolidated fund and the public account of the State.

1.7.1 Fiscal liabilities-Public debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the annual financial Statements under the consolidated fund – capital account. It includes market loans, special securities issued to RBI and loans and advances from Central Government. The Constitution of India provides that State may borrow within the territory of India upon the security of its consolidated fund, within such limits, as may from time to time, be fixed by an Act of the Legislature and give guarantees within such limits as may be fixed. Other liabilities which are a part of public account include deposits under small savings scheme, provident funds, and other deposits.

Table 24 below show the fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table 24 : Fiscal liabilities –Basic parameters

	(Amount Rupees in crore and Ratios in per cent)					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Fiscal liabilities	37,234	41,967	46,940	52,236	57,682	60,142
Rate of growth (<i>per cent</i>)	14.3	12.7	11.8	11.3	10.4	4.3
Ratio of fiscal liabilities to						
GSDP (<i>Per cent</i>)	31.6	32.5	31.3	31.1	30.6	27.9
Revenue receipts (<i>Per cent</i>)	230.3	202.1	176.7	172.1	153.5	146.1
Own resources (<i>Per cent</i>)	317.8	270.3	228.5	232.1	210.5	204.9
Buoyancy of fiscal liabilities to						
GSDP(ratio)	1.8	1.3	0.7	0.9	0.8	0.3
Revenue receipts (ratio)	2.6	0.4	0.4	0.8	0.4	0.5
Own resources(ratio)	2.0	0.4	0.4	1.2	0.5	0.6

Fiscal liabilities of the State increased from Rs. 37,234 crore in 2002-03 to Rs. 60,142 crore in 2007-08 comprising consolidated fund liabilities (Rs. 42,873 crore) and public account liabilities (Rs. 17,269 crore). The rate of growth of fiscal liabilities of the State has been following a downward path and fell to four *per cent* in 2007-08 from 14 *per cent* in 2002-03. In 2007-08, the growth rate of fiscal liabilities continued to be lower than the growth rate of GSDP as in 2006-07 and the buoyancy of fiscal liabilities to GSDP which was 1.8 in 2002-03 fell to 0.3 in 2007-08

As per the recommendation of the TFC, all states were required to set-up a Sinking Fund for amortisation of all loans including liabilities on account of National Small Savings Fund (NSSF), *etc.* The State Government had already constituted a sinking fund for amortisation of open market loans. However, there were no contributions to the sinking fund since 1999-2000 without assigning any specific reasons. The sinking fund was yet to be revived.

1.7.2 Status of Guarantees – contingent liabilities

Guarantees are liabilities contingent on the consolidated fund of the State in case of default by the borrower for whom the guarantee has been extended. The maximum amount for which guarantees were given by the State and outstanding guarantees at the end of year since 2002-03 as per Statement 6 of Finance Accounts is given in table 25.

Table 25 : Guarantees given by the Government of Karnataka

(Rupees in crore)

Year	Max amount guaranteed	Outstanding amount of guarantees	Percentage of outstanding amount guaranteed to total revenue receipts of the second preceding year
2002-03	20,973	13,314	90
2003-04	21,225	14,179	93
2004-05	19,910	11,574	72
2005-06	20,107	8,984	43
2006-07	19,793	9,879	37
2007-08	23,109	10,786	36

The Karnataka Ceiling on Government Guarantees Act, 1999, provides for a cap on outstanding guarantees at the end of any year at 80 *per cent* of the State's revenue receipts of the second preceding year. The outstanding guarantees to the end of 2007-08 constituted 36 *per cent* of the revenue receipts of the year 2005-06 but as stated in the MTFP 2008-12, risk-based assessment of outstanding guarantees to enable corrective action was yet to be taken up. The State was yet to act on TFC recommendation of setting up of Guarantee Redemption Fund through earmarked guarantee fees based on risk weighing of guarantees.

In 2007-08 the Government discharged Guarantee obligation of Rs. 91 crore on account of default by four institutions treating the expenditure as loan to the institutions.

Guarantee fees of Rs. 77 crore remitted to Government account under the head 'miscellaneous general services' in 2007-08 was not transferred to the Guarantee reserve fund.

Failure to transfer the guarantee fee realised and the expenditure on discharge of guarantee obligation to public account resulted in overstatement of revenue receipts/capital expenditure in the consolidated fund.

1.7.3 Off-budget borrowings

The borrowings of a State are governed under Article 293 of the Constitution of India. In addition to the liabilities shown in table 24, the State guaranteed loans taken by Government companies/corporations. These companies/corporations borrowed funds from the market/financial institutions for implementation of various State plan programmes projected outside the State budget. Although the estimates of the plan programmes of the State Government projected that funds for these programmes would be met out of resources of the companies/corporations outside the State budget, in reality the borrowings of many of these concerns were ultimately the committed

liabilities of the State Government termed 'off-budget borrowings'. Though off-budget borrowings are not permissible under Article 293 (3), the State resorted to off-budget borrowings as evident by the data furnished by the Finance Department. Table 26 captures the trends in the off-budget borrowings of the State during 2002-08 while table 27 gives the entity-wise position of borrowings.

Table 26 : Trend in off-budget borrowings

(Rupees in crore)

Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 (RE)
Amount as per MTFP*	1,388	1,129	838	1,078	845	720

* figures are yet to be reconciled with those of the financial institutions.

Table 27 : Entity-wise position of off-budget borrowings

(Rupees in crore)

Company/Corporation/Board(*)	Off-budget borrowings			Repayment to end of 2007-08	
	upto 2006-07	During 2007-08	Total	Principal	Interest
Krishna Bhagya Jala Nigam	2,433.17	50.00	2,483.17	947.48	411.83
Karnataka Neeravari Nigam Limited	859.10	--	859.10	221.10	75.98
Karnataka Road Development Corporation	534.14	102.82	636.96	63.80	5.64
Rajiv Gandhi Rural Housing Corporation	650.63	--	650.63	58.94	55.04
Karnataka Slum Clearance Board	117.90	--	117.90	20.71	9.30
Karnataka Police Housing Corporation	280.93	--	280.93	30.54	0.38
Karnataka Land Army Corporation	1.60	--	1.60	9.36	19.44
Karnataka Renewable Energy Development Limited	8.06	--	8.06	0.99	0.75
Cauvery Neeravari Nigam	789.55	--	789.55	0.00	40.06
Karnataka Residential Education Institution Society	76.30	--	76.30	34.32	30.34
Karnataka Small Industrial Investment Development Corporation	211.87	--	211.87	2.17	17.94
Total	5,963.25	152.82	6,116.07	1,389.41	666.70

*Information as furnished by the Companies / Corporations.

Taking into account the off-budget borrowings of the State, the total liabilities at the end of March 2008 worked out to Rs. 64,869 crore⁸ as against Rs. 60,142 crore reflected in table 24. The ratio of fiscal liabilities inclusive of off-budget borrowings to GSDP increases to 30 *per cent* at the end of the year.

1.7.4 Debt sustainability

Liabilities are considered sustainable if the government is able to service the stock of liabilities over the foreseeable future and the debt-GSDP ratio does not grow to unmanageable proportions. A government which does not generate enough current revenues for debt service will default on its obligations or borrow more to service its past debts and cover its current receipt-expenditure imbalance. Solvency of the state and sustainability are inter-related and unsustainable liabilities will threaten the solvency of the state. Debt sustainability of the State has been examined in terms of debt/GSDP ratio or Domar's Gap, net availability of borrowed funds and

⁸ Fiscal liabilities : Rs. 60142 crore plus Off-budget borrowings: Rs. 6116 crore less Repayment of principal : Rs. 1389 crore

adequacy of incremental revenue receipts to meet the incremental interest burden and primary expenditure and maturity profile of Government borrowings.

1.7.5 Debt stability

An important condition for debt sustainability is stabilisation in terms of debt/GSDP ratio. According to Domar's debt stability equation, if the rate of growth of economy exceeds the cost of borrowings, the debt-GSDP ratio is likely to be stable provided primary balances are positive/zero/ moderately negative. When the quantum spread and primary deficit is negative, debt-GSDP ratio will be high indicating unsustainable levels of public debt and when the quantum spread and primary deficit are positive, debt-GSDP ratio will be low indicating sustainable levels of public debt.

Table 28: Debt sustainability – interest rate and GSDP growth

	(in per cent)					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Average interest rate	9.4	9.4	8.5	7.6	7.7	7.6
GSDP growth	7.8	9.6	16.0	12.1	12.1	14.3
Interest spread	-1.6	0.2	7.5	4.5	4.4	6.7
Quantum spread (Rs. in crore)	-595.74	83.93	3,520.50	2,350.62	2,538.00	4,029.51
Primary deficit (-) / primary surplus (+) (Rs. in crore)	-1,990.00	-791.00	194	78	-452.00	- 826

In 2002-04, quantum spread together with primary deficit was negative resulting in increase in debt-GSDP ratio. Thereafter quantum spread with primary deficit or primary surplus remained positive pushing downwards the debt-GSDP ratio. These trends indicated debt stabilisation which would eventually improve the capacity of the State to sustain the debt in the medium and long term.

1.7.6 Sufficiency of incremental non-debt receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. The persistent negative resource gap indicates the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. Table 29 indicates the resource gap as defined for the period 2002-08.

Table 29

(Rupees in crore)

Period	Incremental				Resource gap
	Non-debt receipts	Primary expenditure	Interest payments	Total expenditure	
1	2	3	4	5=(3+4)	6=(2-5)
2002-03	1,741	-399	609	210	1,531
2003-04	3,727	2,052	418	2,470	1,257
2004-05	5,793	3,563	84	3,647	2,146
2005-06	3,859	3,138	-29	3,109	750
2006-07	7,171	4,923	471	5,394	1,777
2007-08	3,802	3,670	270	3,940	-138

During the period 2002-07, the State maintained the positive resource gap with inter year variations indicating adequacy to sustain the debt in the medium to long run. However, during 2007-08 the revenue receipts increased by 9 *per cent* as compared to an average growth rate of little more than 23 *per cent* during the previous four years (2003-07). Steep fall in non debt receipts by Rs. 3,369 crore in 2007-08 relative to previous year turned consistent positive resource gap position during the previous years into negative in the current year. Since negative resource gap amounts only to Rs. 138 crore, it may not have any significant fallout on the debt sustainability of the State.

1.7.7 Net availability of borrowed funds

The debt sustainability of the State also depends on (i) the ratio of the debt redemption (principal + interest payments) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the Government's debt problem lies in application of borrowed funds, *i.e.*, they are (a) not being used for financing revenue expenditure; and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general, which may result in increase in Government revenue.

Table 30 below gives the position of the receipts and repayments of internal debt and other fiscal liabilities of the State over the last six years.

Table 30: Net availability of borrowed funds

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Internal debt[^]						
Receipts	3,888.52	6,531.33	6,953.68	4,994.89	2,891.48	1472.55
Repayment (principal + interest)	1,618.53	2,523.27	2,666.13	2,910.82	3,925.98	3902.66
Net fund available	2,269.99	4,008.06	4,287.55	2,084.07	-1,034.50	-2430.11
Net fund available (<i>Per cent</i>)	58	61	62	42	---	--
Loans and advances from GOI						
Receipts	1,544.22	1,457.00	1,555.75	668.66	654.46	806.00
Repayment (principal + interest)	2,932.84	4,196.92	4,703.74	1,132.66	1,491.41	1194.69
Net fund available	-1,388.62	-2,739.92	-3,147.99	-464.00	-836.95	-388.69
Net fund available (<i>Per cent</i>)	-	-	-	-	---	-
Other obligations						
Receipts	15,077.11	16,426.71	19,227.98	18,806.35	22,435.86	22922.95
Repayment (principal + interest)	14,582.31	16,671.81	19,188.30	18,895.15	19,354.70	22149.60
Net fund available	494.80	-245.10	39.68	-88.80	3,081.16	773.35
Net fund available (<i>Per cent</i>)	3	-	0.2	-	14	3
Total liabilities						
Receipts	20,509.85	24,415.04	27,737.41	24,469.90	25,981.80	25201.50
Repayment (principal + interest)	19,133.68	23,392.06	26,558.17	22,938.63	24,772.09	27246.95
Net fund available	1,376.17	1,023.04	1,179.24	1,531.27	1,209.71	-2045.45
Net fund available (<i>Per cent</i>)	7	4	4	6	5	-

[^] Excluding ways and means advances/overdraft from Reserve Bank of India

Debt redemption ratio exceeded the unity for the first time in 2007-08 in last five years with repayments towards the discharge of past debt obligations significantly more than the fresh debt receipts during the year. During the current year the Government raised internal debt of Rs. 1,473 crore, Government of India loans of Rs 806 crore and other obligations of Rs. 22,923 crore and repaid internal debt of Rs. 3,903 crore, Government of India loans amounting to Rs. 1,195 crore and discharged other obligations of Rs. 22,150 crore along with interest obligations thereon resulting in net decrease of Rs. 2,045 crore in debt receipts during the year.

1.8 Management of deficits

1.8.1 Trends in deficits

The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in table 31.

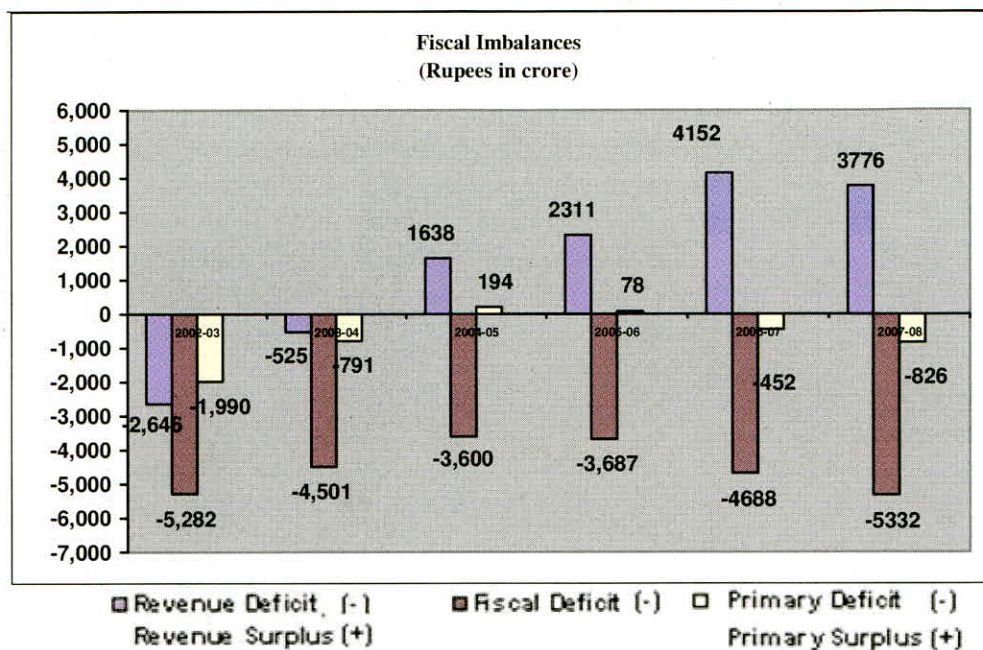
Table 31 : Fiscal imbalances – Basic parameters

Parameters	(Amount Rupees in crore and Ratios in per cent)					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue deficit (-) (RD) / Revenue surplus (+)	-2,646	-525	1,638	2,311	4,152	3,776
Fiscal deficit (FD)	5,282	4,501	3,600	3,687	4,688	5,332
Primary deficit (-) (PD) / Primary surplus (+)	-1,990	-791	194	78	-452	-826
RD/ GSDP	2.24	0.41	---	---	---	---
FD/ GSDP	4.50	3.50	2.40	2.20	2.50	2.50
PD/ GSDP	1.69	0.61	0.13	0.05	0.24	0.38
RD/FD	50.1	11.7	---	---	---	---

Revenue surplus is the excess of revenue receipts over revenue expenditure. From 2004-05, the State's finances showed revenue surplus which increased from Rs. 1,638 crore to Rs. 4,152 crore in 2006-07 but declined to Rs. 3,776 crore in 2007-08. The decline in revenue surplus during the current year was due to the growth of revenue expenditure by Rs. 3,940 crore (12 per cent) as against increase in revenue receipts by Rs. 3,564 crore (9 per cent). With more than 70 per cent of revenue receipts of the State being contributed by its own resources, a relatively lower growth rate of 7 per cent in State's own resources in 2007-08 as compared to 22 per cent in previous year (mainly due to absolute decline of Rs. 741 crore in non tax receipts of the State) led to a decline in revenue surplus by Rs. 376 crore in 2007-08 relative to previous year.

Despite the increase of Rs. 238 crore in non-debt capital receipts in 2007-08, an increase of Rs. 506 crore in capital expenditure (including loans and advances) along with a decline in revenue surplus led to an increase of Rs. 644 crore in fiscal deficit in 2007-08 over the previous year. The increase in fiscal

deficit along with increase of Rs. 270 crore in interest payments was the reason for the increase of primary deficit by Rs. 374 crore.



1.8.2 Quality of deficit/surplus

The ratio of revenue deficit (RD) to fiscal deficit (FD) and the decomposition of primary deficit⁹ (PD) into primary revenue deficit¹⁰ and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of RD to FD indicates the extent to which borrowed funds were used for current consumption. The ratio of RD to FD declined from 50 per cent in 2001-02 to 12 per cent in 2003-04 and thereafter the revenue account turned into surplus. This trajectory showed consistent improvement in the quality of the deficit during 2004-08 as borrowed funds were used in activities resulting in expansion in the asset backup of the State. Table 32 below shows the bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2002-08.

Table 32 : Primary deficit/surplus-bifurcation of factors

(Rupees in crore)							
Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure	Primary revenue deficit (-) / surplus (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6(3+4+5)	7 (2-3)	8 (2-6)
2002-03	17,097	15,523	2,936	628	19,087	1,574	-1,990
2003-04	20,824	17,575	3,029	1,011	21,615	3,249	-791
2004-05	26,617	21,138	4,674	611	26,423	5,479	194
2005-06	30,476	24,276	5,822	300	30,398	6,200	78
2006-07	37,647	29,199	8,543	357	38,099	8,448	-452
2007-08	41,449	32,869	8,649	757	42,275	8,580	-826

⁹ Primary deficit defined as the fiscal deficit net of interest payments indicates the extent of deficit which is an outcome of the fiscal transactions of the States during the course of the year.

¹⁰ Primary revenue deficit defined as gap between non interest revenue expenditure of the state and its revenue receipts indicates the extent to which the revenue receipts of the State are able to meet the primary expenditure incurred under revenue account.

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2003-08 revealed that throughout this period the primary deficit was on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were enough to meet the primary expenditure¹¹ requirements in the revenue account. But the surplus non-debt receipts were not enough to meet the expenditure requirements under capital account resulting in primary deficit during two spells of 2002-04 and 2006-08. However, during 2004-05 and 2005-06 non-debt receipt were sufficient to meet the expenditure requirement both under revenue and capital account resulting in primary surplus. These trends indicate the extent to which the primary deficit in the past was on account of enhancement in capital expenditure, desirable to some extent to improve the productive capacity of the State's economy.

1.9 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 33 below presents a summarised position of Government Finances during the period 2001-2007, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their application, highlight areas of concern and captures its important facts.

Table 33 : Indicators of fiscal health (in per cent)

Fiscal ratios	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Resource mobilisation						
Revenue receipts (RR)/GSDP	13.7	16.1	17.7	18.1	20.0	19.1
Revenue buoyancy	0.7	3.0	1.7	1.2	2.0	0.6
Own tax/GSDP	8.8	9.7	10.7	11.1	12.4	12.1
Expenditure management						
Total expenditure (TE)/GSDP	19.0	19.6	20.2	20.3	22.5	21.7
Revenue receipts /Total expenditure	72.2	82.0	87.9	88.8	88.8	88.0
RE/Total expenditure	84.1	84.0	82.5	82.1	79.0	79.9
Salary expenditure on social & economic services/RE	19.1	17.8	15.6	15.4	14.3	16.0
Non-salary expenditure on social & economic services/RE	40.1	36.7	41.5	44.7	49.6	49.7
Capital expenditure (CE)/TE	13.5	12.4	15.8	17.2	20.4	18.8
CE on social & economic services/TE	13.1	11.9	15.4	16.5	19.6	18.0
Buoyancy of TE with RR	1.0	0.5	0.7	0.9	1.0	1.2
Buoyancy of RE with RR	0.2	0.5	0.6	0.9	0.8	1.2
Management of fiscal imbalances						
Revenue deficit (-) (RD) / Revenue Surplus (+) (Rs. in crore)	-2,646	-525	1,638	2,311	4,152	3776
Fiscal deficit (Rs. in crore)	5,282	4,501	3,600	3,687	4,688	5,332
Primary deficit (-)(PD) / Primary surplus (+)	-1,990	-791	194	78	-452	-826

¹¹ Primary expenditure of the State is defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year

Fiscal ratios	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue deficit / fiscal deficit	50.1	11.7	---	---	---	--
Management of fiscal liabilities						
Fiscal liabilities (FL)/GSDP	31.6	32.5	31.3	31.1	30.6	27.9
Fiscal liabilities/RR	230.3	202.1	176.7	172.1	153.5	146.1
Buoyancy of FL with RR	2.6	0.4	0.4	0.8	0.4	0.5
Buoyancy of FL with own receipts	2.0	0.4	0.4	1.2	0.5	0.6
PD vis-a-vis quantum spread	3.34	- 9.5	-	-	- 0.18	- 0.20
Net fund available (%)	7	4	4	6	5	-
other fiscal health indicators						
Return on investment (Rs. in crore)	21.3	18.0	16.7	16.9	19.5	23.4
BCR (Rs. in crore)	(-) 645	1,571	4,879	5,483	9,415	8,593
Financial assets / liabilities	0.7	0.7	0.8	0.8	0.9	1.0

The trends in ratios of revenue receipts and State's own taxes to GSDP indicated the adequacy and accessibility of State resources. Revenue receipts comprised of not only the tax and non-tax resources but also the transfers from Union Government. The ratio of revenue receipts to GSDP indicated an increasing trend during the period 2002-07 with a marginal decline in the current year to 19 *per cent* as compared to 20 *per cent* in 2006-07. In tandem with the trends in revenue receipts, own tax to GSDP ratio also showed an increasing trend except a marginal decline in current year. The ratio at 12 *per cent* in 2007-08, however, not only met the budget estimate of Government for the year but was also equal to the national average during the year.

Various ratios concerning the expenditure management of the State indicated quality of its expenditure and sustainability of these in relation to its resource mobilisation efforts. The revenue expenditure relative to total expenditure indicated a declining trend from 84 *per cent* in 2002-03 to 79 *per cent* in 2006-07 with an increase of one percentage point in 2007-08 mainly due to loan waiver, implementation of pay commission award resulting in hike in salaries and pensions. The higher buoyancy ratio of total expenditure as compared to that of revenue expenditure with respect to revenue receipts indicated the propensity of the State Government to create assets by resorting to *inter alia* capital expenditure. Various ratios concerning the expenditure management of the State indicated improvement in quality as well as the sustainability of expenditure in relation to its resource mobilisation efforts. Increasing reliance on revenue receipts to finance the total expenditure to the extent of 88 *per cent* during the last three years (2005-08) indicated that only 12 *per cent* of the expenditure was financed through borrowed funds. This was also reflected by declining ratio of fiscal liabilities to revenue receipts.

The continued prevalence of revenue surplus and maintaining the fiscal deficit below three *per cent* of GSDP along with consistent positive Balance from Current Revenue during 2007-08 indicated sustainable fiscal position of the State. As a result, asset backup fiscal liabilities of the State consistently improved during the period 2002-08 with assets fully matching the liabilities in 2007-08.

1.10 Conclusion

The State continued to maintain the revenue surplus and kept the fiscal deficit relative to GSDP below three *per cent* as laid down under the Karnataka Fiscal Responsibility Act, 2002. However, the fiscal position of the State viewed in terms of trends in deficit indicators revealed deterioration in 2007-08 relative to previous year as revenue surplus declined and fiscal and primary deficits increased. The deterioration in fiscal performance during the current year was primarily on account of a relatively lower growth rate of seven *per cent* in the State's own resources in 2007-08 as compared to 22 *per cent* in previous year due to reduction of Rs. 741 crore in non tax receipts of the State relative to the previous year. The expenditure pattern of the State revealed that the revenue expenditure as a *percentage* to total expenditure continued to dominate with around 80 *per cent* of the total expenditure in 2007-08 and its NPPE component at Rs. 29,062 crore exceeded the normative projection of TFC for the State (Rs. 21,735 crore) for the year. Moreover, within the non plan revenue expenditure, four components – salary expenditure, pension liabilities, interest payments and subsidies – constituted about 73 *per cent* of NPPE. Besides, the quality of expenditure continued to be a cause of concern as there were cases where guarantee obligations discharged by the State government were converted into loans to the selected corporations/companies and off-budget borrowings of special purpose vehicles repaid by the Government were treated as capital expenditure. The share of re-payment of off-budget borrowings in the State in its capital expenditure, however, declined to 17 *per cent* in 2007-08 from 28 *per cent* in the previous year. The increasing fiscal liabilities with negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might strain the fiscal budget of the State in medium to long run unless suitable measures are initiated to compress the non plan revenue expenditure and to mobilise the additional resources both through the tax and non tax sources in ensuing years.

CHAPTER II
ALLOCATIVE PRIORITIES AND
APPROPRIATION

CHAPTER – II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

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

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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2007-08 against 29 grants/appropriations was as follows:

(Rupees in crore)

Nature of expenditure		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Expenditure	Unspent provision (-)/ Expenditure in excess of provision (+)
Voted	Revenue	3,4870.40	2,740.54	37,610.94	33,013.93	(-)4,597.01
	Capital	9,115.48	2,217.76	11,333.24	8,805.81	(-)2,527.43
	Loans & advances	646.35	302.18	948.53	756.74	(-)191.79
Total Voted		44,632.23	5,260.48	49,892.71	42,576.48	(-)7,316.23
Charged	Revenue	4,891.40	5.57	4,896.97	4,581.75 ¹	(-)315.22
	Capital	---	---	---	---	---
	Public debt	2,649.47	---	2,649.47	1,328.77	(-)1,320.70
Total Charged		7,540.87	5.57	7,546.44	5,910.52	(-)1,635.92
Grand Total		52,173.10	5,266.05	57,439.15	48,487.00	(-)8,952.15

The overall unspent provision of Rs. 8,952.14² crore was the net result of unspent provision of Rs. 8,957.29 crore in 29 grants/appropriations partly offset by excess expenditure of Rs. 5.15 crore in three grants/appropriations (details vide Appropriation Accounts 2007-08). Detailed Appropriation Accounts were communicated to the Controlling Officers to explain the significant variations; explanations were not received (November 2008).

¹ Expenditure excludes Rs. 0.50 crore under the Major Head '2014', where the provision was under Voted instead of Charged.

² The overall unspent provision worked out differs from table above by 0.01 crore due to rounding.

2.3 Fulfilment of allocative priorities

2.3.1 Appropriation by allocative priorities

Out of total unspent provision of Rs. 8,957.29 crore, unspent provisions of more than Rs. 100 crore occurred in 15 grants/ appropriations, during 2007-08. Large unspent provisions were in areas like Debt Servicing, Urban Development, Water Resources, Rural Development and Panchayat Raj, etc as detailed in the table below:

(Rupees in crore)

Sl. No	Grant	Provision	Expenditure	Unspent provision
1	1-Agriculture and Horticulture Revenue Voted	1,648.54	1,239.81	408.73
2	2-Animal Husbandry and Fisheries Revenue Voted	460.43	318.48	141.95
3	3-Finance Revenue Voted	4,207.57	3,979.04	228.53
4	7-Rural Development and Panchayat Raj Revenue Voted Capital Voted	1,685.39 1,712.15	1,300.69 1,116.00	384.70 596.15
5	10-Social Welfare Revenue Voted	1,335.91	1,233.66	102.25
6	11-Women and Child Development Revenue Voted	894.63	752.06	142.57
7	14-Revenue Revenue Voted Capital Voted	1,825.68 163.65	1,699.52 55.85	126.16 107.80
8	17-Education Revenue Voted	7,073.13	6,755.26	317.87
9	18-Commerce and Industries Revenue Voted	1,369.12	1,072.15	296.97
10	19-Urban Development Revenue Voted Capital Voted	4,192.00 726.38	2,997.05 571.05	1,194.95 155.33
11	20-Public Works Revenue Voted Capital Voted	1,555.42 1,960.97	1,211.17 1,743.25	344.25 217.72
12	21-Water Resources Capital Voted	4,611.87	3,443.22	1,168.65
13	22-Health and Family Welfare Revenue Voted	1,663.58	1,419.83	243.75
14	26-Planning, Statistics, Science and Technology Revenue Voted	602.89	424.13	178.76
15	29-Debt Servicing Revenue Charged Capital Charged	4,818.21 2,649.47	4,505.78 1,328.77	312.43 1,320.70
	Total	45,156.99	37,166.77	7,990.22

Major heads of account under which major part of the provisions remained unspent in these 15 grants / appropriation are detailed in **Appendix 2.1**.

The reasons furnished by three departments for unspent provisions under few major heads of account are given below:

Urban Development

- ❖ Unspent provisions of Rs. 821.44 crore was due to delay in receiving approval by the Government for projects and short release of Central share under the major head '2217'.

Water Resources

- ❖ Unspent provisions of Rs. 486.08 crore under the major head '4702' was due to non-utilisation of funds for major works, non-receipt of the State Government approval for major works, delay in finalisation of tenders etc.,

Debt Servicing

- ❖ Excess provision of funds over and above requirement by the Finance Department resulted in unspent provision of Rs. 198.51 crore was under the major head '2049'.
- ❖ Unspent provisions of Rs. 1,271.87 crore was due to availing facility of Special Ways and Means Advances only to the extent of shortfall in cash balances and non-utilisation of overdraft facility with Reserve Bank of India respectively under the major head '6003'.

2.3.2 There were unspent provisions (Rs. 754.43 crore) in 55 cases relating to eight grants due to non / short / late release of funds and non / late receipt of sanctions from Government (**Appendix 2.2**). These unspent provisions were surrendered on the last day of the financial year.

2.3.3 Persistent unspent provisions

In 74 cases relating to 16 grants there were persistent unspent provisions of Rs. one crore and above during last three years (**Appendix 2.3**).

2.3.4 Surrender of unspent provisions

According to rules framed by Government, the departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. However, out of total unspent provision of Rs. 8,833.71 crore³ in 28 grants/ appropriations, Rs. 2,693.14 crore (30 per cent) were surrendered on the last day of the financial year. Unspent provision of Rs. 6,140.57 crore (70 per cent) remained un-surrendered (**Appendix 2.4**).

³ Excludes Rs. 12.87 crore surrendered in full in four grants and Rs. 110.71 crore surrendered in excess in two grants.

2.4 Excess expenditure requiring regularisation

2.4.1 As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess expenditure over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs. 8,503.19 crore for the years 1989-90 to 2006-07 was yet to be regularised (November 2008) (**Appendix 2.5**).

2.4.2 Details of excess expenditure of Rs. 5.15 crore incurred against three grants/ appropriations during 2007-08 required to be regularised are given below:

(Amount in Rupees)

Sl. No.	Grant & Section	Provision	Expenditure	Excess
1	4-Department of Personnel and Administrative Reforms Revenue Charged	59,05,96,000	59,07,37,713	1,41,713
2	8-Forest, Ecology and Environment Revenue Charged Capital Voted	8,21,48,000 5,53,75,000	11,55,51,464 6,60,89,515	3,34,03,464 1,07,14,515
3	27-Law Capital Voted	5,61,64,000	6,34,00,501	72,36,501
	Total	78,42,83,000	83,57,79,193	5,14,96,193

Booking of expenditure pertaining to previous year initially booked under 'Civil Advances' was the reason furnished by the Forest, Ecology and Environment department for excess expenditure of Rs. 1.14 crore under the major head '4406'.

2.4.3 Persistent excesses

There were 26 cases of persistent excess expenditure over provision in eight grants during last three years (**Appendix 2.6**).

2.5 Unnecessary/insufficient/excessive supplementary provision

Supplementary provision (Rs. 5,266.05 crore) made during the year constituted 10 *per cent* of the original provision (Rs. 52,173.10 crore) as against 16 *per cent* in the previous year.

2.5.1 Supplementary provision of Rs. 94.13 crore made under 21 detailed/object heads relating to 12 grants proved unnecessary (**Appendix 2.7**).

2.5.2 Under 11 detailed heads relating to seven grants supplementary provision of Rs. 44.06 crore obtained proved insufficient leaving uncovered excess expenditure of Rs. 24.41 crore (**Appendix 2.8**).

2.5.3 Under 25 detailed heads relating to 15 grants supplementary grant of Rs.416.20 crore obtained proved excessive resulting in unutilised provision of Rs. 150.74 crore (**Appendix 2.9**).

2.6 Re-appropriation of funds

A grant or appropriation for disbursements is distributed by sub-head/detailed head / object head under which it is accounted for. The competent executive authorities may approve re-appropriation of funds between the primary units of appropriation within a grant or appropriation before the close of the financial year to which such grant or appropriation relates. Re-appropriation of funds should be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilised in full or will result in unspent provision in the unit of appropriation.

2.6.1 Injudicious re-appropriation of funds

In 58 cases, re-appropriation of funds was made injudiciously resulting either in un-utilised provisions or excess over provision of more than Rs. 0.25 crore in each case (**Appendix 2.10**). Of these:

- in 11 cases, additional funds of Rs. 19.42 crore provided through re-appropriation proved insufficient as the final expenditure exceeded the provision by Rs. 9.23 crore.
- in 21 cases, the unutilised provisions were not properly assessed as even after the withdrawal of Rs. 398.19 crore through re-appropriation, Rs.421.39 crore remained unutilised.
- in 24 cases, additional funds of Rs. 125.90 crore provided by re-appropriation resulted in unutilised provision of Rs. 42.95 crore and the re-appropriation proved excessive.
- in two cases, the withdrawal of Rs. 7.62 crore through re-appropriation resulted in as the final expenditure exceeding the net provision by Rs.5.37 crore.

2.6.2 Defective re-appropriation

During 2007-08, 256 re-appropriation orders involving an amount of Rs.7,195.01 crore were issued of which, 44 re-appropriation orders for Rs. 165.42 crore were not considered in accounts. These orders were found either exceeding the power of sanction or not self balanced or not signed by competent authority or not having prior approval of Finance Department. Illustrative cases are listed in (**Appendix 2.11**).

2.7 Un-reconciled expenditure

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

During 2007-08, out of 212 Chief Controlling Officers, 36 officers had not reconciled expenditure of Rs. 19,802.05 crore (43 *per cent* of the expenditure of Rs. 46,023.71 crore incurred by them). Twenty three Controlling officers who disbursed Rs. 756.74 crore of loans and advances had not reconciled expenditure figures.

2.8 Errors in budgeting

Eleven cases of errors in budgeting on account of obtaining supplementary provisions under the grants other than to which original provisions were made, arithmetical errors *etc.*, involving an amount of Rs. 32.87 crore were noticed.

Further, eight cases of error in budgeting due to correction slips being not taken into account involving an amount of Rs. 3,947.48 crore were noticed (**Appendix 2.12**).

2.9 Rush of expenditure

The financial rules require that expenditure should be evenly distributed throughout the year. The rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial rules. The position in respect of expenditure for the four quarters and also for the month of March 2008 as depicted in **Appendix 2.13** shows that the expenditure incurred in March 2008 in 17 cases ranged between 32 and 94 *per cent* of the total expenditure during the year.

2.10 New service/New instrument of service

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

In 15 cases involving three grants, expenditure totalling Rs. 38.55 crore which should have been treated as 'New Service/New Instrument of Service' was met without the approval of the Legislature (**Appendix 2.14**).

2.11 Expenditure without budget provision

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs. 16.58 crore was incurred without provision either in original or in supplementary demand in 10 cases involving seven grants test-checked in audit (**Appendix 2.15**).

2.12 Contingency Fund

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

During 2007-08, 20 sanctions aggregating Rs. 42.35 crore were issued. A review of the operation of the Contingency Fund disclosed the following:

- In four cases, sanction for advances obtained was in excess of the amount required. The amount drawn in these cases ranged between 12 and 79 *per cent* of the amount sanctioned (**Appendix 2.16**).

2.13 Abstract Contingent bills

2.13.1 Introduction

The Manual of Contingent Expenditure, 1958 (Manual) permitted Drawing and Disbursing Officers (DDOs) to draw contingent charges required for immediate disbursement on Abstract Contingent (AC) bills subject to rendering detailed bills to their Controlling Officers for countersignature and onward transmission to the Accountant General (Accounts and Entitlement) (AG-A&E). Controlling Officers should ensure that no amounts are drawn from the treasury unless required for immediate disbursement.

Audit conducted review of 10,930 AC bills covering Rs.135.47 crore drawn during 2003-08 by 55 DDOs of five⁴ departments in nine districts⁵ during March-June 2008. Important points noticed are brought out in the succeeding paragraphs.

2.13.2 Non- submission/delayed submission of detailed bills

According to Rule 37(3) of the Manual, DDOs are required to send detailed bills in respect of AC bills drawn by them to their Controlling Officers before the closure of the first week of the following month in which AC bills are drawn for onward transmission to AG (A&E) by the fifteenth of the same month.

⁴ Home & Transport [Police], Agriculture [Watershed], Sericulture [Village & Small Industries], Health and Family Welfare [Medical Education] and Information.

⁵ Bangalore (Urban), Bangalore (Rural), Bijapur, Chickmagalur, Gulbarga, Kolar, Mysore, Tumkur and Udupi

As of July 2008, 15 of the 55 DDOs of the test-checked departments had not submitted detailed bills for Rs. 3.74 crore drawn on 309 AC bills to their Controlling Officers as detailed below:

(Rupees in crore)

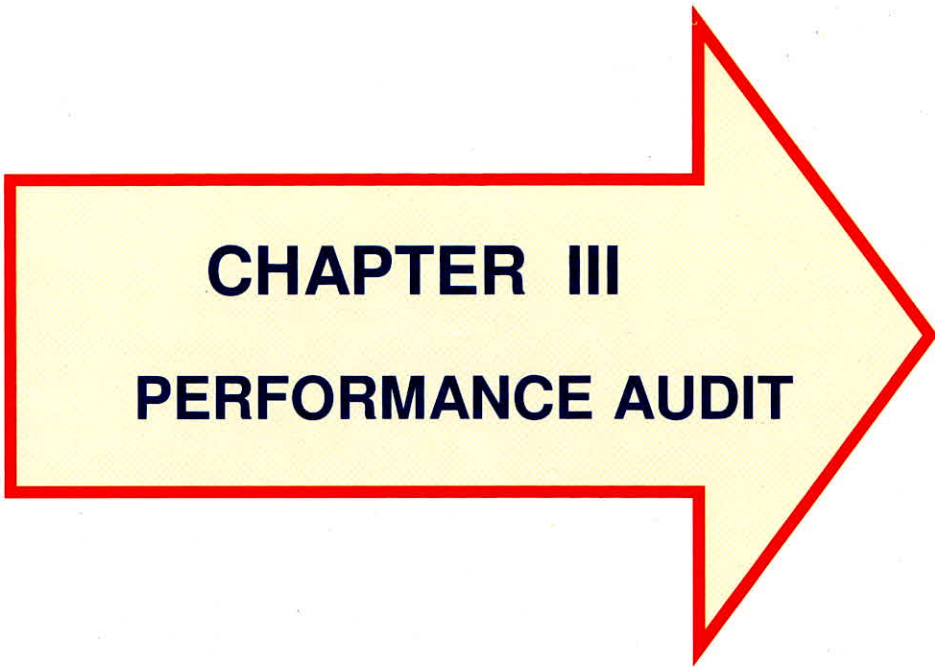
Department	Number of DDOs	Number of AC bills	Amount
Home & Transport [Police]	02	13	0.80
Agriculture [Watershed]	04	169	1.06
Sericulture [Village & Small Industries]	01	2	0.02
Health and Family Welfare [Medical Education]	04	48	1.73
Information	04	77	0.13
Total	15	309	3.74

Further, in departments test-checked, there were delays upto two years in forwarding detailed bills for Rs. 90.69 crore drawn on 4,534 AC bills by 42 DDOs during 2003-08 to the AG (A&E) as detailed below:

(Rupees in crore)

Delay up to	Number of AC bills	Amount
One month	1,426	16.36
Six months	2,317	59.29
One year	680	12.34
Two years	111	2.70
Total	4,534	90.69

The departments attributed the delay to administrative reasons.



CHAPTER III

PERFORMANCE AUDIT

- **3.1 Waste Management in Karnataka**
- **3.2 Computerisation in Police Department**
- **3.3 Lift Irrigation Schemes**
- **3.4 Waiver of agricultural loans and interest subsidy schemes**
- **3.5 Administration of Forest (Conservation) Act, 1980**

CHAPTER III

PERFORMANCE AUDIT

FOREST, ECOLOGY AND ENVIRONMENT DEPARTMENT, URBAN DEVELOPMENT DEPARTMENT & HEALTH AND FAMILY WELFARE DEPARTMENT

3.1 Waste Management in Karnataka

Highlights

The Government of India, under the Environment (Protection) Act, 1986 framed (1998-2000) rules to regulate management of municipal solid wastes and biomedical wastes to protect and improve the environment. Poor compliance to the rules by the implementing agencies viz., urban local bodies and the health care establishments coupled with ineffective monitoring by the State Pollution Control Board resulted in continued environmental pollution and health hazards.

Lack of sustained efforts to secure community participation and involvement of non-governmental organisations for segregation of municipal solid wastes at source rendered the processing of the wastes difficult.

(Paragraph: 3.1.7.3)

Due to delay in acquisition of landfill sites, their development and purchase of tools & equipment for solid waste management, Rs. 85.63 crore remained unspent with the urban local bodies.

(Paragraph: 3.1.6)

Lack of scientific processing facilities at land fill sites and non-compliance by the urban local bodies with the processing procedure prescribed by the Directorate of Municipal Administration resulted in open dumping of mixed wastes leading to environmental pollution.

(Paragraphs: 3.1.7.6 and 3.1.7.7)

Disposal of untreated and unsegregated solid wastes in eco-sensitive forest lands had endangered the wild life.

(Paragraph: 3.1.9.3)

Disposal of biomedical wastes by health care establishments situated in places with population less than five lakh was totally in disregard to the biomedical wastes management rules resulting in environmental pollution.

(Paragraph 3.1.8.3)

Biomedical wastes handed over to a Common Biomedical Waste Treatment and Disposal Facility at Bellary was not handled in accordance with rules resulting in environmental pollution.

(Paragraph: 3.1.8.4)

Lack of monitoring by the State Pollution Control Board resulted in unscientific disposal of municipal solid wastes and biomedical wastes endangering public health and water resources.

(Paragraphs: 3.1.10.1 and 3.1.10.2)

3.1.1 Introduction

The Government of India in exercise of the powers conferred under the Environment (Protection) Act, 1986 framed the following rules to regulate the management and handling of municipal solid wastes and biomedical wastes to protect and improve the environment and to prevent health hazards to human beings and other living creatures:

- The Municipal Solid Wastes (Management and Handling) Rules, 2000 (MSW Rules)
- The Biomedical Wastes (Management and Handling) Rules, 1998 (BMW Rules)

The MSW Rules apply to every municipal authority responsible for collection, segregation, storage, transportation, processing and disposal of municipal solid wastes and require that every municipal authority shall comply with the MSW Rules as per the implementation schedule laid down therein. The BMW Rules apply to all Health Care Establishments (HCEs) who generate, collect, receive, store, treat, transport and dispose or handle biomedical wastes in any form. It is the duty of the generator of the BMW to take all steps to ensure that the BMW is handled in accordance with the rules and without any adverse effect to human health and environment.

3.1.2 Organisational set-up

The Secretary, Urban Development Department and the Deputy Commissioner of each district were responsible to enforce and oversee the implementation of MSW Rules by the Bruhath Bengaluru Mahanagara Palike (BBMP) and the other Urban Local Bodies (ULBs) viz., City Municipal Council (CMC), Town Municipal Council (TMC) and the Town Panchayat (TP) within the State. The Member Secretary, Karnataka State Pollution Control Board (KSPCB) was the Prescribed Authority set up under the BMW rules to grant authorisation and oversee the implementation of BMW rules by all the HCEs in the State. The KSPCB was also responsible to monitor the effective implementation of MSW and the BMW rules.

3.1.3 Audit objectives

The objectives of performance audit were to assess whether:

- funding and infrastructure were adequate for the implementation of rules and whether funds were used economically, efficiently and effectively;
- compliance to laws regulating municipal solid wastes and biomedical wastes was taking place;
- the monitoring mechanism was effective to check the non-compliance by the implementing agencies/generators of BMW; and
- an impact assessment of the implementation of rules was made by the Government.

3.1.4 Scope and methodology of audit

The performance audit covering the period 2003-08 was conducted during February-June 2008. The audit test-checked records and obtained replies to the audit memos/questionnaires from the Urban Development Department, Forest, Ecology & Environment Department, Director of Municipal Administration (DMA), KSPCB, 50 ULBs¹ (**Appendix 3.1**), 220 HCEs and 14 Regional Offices (ROs) of KSPCB of 12 districts² based on multi stage stratified sampling method. Besides, the landfill sites of all the test-checked ULBs and the BMW treatment and disposal facilities of all the 220 test-checked HCEs were jointly inspected during audit. The audit objectives were explained to the Secretary, Urban Development Department and the Secretary, Ecology and Environment Department during the Entry Conference held (April 2008) with them separately. The audit findings were discussed with Principal Secretary, Forest, Ecology and Environment Department during the Exit Conference held on 14 November 2008. The findings and recommendations were accepted by them and are incorporated in the review.

3.1.5 Audit criteria

The audit criteria were:

- MSW Rules
- BMW Rules
- Circular instructions of Government and DMA
- Annual Reports and Budget Documents.

¹ One Metropolitan Corporation-BBMP, Seven City Corporations (CC), 15 City Municipal Councils (CMCs), 20 Town Municipal Councils (TMCs) and Seven Town Panchayats (TPs)

² Bagalkot, Bangalore, Belgaum, Bellary, Dakshina Kannada, Davanagere, Dharwar, Gulbarga, Hassan, Mysore, Udupi and Uttara Kannada

Audit findings

3.1.6 Fund utilisation for implementation of rules

Due to delay in development of landfill sites and procurement of tools and equipment, Rs. 85.63 crore released to the ULBs remained unspent

Funds were provided by Government of India for implementation of solid waste management (SWM) out of Eleventh Finance Commission and Twelfth Finance Commission grants during the period 2003-08. Besides, funds were also provided under KUDCEMP³ and KUIDP⁴ out of Asian Development Bank assistance to selected ULBs for SWM during the same period. No funds were however, provided for implementation of BMW Rules.

The details of funds released and utilised out of Finance Commission, KUDCEMP and KUIDP funds for SWM in the State during the period 2003-2008 were as follows:

Table 1: Utilisation of Finance Commission grants by the ULBs

(Rupees in crore)

	2003-04		2004-05		2005-06		2006-07		2007-08		Total		
	R	E	R	E	R	E	R	E	R	E	R	E	B
Purchase of land	14.38	3.74	0.43	3.15	1.03	2.13	0.20	1.25	1.11	1.52	17.15	11.79	5.36
Development of landfill site	0	0	0.13	0	24.41	8.17	8.43	6.15	16.92	5.95	49.89	20.27	29.62
Tools & Equipment	0.14	0	4.58	3.11	39.26	15.26	21.77	9.13	15.65	4.56	81.40	32.06	49.34
I.E.C.	0	0	0.33	0.25	0.56	0.45	1.01	0.23	0.60	0.26	2.50	1.19	1.31
Total	14.52	3.74	5.47	6.51	65.26	26.01	31.41	16.76	34.28	12.29	150.94	65.31	85.63

R – Releases; E – Expenditure; B – Unspent Balances

Funds of Rs. 31.21 crore released to 10 ULBs⁵ under KUDCEMP and Rs. 7.44 crore released to four ULBs⁶ under KUIDP were fully utilised by the ULBs for SWM (March 2008).

Utilisation of funds in the test-checked ULBs was also poor

In the ULBs of test-checked districts the position of funds released and their utilisation during 2003-08 was as follows:

Table 2: Utilisation of Finance Commission funds by the test-checked ULBs

(Rupees in crore)

	Released	Utilised	Unspent balance
Purchase of land	5.96	4.33	1.63
Landfill site development	16.02	6.45	9.57
Tools and Equipment	28.94	10.63	18.31
IEC activities	0.80	0.42	0.38
Total	51.72	21.83	29.89

³ Karnataka Urban Development and Coastal Environment Management Project

⁴ Karnataka Urban Infrastructure Development Project

⁵ Bhatkal, Dandeli and Ankola in Dakshina Kannada, Karwar, Kundapur, Mangalore, Puttur, Sirsi, Udupi, Ullal and Uttara Kannada districts.

⁶ Channapatna, Ramanagaram, Mysore and Tumkur

The reasons for heavy unspent balances were delay in obtaining authorisation by KSPCB, procurement of tools and equipment, fixing agencies for landfill site development works and slow pace of civil works at landfill site.

3.1.7 Municipal Solid Wastes Management

3.1.7.1 Inordinate delay in setting up waste processing and disposal facilities

Out of 219 ULBs, only 189 ULBs had acquired landfill sites and 87 of them were yet to develop the landfill site

The MSW Rules stipulated that the waste processing and disposal facilities should be set up by all the ULBs latest by 31 December 2003. Out of 219 ULBs in the State, 189 ULBs (86 *per cent*) had acquired the landfill sites for the purpose as of 31 March 2008. Of these, landfill sites in respect of 87 ULBs were yet to be developed and put to use. Consequently, unprocessed wastes were being dumped either at the landfill site or in the open ground adversely affecting the ground/surface water and ambient air quality. DMA stated (May 2008) that land disputes and litigations, delay in fixing agencies for landfill site development and delay in completion of those works by these agencies were the reasons for delay in setting up the waste processing and disposal facilities.

The BBMP had the processing and disposal facilities for only 600 tonnes (20 *per cent*) out of 3,000 tonnes per day (tpd) of MSW generated in the city and the remaining 2,400 tpd of MSW were being dumped in the open and abandoned quarries without any processing thereby polluting the environment.

3.1.7.2 Non-declaration of a buffer zone around the landfill site

Under the MSW Rules, the ULBs were required to declare a ‘no development’ (buffer) zone around the landfill sites in order to ensure that no adverse consequences such as contamination of water bodies (open wells, tube wells, sump tanks, *etc.*), pollution of soil, *etc.*, take place. However, no action was taken by any test-checked ULB to get the buffer zone declared through the town planning authority. The ULBs replied (February-June 2008) that action would be taken henceforth.

3.1.7.3 Non-segregation of MSW at source

The ULBs did not involve the resident welfare associations and the non-governmental organisations for segregation of MSW at source

The rules provided that the MSW should be segregated at source into biodegradable (organic) and non-biodegradable wastes as also to recover recyclable wastes such as plastics, paper, glass, metal, *etc.* While the biodegradable wastes could be processed and stabilised through composting and vermin-composting methods, the inert wastes could be disposed of in landfills and the recyclables can be retrieved for manufacturing recycled plastics, glass, paper, *etc.* The rules further provide that in order to ensure total segregation of MSW at source and promote recycling or reuse of segregated material, the ULBs should organise citizen awareness programmes and enlist community participation in waste segregation. Regular periodical meetings with the representatives of local resident welfare associations (RWAs) and non-governmental organisations (NGOs) were also required to be

conducted by the ULBs to achieve waste segregation. In this connection, the committee appointed by the Supreme Court of India to study and report on the various aspects of scientific management of MSW also recommended (2001) involvement of (through RWAs and NGOs) rag pickers as waste collectors at the door step of households and commercial establishments so that segregation of wastes and recycling of segregated material are achieved at source.

Records of test-checked ULBs revealed that only 35 ULBs had conducted the awareness programmes. The remaining 15 ULBs did not conduct the awareness programmes despite availability of funds (**Appendix 3.2**). Due to lack of sustained efforts by the 35 ULBs which conducted the awareness programmes to secure community participation, the objective of segregation of wastes could not be achieved in any of these ULBs. None of the ULBs involved rag pickers for waste collection. Consequently, mixed waste was being collected and transported to the landfill sites in all the ULBs test-checked in audit.

3.1.7.4 Delay in door-to-door collection of wastes

Door-to-door collection of MSW was not possible due to non-mobilisation of self-help groups by the ULBs.

The rules provided that in order to stop littering of MSW in urban areas, the ULBs should, *inter alia*, organise and achieve door-to-door collection of wastes by involving either self-help groups (SHGs) or private operators or through their own staff (Poura Karmikas). For this purpose, the ULBs were also authorised to levy and collect user charges at nominal rates from households and commercial establishments including hotels, *choultries* and community halls. The SHGs involved in door-to-door collection of wastes were also entitled to a subsidy equal to 50 *per cent* of the cost of the vehicles *viz.*, push carts, tri-cycles, auto-tippers, *etc.*, required for the purpose which were provided by the Government out of Twelfth Finance Commission (TFC) grants.

Records of test-checked ULBs revealed:

- While the door-to-door collection of wastes by four⁷ ULBs had been fully achieved, it was only partially achieved (ranging from 4 to 80 *per cent* of the total households) in respect of 25 ULBs (2005-08).
- In respect of 21 ULBs, the door-to-door collection of wastes was yet to begin and the households themselves were depositing the MSW at the secondary storage points (community bins) directly in these towns.
- Though Rs. 50.07 lakh had been released to 12 out of 21 ULBs (**Appendix 3.3**) to distribute subsidy to the SHGs to buy door-to-door collection vehicles, no action had been taken by the ULBs in the matter.

The ULBs attributed (February-June 2008) the delay to lack of response from the SHGs to take up door-to-door collection in view of poor collection of user charges and also to delay in finalisation of contract with the agencies to supply these vehicles. The ULBs should have tried other alternatives (private operators or through their own staff) as instructed (May 2007) by DMA if the

⁷ BBMP, CC-Mysore, CC-Mangalore and Hubli-Dharwar Municipal Corporation

response from SHGs was not encouraging. Due to failure of the ULBs to organise and achieve the door-to-door collection of wastes, littering of wastes in public places could not be stopped.

3.1.7.5 Delay in procurement of tools and equipment for SWM

Inability of test-checked ULBs to manage contracts with suppliers for tools and equipment resulted in non-utilisation of Rs. 18.31 crore

The DMA released (2003-08) Rs. 81.40 crore to all the ULBs (except BBMP) out of the Finance Commission grants, exclusively for purchase of tools and equipment required for solid waste management. The tools and equipment comprised primary collection vehicles such as auto-tippers, tricycles and pushcarts for door-to-door collection of wastes, secondary storage containers, secondary transport vehicles such as dumper placers and tractor placers as well as equipment for street sweeping and waste collection from slums.

Records of 50 test-checked ULBs revealed that 27 ULBs (**Appendix 3.4**) did not utilise any amount out of Rs. 11.68 crore given for the purpose. The remaining 23 ULBs spent only Rs. 10.63 crore out of Rs. 17.26 crore up to March 2008. The unspent balance was Rs. 18.31 crore as on 31 March 2008. DMA attributed (May 2008) the delay in purchase of tools and equipment by the remaining ULBs to their inability to manage the tender process leading to cancellation of tenders, re-tendering, belated processing of tenders, etc.

In view of the delay in the procurement of tools and equipment by the ULBs on their own, Government decided (February 2008) to procure the tools and equipment for the ULBs through a centralised system of purchase at the district level. The Deputy Commissioners of the districts were therefore, directed (February 2008) to procure them by inviting tenders. The process had not been completed as at the end of July 2008 leading to delay in implementation of the SWM. This also resulted in continuation of the manual handling of MSW by the 'Poura Karmikas'⁸. But 16 (**Appendix 3.5**) out of the 50 test-checked ULBs did not supply safety gears such as aprons, masks, gumboots, hand gloves, etc., to their Poura Karmikas.

3.1.7.6 Processing and disposal of MSW

Records of the test-checked ULBs and joint inspection of their landfill sites along with the ULB staff, revealed that none of the ULBs except BBMP, CC-Mysore and CC-Mangalore was processing the MSW as per the specifications of MSW Rules. As the landfill sites of most of the ULBs did not have compost plants to process the MSW, the DMA prescribed (May 2007) an alternate procedure to ensure scientific processing of solid wastes and to prevent contamination of ground water by the leachate⁹ generated from the solid waste. The procedure in brief was as follows:

- The ULBs were to ensure segregation of wastes at source, into at least two categories viz., wet waste or biodegradable waste and dry waste or non-biodegradable waste. While the wet waste was to be land filled in the pits specially excavated for this purpose at the landfill site (compost pits), the

⁸ Sanitary workers

⁹ Leachate is the liquid that seeps through the solid waste and contains dissolved substances including chemicals

non-biodegradable or inert waste was required to be land filled in separate pits called engineering landfill pits.

- In order to arrest seepage of leachate into ground water and the adjoining soil, the compost pits were required to be excavated up to a depth which was above the ground water level by a minimum of two metres and the base of the pit was to be covered by a compacted layer of soil of 30 cms thickness.
- The biodegradable wastes were to be spread in the compost pits and compacted mechanically after covering the MSW with a layer of soil of 10 cms thickness on a day-to-day basis to prevent pollution of air and germination of pathogen due to composting activity. When the pit was full to a height of 45 cms below the ground level, it was to be covered by soil and compacted properly to prevent infiltration and soil erosion due to rains. The pit was to be allowed in this condition for 45 days to achieve total composting and then opened. The composted waste was to be sieved to get fine granules of compost and to recover the recyclable inert wastes, if any, mixed in the composted waste.

None of the test-checked ULBs complied with the norms prescribed by DMA for scientific processing of wastes

3.1.7.7 During the joint inspection of the landfill site of the test-checked ULBs it was observed that none of the 40 ULBs owning the landfill sites processed the MSW as per the specifications issued by DMA. Infact, it was noticed that 18 (**Appendix 3.6**) of them were not using the landfill sites, instead were dumping the MSW in open areas which was not authorised by the KSPCB. While the excavation of compost/engineering landfill pits was in progress in 19 ULBs, the remaining three test-checked ULBs were yet to take up these works resulting in non-processing of the wastes. As the wastes were not segregated in any of these ULBs, it was doubtful as to whether the scientific processing of wastes was possible even by complying with the procedure prescribed by DMA.

3.1.7.8 Unscientific processing of MSW

In ULBs, viz., BBMP and CMC-Karwar where processing of MSW was taking place, the following deficiencies were noticed.

CMC-Karwar was disposing of mixed wastes at sanitary landfill site creating unhygienic conditions

The action plan approved for SWM by CMC-Karwar envisaged setting up of a compost plant to process biodegradable wastes and a sanitary landfill for disposing of inert wastes. Both the compost plant and the sanitary landfill were contemplated in the same landfill site. Joint inspection of the landfill site revealed that the compost plant was not set up and mixed wastes were disposed of at sanitary landfill site by covering the MSW with a layer of soil and compaction with provision to collect and treat the leachate in separate leachate and oxidation ponds. The sanitary landfill site was close to habitation clusters and power transmission lines. Due to inadequate covering and compaction of wastes together with movement of vehicles at the site, the wastes were exposed to the open air emitting foul smell all around the area due to decomposition of organic wastes. The stray animals, birds and flies were also found active at the site rendering the entire operation unscientific. The CMC replied (June 2008) that the land for the compost plant was being released by the Forest Department shortly and thereafter action would be taken

to requisition funds from Government to commission the compost plant. The CMC should have ensured segregation of wastes and their processing as per the procedure prescribed by DMA till the compost plant was set up.

The compost plant at Haralakunte in Bangalore had no facility for leachate collection and treatment

BBMP had two compost plants one at Haralakunte on Hosur Road and the other at Mavallipura. The Haralakunte compost plant was managed by the Karnataka Compost Development Corporation (KCDC) and had an installed capacity to process 300 tpd whereas Mavallipura plant had an installed capacity to process 600 tpd of MSW. The Mavallipura plant was processing only 300 tpd of MSW and disposing of inert wastes/post process rejects in landfills separately as only 45 out of 100 acres of land was available to the plant due to ongoing litigations. Thus, BBMP could process only 20 *per cent* of the total wastes (3,000 tpd) generated in Bangalore city. It was also noticed that only Mavallipura plant was processing the MSW and treating the leachate as per the MSW Rules, whereas in respect of Haralakunte plant, the underground pipeline for flow of untreated leachate from the compost plant to the Agara leachate treatment plant had not been completed resulting in discharge of untreated leachate polluting the nearby water bodies.

The quantity of MSW received at Haralakunte compost plant was too much for the plant to process resulting in accumulation of garbage

The Haralakunte compost plant was processing only 150 tpd as against the installed capacity of 300 tpd whereas the average MSW received for processing was 450 tpd. The KCDC infact, had written (September 2007) to the BBMP that the plant was working beyond its capacity and unless additional funds and machinery were made available to them the ever increasing load of MSW could not be processed. The accumulated garbage at the premises was reported (August 2007) at 3.47 lakh tonnes. The required funds and the machinery were yet to be provided by the BBMP. During the joint inspection of the dumping yard, it was noticed that the wastes were unsegregated and uncovered. The leachate was flowing freely without any facility for its collection and treatment. In view of lack of adequate processing facilities and exposure of the MSW to open air, there was pollution of ambient air and likely contamination of ground water.

3.1.7.9 Mixing up of BMW with MSW and burning of MSW

During the joint inspection of the landfill sites of the test-checked ULBs, it was observed that in respect of eight¹⁰ ULBs, BMW was mixed with MSW and in respect of seven¹¹ ULBs the MSW were burnt openly. The ULBs stated that the rag pickers of the town were burning the MSW to recover recyclables such as glass, metal, *etc.* The reply was not tenable as the ULBs failed to dispose of the MSW as per rules and to prevent the unauthorised entry of people to the landfill sites.

¹⁰ CMC-Harihara, TMC-Sankeshwar, CMC-Gokak, CMC-Nippani, CMC-Ilkal, TMC-Mudhol, CMC-Hospet and CMC-Jamakhundi

¹¹ CC-Davanagere, CMC-Gokak, CMC-Bagalkot, CMC-Jamakhundi, CMC-Hospet, CMC-Gulbarga and CMC-Nippani

3.1.8 Biomedical Wastes Management

Joint inspection of 220 HCEs and review of records of the ROs of the KSPCB in the test-checked districts revealed the following deficiencies in the implementation of BMW Rules.

3.1.8.1 Lack of treatment and disposal facilities for BMW

Most of the HCEs located in rural areas did not have any treatment and disposal facility

Of the 220 HCEs, 56 HCEs of Bangalore, Belgaum, Davanagere, Gulbarga, Hassan, Mysore, Mangalore, Dharwar and Udupi were availing the Common BMW treatment and disposal facilities set up by private operators and the remaining 164 HCEs did not have either their own treatment and disposal facility or were subscribing to any authorised common facility.

3.1.8.2 Grant of authorisation by KSPCB

There were 52 HCEs in the test-checked districts working without a valid authorisation by the KSPCB

The BMW Rules provided that the authority granting authorisation or renewal thereof shall make necessary enquiry to satisfy itself that the applicant possesses the necessary capacity to handle BMW in accordance with the rules before granting such authorisation or renewal. Inspection of the HCEs in the test-checked districts which were not subscribing to any common facility revealed that authorisations and their renewal to these HCEs were granted by the respective ROs without ensuring their capacity to handle the BMW as per rules. This accentuated the pollution of environment besides endangering the public health due to unhygienic conditions.

Records revealed that 52 (**Appendix 3.7**) out of the 164 HCEs inspected had been functioning without a valid authorisation issued by the KSPCB. On being pointed out in audit, action was taken by the ROs to get these registered for granting authorisation under the rules.

3.1.8.3 Deficiencies in deep burial facilities

The HCEs located in places with population below five lakh were permitted under the BMW Rules to dispose of BMW in deep burial pits as per the specifications prescribed in the rules. The standards of deep burial required that the location of the pit should be authorised by the prescribed authority and that it should be dug about two metres deep and half filled with waste. Thereafter, it is to be covered with lime within 50 cm of the surface before filling the rest with soil. The pits should be away from dwelling places and water sources so that no contamination occurs. The pit should be covered by a layer of 10 cms of soil on each occasion when wastes are added to the pit. Covers of galvanised iron/wire meshes should be used so that animals should not have any access to these pits.

Government hospitals in the test-checked districts did not process the BMW as per the rules

A joint inspection of the deep burial facilities of 164 HCEs revealed that none of the HCEs had maintained the pits as per specifications in the rules. While 21 Government hospitals of the test-checked districts viz., Bagalkot, Gulbarga, Bellary, Davanagere, Belgaum, Mysore, Karwar, Hassan and Udupi had dug pits in their own premises and were disposing of all categories of BMW in these pits, five private HCEs in these districts were handing over the MSW to

the municipal staff for disposal. Besides this, different types of BMW such as waste sharps, solid wastes contaminated with blood and body fluids (*viz.*, cotton, dressings, soiled plaster casts, linen, beddings *etc.*,) were found scattered in the premises of 15 Government hospitals (**Appendix 3.8**) endangering public health. Open burning of these wastes was also observed during the joint inspection of these hospitals which polluted the atmosphere. The pits in which BMW was disposed of were not covered with soil as required under rules. Consequently, stray animals had free access to these pits and flies were active around rendering the entire area unhygienic.



Stray dogs at the BMW pits located within the premises of Government Hospital, Channarayapatna (10 June 2008)

The hospital authorities attributed (February-June 2008) the failure to lack of funds and necessary staff. Forty eight private hospitals were not disinfecting and mutilating the waste sharps such as needles, syringes, scalpels, blades, glass, *etc.*, before discarding them in the pits or other public places. Similarly, the discarded disposable items such as saline bottles, tubings, intravenous sets, catheters, *etc.*, were sold to the scrap dealers/local vendors/rag pickers by these HCEs instead of disinfecting, disfiguring (puncturing) and deep burying as specified in the rules to prevent their reuse. The liquid wastes generated by a private HCE in Gokak town of Belgaum district were discharged into a septic tank excavated adjacent to the main road and in front of the hospital. The municipal authorities and the Pollution Control Board were yet to take remedial action in the matter.



Open discharge of liquid waste by Navjeevan Hospital, Gokak (17 April 2008)

3.1.8.4 Deficiencies in common BMW treatment and disposal facilities

There were deficiencies in treatment and disposal of BMW even by operators of common BMW treatment and disposal facilities

Common facilities to treat and dispose of BMW set up by private operators were working at Bangalore, Belgaum, Davanagere, Gulbarga, Hubli, Mangalore and Mysore. Fifty six HCEs subscribing to these common facilities were jointly inspected and following deficiencies were noticed;

- Segregation of wastes at source, colour coding and labelling of the containers/bags were not practiced by 11 HCEs which was contrary to the rules.
- Six¹² HCEs were found storing the untreated BMW for more than 48 hours and up to seven days of their generation without being authorised to do so. This was not only contrary to BMW rules but also had potential risk of spreading infections.
- The different categories of BMW in St.Martha's Hospital, Bangalore, although segregated at source, were mixed in a common container before their transport to the common facility.
- SSM Hospital, Hassan although subscribing to a common facility was disposing of all the BMW in municipal dust bins. The liquid wastes generated in the hospital were let out into the municipal drain without treatment.
- The Vijayanagar Institute of Medical Sciences (VIMS), Bellary was the common facility authorised (up to 31 December 2007) by the KSPCB to accept BMW from all Bellary based HCEs. The common facility had only one incinerator without air pollution control equipment. VIMS had no other facilities such as an autoclave, a microwave and a shredder to treat different categories of BMW. The only incinerator in VIMS did not have the operating standards as specified in the rules. In spite of all these deficiencies, the VIMS was collecting all categories of BMW from the HCEs and was not treating/disposing of these as per the rules. During the joint inspection of the common facility, it was observed that different categories of BMW were burnt in the open air and the half burnt wastes were strewn all around the premises. Stray animals had free access to the site and solid wastes contaminated with blood and body fluids were abandoned without any treatment with potential risk of infection.

The Vijayanagar Institute of Medical Sciences, Bellary which collected BMW of all HCEs in the city did not treat them as per the rules



Biomedical waste being burnt in the premises of Vijayanagara Institute of Medical Sciences, Bellary (29 March 2008)

¹² General Hospital-Holenarasipura, Rajiv Hospital-Hassan, SSM Hospital-Hassan, Taluk General Hospital-KR Nagar, Taluk General Hospital-Hunsur and Bahusar Nursing Home-Hunsur

3.1.9 Other points

3.1.9.1 Irregular mining operations in landfill site

The landfill site of CMC-Hospet was used for mining purpose instead of solid waste management

CMC, Hospet was allotted (May 2006) 35 acres of land by the Deputy Commissioner (DC), Bellary for landfill site development and Rs. 80.64 lakh was released (2003-06) for solid waste management. Tenders were invited (November 2006) for construction of compound wall and other landfill site development works but were cancelled (January 2007) as there were lapses in the observance of tender procedure. Records revealed that the CMC after cancelling the tenders, passed (February 2007) a resolution to take up the levelling of the landfill site and dispose of the excavated soil by auction sale through Mines and Geology Department as the soil was found to be rich in iron ore. The receipts were proposed to be appropriated by the CMC. When the mining operations were in progress (January 2008), the Mines and Geology Department stopped the CMC from continuing further excavation at the landfill site as there were litigations over mining rights. The CMC, in reply to audit, contended that the resolution to dispose of the excavated soil through auction sale was passed with the approval of the then Administrator (Deputy Commissioner) only to prevent illegal mining activities in the landfill site. But the fact remained that the CMC did not take expeditious action to develop the landfill site even after two years of the allotment of land and instead, resolved to carryout mining operations. The CMC had also not prepared an estimate (taking the prevailing ground levels) for the levelling work required at the landfill site. Thus, the injudicious decision of the Administrator, CMC to take up mining operations at the landfill site delayed the scientific disposal of MSW despite availability of land and the required funds. The remarks of the Administrator (DC, Bellary) were not received (August 2008).

3.1.9.2 Delay in landfill site development due to injudicious abandoning of the site

City Corporation, Gulbarga lost more than two years in developing the landfill site

The City Corporation, Gulbarga was allotted (February 2004) 28.5 acres of Government land in Udnoor village of Gulbarga taluk for MSW management and the KSPCB granted (September 2004) authorisation to set up the landfill site and carryout the processing of MSW at this site. However, no action was taken by the City Corporation on the ground that laying an approach road to the landfill site was too expensive (Rs. One crore). The DMA therefore, directed (November 2006) the Corporation to acquire any other suitable land for the purpose and another land (32.25 acres) at Khandal village was identified for purchase at a cost of Rs. 65.25 lakh. The land owners were also paid 75 per cent of the cost of the site and the balance amount was deposited (June 2007) with the Assistant Commissioner, Gulbarga. The possession of the land could not be taken due to an ongoing litigation. Meanwhile, the KSPCB insisted (August 2007) on obtaining an environmental clearance from the State Environment Impact Assessment Authority before granting authorisation to commission the landfill site at Khandal. The Corporation therefore, decided (December 2007) to revert to the land at Udnoor village as the approach road to this land was taken up by the State Public Works Department.

Thus, failure of the City Corporation to initiate any action to develop the landfill site at Udnor village for over two years after its allotment and their injudicious action to pay the land owners of Khandal village without ascertaining the position of pending litigations and the necessity to obtain environmental clearance resulted in not only an inordinate delay in commissioning the landfill site but also locking up of Government funds of Rs. 65.25 lakh.

3.1.9.3 Disposal of MSW in eco-sensitive forest lands

The Forest Department released forest land to five¹³ ULBs of Uttara Kannada district for disposal of MSW with the approval of Government of India under the provisions of the Forest (Conservation) Act, 1980.

Records revealed that all these ULBs were disposing of the unsegregated wastes containing bio-degradable, recyclable and hazardous wastes at the landfill site. The scientific processing of MSW as per rules was not ensured by these ULBs. The location of landfill sites in the forests was prohibited in the MSW Rules. No specific conditions as required under the Forest (Conservation) Act, 1980 had been imposed by the Government of India/State Government for strict observance by the ULBs before granting the forest land for SWM purpose in any of these cases. The Conservator of Forests, Sirsi in reply to an audit query stated (October 2008) that supplementary agreements would be executed with these ULBs stipulating conditions to dispose of the wastes strictly in accordance with MSW rules.

Untreated and unsegregated MSW was being dumped by ULBs in eco-sensitive forest lands



Disposal of untreated and mixed MSW by CMC-Karwar (3 June 2008)

3.1.10 Monitoring of Waste Management

3.1.10.1 Municipal Solid Waste Rules

The compliance of the standards regarding ground water, ambient air, leachate quality and the compost quality was not monitored by any of the ROs of the KSPCB in the test-checked districts. Authorisations and their renewal were being issued to the ULBs in a routine manner without ensuring the operation of treatment and disposal facilities and monitoring the compliance standards.

Monitoring of ground water, ambient air and leachate quality by KSPCB was not effective

¹³ CMC-Karwar, TMC-Bhatkal, TMC-Kumta, TP-Ankola and TP-Honnar

Besides, the ground water quality around the dumping areas of MSW had gone unchecked for its potability, thereby endangering the public health.

3.1.10.2 Water quality monitoring

The MSW Rules provided that before establishing any landfill site, baseline data of ground water quality in the area shall be collected and kept on record and the ground water quality within 50 metres of the periphery of landfill site shall be periodically monitored (every season) to ensure that the ground water is not contaminated beyond acceptable limit. The usage of ground water in and around the landfill site for any purpose including drinking and irrigation was to be considered only after ensuring its quality.

The ground water at Haralakunte compost plant and Khasbagh in Belgaum was not potable

Contrary to these provisions, it was observed that none of the test-checked ULBs except BBMP, CC-Gulbarga, CC-Belgaum and CMC-Udupi had maintained the baseline data on ground water quality. The periodical monitoring of water quality was also not monitored by these ULBs. Consequently, the fitness of ground water around the landfill sites for drinking and irrigation purposes could not be verified. The ground water samples were got tested at the instance of audit in BBMP and Belgaum. It was revealed that the ground water quality of BBMP (near Haralakunte KCDC Plant) and Belgaum (near Khasbagh) did not conform to the norms specified in MSW Rules and was therefore, not fit for consumption. The ULBs concerned were yet to take remedial action in the matter.

3.1.10.3 Biomedical Waste Rules

Periodical inspection of the HCEs was also not ensured by the ROs. Out of the 220 HCEs inspected in audit, 98 HCEs had not been inspected by the respective RO even once after their inception and 15 of these HCEs were inspected once only. The remaining 107 HCEs were inspected by the ROs periodically but no inspection report was forthcoming.

3.1.11 Impact assessment

Government did not make any impact assessment of the implementation of waste management rules

The Government was yet to make an impact assessment of the implementation of waste management rules in the State although non-compliance with the rules by the implementing agencies/generators of wastes and lack of monitoring by the KSPCB were apparent.

3.1.12 Conclusion

Utilisation of funds for SWM was not efficient due to non-availability of suitable landfill sites, avoidable delays in their development and inability of the ULBs to manage contracts for supplies. Compliance to the laws regulating MSW and BMW by the ULBs and the HCEs continued to be poor even after eight years of the framing of the MSW and BMW rules. Monitoring by the KSPCB was also ineffective leading to non-realisation of the objectives of protecting and improving the environment through a scientific management of MSW and BMW.

3.1.13 Recommendations

- Procurement of tools and equipment should be expedited to achieve total ban on manual handling of wastes and to ensure storage and transportation of MSW under hygienic conditions.
- DMA should ensure acquisition of landfill sites and their development by the ULBs in a time bound manner.
- Door-to-door collection of wastes should be achieved *cent per cent* in a time bound manner by mobilising the self help groups and if necessary by compensating the loss due to non-payment of user charges by the citizens.
- Immediate action should be taken to involve the resident welfare associations, non-governmental organisations and the rag pickers to secure segregation of wastes at source.
- Processing of wastes by the ULBs in accordance with the procedure prescribed by the DMA should be strictly enforced to prevent air pollution and ground water contamination till composting plants and sanitary landfills are commissioned in all the towns.
- The KSPCB should monitor the quality of ground water, ambient air and leachate around the landfill sites regularly and grant authorisation/renewal only after ensuring compliance to the laws.
- Authorisation/Renewal to HCEs in places with population less than five lakh should be granted only after satisfying that at least the standards of deep burial are complied with by the HCEs as per BMW Rules.

The matter was referred to Government in September 2008; reply had not been received (October 2008).

HOME DEPARTMENT

3.2 Computerisation in Police Department

Highlights

The department implemented several initiatives to use information and communication technologies to build up a database of crime and criminal information and computerise various activities in order to facilitate early detection of crimes as also to improve its services. However, the initiatives were undertaken without adequate planning and a comprehensive IT strategy leading to delay in realisation of the objectives.

The computerisation initiatives were undertaken individually on piecemeal basis without adopting a coordinated approach and documented IT strategy resulting in duplication of efforts and delay in implementation.

(Paragraph: 3.2.5)

Discrepancies in design, connectivity problems, inadequate input/output controls and deficiencies in database maintenance rendered the Crime Criminal Information System database incomplete and unreliable.

(Paragraph: 3.2.6)

The Police IT-2000 software package initiated in March 2001 to be completed in three years could not be rolled out so far even after investing an amount of Rs. 1.33 crore due to non-completion of User Acceptance Tests.

(Paragraph: 3.2.7)

Due to delay in development, the G-CARE application developed at a cost of Rs. 47 lakh in 2003 could be implemented only in ten locations so far against the target of implementing in all districts of the State by October 2004.

(Paragraph: 3.2.8)

3.2.1 Introduction

The Police Department of the Government of Karnataka has undertaken and implemented various computerisation projects with the aim of harnessing information and communication technology for improving its functioning. This review covers the following major IT initiatives carried out/completed by the Police Computer Wing of the Department during the last five years.

- The Crime and Criminal Information System (CCIS) financed by the Government of India for building up a database of crime information of uniform structure at District/State/National levels. CCIS was planned to be replaced by a new software package “Common Integrated Police Application” (CIPA) for implementation at the police station level in 2004-05.

- Police IT-2000 Project covered major activities of the Department like Administration, Finance, Corps of Detectives, Forensic Science Laboratory, Training, *etc.*, apart from crime and criminal information.
- Geographical Information System based Crime Analysis and Reporting Engine (G-CARE) to store and retrieve crime data with an analysis of their area-wise occurrence along with a facility of spatial representation.

3.2.2 Organisational set-up

The Police Department of the Government of Karnataka functions under the administrative control of the Principal Secretary, Home Department and is headed by the Director General and Inspector General of Police. The computerisation work undertaken by the Police Computer Wing was implemented by the Additional Director General of Police/Inspector General of Police, in charge of the Wing who was assisted by a Deputy Inspector General of Police.

3.2.3 Audit objectives

The objective of the IT Audit Review was the evaluation of implementation of IT initiatives with reference to their timely completion, economy and efficiency in procurement, effectiveness of controls, utilisation of IT assets and overall realisation of objectives of various projects.

3.2.4 Scope and methodology of audit

The review was confined to the evaluation of the major computerisation activities which were commenced from the year 2000 by the Police Computer Wing and completed during the last five years (2003-08). A test-check of records of the Police Computer Wing of the department at Bangalore, Finger Print Bureau, Finger Print and G-CARE units at Bangalore, two District Police Offices¹⁴ and five Police Stations¹⁵ was conducted between January 2008 and April 2008. Entry and Exit conferences were held in January 2008 and June 2008.

Audit Findings

The deficiencies noticed in planning and implementation of selected IT initiatives relating to development of software, procurement of hardware, timely completion, maintenance of databases, utilisation of the IT assets *etc.*, are discussed in the succeeding paragraphs:

¹⁴ Commissioner of Police, Bangalore and Superintendent of Police, Uttara Kannada

¹⁵ Anekal, Basavanagudi, Kalasipalyam, Karwar and Udupi

3.2.5 IT Policy and strategy

Lack of strategic IT Plan resulted in sub-optimal benefits of computerisation

The computerisation of the Department was taken up on piecemeal basis without any co-ordination. Instead of executing various projects in line with the predetermined IT strategy for the entire Department, different wings of the Department undertook various projects in different areas of activity separately and independently. Government of India had suggested in March 2004 that computerisation being one of the priority areas of police modernisation, a plan was to be drawn up and got vetted by the National Crime Records Bureau (NCRB), Government of India before including them in annual plans. However, no such plans were drawn up and submitted.

Further, the Department did not adopt any structured approach for development and implementation of various computer applications. There was no documentation laying down critical information such as the nature and scope of each system development project. There was no procedure for defining the user requirements and making a formal technical feasibility study before development of software. Absence of a coordinated approach to computerisation resulted in duplication of effort and under-utilisation of IT assets and facilities.

The Department stated (August 2008) that a comprehensive plan could not be drawn up and hence different projects were initiated which were capable of being integrated into one another and application integration was the last step in the roll out of IT strategy. While replying to the observation, the Department also stated that the software supplied by NCRB and other software packages were on different platforms and integration would be separately taken up in phase II of the project. The reply of the Department confirmed that the IT initiatives were undertaken without an IT strategy.

3.2.6 Crime Criminal Information System

The Police Department in Karnataka started implementation of the CCIS software supplied by the NCRB in 1994-95. The finance required for the hardware and infrastructure was made available by Government of India. The implementation of the package was aimed at building up a database of crime information of uniform structure at District/State/National levels. The NCRB modified the package in 2000-01, with the object of assisting the investigating police officers with relevant information on crime and criminals facilitating detection of criminals and reducing paper work. The implementation of the modified software package was commenced in 2001 and completed during the last five years in all districts of the State.

Audit observed that many deficiencies in design and development, inadequate efforts in maintenance of the system and connectivity problems led to incomplete and unreliable database not fulfilling the objective, as detailed in the following paragraphs.

3.2.6.1 Discrepancies in design

- (i) The data entry was carried out at the police station level. In the absence of provision for data entry in Kannada, errors in translation from Kannada to English resulted in omissions/mistakes in filling all the fields in various forms.
- (ii) In a test-checked district-level office, it was observed that data received from police stations could not be integrated directly into consolidated database due to data entry errors. In such cases, queries were run to rectify the errors before integration.
- (iii) Transfer of cases to other police stations could not be made through the system due to non-provision of functionality in the package; therefore, such transfers were made manually with a note to that effect in the remarks column.
- (iv) Creation of masters was not systematically documented in the offices test-checked and data entry could not be made due to lack of codes to be created by modifying the masters. According to the Department, this was due to the limitations in the software supplied by NCRB, which was not amenable for local customisation.

3.2.6.2 Connectivity problems

Due to connectivity problems /slow data transfer, data from police stations were brought to District offices in CDs/External hard disks. As a result, it was not possible to transfer latest data to District/ State servers for making it available from one police station to others for comparison.

Copy of every FIR was being sent to the district police offices for generation of reports to the senior officers. Though all required data was available, the CCIS package could not support the generation of the report due to connectivity and data transfer problems.

The crime details once keyed in could not be compared with similar cases in the database due to the absence of real-time connectivity with other police stations.

3.2.6.3 Inadequate input /output controls

- (i) Police stations were directed that before data capture they had to fill up the Integrated Investigation Forms (IIFs), that covered all crime and criminal information. However, this was seldom followed in practice as seen in test-checked offices. This resulted in data entry being carried out in piece meal manner and some data being left out, un-captured.
- (ii) It was further observed that some of the source documents on which input information was based did not contain information for all the fields as the source documents were not designed under CCIS but was designed under different acts and rules. The operators in test-checked police stations were not aware as to the source of certain data inputs.
- (iii) In one of the data entry screen, due to lack of validation controls, when certain fields like FIR numbers and major head of crime details were

skipped, the system exhibited an error message, which when ignored, allowed the data keyed-in to be saved leading to incomplete data capture.

- (iv) According to existing instructions, FIRs should invariably be printed from the computers for submission to courts, except when computers are out of order. It was, however, observed that in some of the police stations manually written FIRs were being filed as the CCIS was not configured to support Kannada language.
- (v) It was observed that “Reports” menu containing 45 reports was not working in two police stations visited. This indicated that the database was not made use of largely in day-to-day work.
- (vi) It was observed that no user manuals or operation manuals were readily available for user’s reference in any of the test-checked offices. Making available such manuals could improve the quality of data capture.

3.2.6.4 Maintenance of the CCIS Database

Audit observed many shortcomings in maintenance of the database, which resulted in incomplete and unreliable database, which would not be useful for any meaningful management decision making, as illustrated below.

- (i) Provision is made in several menus/sub-menus for capture of text/input data by scanning the same. However, it was observed that no scanning could be made since scanners were not installed or were non-functional in all police stations test-checked. Databases were incomplete, as it did not contain all such images/text data.
- (ii) An analysis of the data furnished revealed that the database was incomplete in many forms/fields. No data entry was made by some police stations in tables meant for storing key information of FIRs and arrest details, making the data less useful to the investigating officers. The incompleteness was more than 90 *per cent* in 15 other fields of four tables meant for storage of information on details of persons arrested in test-checked police stations.
- (iii) Data entry for old periods was in arrears in test-checked police stations.

Thus, due to deficiencies in implementation, lack of proper connectivity and problems in maintenance of database, the full utilisation of the CCIS application could not be achieved to realise the objective of the project.

The Department stated (August 2008) that the CCIS software was developed and supplied by the NCRB mainly as a MIS software for higher level Officers and admitted that it suffered from many design defects and lack of flexibility. It was also stated that many functions could not be utilised due to lack of connectivity and added that the Department had tried to customise it to the extent possible. The reply confirms the fact that the Department was not able to make optimum utilisation of the CCIS even after seven years of implementation to achieve the objectives of this project.

3.2.6.5 Lack of trained manpower

It was observed that the availability of trained persons in police stations was very low. Even those who were trained were often assigned other duties. Consequently data entry work got delayed and arrears of data entry of old periods could not be easily overtaken. Some of the operators using the software package were not trained formally. In one of the district police office test-checked, though four personnel were trained as Administrators, none of them was designated to function as Administrator. The following table shows the shortage of trained personnel.

Table 1: Shortage of trained staff

Police Station	No. of personnel working	No. of personnel trained
Kalasipalyam	128	Nil
Basavanagudi	91	02
Anekal	53	03

There was no policy to fix any frequency/deadline within which every employee is trained and his knowledge updated with refresher courses. Further, there was no procedure to document difficulties being faced by individuals while working in their routine jobs, to enable the trainers to address the same. Some of the menus were not being used as the police stations were not aware of the utility, procedure and source documents from where the data could be captured.

3.2.6.6 Introduction of CIPA

In 2004-05, Government of India proposed to introduce a new package "Common Integrated Police Application" (CIPA) for implementation at police station level. Accordingly, purchase of computers was also sanctioned by State Government for setting up networks in police station. The project was to be implemented in phases with 10 *per cent* coverage in 2004-05, 30 *per cent* in 2006-07 and rest in 2007-08. However, the Department procured hardware required for 10 *per cent* of police station in 2004-05, 30 *per cent* in 2005-06 and balance in 2006-08. In all, a sum of Rs. 10.92 crore was incurred so far. The development of the software was to be carried out by NIC, Delhi. It was however, observed that the software was yet to be delivered (August 2008).

In some of the police stations, the operating system-LINUX supplied for implementation of the new application package, was removed and windows operation system were loaded for day-to-day use.

Computer systems purchased in advance of development of the CIPA had resulted in blocking up of funds to the tune of Rs. 10.92 crore and led to under utilisation.

3.2.7 Police IT 2000 Project

The State Government approved (November 1999) the "Police IT-2000" Project for computerisation of all activities of the Police Department in Karnataka at an estimated cost of Rs. 16.35 crore to be completed in three years. In March 2001, M/s. CMC was entrusted with preparation of the

System Requirement Specification (SRS), which was delivered by the company in September 2001. The tenders for development of the software were called for in September 2002 and Wipro Limited was entrusted with the work at a cost of Rs. 1.90 crore in February 2004. Though an amount of Rs. 1.33 crore has been paid to them so far, the application package developed was yet to be rolled out (August 2008) due to non-completion of User Acceptance Tests.

Though the Technical Advisory Panel of the Department felt (August 2000), that preparation of the road map and milestones for the project, all inputs like hardware, software and connectivity for computerisation of the Department as a whole was desirable before purchase of hardware, no project initiation documents spelling out nature and scope of the project were drawn up.

The Department stated (August 2008) that the vendor committed to deliver the package without proper appreciation of its scope resulting in several mismatches and the project delivery dates were set before requirement definition and project estimation, which turned out to be unrealistic. The reply confirmed that the project implementation was done without proper planning.

3.2.8 G I S based Crime Analysis and Reporting Engine

In response to a request of the Department, the Karnataka State Remote Sensing Application Centre (KSRSAC) submitted a project proposal to State Crime Record Bureau for Geographic Information System based Crime Analysis and Reporting Engine (G-CARE), a customised application. The project intended to facilitate the decision makers to store, analyse and retrieve the crime data with reference to their spatial locations. The total cost of the project was estimated at Rs. 47.39 lakh and full payment was made in June 2003. Subsequently, a Memorandum of Understanding (MOU) was entered into with KSRSAC (October 2003), for implementation of the project within 12 months.

The following deficiencies were noticed in the implementation of the project leading to delays and defective implementation.

- (i) The user requirements were not spelt out to the agency before taking up the project. While the project was to be completed by October 2004 as per the MOU, the requirement specification was submitted to the agency only in May 2005.
- (ii) A fresh request was made to the agency in August 2006 for provision to make analysis based on additional parameters like polling booths and beat numbers, *etc.*, which indicated that the user requirements were not analysed and spelt out at the time of submission of specifications.
- (iii) No documents were available to indicate that unit testing, functional testing, end-to-end testing and finally a user acceptance test of the application package developed was carried out by the vendor/department before roll-out of the project.

- (iv) The software did not provide for category wise entries for theft cases, (like two-wheeler, four-wheeler) crimes (heinous or non-heinous) *etc.* Further, jurisdictional maps were not exhaustive with marking of all important roads/landmarks.

Notwithstanding, the application package was implemented in ten locations - six zones of Bangalore and districts of Bagalkot, Gadag, Udupi and Dakshina Kannada in May 2007. The package was yet to be implemented in the remaining districts of the State as of August 2008, resulting in non- realisation of the benefit of the investment of over Rs. 47 lakh, even after five years. The Department stated (August 2008) that the delays were due to 'scope creep' and even after implementation in over 10 locations, further modifications were being done based on feedbacks received. Further, it was stated that the implementation would be completed before March 2009. The reply confirmed lack of planning and project monitoring resulting in delay in achieving the objectives of G-CARE.

3.2.9 Conclusion

The initiative of the Police Department to use information and communications technology to improve the quality of services could not meet the objectives due to deficiencies in planning and absence of coordinated approach. Delays in implementation, technical deficiencies, lack of proper connectivity, *etc.*, resulted in sub-optimal utilisation of the IT assets and facilities created under various projects.

3.2.10 Recommendations

- The Department should evolve a comprehensive plan for implementation of CIPA package at the police station level along with timelines and assignment of responsibilities to key functionaries with a view to avoid the repetition of shortcomings in implementation of CCIS at the district level.
- The training aspect may be focused so as to ensure adequacy of trained manpower to run computer applications at various levels.
- Department may take stock of the situation regarding implementation of applications like Police IT-2000 and G-CARE and make a time-bound plan for state wide implementation.

WATER RESOURCES DEPARTMENT – MINOR IRRIGATION

3.3 Lift Irrigation Schemes

Highlights

Lift Irrigation Schemes envisage pumping water for irrigation to higher terrain where flow irrigation is not possible due to topographical conditions. The programme suffered due to non-availability of water, inadequate supply of power, repairs to machineries and overlapping of irrigable area with other irrigation projects. Consequently, intended objective of irrigating the targeted area was not achieved.

There was shortfall in expenditure *vis-a-vis* budget allocation under plan and non-plan schemes ranging from 16 to 74 per cent and 21 to 47 per cent respectively during 2003-08.

(Paragraph: 3.3.6)

Against the designed irrigation potential which ranged from ninety thousand hectares to 1.06 lakh hectares during 2002-03 to 2006-07, the actual area irrigated ranged from eight thousand hectares to 27 thousand hectares only with percentage of shortfall ranging between 70 and 92.

(Paragraph: 3.3.7)

Two hundred and eleven Lift Irrigation Schemes with *atchkat* of 42,115 hectares were defunct due to non-availability of water/power supply and repairs, etc.

(Paragraph: 3.3.7.1)

There were cases of changes in scope of work, non-availability of water, power and overlapping of the *atchkat* of Lift Irrigation Schemes with other projects, etc., resulting in projects remaining defunct which indicate that the survey and investigation taken up before commencement of works were unrealistic.

(Paragraph: 3.3.8)

The execution of the projects suffered due to delay in acquisition of land, defective execution of works, non-synchronisation of different components of work rendering the projects remaining incomplete. This resulted in non-achievement of the objective of the Lift Irrigation Schemes as envisaged.

(Paragraph: 3.3.9)

Sixteen Lift Irrigation Schemes coming under the command area of major/medium irrigation projects were rejuvenated at a cost of Rs. 2.30 crore though the *atchkat* was overlapping with the other irrigation projects.

(Paragraph: 3.3.9.4)

The Department failed to avail central excise duty exemption towards contracts for supply of machineries for Lift Irrigation Schemes costing

Rs. 43.85 crore of which the exemption certificates were issued to the contractors for Rs. 13.18 crore.

(Paragraph: 3.3.10.3)

An amount of Rs. 5.91 crore was incurred towards maintenance of 71 defunct Lift Irrigation Schemes during 2003-07.

(Paragraph: 3.3.12.2)

Out of 256 Lift Irrigation Schemes taken up for rejuvenation under Eleventh Finance Commission grants, 86 Lift Irrigation Schemes rejuvenated at a cost of Rs. 12.34 crore failed in restoring an *atchkat* of 19,581 hectares.

(Paragraph: 3.3.13)

The water rate demand raised during 2002-03 to 2006-07 constituted only six *per cent* of the maintenance cost during the period which was not in conformity with the National Water Policy.

(Paragraph: 3.3.14)

As against 370 Water Users Associations required to be formed, only 92 were formed as of March 2008 and none was registered.

(Paragraph: 3.3.15)

3.3.1 Introduction

The geographical area of the State is 190.4 lakh hectares (ha). The irrigation potential from the surface water sources is assessed at 45 lakh ha. Of this, 10 lakh ha can be irrigated through a network of various minor irrigation facilities like tanks, Lift Irrigation Schemes (LIS), barrages, pickups and anicuts using surface and rain water. Minor Irrigation (MI) Department provides irrigation for command areas between 40 ha and 2,000 ha. There were 435 LISs irrigating 92,570 ha (April 2007). LISs envisage pumping up water from a source to a certain height from where water is supplied through canals for irrigation. This facility is resorted to where topographical conditions are unsuitable for flow irrigation. A typical LIS comprises storage (intake channel and jack well), pump house, pumping machineries, rising main, distribution chamber and canal distribution network.

3.3.2 Organisational set-up

The overall administrative control of the Department vests with the Principal Secretary, Water Resources Department (Minor Irrigation). The LISs constructed and maintained by the Department through its eighteen MI Divisions¹⁶ each headed by an Executive Engineer (EE) who works under the supervision of their respective Superintending Engineer (SE). There are two Chief Engineers (CE) one each for North and South Zones. Besides, the Superintending Engineer, Monitoring and Evaluation (SE-M&E) is associated with formulation and coordination of projects executed with borrowed funds (NABARD¹⁷) and monitors their implementation.

¹⁶ Including two Quality Control Divisions

¹⁷ National Bank for Agriculture and Rural Development

3.3.3 Audit objectives

The performance review on the implementation of LISs by the Department was conducted to assess whether:

- funds provided were sufficient;
- the irrigation potential created was as envisaged and utilised to the extent created;
- the project survey and investigation were carried out before taking up a project; and
- works were executed as per plan and the schemes maintained economically, efficiently and effectively.

3.3.4 Audit criteria

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

- Karnataka Public Works Department Code
- Irrigation Manual and MI tank/Lift irrigation scheme guidelines
- Karnataka Irrigation Act, 1965
- Government Orders
- Detailed project reports and evaluation reports.

3.3.5 Scope and audit methodology

The review covering implementation of LISs during the period 2003-08 was conducted from January 2008 to May 2008 by test-check of the records of the offices of the Principal Secretary to Government, MI Department, CEs, North and South Zones, EEs of eight MI Divisions¹⁸ and one EE of quality control division at Dharwar and one SE at Gulbarga.

Out of 47 works completed during 2003-08, 17 works were selected for test-check. Besides, 16 ongoing works were also taken up for performance audit. In addition, rejuvenation of 256 LISs under Eleventh Finance Commission (EFC) grants (2001-05) and maintenance aspects of LISs were also examined. The sample selection was judgmental considering the number of LISs and expenditure incurred.

The audit objectives, criteria were discussed with CEs in the entry conference (January 2008). The audit findings were communicated to the auditee units through audit memos and discussed with the Principal Secretary in the exit conference held on 25 August 2008. The Department agreed to the findings mentioned in the report. Besides, the Principal Secretary attributed the failure of the LISs to drought conditions in the State affecting the source of water to LISs and short supply of power. He further agreed to transfer the machineries of defunct LISs to other works and dispose of the unserviceable machineries. He also instructed the departmental officers to speed up the process of handing over of LISs overlapping with other irrigation projects.

¹⁸ Belgaum, Bellary, Bijapur, Chitradurga, Dharwar, Gulbarga, Kushtagi and Mysore

3.3.6 Allocation and expenditure

The year-wise position of funds allocated to the Department under plan (including NABARD) and non-plan sectors for LISs during the period 2003-08 and expenditure incurred there against was as under:

Table 1: Budget allocation and expenditure

(Rupees in crore)

Year	Budget allocation		Expenditure		Percentage shortfall in utilisation of funds	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
2003-04	8.00	12.57	12.13	7.22	-	43
2004-05	17.05	15.04	13.78	7.96	19	47
2005-06	10.23	12.70	8.64	13.33	16	-5
2006-07	49.86	34.46	18.95	23.21	62	33
2007-08	71.42	22.74	18.43	17.93	74	21
Total	156.56	97.51	71.93	69.65	54	29

The Department attributed the reasons for shortfall in utilisation of funds to the lengthy process involved in sanction of fresh works like preparation of estimates, getting approval, *etc.*

3.3.7 Performance of projects in utilisation of irrigation potential

As of December 2007, the State had 435 LISs. The Department rejuvenated (2001-05) 256 sick and idle LISs out of 'Special Problem Grants' from Government of India. The designed irrigation potential of the LISs and the potential actually utilised during each year from 2002-03 to 2006-07 were as under:

Table 2: Utilisation of irrigation potential

(in lakh ha)

Year	No. of projects	Designed irrigation potential ¹⁹	Irrigation potential utilised	Percentage of shortfall
2002-03	463	1.04	0.08	92
2003-04	471	1.05	0.12	89
2004-05	463	1.06	0.17	84
2005-06	402	0.90	0.27	70
2006-07	435	0.93	0.18	81

Against designed irrigation potential of 90 thousand ha to 1.06 lakh ha, area irrigated ranged between 8 thousand ha to 27 thousand ha

Against the designed irrigation potential which ranged from 90 thousand ha to 1.06 lakh ha during 2002-03 to 2006-07, the actual area irrigated ranged from 8 thousand ha to 27 thousand ha with percentage shortfall ranging from 70 to 92. Scrutiny of departmental records revealed that the duration of power supplied in respect of the LISs was about 4-6 hours per day as against 16 hours considered in the estimates. Estimates Committee of the State Legislature in its Report (July 2007) recommended Government to provide separate power line for each LIS for successful functioning of LISs. Details of action taken in this regard, if any, were not furnished.

¹⁹ Based on 16 hours electricity supply

3.3.7.1 Defunct LISs

211 LISs with
atchkat of 42,115 ha
remained defunct
for periods ranging
from 3 to 25 years

As per the status report (2007), 211 LISs with a designed *atchkat*²⁰ of 42,115 ha remained defunct for a period ranging from 3 to 25 years for various reasons such as no demand for water (99 LISs), no water source (65 LISs), no power supply (27 LISs) and repairs (20 LISs).

In eight test-checked divisions, 165 LISs with a designed *atchkat* of 36,899 ha were defunct due to no demand for water (74 LISs), no water source (59 LISs), no power supply (15 LISs) and repairs (17 LISs). Consequently, the command area of 5,483 ha under 91 LISs was deprived of irrigation facility.

3.3.8 Planning, survey and investigation of projects

Defective survey/initial investigation

3.3.8.1 According to the LIS guidelines, proper survey and investigation should be carried out, besides ensuring availability of sufficient water for the LIS for the designed cropping period, demand from the beneficiaries, availability of land for the project, upstream/down stream commitments at the project site, existence of major/medium irrigation command area, ensuring availability of power at site, etc., before proposing any LIS for execution. Further, the works are to be completed in time so that the benefits of the scheme are available to the command area.

2,013 ha under six
LISs could not be
irrigated due to
inadequate survey
and investigation

Scrutiny of records revealed inadequate survey and investigation in six LISs²¹. In the first LIS, jackwell was shifted after entrustment of work due to presence of barrage downstream leading to design changes and increase in the length of rising main. In the second LIS, no *atchkat* could be irrigated due to inadequate source of water. In the third LIS, Department proposed (February 2008) to extend canal network on the ground that the canal network originally designed and executed was not sufficient to irrigate the designed *atchkat*. In the fourth LIS, non-availability of power line in the vicinity of the scheme necessitated drawal of power from a distance of 23 Kms resulting in escalation in the cost of work besides adverse BC Ratio. The work had not been completed (March 2008). The remaining two LISs were taken up despite their designed *atchkat* was overlapped by the command area of other Projects. Consequently, irrigation could not be provided to 2,013 ha of land despite incurring an expenditure of Rs. 10.03 crore.

3.3.8.2 Six LISs (five in Hassan and one in Bellary Division) taken up during 1993-2000 were abandoned (2003-05) after completion of civil works. Out of these, four LISs were abandoned before completion on the plea that the water source had dried up. Further, one LIS was abandoned after completion of civil works on the plea that there was no demand for water due to delay in completion of the scheme and farmers had made an alternative arrangement. In another case, LIS was proposed for dropping as the *atchkat* of the LIS was coming under the command area of another major irrigation project. Consequently, expenditure of Rs. 83 lakh incurred on these works was rendered wasteful.

²⁰ irrigable area

²¹ Gowrapur, D.B.Kere, Chiknasabi, Salamwadi, Mallikwad and Pattanaseraugu

3.3.8.3 According to LIS guidelines, a scheme proposed for construction is considered financially viable if it provides water for a minimum of two cropping seasons in a year. The BC ratio of the project should not be less than one to ensure that the project is economically viable. However, five LISs²² were taken up (2003-07) to provide water during one cropping season only rendering them financially unviable. In three cases (Jalihal, Motitalab and Salamwadi), the BC ratio worked out to less than one due to cost escalation rendering these LISs economically non-viable.

3.3.9 Execution of LIS works

3.3.9.1 Delay in completion of work due to non-acquisition of land

Codal provisions stipulate that works should be commenced only on land duly acquired for the purpose for timely execution of projects without cost escalation. Records revealed that the Department did not adhere to the above condition in five LISs out of 17 ongoing works of the six test-checked divisions. Though the work was taken up, proposal for acquisition of land was made after a gap of six years (two cases), one work was started without acquiring the land, no provision was made in the estimate (one case) and due to litigation by the land holders (two cases) as detailed in **Appendix 3.9**. Consequently, the above works remained incomplete without any benefit even after incurring an expenditure of Rs. 5.47 crore.

3.3.9.2 Defective execution of works/ deficiency in check measurements

Codal provisions prescribe monitoring of work by departmental officers at different levels of execution to ensure that the works are executed according to the specifications and are technically sound. Codal rules and departmental instructions also provide that the divisional officers should measure the works in progress and maintain a register of measurement. Test-check of records produced in five divisions in respect of nine LISs revealed cases of defective/unnecessary execution of works and payments made without execution of works, etc., in violation of the codal provisions. The details are indicated in **Appendix 3.10**.

3.3.9.3 Non-synchronisation of different components of work

According to LIS guidelines, execution of various components such as civil/electrical/mechanical and power supply should be synchronised in such a manner that the LIS should not be kept non-functional due to delay in completion of any of the components. Test-check of records in five divisions involving expenditure of Rs. 9.54 crore revealed that various components like execution of civil works, erection of machinery, power supply etc., of the LISs were not synchronised leading to non-realisation of intended benefits. The details are indicated in **Appendix 3.11**.

Non-synchronisation of various components of six LISs rendered an expenditure of Rs. 9.54 crore unfruitful.

²² Agasanamatti, Badanahatti, Moti talab, DB Kere and Gowrapur

Defective works were executed and paid for in five LISs works

Execution of different components of LISs works were not synchronised leading to delay in completion of works

Command area of 55 LISs overlapping with other irrigation projects were not transferred

3.3.9.4 Overlapping of *atchkat* of LISs

Government issued (April 1982) orders for transfer of all completed/ongoing LISs, the *atchkat* of which were coming under the command area of major/medium irrigation projects for execution and maintenance to avoid duplication of capital investment.

Test-check of records in five divisions²³ revealed that *atchkat* of 55 LISs targeted to irrigate 17,479 ha coming under the command area of major/medium irrigation projects were not transferred to the concerned project authorities by the Minor Irrigation Department and continued to incur expenditure on their rejuvenation and maintenance. An expenditure of Rs. 4.59 crore was incurred (2001-05) on rejuvenation of 32 such LISs of which 16 rejuvenated LISs became defunct rendering the expenditure of Rs. 2.30 crore thereon unfruitful.

The Department also took up (2000-2005) construction of seven fresh LISs at a cost of Rs. 18.89 crore coming under the command area of major/medium irrigation projects. Out of this, four LISs were completed (2001-03) while three LISs were under progress. Records revealed that against the designed *atchkat* of 1,394 ha in respect of three completed LISs, an *atchkat* of 164 ha only was provided irrigation in one year.

3.3.10 Non-adherence to the conditions of contract

3.3.10.1 Non-recovery of extra cost

Conditions of the contract stipulate that extra expenditure incurred by the Government in getting the work executed through other agency at higher rates due to default of first contractor should be recovered from the first contractor. Records revealed that in three out of five²⁴ LISs pertaining to five test-checked divisions, the contract was rescinded at the risk and cost of the contractor. The extra cost incurred on completion of leftover works of the default contractor was not assessed and recovered.

Records for watching the dues recoverable from the contractors in such cases were also not maintained indicating that there was no system to review and monitor recoveries outstanding against the defaulting contractors.

3.3.10.2 Change in scope of work after entrustment

The designs of the work were to be got approved by the competent authority before commencement of work and approved drawings would constitute part of the contract. The guidelines prescribe various parameters to be adopted in designing LIS relating to pumping machinery, pipes and accessories. The Government also instructed (1991) that directions to change the design/scope of work involving additional financial burden to Government were not to be issued after entrustment of work. Records revealed nine cases of change in the scope of work after entrustment involving execution of extra items. As against Rs. 15.13 crore provided in original estimates, an expenditure of

²³ Bellary, Bidar, Bijapur, Gulbarga and Kushtagi

²⁴ Ankanathapura, Ankanalupanal, Chiknasabi, Gowrapura and Pattanasera

Rs. 25.78 crore was incurred on these works. Subsequently, the estimates were revised to Rs. 30.28 crore. Change in scope of the work resulted in delay of 2 to 8 years in completion of 5 works and cost overrun of Rs. 15.15 crore in nine cases (**Appendix 3.12**).

3.3.10.3 Failure to avail of Central Excise Duty exemption

The benefit of CED exemption on purchases of LIS machineries did not accrue to the Department

The Government of India fully exempted (8 January 2004) Central Excise Duty (CED) on all items of machineries, equipment, pipes, instruments, *etc.*, required for setting up of water supply plants and delivery of water for irrigation and drinking purpose. In order that the contractor may avail of the benefit of CED exemption and pass on the benefit to the department, a certificate to the effect that the goods are cleared for the intended use *i.e.*, the plant and equipments which are going to be used in setting up of water supply plants was to be issued by the Deputy Commissioner based on the certificate issued by the divisional officers.

Test-check of records of 130 contracts for purchase of machineries/equipment costing Rs. 43.85 crore (involving CED element of Rs. 6.05 crore) finalised after January 2004 revealed that the Department failed to include appropriate clause in the contract that would bind the contractor to pass on the CED exemption to the Department. The Department also issued recommendations without ensuring that it had received CED exemption in eleven contracts of Rs. 13.18 crore. No follow up action was taken to ascertain whether the CED exemption was availed of by the contractors to adjust the same in their work bills. In one case, the contractor had availed CED exemption (value of goods: Rs. 1.54 lakh) based on recommendation of the EE, MI Division, Dharwar but benefit was not passed on to the department as noticed (April 2008) in audit.

3.3.11 Deficiency in maintenance of LIS

Quarrying of sand from the river bed downstream of LIS should be avoided as the water level goes below the designed level which would make the LIS inoperative. Further, it was the responsibility of the department to check unauthorised/illegal quarrying of sand from the river bed.

Records revealed that four LISs in two divisions²⁵, constructed between 1990 and 1995, became defunct due to depletion of water below the intake level on account of illegal sand quarrying in the vicinity of LIS location. Consequently, additional works of diversion weir, shifting of jackwell, barrage, *etc.*, were executed at a cost of Rs. 2.13 crore during the period 2002-04 to restore water source for the LISs which was avoidable.

3.3.12 Annual Maintenance Expenditure (AME)

Record of maintenance works such as servicing, replacement of parts, water supply, *etc.*, required to be maintained as per LIS Manual was not maintained in any of the test-checked divisions. The logbooks of the machinery wherever maintained were not updated fully by filling up all the columns *viz* frequency

²⁵ Bangalore and Mysore

of servicing, nature of repairs undertaken, discharge of each pump, electrical units consumed, etc.

3.3.12.1 Expenditure incurred without sanction to AME

Expenditure on maintenance of LISs was incurred without due sanction from competent authority

Codal provisions provide that payments for works should be made by divisional officer against sanctioned estimates only. Records revealed that during the period 2003-04 to 2006-07, Rs. 12.90 crore incurred towards AME in six²⁶ divisions were not covered by sanction from competent authority and an amount of Rs. 8.67 crore was spent in excess of the sanctioned amounts.

In respect of 87 LISs test-checked, an expenditure of Rs. 16.76 crore was incurred against the sanctioned amount of Rs. 14.53 crore under EFC grants. Excess expenditure over sanction amounted to Rs. 2.23 crore.

3.3.12.2 Maintenance of defunct LIS

Expenditure on defunct LISs incurred unnecessarily

Government issued (May 2005) instructions not to incur any expenditure on maintenance of defunct LISs. Further, power supply was also required to be disconnected immediately. The *atchkat* was to be denotified and the LISs were to be deleted from the departmental list. In addition, adequate measures to protect the land, buildings and machineries were to be taken until such denotification.

The Department incurred an expenditure of Rs. 5.91 crore towards maintenance of 71 defunct LISs during 2003-07. Further, out of 111 defunct LISs under North Zone, the Department deleted 63 LISs from the list of LISs without obtaining orders of the Government for declaring them as permanently defunct and without denotifying the *atchkat*. The overall irrigable command area of the department was thereby overstated.

3.3.12.3 Payment of electricity charges

LISs incur recurring maintenance cost and energy charges which worked out to 53 *per cent*²⁷ of the total maintenance cost during the review period. The LISs are designed to lift water during one or two crop seasons only in a year. Electricity charges are levied based on actual consumption or minimum tariff whichever is higher. Further, minimum charges are imposed even if the plant or machines are not operated and no power is consumed unless the power supply is disconnected by invoking the conditions of agreement with Karnataka Power Transmission Corporation Limited (KPTCL) authorities.

Records revealed that the Department incurred (2003-04 to 2007-08) a liability of Rs. 2.47 crore towards minimum electricity charges in respect of 35 defunct LISs in six²⁸ test-checked divisions due to failure in disconnecting power supply. Liability that accrued in respect of the remaining LISs was not ascertainable due to non-availability of information with the Department.

²⁶ Bijapur, Belgaum, Chitradurga, Dharwar, Gulbarga and Kustagi

²⁷ Excluding Chitradurga division

²⁸ Bellary, Bijapur, Chitradurga, Dharwar, Gulbarga, Kushtagi

3.3.12.4 Pending bills of electricity charges

Correctness of dues towards electricity bills of LISs was not ensured

As per departmental records, bills towards payment of electricity charges amounting to Rs. 10.61 crore were pending settlement as at the end of March 2003. In addition, demand for an amount of Rs. 43.72 crore was raised by KPTCL during 2003-08 out of which an amount of Rs. 37.34 crore was paid by the department (up to March 2008) and bills to the tune of Rs. 9.74 crore were pending settlement as at the end of March 2008.

Scrutiny of records revealed that as against dues of Rs. nine crore, an amount of Rs. 11.69 crore was demanded by two²⁹ Zonal companies of KPTCL and paid by Government in January 2007. The balance of Rs. 2.69 crore was not refunded (October 2008). In addition, the department did not ascertain the details of amounts adjusted in case of each LIS in the books of KPTCL. Consequently, the correctness of subsequent dues demanded by KPTCL was not ensured by the Department due to non-reconciliation of balances of electricity charges.

In Mysore division, monthly demand (March 2006) for payment of electricity charges amounting to Rs. 1.43 lakh was raised by KPTCL twice (April 2006 and May 2006) and the same was paid (November 2006 and January 2007) by the Department resulting in double payment indicating that proper checks were not exercised at the divisional level relating to payment of electricity charges. In other test-checked divisions, watch register was not maintained for this purpose.

3.3.13 Rejuvenation of defunct and sick LIS under EFC grants

Government of India released grant for revival of sick and defunct LISs based on the recommendations of EFC covering the period 2000-2005. The guidelines issued (2002) by the Government envisaged that the rejuvenation should be proposed by the divisional officers after field study and assessment of local needs duly consulting the beneficiaries. Further, availability of water and adequate electricity was also required to be ensured. For this purpose, a checklist was required to be prepared indicating the present status of LIS and requirement of repair/replacement of components including canals to enable the Department to take up rejuvenation works for bringing the LIS into optimum use. The claims for the works were to be submitted before March 2005.

Despite rejuvenation of 86 LISs at a cost of Rs. 12.34 crore, they remained defunct due to non-availability of water, power, repairs, etc.

Based on the action plan approved (March 2001) by SLEC³⁰ for Rs. 55.22 crore involving 308 works for stabilisation of an *atchkat* of 77,608 ha, Government approved (February 2002) rehabilitation/ rejuvenation of sick and idle LISs during the period from 2000-01 to 2004-05. As per completion certificate (August 2005) of the Department, 256 works were rejuvenated at a cost of Rs. 55.50 crore and an *atchkat* of 32,853 ha was declared (August 2005) as restored.

²⁹ Gulbarga and Hubli Electricity Supply Companies

³⁰ State Level Empowered Committee

Audit scrutiny revealed that out of above 256 LISs works, 86 LISs rejuvenated at a cost of Rs. 12.34 crore to irrigate an *atchkat* of 19,581 ha were not functioning for various reasons as detailed below:

Table 3: Rejuvenated defunct LISs

No. of LISs	Atchkat in ha	Expenditure (Rs. in crore)	Reasons for non-functioning
26	3,293	2.84	No water source
21	4,587	3.72	No power
15	4,864	1.92	For want of repairs
24	6,837	3.86	No demand for water/ <i>Atchkat</i> overlapping with major/ medium projects
86	19,581	12.34	

In test-checked divisions, it was also seen that no checklist was kept on record except in Mysore Division. In Chitradurga Division, seven LISs identified as defunct for want of water were taken up for repairs and replacement of machineries at a cost of Rs. 68 lakh.

3.3.13.1 Diversion of funds

Funds provided for rejuvenation works were diverted for construction of tanks and barrages

The EFC guidelines provide for construction of a barrage or any other structure that would restore the pumping head for a defunct scheme. However, construction of four barrages and six tanks at a total cost of Rs. 10.71 crore were taken up under EFC grants by three divisions³¹ though the tank/ barrage works were not related to feed water to any existing LISs. Out of this, an amount of Rs. 8.38 crore was spent on a barrage cum bridge which was not completed before March 2005 and balance cost of Rs. 8.32 crore was met out of State Budget after revising (May 2007) the estimated cost of the work to Rs. 16.70 crore. In Mysore Division, contingent expenses (rent, telephone bills, electricity bills, *etc.*) amounting to Rs. 5.27 lakh was met out of EFC funds.

3.3.14 Water rates

Guidelines under National Water Policy (NWP) 2002, envisaged that the water charges should be fixed to cover at least the operation and maintenance charges of providing the service initially and a part of the capital costs subsequently. The water rates were last revised by the Government in July 2000 under Karnataka Irrigation Act, 1965. Under the Act, the divisional officer is required to issue a notification before the stipulated date³² for raising the demand for collection by Revenue Department. The water rates for irrigation provided through LISs were fixed at thrice the normal rates³³ for wet crops like sugarcane, paddy and at twice the normal rates for other crops. The year-wise position of water rate demand raised and maintenance expenditure incurred during 2002-03 to 2006-07 was as under:

³¹ Belgaum, Bijapur and Gulbarga

³² Khariff (31 August), Rabi (31 December) and Summer (31 March)

³³ Normal rate is the rate applicable for irrigation through tanks, barrages, *etc.*

Table 4: Year-wise water rate demand

(Rupees in crore)

Year	Maintenance expenditure	Demand made
2002-03	11.10	0.31
2003-04	7.22	0.32
2004-05	7.96	0.95
2005-06	13.33	1.16
2006-07	23.21	1.20
Total	62.82	3.94

The demand raised during 2002-03 to 2006-07 was not in conformity with NWP as it constituted only six *per cent* of the maintenance cost during 2002-07.

Details of recovery of water rates were not maintained by any of the test-checked divisions.

3.3.14.1 Failure to demand water rate in respect of working LISs

Audit scrutiny of five test-checked divisions revealed that demand for water rate was not raised against consumers in respect of 10 functioning LISs and maintained at a cost of Rs. 94 lakh during 2003-08. Reasons for the same were not available. In Bellary Division, revenue of Rs. 1.11 lakh was foregone as notification required under the Act was not issued by the divisional officer within the stipulated period in respect of three LISs during the period (2003-2007).

In Gulbarga and Chitradurga Divisions (2006-07), water rate was demanded both at normal rate as well as at the penal rate (for violation of cropping pattern). However, the details of the extent and types of crops grown in the irrigable area of LISs were not maintained as a result of which correctness of the demand raised could not be verified.

3.3.14.2 Violation of cropping pattern

The requirement of water per ha in respect of wet crops is different compared to other crops and water rates were fixed differently. Since violation of cropping pattern had adverse effects on availability of water for the designed *atchkat*, particularly for the tail end reaches, the Department had to ensure that the water was shared optimally among the projected beneficiaries. Further, recovery had to be effected at five times of normal water rate in cases of violation of cropping pattern. Scrutiny of records in five³⁴ test-checked divisions revealed cases of violation of cropping pattern in an *atchkat* of 6,923 ha. The Department imposed a penalty amounting to Rs. 1.63 crore for violation of cropping pattern in 5,467 ha in four Divisions. However, the recovery of the amount was not being watched.

3.3.15 Non-formation of Water Users' Associations

According to the guidelines under NWP, Water Users' Associations (WUAs) were required to be formed and registered under the Karnataka Societies Registration Act of 1960. Under EFC grants, the rejuvenated LISs were

³⁴ Belgaum, Bellary, Chitradurga, Gulbarga and Kushtagi

required to be handed over to these WUAs for further maintenance and collection of water rates.

As against 370 WUAs required to be formed, only 92 were formed as of March 2008 and none was registered. Thus, the Department continued to bear maintenance expenditure which during 2003-04 to 2006-07 worked out to Rs. 51.72 crore. As none of the projects were handed over to WUAs for maintenance, the objective of promoting water management and maintenance of projects with the active participation of farmers was not achieved.

3.3.16 Miscellaneous issues

3.3.16.1 Inadequate and untrained manpower

The operation and maintenance of the scheme consists of hourly and daily operation of plants, machinery, equipment, *etc.*, which are required to be attended to by an operator. For this purpose operators entrusted with the task have to be trained. Services of sowdies³⁵ are essential to ensure effective distribution of water. Records revealed that the requirement of the above personnel was not assessed by the department. It was noticed that as against 141 LISs functioning, services of 88 sowdies and 80 pump operators were available and none of them were trained in the operation of LISs.

3.3.16.2 Register of Assets

The divisions are required to maintain a Register of Assets indicating their book value so as to provide details of the assets at the disposal of the Department. The Register of Assets maintained did not indicate the cost of assets and additions or alterations made thereto. Government issued (May 2005) instructions to transfer or dispose of the machineries in respect of defunct LISs to the best advantage of Government. However, the working condition of the machineries in respect of defunct LISs was not assessed for using them in ongoing works or to dispose of these. Account for the dismantled machineries was also not maintained in any of the test-checked divisions. In two test-checked divisions (Bijapur and Chitradurga), machineries were reported to be not available in respect of 47 defunct LISs. However, no action was initiated to investigate the loss of machineries and fix responsibility.

3.3.17 Monitoring and Evaluation

Codal provisions, departmental instructions and NWP 2002 stipulate close monitoring and supervision of projects so that works are executed in time and at economy enforcing strict financial discipline. There should also be a system to monitor and evaluate the performance and socio-economic impact of the project/ scheme which is essential to judge their success or failure.

³⁵ Persons engaged for regulating supply of water to irrigable area

Audit scrutiny revealed that except in two LISs, no evaluation was conducted to assess the performance and socio-economic impact of the schemes. A review of the evaluation reports of these two projects conducted (2005-07) by external agencies revealed that the deficiencies in survey, estimation, mismatch between targeted and achieved *atchkat* were not brought out though referred to the agencies. In one case, evaluation was conducted in respect of an LIS which was overlapping with a major irrigation project. No database was available with the department regarding economical viability and efficiency of the LISs. Periodical inspections as envisaged in the guidelines were also not conducted to assess the working condition of the LISs.

3.3.18 Conclusion

The Department did not utilise the funds in full due to delay in preparation and approval of estimates of fresh LISs. The designed irrigation potential of the LISs was not achieved due to non-completion of projects and the completed projects remaining defunct due to non-availability of water/short supply of power, repairs and overlapping of the irrigable area with other irrigation projects. Delay in acquisition of land, defective execution of works, non-synchronisation of different components of works, change in scope of works after entrustment to the contractors, *etc.*, delayed the completion of works. The correctness of dues towards power supply of LISs were not examined and reconciled. Despite rejuvenation of defunct LISs under 'special problem grant scheme' most of the LISs remained defunct. Water rates for the irrigated area were not duly assessed and recoveries thereof not monitored. Water Users' Association were not formed as envisaged in National Water Policy. Control mechanism to monitor and evaluate the LISs were not in place. Consequently, the intended objective of irrigating land through lift irrigation was not achieved.

3.3.19 Recommendations

Government should ensure that:

- funds provided for the LISs are fully utilised by obtaining sanction to estimates well in time.
- necessary action to irrigate the envisaged irrigable area is taken by ensuring availability of water, power supply, *etc.*
- the execution of LISs works is monitored so as to synchronise all the components of work and also executed as per schedule to prevent cost and time over run of projects.
- action is initiated to transfer such of the LISs whose *atchkat* overlap with other irrigation projects to the project authorities concerned.
- Water Users' Associations are formed as targeted to enable maintenance of LISs self-sustainable.

The matter was referred to Government in August 2008; reply had not been received (October 2008).

CO-OPERATION DEPARTMENT

3.4 Waiver of agricultural loans and interest subsidy schemes

3.4.1 Introduction

The Government issued (December 2004-May 2007) orders to subsidise the interest rates on agricultural loans taken by farmers, waive the outstanding loan and interest where farmers have paid interest in excess of the principal amount of loan and to waive interest and penal interest outstanding where farmers have cleared the principal amount by a specified period. These orders were issued to mitigate the hardship caused to the farmers on account of continuous drought conditions during the period 2001-04 in the State, fall in the prices of agricultural produce, reduction in harvest due to pests and diseases as well as due to floods and famine during 2006-07. The benefits of loan waiver and interest were subject to conditions and the various co-operative societies and co-operative banks who had lent the agricultural loan to the farmers were required to submit reimbursement claims on this account to Government after getting them duly certified and countersigned by the designated officers of the Co-operation Department. The details of the schemes implemented, the amounts released under each scheme, subsidy disbursed and the balance claims are given in **Appendix 3.13**.

The Secretary, Co-operation Department was the administrative head of the Department and the Registrar of Co-operative Societies (RCS) assisted by Deputy Registrars of Co-operative Societies (DRCS) at the district level was responsible for implementation of the loan waiver and interest subsidy schemes. The Director of Co-operative Audit (DCA) assisted by the Deputy Directors of Co-operative Audit (DDCA) at district level was responsible for certifying the claims of the Co-operative Societies and the Co-operative Banks. The funds were released to the Apex Bank which in turn released the funds to the Primary Agricultural Co-operative Societies (PACS) and Primary Co-operative and Rural Development (PCARD) banks through District Central Co-operative (DCC) banks and Karnataka State Co-operative and Rural Development (KSCARD) banks.

The implementation of schemes during the period 2004-08 was reviewed (February-June 2008) at the specific request of Government (February 2008) by test-checking the records of Secretary, RCS and the co-operative credit institutions viz. PACS, PCARD banks, DCC banks and KSCARD banks of 13 districts³⁶. The audit findings were discussed with Principal Secretary, Finance Department and Secretary, Co-operation Department in exit conference held during September 2008. The Secretary agreed to take necessary remedial action in the matter.

³⁶ Bagalkot, Belgaum, Bidar, Bijapur, Dakshina Kannada, Davanagere, Dharwar, Gadag, Hassan, Haveri, Mandya, Shimoga, Udupi

3.4.2 Financial outlay

Scheme-wise release of funds and settlement of claims of PACS and PCARD banks under the different schemes during the period 2004-08 were as follows:

Table 1: Scheme-wise release of funds

(Rupees in crore)

Sl. No.	Name of the scheme	Total claims preferred	Amount released				Total	Claims pending
			2004-05	2005-06	2006-07	2007-08		
1.	Interest subsidy scheme	354.25	45.00	80.00	76.50	152.63	354.13	0.12
2.	One time waiver of outstanding dues	65.85	49.00	-	-	-	49.00	16.85
3.	Interest and penal interest waiver	1,160.48	-	850.00	200.00	110.48	1,160.48	-
4.	Loan waiver scheme of 2007	1,862.39	-	-	500.00	1,239.88	1,739.88	122.51
Total		3,442.97	94.00	930.00	776.50	1,502.99	3,303.49	139.48

Although the release of funds was based on the eligible claims as per the books of various co-operative societies and banks, the reasons for claims of Rs. 139.48 crore still remaining unpaid were not on record.

3.4.3 Implementation of schemes

3.4.3.1 Interest subsidy scheme

The Government approved (December 2004) short, medium and long term loans to farmers carrying interest at six *per cent* per annum subject to condition that the subsidised interest was applicable to term loans provided on or after 1 April 2004 and that only agricultural loans were entitled to this subsidy. Under the scheme, while the Government share of interest was 5.50 *per cent*, the farmer's share was six *per cent* and the lending co-operative society/bank had to bear remaining one *per cent* in respect of short and medium term loans. The co-operative credit institutions had to bear one *per cent* extra on long term loans. The Government reduced (May 2006) the farmer's share of interest to four *per cent* in respect of loans disbursed from 1 April 2006 and onwards enhancing its share to 7.50 *per cent*. The main objective of the scheme was to provide substantial relief to the farmers from the burden of heavy interest rates charged by the co-operative banks.

PCARD banks were paid subsidy of Rs. 1.67 crore irregularly by allowing ineligible claims

Records of PCARD banks of the test-checked districts revealed that these banks while claiming reimbursement from Government also included loans provided for non-agricultural purposes such as purchase of two wheelers, land, poultry and forestry activities, *etc.*, which was contrary to the scheme guidelines. Test-check of 1.06 lakh claims of selected districts paid during 2004-08 revealed inclusion of 10,880 ineligible claims amounting to Rs. 1.67 crore (**Appendix 3.14**). These claims were admitted by the respective DDCA and DRCS resulting in excess release of subsidy to PCARD Banks. The DDCA and the DRCS did not furnish any reason for their failure to exercise the necessary checks in this regard.

3.4.3.2 One time waiver of outstanding loans

The Government announced (March 2005) a one time loan waiver scheme with a view to help the farmers who had been put to hardship on account of the term loan remaining uncleared in spite of the fact that the interest paid as on 31 March 2004 was in excess of the principal amount borrowed by them. The scheme was applicable to all medium term and long term loans availed of by the farmers from the co-operative credit institutions for agriculture and agriculture related purposes only.

Review of loan ledgers of PCARD banks in test-checked districts revealed:

Inclusion of claims where interest paid was less than principal amount

PCARD banks irregularly claimed Rs. 85.07 lakh by inflating the figures and including ineligible claims

Ineligible claims such as interest paid after 31 March 2004, postage charges, recovery charges, etc., were included in the claims of 119 farmers. The inadmissible claim so made in these cases was Rs. 20.57 lakh which included 30 instances of inflating the claims (Rs. 4.93 lakh) just to arrive at the eligible amount to claim waiver benefits as the interest actually paid fell short of this amount in all these cases. In 235 cases, the PCARD banks included the benefits of interest waiver and subsidy received by the farmers under similar schemes announced by Government during the period 1994-2004 to establish that the interest paid was in excess of principal borrowed. These claims were inadmissible for reimbursement and liable to be rejected by the respective DDCA and DRCS while certifying the claims of the PCARD banks. The inadmissible amount so claimed by and paid to the banks in these cases worked out to Rs. 64.50 lakh.

Inclusion of loans advanced for non-agricultural purposes

Loans advanced for rural housing scheme, poultry, piggery, non-farming sectors like flour mills, readymade garments, bakery, etc., were also irregularly included and a waiver of Rs. eight crore was claimed by and paid to the PCARD banks in respect of 2,181 ineligible cases (**Appendix-3.15**).

Double reimbursement of claims

Three double claims amounting to Rs. 36,768 and one double claim of Rs. 15,071 were preferred by and reimbursed to the PCARD banks at Maddur and Kundapur respectively. Remarks of the departmental officers as to their failure to regulate the claims as per the scheme guidelines were awaited (October 2008).

3.4.3.3 Waiver of interest and penal interest on term loans

The Government ordered (April 2005) waiver of interest and penal interest due on all agricultural term loans as on 31 March 2005 subject to the condition that the farmers repay the entire principal overdue as on 31 March 2004 by 30 June 2005. The due date for repayment was extended subsequently up to 31 May 2006.

Records of PACS and PCARD banks in test-checked districts revealed:

Irregular claims by PACS by mis-representation of facts

PACS in the test-checked districts claimed Rs. 36.04 crore by mis-representation of facts

The PACS of test-checked districts claimed Rs. 36.04 crore in respect of 34,674 cases (**Appendix 3.16**) stating that in all these cases farmers had fully paid the principal amount due on 31 March 2004. Verification of details of claim bills (reimbursement bills) with reference to bank scrolls and loan accounts of PACS maintained at DCC Banks revealed that the amounts shown in the claim bills as payments received from farmers were actually not remitted by the PACS as the bank scrolls did not confirm such remittances. The extent of short remittance was Rs. 63.05 crore. The PACS were required to remit the payments received from farmers within a day or two to the DCC bank as per their own by-law but were not remitted even after seven days of the purported date of payment by the farmers. The PACS could not furnish any other proof of such remittances in reply to audit queries in this regard. The respective DDCA and DRCS too did not disallow these claims at the time of certification and admittance. The remarks of the departmental officers on their omissions to regulate the claim as per scheme guidelines were awaited (October 2008).

Irregular reckoning of cut off date

PCARD banks irregularly reckoned the cut off date as 31 March 2005 and claimed Rs. 51.78 crore

The Government Order issued under this scheme specified *inter alia*, that only the principal amount overdue as on 31 March 2004 and paid by the farmers by 31 May 2006 would become eligible for waiver of interest and penal interest. But the KSCARD bank in their circular instructions to the PCARD banks indicated (April 2005) that principal instalments overdue as on 31 March 2005 and repaid by 31 May 2006 would be eligible for the waiver of interest and penal interest as on 31 March 2005. Consequently, the PCARD banks worked out the claims for reimbursement considering the principal instalments overdue as on 31 March 2005 also, which was in violation of the Government Order. The excess claim on this account was Rs. 51.78 crore and the respective DDCA and the DRCS failed to disallow these while certifying and admitting the claims. When the excess payments were pointed out in audit (September 2006 and January 2007), Government adjusted (January 2008) the amounts out of further releases to KSCARD Bank. However, no action was taken against the concerned DDCA and DRCS.

3.4.3.4 Crop loan waiver scheme of 2007

The Government, in order to mitigate the hardship caused to the farmers due to famine and floods during 2006-07, ordered (April 2007) waiver of Rs. 25,000 out of crop loans of Rs. 50,000 and below, which were drawn on or after 1 February 2006 and remaining outstanding as on 31 December 2006. This waiver was also admissible to those farmers who had drawn crop loans in excess of Rs. 25,000 and having repaid the principal exceeding Rs. 25,000 before 30 April 2007. The Government Order further provided that the benefit of waiver of Rs. 25,000 was applicable to those farmers also who had already repaid the principal but the reimbursement in these cases was to be made after three years with interest at four *per cent* per annum. The effective date of

sanction of crop loans and the due date for repayment of principal amount in excess of Rs. 25,000 were subsequently relaxed (May 2007) to 1 January 2006 and 31 May 2007 respectively by the Government besides removing the upper limit of Rs. 50,000 for crop loans.

Records of PACS and PCARD banks of the test-checked districts revealed:

Reimbursement of claims without verification of genuineness of claims

**PCARD bank,
Chikkodi claimed
Rs. 73.97 lakh in
290 cases by
tampering the
records**

The PCARD bank, Chikkodi claimed Rs. 73.97 lakh on the ground that crop loans of Rs. 25,000 and above, were sanctioned to 290 farmers during May, June and December 2006 and were outstanding as on 31 December 2006. But scrutiny of claims revealed the following:

- In respect of 56 loan transactions where the loan disbursed in each case was in excess of Rs. 25,000 (total loan amount: Rs. 50.75 lakh), the bank fictitiously created 148 loan accounts each of less than or equal to Rs. 25,000 and claimed Rs. 52.72 lakh towards the benefit of loan waiver. This was evident from the fact that the cash book was tampered by interpolating the entries in support of sanction of these individual loans. These loans were indicated in the cash book as adjusted against another outstanding loan account under a regular bank loan scheme. The individual savings bank (SB) account was also not maintained in respect of these individual farmers as was done for other beneficiaries in the bank. There was also no evidence of having claimed interest subsidy on the loans in these cases.
- In respect of 72 cases, the benefit of loan waiver of Rs. 17.50 lakh was claimed although no loan was disbursed in any of these cases as evidenced by absence of individual SB account and bills claiming interest subsidy.
- In 14 other cases, loans disbursed prior to 1 January 2006 and after 31 December 2006 were included in the claims by mis-representing that loans had been disbursed in all these cases during the period 1 January 2006- 31 December 2006. The claims so preferred were Rs. 3.75 lakh.

In the absence of proof of loan disbursement and in view of several discrepancies in the allied records of the PCARD bank, it was not clear as to how the DDCA and the DRCS of Belgaum district certified and admitted the claims of Rs. 73.97 lakh. Their remarks to the audit queries made in this regard were awaited (October 2008).

Irregular claims by reversing loan transactions

**PCARD bank,
Shiggaon claimed
Rs. 86,573 by mis-
representation of
facts**

Scrutiny of 33 claim bills of PCARD bank of Shiggaon in Haveri district with reference to loan ledgers revealed that in three cases, although the farmers had repaid the entire loan before 31 December 2006, the last instalment paid by them was reversed (March 2007) and taken to a suspense account which was later restored (May 2007) to their respective loan account and claims of loan waiver scheme 2007 preferred by the bank. In five other cases, the principal repaid by the farmers between 30 April 2007 and 2 May 2007 was initially transferred to a suspense account and were restored to their loan account on

31 May 2007 only to avail of the benefit of interest waiver (Rs. 607) by the bank. The total amount thus, irregularly claimed was Rs. 86,573, of which Rs. 78,617 amounted to premature release of the benefits in terms of the Government order and the remaining amount was irregularly claimed by the bank. A critical scrutiny of the claim bill with other connected records of the bank during certification and admittance of claims by DDCA and DRCS of Haveri district would have prevented such irregular claims. On this being pointed out, the DDCA, Haveri confirmed (October 2008) the irregularities and stated that they could not be detected while certifying the claims due to pressure of work.

Irregular claims by mis-representation of facts

PACS in the test-checked districts claimed Rs. 56.49 crore by mis-representation of facts

The PACS of the test-checked districts irregularly claimed Rs. 56.49 crore in 25,815 test-checked cases by mis-representing in their claim bills that in all these cases, the farmers had paid the principal amount in excess of Rs. 25,000 by the prescribed due date. The scrutiny of claim bills with bank scrolls and loan accounts revealed that the repayments purportedly made by the farmers within the due date were not remitted by the PACS to the banks to authenticate their claim for reimbursement. The extent of short remittance was Rs. 91.52 crore. On this being pointed out (June-August 2008) in audit, the PACS failed to furnish any evidence in support of the claims in all these cases. The respective DDCA and the DRCS too failed to exercise necessary checks while certifying and admitting these claims leading to excess payment of Rs. 56.49 crore (**Appendix 3.17**). The remarks of the DDCA and DRCS were awaited (October 2008).

Irregular inclusion of claims in respect of loans drawn before and after the specified dates

PACS of Bidar district irregularly included 117 cases in the claims although in these cases, loans had been disbursed either prior to 1 January 2006 or after 31 December 2006. The total amount so claimed was Rs. 24.21 lakh which was not disallowed by the claims certifying and admitting authorities. On this being pointed out (July 2008), the Managing Director (MD), DCC Bank, Bidar remitted (October 2008) the amount to Government. PCARD bank, Alur of Hassan district included an ineligible claim of Rs. 5,594 in respect of loan disbursed on 30 November 2005. PCARD bank, Navalgund of Dharwar district included an ineligible claim of Rs. 25,910 in respect of loan disbursed after 31 December 2006.

Irregular inclusion of cases where no loan was outstanding

As per the scheme guidelines, all farmers who had borrowed loans between 1 January 2006 and 31 December 2006 and who had repaid the entire loan before 31 December 2006 were also eligible for the benefit of waiver of loan up to Rs. 25,000 and interest till date of repayment under the scheme. However, the amount eligible for waiver shall be deposited in the treasury and the same would be repaid to the farmers after three years together with interest at four *per cent* per annum. Accordingly, RCS issued instructions for indicating such claims separately. It was, however, noticed that PACS of

Bidar district instead of exhibiting such cases separately included irregularly in their claim bills and received Rs. 5.03 lakh in 30 cases. On this being pointed out (July 2008), the MD, DCC Bank, Bidar remitted (October 2008) the amount.

Excess claim of interest

As per the interest subsidy scheme, the co-operative credit institutions were entitled to claim only Government's share of interest (at 5.5 *per cent* and 7.50 *per cent* depending on whether the loan drawn was short term and medium term or long term agricultural loan). It was, however, noticed that PCARD bank, Navalgund, claimed interest at full rate resulting in excess claim of Rs. 33,367 in respect of 33 cases.

Irregular inclusion of health premia paid under 'Yeshaswini' scheme

The PACS of Bidar and Bijapur districts treated the health premia paid by farmers under the 'Yeshaswini' scheme as loans paid and claimed reimbursement of Rs. 52.79 lakh on this account from the Government. The action of the PACS was irregular as the Government order did not provide for such benefits and the respective DDCA and DRCS failed to disallow these claims during their scrutiny and audit. Consequently, there was an excess payment of Rs. 52.79 lakh to these PACS. On this being pointed out (July 2008), the MD, DCC Bank, Bidar remitted (October 2008) Rs. 32.29 lakh to Government.

3.4.3.5 Waiver of interest for the year 2006-07

Government issued (April 2007) orders to waive interest due for the year 2006-07 on all agricultural term loans (except short term agricultural loans not exceeding Rs. 50,000) drawn on or after 1 February 2006 if the farmers repay the principal by 30 April 2007. The cut-off date for applicability of this benefit and the due date for repayment of principal instalments were relaxed to 1 January 2006 and 31 May 2007 respectively in May 2007. Review of records of PCARD banks in the test-checked districts revealed:

Inclusion of ineligible claims for loan waiver

PCARD banks of test-checked districts claimed Rs. 38.43 lakh by including ineligible claims

The PCARD bank of test-checked districts claimed Rs. 38.43 lakh by including 903 ineligible claims where loans had been provided for purposes other than agriculture and agriculture related activities such as housing, land purchase, poultry, *etc.*, which were not eligible as per the Government orders. The claims were admitted by DDCA and DRCS without scrutiny resulting in excess reimbursement by Rs. 38.43 lakh (**Appendix 3.18**).

Miscellaneous irregular claims

Other miscellaneous irregular claims under waiver of interest included reckoning principal not due for recovery, interest subsidy already availed and share of interest to be borne by PCARD banks

Records of the PCARD banks of the test-checked districts revealed other miscellaneous irregular claims amounting to Rs. 41.46 lakh as detailed below:

- The banks irregularly included in the claims, their share of interest (one *per cent* in case of short term and medium term loans and two *per cent* in case of long term loans) also instead of absorbing them as per the Government orders resulting in excess claim of Rs. 5.07 lakh in 750 cases (**Appendix 3.19**).
- Principal amounts which were not due for recovery during 2006-07 were irregularly included in claims in 834 cases resulting in excess reimbursement of Rs. 10.70 lakh to PCARD banks of Dharwar, Dakshina Kannada and Udupi districts.
- The interest subsidy already provided by the Government was irregularly included in the claims preferred by PCARD banks of Navalgund in Dharwar District and Belthangady in Dakshina Kannada district resulting in double reimbursement of Rs. 15.81 lakh in 334 cases.
- Two hundred and forty four cases of loans sanctioned either prior to 1 January 2006 or after 31 December 2006 were irregularly included in the claims by the banks resulting in excess claim of Rs. 9.88 lakh (**Appendix 3.20**).

The correctness of the claims in these cases was not ensured by the respective DDCA and DRCS resulting in excess claim of Rs. 41.46 lakh.

3.4.3.6 Interest and penal interest waiver scheme of 2007

Government ordered (April 2007) waiver of interest and penal interest on all agricultural term loans overdue as on 31 December 2006 provided the principal amount was repaid by the farmers by 30 April 2007. The Government order issued in May 2007 relaxed the due date for repayment up to 31 May 2007.

Review of records of PACS and PCARD banks of the test-checked districts revealed:

Inclusion of ineligible claims

Claims included loans taken for non-agricultural purposes amounting to Rs. 4.40 crore

The co-operative credit institutions irregularly included 2,188 cases where loans disbursed were for other than agriculture and agriculture related purposes such as housing, land purchase, poultry, piggery, *etc.*, and claimed reimbursement of Rs. 4.40 crore towards interest and penal interest waiver. In the absence of scrutiny of these claims by the respective DDCA and DRCS, there was excess claim of Rs. 4.40 crore (**Appendix 3.21**).

Irregular claims by misrepresentation of facts

**PCARD bank,
Shiggaon claimed
Rs. 3.12 lakh by
mis-representation
of facts**

The PCARD bank, Shiggaon in Haveri district irregularly claimed Rs. 3.08 lakh in respect of 11 cases where farmers had fully repaid either the principal instalment or the interest within the due dates. The bank in all these cases exhibited the principal/interest as outstanding as on 31 December 2006 by transferring the last instalment of principal/interest paid to the suspense account and restoring the same to the loan account subsequently to show as if the farmers paid the last instalment before 31 May 2007 so as to claim the benefit of interest/penal interest waiver under this scheme. In respect of other 12 cases where the farmers had repaid the principal instalments during the period from 24 April 2007 to 10 May 2007, the bank transferred these payments to the suspense account and later restored them on 31 May 2007 so as to claim the benefit of excess interest of Rs. 4,335. These irregular claims were not noticed by the DDCA and DRCS of Haveri district resulting in excess claim/reimbursement of Rs. 3.12 lakh. On this being pointed out, the DDCA, Haveri confirmed (October 2008) the irregularities and stated that they could not be detected while certifying the claims due to pressure of work.

Other miscellaneous irregular claims

**Other
miscellaneous
irregular claims
under the scheme
included claiming
interest on
principal amounts
not due, interest
already waived by
Government of
India, etc.
aggregating
Rs. 53.92 lakh**

Records of PCARD banks of test-checked districts viz., Hassan, Chitradurga, Udupi, Dharwar, Dakshina Kannada and Shimoga revealed the inclusion of the following miscellaneous irregular claims under this scheme:

- Principal amount due as on 31 December 2006 but not overdue (to become eligible for waiver of interest and penal interest as per the Government order) was included in 1,780 cases by PCARD banks of Arsikere, Jagalur and Kundapura resulting in excess claim of Rs. 51.09 lakh.
- In 167 cases, the PCARD banks of Navalgund and Karkala included the share of interest which otherwise should have been absorbed by them under this scheme, as per the Government orders resulting in excess claim of Rs. 1.14 lakh.
- PCARD bank, Shimoga, irregularly included 27 cases of loans in the claim bills where interest due as on 1 July 2006 had already been waived by Government of India under the Prime Minister's Special Rehabilitation Package for suicide prone districts in the country. This resulted in double claim of Rs. 90,719.
- The scheme was applicable only for cases where the principal was due for recovery during 2006-07. It was, however, noticed that PCARD bank, Udupi irregularly included cases where principal was not due for recovery during 2006-07. The excess claim in this regard was Rs. 20,992 in three cases.
- PCARD bank, Channarayapatna of Hassan district incorrectly claimed an amount of Rs. 47,161 towards interest waiver in respect of 15 cases where there was no loan outstanding as on 31 December 2006.

- PCARD bank, Sagar of Shimoga district wrongly included the principal instalment under interest and preferred the claim of one case resulting in excess claim of Rs. 9,965.

3.4.4 Conclusion

The implementation of loan/interest waiver and interest subsidy schemes was not effective due to lack of proper scrutiny of claims by the DDCA and DRCS despite detailed instructions issued by Government. Preference of ineligible claims by the co-operative institutions without due observance of the terms and conditions of Government Orders and often by mis-representing the facts to circumvent them coupled with lack of adequate checks by the controlling authorities resulted in irregular reimbursement of Rs. 110.40 crore in respect of 81,838 out of 8,32,544 claims test-checked in 13 districts. Consequently, the various waiver and subsidy schemes announced by Government were exploited by the co-operative credit institutions to further their own financial interest.

3.4.5 Recommendations

- Expeditious action should be taken to investigate the excess claims preferred by co-operative credit institutions through mis-representation of facts and inclusion of ineligible claims and to take appropriate action as per law.
- Responsibility should be fixed on the DDCA and DRCS for their failure to exercise the prescribed checks to prevent excess claims by co-operative institutions.
- The excess claims preferred by the co-operative credit institutions should be recovered/adjusted against future payments expeditiously.
- A suitable mechanism may be devised to prevent recurrence of such irregular claims.

The matter was referred to Government in September 2008; reply had not been received (October 2008).

FOREST, ECOLOGY AND ENVIRONMENT DEPARTMENT

3.5 Administration of Forest (Conservation) Act, 1980

3.5.1 Introduction

With a view to conserving the forests and minimising the adverse environmental impact and threat to ecological stability, the Central Government enacted (October 1980) the Forest (Conservation) Act, 1980 (FC Act). The Act imposes certain restrictions on de-reservation of forests and use of forest land for non-forest purposes.

FC Act permits only unavoidable use of forest land for various developmental purposes. The Act is regulatory in nature and facilitates the sustainable development needs of the country contributing to better environment, health and economy.

Under the Act, no State Government or other authority shall, except with the prior approval of Government of India (GOI), divert any forest land for non-forest purpose. GOI accords approval to diversion of forest land for non-forest purpose in two stages. Stage I involves grant of in-principle approval specifying the conditions to be fulfilled by the user agency to whom the forest land is proposed to be handed over. Stage II involves final clearance for the project subject to compliance of conditions specified in Stage I. The forest land would be handed over to the user agency after Stage II approval. The Forest Department is required to monitor the diverted area periodically with reference to field maps, forest survey numbers, *etc.*, to check any unauthorised use of forest land by the user agency and report omissions in this regard to GOI.

3.5.2 Audit coverage

The records in the office of the Chief Conservator of Forests (Forest Conservation), Bangalore, Conservator of Forests (CF) at Shimoga, Chickmagalur and Sirsi and nine Divisions³⁷ headed by Deputy Conservators of Forests (DCFs) were test-checked during January / April 2008. Omissions noticed in administration of FC Act are discussed below:

3.5.3 Violations of Forest (Conservation) Act

Under the provisions in Sections 3A and 3B of FC Act, violations of the Act, including unauthorised use of forest land attract punitive action. The GOI authorises an officer not below the rank of CF to proceed against the person / authority/department, *prima facie*, found guilty of the violation in the jurisdictional Court of law. In addition, penal Compensatory Afforestation

³⁷ Chickmagalur (Territorial), Chickmagalur (Wildlife), Karwar, Koppa, Sagar, Shimoga, Sirsi, Tumkur and Yellapur

(CA) charges³⁸ were to be imposed over the forest land worked / used in violation.

Test-check of records of nine divisions³⁹ revealed violation of the provisions of the Act in nine out of 60 cases that occurred between 1984 and 2006. Seven user agencies had sought approval for utilisation of 342.35 ha for non-forestry purposes. However, 391.71 ha of forest land was utilised prior to obtaining approval of GOI as detailed in **Appendix 3.22**. This included 49.36 ha of forest land utilised in excess of that sought/approved for diversion in respect of two cases of Bidar and Mangalore Divisions.

The unauthorised use of forest land indicated failure of the Department in administration of the Act. The Department, except for issuing of notices in two cases at Mangalore and Bagalkot, neither took any punitive action nor reported the matter to GOI. Penal CA charges of Rs. 1.84 crore had also not been recovered from four user agencies⁴⁰, reasons for which were not on record.

3.5.4 Non-compliance of Government of India conditions

Compliance to conditions imposed by GOI was not ensured despite lapse of 2 to 27 years from the date of GOI approval

In terms of paragraph 4.15 of chapter 4 of GOI guidelines on FC Act 1980, the Nodal Officer⁴¹ should report non-compliance of GOI conditions to the Regional Office of Ministry of Environment and Forests (MOEF) who should there upon inspect the site from time to time. Quarterly progress Reports are required to be furnished by the Nodal Officer to the Director, FC of the Monitoring Cell of MOEF regarding compliance of GOI conditions.

It was observed that in 19 cases of diversion of forest land for non- forestry purposes like irrigation, wind power, mining, power transmission line and road work projects involving an area of 3,198 ha, compliance with conditions imposed by GOI was not ensured despite a lapse of 2 to 27 years from the dates of clearance accorded by GOI as detailed in **Appendix 3.23**. This included non-recovery of Rs.1.83 crore towards cost of strip plantation from one user agency in Belgaum Division and shortfall in execution of Catchment Area Treatment Plan for Rs. 120.42 crore in Shimoga Division. GOI stipulated these conditions for compliance by the user agencies with a view to mitigate adverse impact on environment.

Further, one of the conditions stipulated by GOI while approving use of forest land for non-forest purposes is that diverted land should not be used for purposes other than that for which approval was granted. The Department was to resume any unused forest land. However, the Department had not done so, in case of 540.38 ha of unused forest land in five cases of four⁴² divisions.

³⁸ Calculated at one and half times of Rs.54,200 per ha fixed by State Government

³⁹ Bagalkot, Bidar, Chickmagalur, Haliyal, Karwar, Koppa, Mangalore, Shimoga and Yellapur Divisions

⁴⁰ Karnataka Neeravari Nigam Limited, Karnataka Power Transmission Corporation Limited, Petronet MHB Limited and Chickmagalur Golf Club

⁴¹ Chief Conservator of Forests (Forest Conservation), Bangalore

⁴² Bangalore Rural, Dakshina Kannada, Karwar and Mandya

In one case, out of 594.10 ha of forest land approved (December 1995/September 1996) for settlement of displaced families of Sea Bird Project in Karwar, only 182.94 ha of land was utilised. Out of balance area of 411.16 ha of land, an area of 277 ha where felling was done (October 2000), was afforested subsequently during 2002 to 2004 at a cost of Rs. 45.49 lakh without resuming the land.

Further, in five divisions conditions stipulated while according approval for diversion of forest land had not been complied with, resulting in non-recovery of Rs. 4.71 crore towards CA and other charges as follows:

Table 1: Non-recovery of CA charges

Division	Area in ha	Purpose	Period	Revenue not realised
Karwar	330.21	Transmission line	2003	Supervision charges of 10 per cent of total expenditure for executing the work at Rs. 3.61 lakh was not recovered from the user agency.
Belgaum	1.00	Micro wave station	2006	CA was to be carried out in 1.60 ha of degraded forest area at the cost of user agency. Penal CA charges of Rs. 8.67 lakh was not recovered.
Gadag	65.74	Wind power	2004	Charges of Rs. 32.93 lakh are yet to be recovered from the user agency.
Honnavar	427.62	Sharavathi Tail Race Project	1993	User agency was to bear the total cost of extraction of trees. The Department incurred Rs. 2.89 crore towards the extraction. The same was not recovered from the user agency.
Sirsi	74.00	Sharavathi Tail Race Project	1993	Rs. 1.37 crore being extraction cost of trees was not recovered from the user agency
	898.57			

The Nodal Officer neither monitored the compliance of GOI conditions nor assessed the adverse impact in these cases. Quarterly progress reports on compliance to conditions stipulated by GOI were also not furnished.

3.5.5 Utilisation of forest land without renewal of lease

As per the Hand Book of guidelines and clarifications on FC Act issued by GOI, proposals for renewal of leases were to be submitted to GOI one year before expiry of the lease period. Proposals for renewal of lease of the forest land for various purposes like education, cultivation, etc., were not forwarded by Principal Chief Conservator of Forest to GOI in respect of twenty two cases despite lapse of one to forty five years as detailed in **Appendix 3.24**. Though renewal of lease in two other cases was rejected by GOI, land area of 24.90 ha was not resumed. Audit scrutiny revealed that the user agencies continued to utilise forest land unauthorisedly in all these cases as verified from divisional records.

3.5.6 Sub-leasing of forest land

Under GOI guidelines (April 2005) sub-lease by the user agencies was not to be done without the prior permission of GOI. For this purpose, the original user agency was required to submit no objection certificate for such transfer and the new user agency was to submit an undertaking that they shall abide by all the conditions on which the forest land was leased to the original user

agency and any other condition which may be stipulated by the Central Government/State Government in future.

It was observed in test-check that two user agencies had sub-leased 158.62 ha of forest land in Chitradurga and Hassan divisions in August 2005 and July 2007 without prior permission of GOI. The Nodal Officer had not reported the matter to MOEF.

3.5.7 Grant of forest land by Revenue Department

Forest land of 483.52 acres was transferred by Revenue Department without GOI approval

As soon as an area is notified as Reserve Forest under Section 17 of Karnataka Forest Act 1963, the revenue authorities are required to effect 'Mutation' of forest land by making corresponding entries in the revenue records to the effect that the area is declared as Reserve Forest (RF). The forest staff was required to co-ordinate with the revenue authorities to ensure mutation with suitable entries in the revenue records. The purpose of mutation was to prevent unauthorised transfer of forest land by Revenue Department.

Test-check revealed that in three divisions, 483.52 acres of forest land was transferred by the Revenue Department between 1980 and 2007 to 157 persons without approval of GOI under the FC Act as mentioned below:

Table 2: Forest land transferred by Revenue Department

Sl. No.	Name of the Division	Extent of forest land transferred by Revenue Dept. (in Acres)	Date of transfer	Remarks
1	Yellapur	243.38	May 2006 to Jan. 2007	The land was leased for cultivation (April 1969) to landless farmers. Subsequently, the leased land was utilised by other cultivators as the same was not put to use by the original lessees. The Revenue Department transferred the land to the present cultivators as the original lessees were untraceable.
2	Chickmagalur (Territorial)	107.54	1980 to 1995	The forest land in Sargod RF was transferred to 34 cultivators vide Govt. Order dated 1-8-1964. The actual transfer took place after enactment of FC Act and hence was subject to de-notification and prior approval of GOI.
3		70.14	1980 to 2003	Nine persons encroached upon the forest land in Masgali RF. Subsequently, the Rev. Dept. regularised the same by transfer which was, however, violative of the provisions of the FC Act.
4	Chickmagalur (Wildlife)	62.46	1982 to 2001	The Revenue Department transferred the forest land of Kundur Minor Forest in favour of 23 cultivators without prior approval under FC Act.

Thus, lack of co-ordination between Forest and Revenue Departments resulted in forest lands being transferred unauthorisedly and without prior approval of GOI.

Non-forest land brought under compensatory afforestation were not notified as prescribed

3.5.8 Delay in notifying non-forest land as Reserve Forest

GOI instructions required notification of the non-forest land brought under Compensatory Afforestation (CA) as Reserve Forest (RF) within a period of six months from the date of approval of diversion with a view to ensure conservation of forests and enable the Forest Department to effectively manage the afforested area. Delay/non-issue of notification could result in release of such land by Revenue Department or its encroachment.

Test-check of records in Bellary and Chitradurga Divisions revealed that 2,039.27 ha of forest land was yet to be notified as RF as of March 2008. The delay ranging from one to 25 years was attributed by CF, Bellary to non-submission of proposals for notification by the Department.

In Chickmagalur Division, out of 843.44 ha of non-forest land identified for CA, 510 ha was mutated in favour of Forest Department up to March 2008 which was yet to be notified as RF.

The Department carried out CA during 1995-99 (cost: Rs. 29.27 lakh) in one case over an area of 126.25 ha in Bangalore in lieu of 125.5 ha forest land diverted in favour of a firm in Bellary district. This land was not notified as RF. Bangalore Mahanagara Palike (BMP) used (June 2004) 54 ha of the planted land for dumping hazardous waste with the knowledge of Forest Department. The Department received Rs. 20 lakh (July 2005) from BMP towards the loss of plantations. The Net Present Value (NPV) of the forest area with minimum vegetation density of 0.25 however, worked out to Rs. 3.13 crore. The non-forest land for CA is yet to be identified. Failure in notifying non-forest land as RF where CA had been undertaken resulted in BMP utilising 54 ha of this land unauthorisedly.

3.5.9 Non-demarcation of diverted forest lands and lack of inspection

As per the provisions of the Act, the diverted forest areas were to be demarcated with RCC pillars at the cost of user agencies to prevent encroachments.

Test-check revealed that the demarcation of forest lands with RCC pillars at the cost of four user agencies spread over seven divisions⁴³ was not ensured in case of 1,042 ha of forest land diverted for wind power and irrigation projects, despite lapse of one to seven years from the date of final clearance accorded for the projects by the GOI.

3.5.10 Incorrect identification of forest lands

Government of India approved⁴⁴ diversion of 722.70 ha of forest land for construction of dam across the River Sharavathi in Shimoga Forest Division

⁴³ Belgaum, Bellary, Chitradurga, Davanagere, Hassan, Shimoga and Tumkur

⁴⁴ 1993: 700 ha; 2006: 22.70 ha

and for laying railway line between Kadur-Chickmagalur-Sakleshpur with the condition that CA was to be taken up in equivalent non-forest land . Audit scrutiny (April 2008) revealed that the identified non-forest lands were actually notified forest lands and as such CA was to be taken up in forest lands twice the extent of forest area diverted. This resulted in short recovery of CA charges of Rs. 89.29 lakh and shortfall of 722.70 ha in raising CA. The Divisional Officer, Chickmagalur stated that necessary action would be taken to recover the same from the user agency.

3.5.11 Compensatory Afforestation in lieu of diverted forest lands

Compensatory afforestation was not carried out in 5,732.97 acre

GOI guidelines on FC Act require that CA shall be done over equivalent area of non-forest land *in lieu* of forest land diverted for non-forest purpose. In the event of non-availability of non-forest land, CA shall be carried out over degraded forest land twice the extent of the area being diverted. However, CA was not required where the diversion of forest land was one hectare and less.

Forest land of 39,974.86 ha⁴⁵ was diverted between 1980 and June 2007 for construction of irrigation projects, hydel/wind power projects, laying of transmission and railway lines, mining/quarrying, construction of buildings *etc.* The Department in its report indicated (June 2007) that CA had been carried out to an extent of 38,988.57 ha leaving a balance of 986.29 ha. However, the extent of CA undertaken included 9,493.36 ha of degraded forest which meant that the afforestation was done less by 4,746.68 ha. As such, the actual CA yet to be carried out was to the extent of 5,732.97 ha. Thus, the Department failed to realistically assess the extent of CA to be carried out.

In seven test-checked divisions⁴⁶, CA had been taken up in 16 cases of diversions of forest land to an extent of 1,624 ha after a lapse of 1 to 25 years as detailed in **Appendix 3.25**. There was no time frame fixed under the Act for CA work. No study to assess the impact on eco system due to diversion of forest land for non-forest purposes like construction of irrigation projects, mining, power projects, construction of buildings *etc.*, was made by the department.

The shortfall and delay in taking up CA and its adverse impact on forest conservation against development needs at sustainable levels were not assessed.

3.5.12 Identification of non-forest lands for compensatory afforestation

According to GOI guidelines under FC Act 1980, the non-forest land for CA should be identified contiguous to or in the proximity to RF to enable the department to effectively manage the newly planted area. In the event of non-availability of non-forest land for CA within the district, the same may be

⁴⁵ 40,076.86 ha minus 102 ha of diversion of forest land less than one hectare in each case

⁴⁶ Bangalore Rural & Urban, Belgaum, Bidar, Dakshina Kannada, Karwar and Mandya

identified any where in the State as near as possible to the site of diversion so as to minimise adverse impact on the micro ecology of the area. During the period 1980 to June 2007, CA was undertaken in 29,495.21 ha of non-forest lands. Data on proximity/contiguity of non-forest land to the RF was neither available nor monitored at the nodal officers' level.

In three divisions⁴⁷, an area of 235 ha of forest land diverted during 2002-07, non-forest land of equivalent extent was approved for CA in other districts despite the availability of non-forest land for afforestation within the same district as identified by Revenue Department. In Bellary district, as against 4,306 ha forest land diverted since 1980 for mining and other purposes, CA for only 2,740 ha had been carried out. Of this, only 698 ha non-forest land was identified for CA though 8,951 ha of non-forest land was available within the same district as evidenced by revenue records on land bank.

Execution of CA on non-forest lands which were not in the proximity/contiguity of RF was in deviation of prescribed guidelines. The adverse impact on this account had not been assessed.

3.5.13 Non-recovery of Net Present Value from user agencies

NPV of Rs. 17.09 crore remained unrecovered from 23 user agencies

GOI issued guidelines (September 2003) for recovery / collection of Net Present Value (NPV) at the rates varying from Rs. 5.80 lakh to Rs. 9.20 lakh per hectare depending upon the nature of forest, density and type of species in the forest area proposed for diversion. It directed (September/October 2007) the State Government/Nodal Officer to recover NPV from the user agencies and deposit the amount with Compensatory Afforestation Fund Management and Planning Authority (CAMPA). NPV was also recoverable in cases where Stage I approval (in-principle) had been accorded prior to 30 October 2002⁴⁸.

Test-check revealed that recovery of NPV was pending in 15 Divisions⁴⁹ in respect of 23 user agencies involving 294.70 ha of forest land diverted (October 2001 to October 2006) for non-forest purposes like laying of transmission lines, railway lines, water pipelines, setting up of hydel/wind power projects, construction of buildings, renewal of leases, etc. Even by adopting the lowest rate of Rs. 5.80 lakh per ha, the recoverable NPV worked out to Rs. 17.09 crore. Reasons for non-recovery were not on record.

The PCCF, Bangalore replied (July 2008) that directions had been issued (December 2007) to recover the same.

3.5.14 Monitoring by Nodal Officer

The Nodal Officer was to monitor compliance to the conditions stipulated by GOI prescribed at the time of approving the diversion of forest land for various projects. He was also to furnish quarterly reports on non-compliance

⁴⁷ Bidar, Gadag and Gulbarga

⁴⁸ Date of Judgement of Hon'ble Supreme Court regarding collection of NPV

⁴⁹ Bagalkot, Bangalore, Belgaum, Bellary, Chitradurga, Chickmagalur, Haliyal, Honnavar, Karwar, Madikeri, Mysore, Raichur, Shimoga, Tumkur and Udupi

of conditions stipulated to GOI by user agencies after conducting periodical inspections. Besides, he was also to monitor the survival ratio of plants in compensatory afforestation plantations raised and their status. A monthly report on the applications received by the State Government and their status of processing was to be furnished to Regional Officer/Assistant Inspector General of Forests (Forest Conservation)/Director in charge of monitoring cell.

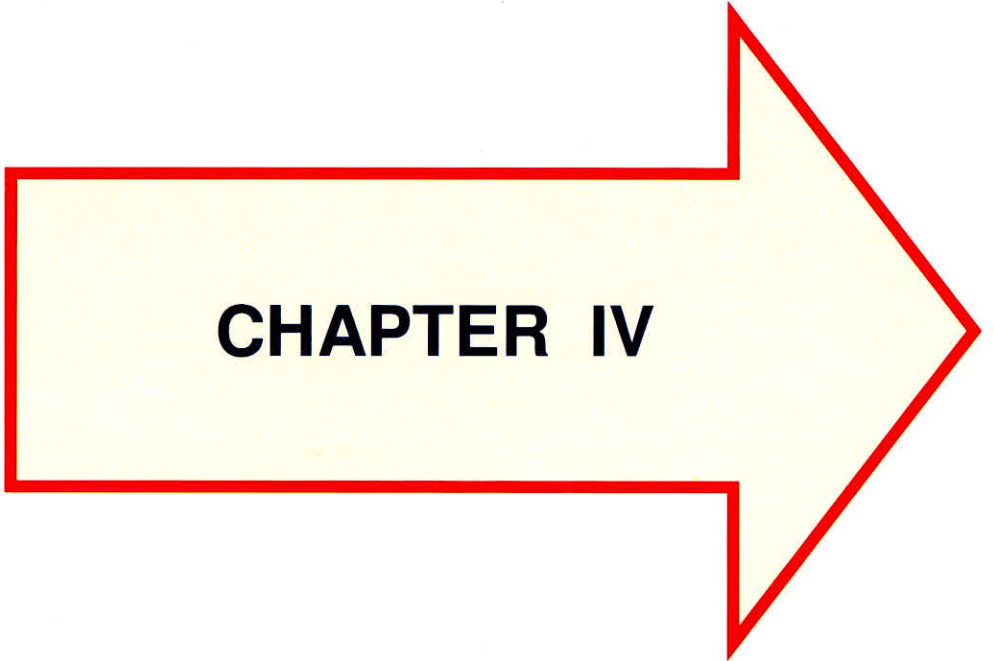
Inspection reports relating to monitoring of the survival status of the Nodal Officers were not furnished. The prescribed monthly and quarterly reports were also not furnished. In view of this, the extent of monitoring of the implementation of FC Act by the Nodal Officer could not be assessed in audit.

3.5.15 Conclusion

Forest (Conservation) Act, 1980 was enacted with the objective of conserving the forests and to minimise the adverse environmental impact and endangerment of ecological stability. The continued violations under the Act, non-compliance to GOI conditions, release of large extent of forest area for lease by Revenue Department and non-resumption of forest land on expiry of lease period were observed. The adverse environmental impact due to diversion of forest land for other purposes on endangerment of ecological stability was not assessed by the Government. In some cases, non-forest land where compensatory afforestation plantations were raised was not notified under Forest Act. NPV was also not recovered in some cases. Deficiency in monitoring and failure in forest boundary consolidation exposed forest area to encroachments and for unauthorised diversion.

3.5.16 Recommendations

- Penal action should be initiated for violations of Forest (Conservation) Act, 1980 by user agencies.
- Compliance to conditions imposed by Government of India should be ensured to mitigate adverse impact on environment.
- Forest land on expiry of lease period should be resumed and afforested.
- All non-forest land where compensatory afforestation plantations were raised should be notified as reserve forest under Forest Act.
- Recovery of NPV should be ensured from user agencies.



CHAPTER IV

- **Excess payment/Wasteful/Infructuous expenditure**
- **Violation of contractual obligation, undue favour to contractors and avoidable expenditure**
- **Regularity issues and other topics**
- **General**

CHAPTER IV

AUDIT OF TRANSACTIONS

Audit of transactions of the Government Departments, their field formations as well as that of the autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

4.1 Excess payment/Wasteful/Infructuous expenditure

HIGHER EDUCATION DEPARTMENT

4.1.1 Excess payment of House Rent Allowance

Failure of the authorities of Kannada University, Hampi and Karnatak University, Dharwad to regulate House Rent Allowance as per extant Government Orders resulted in excess payment of Rs. 45.76 lakh.

The Government revised (August 1999) the rates of House Rent Allowance (HRA) payable to its employees with respect to their place of duty and classified the cities and other places into six groups. Accordingly, the places with population less than 25,000 were classified as 'E' category and the employees in these places were entitled to HRA at three *per cent* of the basic pay. These rates were further revised to four *per cent* with effect from 1 April 2002.

Scrutiny (May 2007/March 2008) of the pay bills of the employees of Kannada University, Kamalapur, Hampi and the Post Graduation (PG) Centre of Karnatak University at Bhootaramanahatti in Belgaum district revealed that although these universities were situated at places classified as 'E' category, the employees were paid HRA at 7.5 *per cent* of their basic pay with effect from 1 August 1999 as against the admissible three *per cent* and four *per cent* from 1 August 1999 and 1 April 2002 respectively. Lack of basic civic amenities at these places forcing the employees to operate from Hospet and Belgaum (to Kamalapur and Bhootaramanahatti) was stated as the reason for granting higher rate of HRA. Proposals sent (April 1993 and December 2004) to Government to ratify the action taken by these universities were, however, not approved (July 2008). The action taken by the universities without prior approval of the Government was therefore, not in order.

The excess payments from 1 April 2003 to 31 March 2008 in Kannada University at Kamalapur and from 1 April 2002 to 31 July 2007 in PG Centre at Bhootaramanahatti worked out to Rs. 45.76 lakh (**Appendix 4.1**). The University (PG Centre) stopped payment of HRA at higher rates and adopted the applicable lower rates from August 2007 at the instance of audit. Expeditionary action was required to recover the excess payments in a time bound manner having regard to the remaining length of service of each of the employees.

The matter was referred to Government in July 2008; reply had not been received (October 2008).

WATER RESOURCES DEPARTMENT - MINOR IRRIGATION

4.1.2 Inadmissible payment of de-watering charges

Rupees 52.40 lakh was paid to a contractor for construction of a bridge-cum-barrage for de-watering disregarding the contractual stipulations.

Construction of bridge-cum-barrage across the River Kagina near Shankarwadi village in Chittapur taluk of Gulbarga district to provide irrigation facilities to 1,383 hectares of land was awarded (January 2006) to a contractor at a cost of Rs. 7.52 crore for completion by January 2007. Technical Appraisal Committee (TAC) advised (November 2006) to execute additional items of work such as approach clearance to river bed, construction of apron, guide walls, boulder filling behind abutment and de-watering through the same contractor. A supplementary agreement for Rs. 4.33 crore was executed for the additional items of work after obtaining approval (June 2007) of the Government. The work was completed by the contractor and was paid Rs. 11.84 crore (October 2007).

Audit scrutiny (April 2008) revealed that a provision of Rs. 8.82 lakh was made in the supplementary agreement towards de-watering and Rs. 52.39 lakh had been paid to the contractor as per seventeenth Running Account Bill paid in October 2007. Inclusion of de-watering item in the supplementary agreement was unwarranted as the original agreement stipulated that the cost of de-watering shall be considered as included in the quoted rates and shall not be paid extra. Further, the Executive Engineer (EE) had also rejected (February 2007) the contractor's claim for payment of de-watering charges separately on the ground that coffer dam/ring bund items are being separately paid and question of de-watering does not arise. Any water accumulating by way of seepage had to be bailed out as specified in the tender item rate of excavation which included cost of bailing out water. Further, from chainage 0.00 m to 150 m, no pumps had been engaged for de-watering. Hence the payment of Rs. 52.39 lakh to the contractor towards de-watering, disregarding the contractual conditions, was inadmissible.

The Divisional Officer replied that de-watering charges were paid as per the advice of TAC. The reply was not tenable as TAC had only advised and clearly stated to take action as per contractual stipulations while executing the additional items of work. The EE was aware of the reasons for accumulation of water and the omission by the contractor. So the de-watering charges were not due to be paid.

The matter was referred to the Government in June 2008; reply had not been received (October 2008).

4.1.3 Payment at higher rate

Misclassification of excavated ordinary rock as hard rock resulted in extra payment of Rs. 89.47 lakh in the construction of a bridge-cum-barrage.

According to the clause 7(a) of the PWG 65, payment to contractor has to be regulated at agreed rate for the tendered quantity. Further, as per clause 13(c) of the contract, for the altered items the rate shall be derived from the Schedule of Rates (SR). Construction of bridge-cum-barrage on Kagina river near Meenhabal village in Gulbarga district was approved (December 2003) by the Government and technically sanctioned by the Chief Engineer for Rs. 5.50 crore. The work was awarded (March 2004) to a contractor for Rs. 6.14 crore (12 *per cent* above SR 2003-04) for completion by April 2005.

Audit scrutiny (March 2008) of records of Minor Irrigation Division, Gulbarga revealed extra payment due to mis-classification of rock. SR contain different rates for excavation in rocky strata based on their toughness *viz.*, hard rock requiring blasting, medium rock, ordinary rock and depth of excavation. As per explanatory notes contained in SR, limestone is classified under ordinary rock. The Executive Engineer (EE), Minor Irrigation Division, Gulbarga paid (June 2007) an amount of Rs. 1.40 crore for excavation of 36,570 cum at the rates applicable to hard rock requiring blasting. It was noticed from the geologist report (May 2004) that the dominant geological unit in the area was limestone. Quality Control Test Report (June 2007) also revealed that the excavated material was limestone and the contractor in his letter dated 10 July 2007 also had admitted that excavated rock was lime stone. The rates admissible for excavation of lime stone (ordinary rock) ranged from Rs. 110 per cum to Rs. 160 per cum for depths of 1.5 metres to 3 metres against which EE paid the contractor at the rate of Rs. 381 per cum. The extra payment made for excavation of 36,570 cum of lime stone worked out to Rs. 89.47 lakh. Thus, misclassification of limestone as hard rock and payment at higher rate resulted in extra payment to the contractor.

The matter was referred to the Government in June 2008; reply had not been received (October 2008).

**PUBLIC WORKS, PORTS AND INLAND WATER TRANSPORT
DEPARTMENT – COMMUNICATION AND BUILDINGS**

4.1.4 Unfruitful expenditure

The objective of providing communication facility to two villages of Bidar district was not achieved even after 16 years of entrustment of work to the contractor.

According to Para 209 of Karnataka Public Works Departmental Code, no work was to be taken up without acquiring land required for the work and that there is a reasonable prospect of provision of funds. The designs and drawings were to be approved before entrusting it to the executing agencies. The contractual terms required the contractor to provide a programme of work for completing it as per the schedule. The Executive Engineer and Superintending Engineer were to inspect and supervise the progress of work periodically.

Scrutiny of records of Public Works Division at Bidar during December 2007 revealed delay in completion of bridges including approach roads as discussed below:

The road communication of two villages (Chillargi and Kundgol) at Karnataka and Andhra Pradesh (AP) border was cut off (1978) due to flooding of Singur project of AP. In order to restore the road link, the AP Government agreed to bear the cost for construction of two bridges. The AP Government deposited Rs. 19.50 crore between 1988 and 2008 for construction of two bridges in Karnataka to provide connectivity to the above villages. An estimate for Rs. 5.30 crore was prepared. The Department took more than three years in awarding the contract. Finally the work was entrusted (January 1992) to a contractor for Rs. 7.64 crore. There was delay in progress of work due to delay in handing over of land for casting yard, supply of designs and drawings, payment of mobilisation advance, supply of cement and steel, payment of bills, etc. The progress of work suffered due to stoppage of work by the contractor demanding revised rates for departmental delays. During execution of the Kundgol bridge six pre-stressed concrete girders slipped (May 2006) from their position and fell into the river as the contractor did not secure them by providing diaphragm beams. A proposal for Rs. 31 lakh for erecting new girders had been submitted (November 2006) by Chief Engineer to the Government. The matter is under investigation.

An expenditure of Rs. 17.10 crore had been incurred on the work but bridges still could not be put into use. The work on the fallen girders and approach roads are yet to be completed (October 2008). The delay in completion of the work resulted in cost overrun of Rs. 14.20 crore and time overrun of 13 years (October 2008). Deficiency in reviewing the progress of work at different levels in the Department and failure of the contractor to adhere to his programme of work resulted in non-achieving of objective of restoring communication to the two villages even after 16 years of entrustment and after incurring an expenditure of Rs. 17.10 crore since commencement of work.

The matter was referred to Government in July 2008; reply had not been received (October 2008).

4.2 Violation of contractual obligation, undue favour to contractors and avoidable expenditure

PUBLIC WORKS, PORTS AND INLAND WATER TRANSPORT DEPARTMENT – COMMUNICATION AND BUILDINGS

4.2.1 Extra payment to a contractor

Failure of the Department to regulate payment for extra quantities of work as per the provisions of the tender agreement resulted in avoidable extra payment of Rs. 23 lakh.

The Government approved (May 2003) construction of a modern integrated computerised check-post at Attibele in Bangalore district at an estimated cost of Rs. 31.95 crore which included construction of a rigid pavement for vehicular movement. The work was awarded (August 2005) to a firm on tender basis for contract amount of Rs. 37.32 crore, at 14.5 *per cent* above Schedule of Rates (SR) of 2003-04. Clause 13 of agreement drawn with the contractor stipulated that the rate applicable for item of work executed in excess of 125 *per cent* of tendered quantity shall be as per SR prevailing in the year in which the excess quantity is executed with plus or minus tender premium. The scheduled completion period was 13 months (September 2006). The work commenced in December 2005, was still in progress (March 2008) and the firm had been paid Rs. 26.15 crore as at the end of December 2007.

Due to wrong assessment of the quantity of work for formation of embankment by the Executive Engineer, Public Works Division, Bangalore at the time of preparation of estimates, the quantity of work increased from 30,500 cum to 1,90,433 cum. For the excess over 125 *per cent* of tendered quantity executed (1,52,308 cum-January 2006) by the firm the rate adopted was Rs. 147.35 *per cum* as against admissible rate Rs. 132.25 *per cum*. This resulted in extra payment of Rs. 23 lakh.

The matter was referred to Government in April 2008; reply had not been received (October 2008).

4.2.2 Avoidable extra expenditure

Incorrect values of parameters adopted for arriving cumulative traffic resulted in avoidable extra expenditure of Rs. 28.93 lakh towards providing bituminous macadam.

As per Indian Road Congress (IRC) specification 37, crust thickness and composition of different layers of road are mainly based on two parameters viz., sub-grade strength (CBR¹) and cumulative traffic of commercial vehicles expressed in million standard axles (msa). The parameters for arriving at

¹ California Bearing Ratio

cumulative traffic are commercial vehicles of three tonnes or more per day (CVPD) as per last traffic count, design life in years, growth rate of traffic and vehicle damage factor as specified in IRC 37.

Improvement works to Maski-Mudgal road between km 165 and 169.50 and widening between km 171 and 173 was sanctioned (June 2005) by the Chief Engineer for Rs. 60 lakh. As per the sanctioned estimate, the values adopted for cumulative traffic were 1.89 msa (rounded off to two msa) and CBR of four and seven. The scope of work included formation of shoulders, providing water bound macadam, bituminous macadam and mix seal surface as wearing course. The work was awarded (November 2005) to a contractor for Rs. 51.19 lakh. The work was completed (March 2006) and contractor was paid Rs. 54.72 lakh.

Audit scrutiny (January 2008) of Executive Engineer, Public Works Division, Bidar revealed that the value of cumulative traffic of 1.89 msa worked out (rounded off to two msa) for the improvement work was incorrect as wrong values of parameters were adopted. The parameters of 191 CVPD, 3.5 *per cent* Vehicle Damage Factor (VDF) and five years' design life were considered as against actual values of 63 CVPD, 1.5 *per cent* VDF and 10 years design life which works out to 0.56 msa *i.e.* less than one msa. IRC 37 does not specify providing bituminous macadam for one msa and below. Thus, incorrect values of parameters adopted while arriving at cumulative traffic resulted in avoidable extra expenditure of Rs. 28.93 lakh on providing bituminous macadam.

The Executive Engineer replied (June 2008) that 63 CVPD recorded as per traffic count was converted into number of passenger car units using equivalency factor which works out to 189 passenger car units and accordingly VDF of 3.5 was adopted. The reply is not acceptable as only number of commercial vehicles as per last count only was to be considered as per clause 3.3.6.1 of IRC 37.

The matter was referred to the Government in April 2008; reply had not been received (October 2008).

URBAN DEVELOPMENT DEPARTMENT

4.2.3 Avoidable interest payment

Failure of the Bangalore Development Authority to verify the title of the sites before public auction resulted in avoidable litigation and refund of deposit along with interest of Rs. 77.09 lakh.

The Bangalore Development Authority (BDA) disposed of five residential intermediate sites in ST² Bed Layout of Koramangala Extension in Bangalore in two separate public auctions held in August 2003 and February 2004 and

² Shivagilu Tank

collected a deposit of Rs. 1.16 crore. The successful bidders of these sites could not take possession due to pendency of suits filed by the original owners against the BDA in the City Civil Court, Bangalore. These bidders approached (2005) the High Court for possession of the sites as the BDA failed to effect delivery. The High Court disposed of (August 2007) the case, directing BDA to refund deposit, stamp duty and registration charges along with interest as it had irregularly auctioned the sites. The BDA refunded (September-October 2007) the same along with interest of Rs. 77.09 lakh (August 2003 to October 2007) after deciding not to prefer any appeal against the High Court judgement.

Audit scrutiny (December 2007) revealed that the BDA had auctioned these sites on the basis of an incorrect report from their Engineering Department that they were under Survey No.13 of ST Bed Layout. However, in a subsequent survey conducted (July 2004) by BDA, it was revealed that the auctioned sites actually came under Survey No.19 of Ejipura layout for which land the BDA did not have title. No action was taken to refund the deposit to the bidders although the Member (Finance) of BDA had suggested (December 2004) refund pending settlement of litigation. If the deposit had been refunded in 2004 itself, the payment of interest thereon could have been avoided. Action taken to investigate the lapses of the Engineering Department which led to irregular public auction was not forthcoming.

Thus, failure of the BDA to verify the title of the sites before public auction resulted in avoidable litigation and interest payment of Rs. 77.09 lakh.

The matter was referred to Government in March 2008; reply had not been received (October 2008).

4.2.4 Avoidable payment of interest

Failure of the Government to release State Finance Commission grants in time to the Karnataka Urban Water Supply and Drainage Board for repayment of loan for improving the infrastructure facilities of urban local bodies resulted in avoidable payment of interest of Rs. 9.71 crore.

The Government sanctioned (May 2000) 'Integrated Infrastructure Development of Urban Local Bodies' project at a cost of Rs. 130 crore for improving the infrastructure facilities in the towns/cities coming under urban local bodies (ULBs). The Karnataka Urban Water Supply and Drainage Board (Board) was the nodal agency for implementation of the project and was authorised to draw a loan of Rs. 130 crore from the Housing and Urban Development Corporation (HUDCO) on the guarantee given by the Government. The repayment of loan along with interest was to be ensured by the Board out of its own resources and from the contributions of the ULBs received by the Board from the Finance Department out of the State Finance Commission (SFC) grants. The Board drew (May 2001-March 2002) a loan of Rs. 100 crore and another loan of Rs. 25 crore (December 2002) under two separate loan agreements with the HUDCO. The two loans were to be repaid in quarterly instalments commencing from March 2002 and December 2002

and default of which entailed penal interest at three *per cent* per annum on the principal and interest amounts overdue.

Records of the Board revealed (June 2006) that it could not ensure timely repayment of first loan after paying the first four instalments (2002-03) due to non-release of SFC grants by the Finance Department. The outstanding dues had accumulated to Rs. 28.37 crore at the end of December 2003 as the Government did not respond to the repeated representations (September 2003 to February 2004) of the Board. The Board approached (March 2004) the HUDCO for re-scheduling of loans and the same were rescheduled (August 2004) as follows:

Loan agreement no. and date	Loan drawn (Rs. in crore)	Original schedule of payment		Revised schedule of payment	
		No. of quarterly instalments	Amount of each instalment	No. of quarterly instalments	Amount of each instalment
I Loan					
1281 dated 26.3.2001	100	56 (31.3.2002 to 31.12.2015)	(i) Rs. 178.58 lakh x 8 (ii) Rs. 178.57 lakh x 48	47 (30.6.2004 to 31.12.2015)	(i) Rs. 208.97 lakh x 46 (ii) Rs. 208.80 lakh x 1
II Loan					
1345 dated 15.7.2002	25	53 (31.12.2002 to 31.12.2015)	(i) Rs. 47.16 lakh x 52 (ii) Rs. 47.68 lakh x 01	39 (30.6.2004 to 31.12.2013)	(i) Rs. 64.10 lakh x 38 (ii) Rs. 64.20 lakh x 1

The Board paid (June 2004) re-schedulement charges of Rs. 31 lakh to HUDCO. The reasons for not releasing the SFC grants to the Board in time by the Government were not forthcoming.

Failure of the Government in releasing SFC grants to the Board regularly during the period 2002-04, led to the additional interest liability of Rs. 9.71 crore (**Appendix 4.2**) and payment of re-scheduling charges of Rs. 31 lakh. The Board stated (July 2008) that it was not in a position to service the debt out of its own resources and hence could not make timely payment of instalments.

The matter was referred to the Government in March 2008; reply had not been received (October 2008).

AGRICULTURE DEPARTMENT

4.2.5 Loss of Central assistance

Failure of the Agriculture Department in preparing single series of crop yield estimates resulted in non-reimbursement of Central share of Rs. 62.22 lakh on crop insurance expenditure.

Government of India launched (July 1999) National Agricultural Insurance Scheme (NAIS) to provide insurance cover and financial support to the farmers in the event of failure of the notified crops due to natural calamity, pest attacks and diseases. The Agricultural Insurance Company of India was the designated implementing agency (IA). While the IA was liable to settle insurance claims up to 100 *per cent* of the premia received from farmers for

crop insurance, the Central Government and the State Government equally shared the claims arising in excess of the 100 *per cent* of premia paid. The scheme guidelines provided that the State Government shall plan and conduct the requisite number of crop cutting experiments (CCEs) for all notified crops for estimation of crop yields in the notified insurance units and maintain a single series of CCEs conducted at Taluk/Tehsils, Mandals/Hoblis and Grama Panchayats and the resultant yield estimates both for crop production and crop insurance. The claims were to be worked out and settled by the IA on the basis of yield data furnished by the State Government as per the cut off dates.

Scrutiny (April 2008) of records of Commissioner of Agriculture, Bangalore revealed that while working out the claims of farmers in the State for Rabi/Summer crops of 2004-05, the Department did not adhere to the prescribed method of maintaining a single series of CCEs for estimating both crop production and crop insurance. While the CCEs were conducted at taluk level for estimating the crop production, the CCEs conducted at hobli level were adopted for the purpose of crop insurance claims. Accordingly, the claims worked out to Rs. 4.02 crore and Rs. 2.49 crore at hobli and taluk level respectively. The Government of India, however, did not approve (July 2006) this method and worked out the claims with reference to taluk level which was Rs. 2.49 crore and directed the State Government to settle the claims of farmers calculated at hobli level bearing the differential cost (assessed at hobli and taluk level) themselves. While the IA had borne Rs. 2.78 crore against premia of Rs. 3.01 crore collected, the State Government met (March 2007) the remaining Rs. 1.24 crore which included Government of India's share of Rs. 62.22 lakh.

Thus, failure of the Department to comply with the guidelines on preparing single series of crop yield estimates as prescribed by Government of India resulted in foregoing a Central assistance of Rs. 62.22 lakh.

The matter was referred to the Government in July 2008; reply had not been received (October 2008).

4.3 Regularity issues and other topics

EDUCATION DEPARTMENT

4.3.1 Non-achievement of objectives of computer assisted learning centres

The objective of providing computer literacy to primary school children could not be achieved due to unfamiliarity of the teachers in operation of servers, unresolved technical problems and inadequate availability of technical support.

During the period 2001-05, the State Education Department introduced Computer Assisted Learning Centres (CALC) under Sarva Shiksha Abhiyan (SSA) in 775 Government Higher Primary Schools (GHPS) with the objective of providing computer literacy to primary school children. Each school was provided with three to five desktop personal computers (PCs) for imparting computer education to the students. In the second phase of the project,

covering the years 2005-06 and 2006-07, an additional 1,000 GHPS were selected for introduction of CALC. It was decided that 1,000 GHPS selected under phase II may be provided with servers and thin clients instead of desktop PCs as per recommendations of the Technical Advisory Committee (October 2006) that Server-Thin Client model may be selected for the second phase. Accordingly, orders were placed on Wipro Limited (April 2007) for supply/installation of 1,000 servers, 4,000 thin clients, software/accessories, *etc.*, at a total cost of Rs. 15.75 crore within 60 days. The delivery of hardware was completed during June-August 2007 and an amount of Rs. 10.39 crore has been paid so far (September 2008).

Audit scrutiny revealed that:

- Out of 1,000 schools, no utilisation could be made of the infrastructure in 810 schools till May 2008. There was nil utilisation of the computer servers and thin clients primarily due to unfamiliarity in operation of servers on the part of the teachers. It was further observed that out of the 190 schools where the infrastructure was used, its usage was less than 20 hours in 122 schools, since installation. As a result, hardware procured could be used only in 68 schools for imparting computer education to students indicating that only 10 *per cent* of the hardware supplied could be put to use.
- Large number of complaints was registered with the supplier, which indicated that many schools could not use the set-up due to non-functioning of the server/thin-clients. The number of complaints registered by the vendor ranged from 10 to 169 per month from the time of installation in June 2007 to December 2007. The complaints received for the 12-month period from December 2007 to November 2008 indicated that the complaints were on the increase and as many as 285 complaints were received from schools in August 2008. The difficulty in providing technical support especially in rural areas compounded the problem.
- The reports compiled by SSA in February 2008 showed that in 13 cases, technical support was available only after periods ranging from two to eight months.
- Out of 21 schools selected across the state for test-check in audit, it was revealed that the system was fully functional only in two schools. The set up was not functioning in seven schools and in another seven schools it was working partially (one or two thin-clients were malfunctioning) due to unresolved technical problems. In the remaining five schools, set up was idle because of reasons such as lack of power, teachers, faulty UPS and/or network, *etc.* At a few locations, the server alone was being used to show the multimedia content to the children as the thin-clients had not been/could not be configured.

Thus, due to unfamiliarity in operation of the Server-Thin Client model, unresolved technical problems and non-availability of service, most of the schools were not able to utilise the systems leading to non-realisation of objective of the scheme.

The Government replied (September 2008) that the thin-clients were selected only after the technical committee was convinced that the requirements were met in full, the teachers were comfortable in working with the server and thin-

clients and almost all schools were using them. The reply of the Government was not convincing as the usage reports compiled by the SSA itself confirmed that many schools could not utilise the set up due to unfamiliar and complex environment and lack of prompt technical support.

4.4 General

4.4.1 Follow-up on Audit Reports

4.4.1.1 Action taken notes

The Hand Book of Instructions issued by the Finance Department in 2001 for speedy settlement of audit observations as also the Rules of Procedure (Internal Working), 1999 of the Public Accounts Committee provide for furnishing by all the departments of Government, detailed explanations in the form of Action Taken Notes (ATNs) to the observations featured in Audit Reports within four months of their being laid on the Table of Legislature to the Karnataka Legislature Secretariat with copies thereof to Audit Office.

The Audit Reports for the years 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 were presented to the State Legislature on 27 March 1997, 14 May 1998, 1 July 1999, 3 May 2000, 24 July 2001, 22 March 2002, 28 March 2003, 21 July 2004, 18 July 2005, 28 March 2006 and 24 July 2007 respectively. Twenty-six Departments as detailed in **Appendix 4.3** had not submitted ATNs for 68 paragraphs, even as of October 2008. These included the following important irregularities, which featured in the Audit Reports 1999-2000 to 2005-06, the delay being over 11 to 83 months:

Audit Report 1999-2000

Paragraph No. 3.2: Fourth National Games - Youth Services and Sports Department

The State Government conducted the Fourth National Games during May-June 1997. Due to delay in providing budgetary support by it, major part of expenditure was met through overdrafts availed of from banks resulting in avoidable payment of interest of Rs. 18.59 crore.

Audit Report 2000-01

Paragraph No. 6.3: Extra contractual/excess payments and undue favour to a contractor - Commerce and Industries Department

The Chief Executive Officer and Executive Member/Chief Development Officer of the Karnataka Industrial Area Development Board did not enforce the contractual provisions. This, compounded by departmental lapses, facilitated excess payments and undue favours aggregating Rs. 17.97 crore to the contractor, causing huge financial loss to the Board.

Audit Report 2002-03

Paragraph No. 4.1.8: Unauthorised works – Water Resources Department

The action of the Chief Engineer, Irrigation Central Zone, Munirabad to incur irregular expenditure on an irrigation canal led to an unwarranted financial burden of Rs. 1.86 crore to Government.

Audit Report 2003-04

Paragraph No. 4.4.8: Avoidable payment on acquisition of land – Water Resources Department

Inordinate delay in furnishing land acquisition proposals and the injudicious action of the Water Resources Department to pay interest on land compensation without taking possession of lands resulted in an avoidable expenditure of Rs. 75.17 lakh and excess payment of interest of Rs. 83.09 lakh.

Audit Report 2004-05

Paragraph No. 4.2.1: Wasteful expenditure on preparation of Master Plan – Information Technology and Bio-Technology Department

The entrustment of the work of preparation of master plan for IT corridor without Legislative sanction coupled with delay in finalisation of master plan resulted in Rs. 1.34 crore paid to the firm becoming wasteful.

Audit Report 2005-06

Paragraph No. 4.2.3: Excess payment to a contractor – Water Resources Department (Minor Irrigation)

Failure of Divisional Officer to enforce the terms of contract and regulate payments accordingly resulted in excess payment of Rs. 3.58 crore to the contractor towards additional de-watering, diversion of water course and transportation of excavated hard rock.

4.4.1.2 Paragraphs to be discussed by the Public Accounts Committee

Comments on Appropriation Accounts featured in Audit Reports for the years 1989-90 and onwards are pending discussion by the Public Accounts Committee. Details of paragraphs (excluding General and Statistical) pending discussion as of October 2008 are detailed in **Appendix 4.4**.

4.4.2 Non-receipt of stores and stock accounts

Consolidated accounts of stores and stock are required to be furnished by various Departments to the Accountant General by 15 June of the following year. Delays in receipt of stores and stock accounts have been commented upon in successive Audit Reports. The Public Accounts Committee (1978-80) in its First Report (Sixth Assembly) presented in February 1980 had also emphasised the importance of timely submission of accounts by the Departments. Nevertheless, the delays persist. The Departments from which the stores and stock accounts had not been received by Audit as of October 2008 are mentioned below:

Serial Number	Department	Year(s) for which accounts are due
1.	Agriculture – Director of Agriculture	2007-08
2.	Animal Husbandry & Veterinary Services - Commissioner of Animal Husbandry & Veterinary Services	2007-08
3.	Commerce and Industries - Director of Industries and Commerce	2006-07 & 2007-08
4.	Health and Family Welfare - (i) Director , Health and Family Welfare Services	2007-08
	(ii) Karnataka State Drugs Logistics and Warehousing Society	2007-08
	(iii) Indian System of Medicine and Homoeopathy	2007-08
5.	Home - Inspector General of Prisons	2007-08
6.	Information & Publicity - Director of Information and Publicity	2007-08
7.	Education - Director of Printing & Stationery	2007-08
8.	Revenue (Registration) - Inspector General of Registration and Commissioner of Stamps	2001-02 to 2007-08
9.	Public Works	2005-06 to 2007-08*
10.	Water Resources	2005-06 to 2007-08 [#]
11.	Minor Irrigation	2004-05 to 2007-08 [@]

*** Accounts due from Public Works**

- (a) One Division - for six half yearly periods (2005-06, 2006-07 and 2007-08)
- (b) One Division - for five half yearly periods (October 2005 to March 2006, 2006-07 and 2007-08)
- (c) Three Divisions - for four half yearly periods (2006-07 and 2007-08)
- (d) Eight Divisions - for three half yearly periods (October 2006 to March 2007 and 2007-08)
- (e) 12 Divisions - for two half yearly periods (2007-08)
- (f) 11 Divisions - for one half yearly period (October 2007 to March 2008)

Accounts due from Water Resources

- (a) Fours Divisions - for five half yearly periods (October 2005 to March 2006, 2006-07 and 2007-08)
- (b) Three Divisions - for four half yearly periods (2006-07 and 2007-08)
- (c) Three Divisions - for three half yearly periods (October 2006 to March 2007 and 2007-08)
- (d) 10 Divisions - for two half yearly periods (2007-08)
- (e) Five Divisions - for one half yearly period (October 2007 to March 2008)

@ Accounts due from Minor Irrigation

- (a) One Division - for eight half yearly periods (2004-05, 2005-06, 2006-07 and 2007-08)
- (b) One Division - for six half yearly periods (2005-06, 2006-07 and 2007-08)
- (c) Two Divisions - for four half yearly periods (2006-07 and 2007-08)
- (d) Four Divisions - for three half yearly periods (October 2006 to March 2007 and 2007-08)
- (e) Six Divisions - for two half yearly periods (2007-08)
- (f) Four Divisions - for one half yearly period (October 2007 to March 2008)

4.4.3 Inspection Reports Outstanding

Lack of responsiveness of Government to Audit

The Hand Book of Instructions for Speedy Settlement of Audit Observations issued (January 1974) by the Finance Department provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General (AG) to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. noticed during the inspection. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to the AG, who forwards a half yearly report of pending IRs to the Secretary of the Department to facilitate monitoring of the audit observations.

As of 30 June 2008, 815 IRs (3,772 paragraphs) were outstanding against Kannada and Culture, Water Resources, Minor Irrigation and Public Works Departments. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix 4.5**.

A review of the IRs, which were pending due to non-receipt of replies, in respect of these three departments revealed that the Heads of Offices did not send even the initial replies in respect of 96 IRs containing 949 paragraphs issued between 1987-88 and 2007-08 as detailed below:

Sl. No.	Department	Initial replies not received	
		Number of IRs	Number of paragraphs
1.	Kannada and Culture	12	61
2.	Water Resources	32	347
3.	Public Works	52	541
Total		96	949

It is recommended that Government may look into this matter and see that procedure exists for (a) action against the officials who failed to send replies to the IRs/paragraphs within the prescribed time schedule; (b) action to recover loss/overpayment in a time bound manner; and (c) strengthen the system for proper response to the audit observations in the departments.

CHAPTER V
INTERNAL CONTROL SYSTEM

CHAPTER V

INTERNAL CONTROL SYSTEM

FINANCE DEPARTMENT

5.1 Internal Control Mechanism in Finance Department

Highlights

The Finance Department was responsible for the overall management of the State finances which included mobilisation and collection of revenues and other financial resources, budgeting and proper allocation of available resources to meet the demands of expenditure and day to day management of cash balances. Review of Internal Control Mechanism of the department revealed that the budgetary, expenditure and administrative controls were deficient leading to excess budget provisions, large scale diversion of funds and imprudent open market borrowings.

There were persistent savings during the period 2003-07 due to lack of scrutiny of departmental estimates by the Finance Department. The savings of the departments under the administrative control of the Finance Department itself were Rs. 2,322.58 crore for year ended 31 March 2007.

(Paragraph: 5.1.6.4)

In the absence of expenditure controls by the Finance Department, the Commerce and Industries Department irregularly released Rs. 402.04 crore to the departmental organisations and a statutory corporation resulting in locking up of Government money of Rs. 149.69 crore.

(Paragraph: 5.1.7.2)

The test-checked departments irregularly diverted Rs. 80.02 crore to the departmental organisations or to the savings bank accounts to avoid lapse of funds in the absence of any control by the Finance Department.

(Paragraph: 5.1.7.3)

The Finance Department released Rs. 4.25 crore in excess of the committed liability to departmental organisations.

(Paragraph: 5.1.7.1)

Rupees 22.40 crore were injudiciously released to the Endowment Department leading to accumulation of Rs. 42.57 crore with the Deputy Commissioners at the end of March 2008.

(Paragraph: 5.1.7.4)

Government injudiciously resorted to open market borrowings of Rs. 1,164.92 crore during 2005-08 even though their cash position was comfortable.

(Paragraph 5.1.8.1)

5.1.1 Introduction

Internal controls are an integral component of the management processes of an organisation which are established to provide reasonable assurance that the operations are carried out efficiently and effectively, financial reports and operational data are reliable and the applicable laws and regulations are complied with so as to achieve the objectives of the organisation. The Finance Department (FD) is responsible for overall management of the State finances which include mobilisation and collection of revenues and other financial resources, budgeting and proper allocation of available resources to meet the demands of expenditure, efficient spending of resources on specified objectives, careful control over the outflow of funds and day to day management of the cash balances of the State to avoid as far as possible, raising loans and resorting to overdrafts.

5.1.2 Organisational set-up

The Principal Secretary is the head of the FD who is assisted by three Secretaries to manage Budget and Resources, Expenditure as well as Project Monitoring. The Controller (Accounts Management), two Joint Secretaries, eight Deputy Secretaries, six Special Officers and 11 Internal Financial Advisors assist the Principal Secretary in the day to day management of the State finances. Besides, the FD exercises the administrative control over six¹ other departments.

5.1.3 Audit objectives

The internal controls of the FD were reviewed to assess the:

- effectiveness of budgetary controls, expenditure controls, controls on debt servicing, open market borrowings and Government guarantees to institutional loans, *etc*;
- compliance with the Karnataka Financial Code (KFC), Karnataka Budget Manual (KBM), Manual of Contingent Expenditure (MCE) and Karnataka Fiscal Responsibility (KFR) Act, 2002; and
- arrangements for monitoring and adequacy of internal audit.

¹ Commercial Tax Department, Department of Treasuries, State Excise Department, Karnataka Government Insurance Department, State Accounts Department, Department of Small Savings and State Lotteries

5.1.4 Audit criteria

The audit criteria were:

- Karnataka Financial Code,
- Karnataka Budget Manual,
- Manual of Contingent Expenditure,
- Karnataka Fiscal Responsibility Act, 2002,
- Karnataka Ceiling on Government Guarantees Act, 1994.

5.1.5 Scope and methodology of audit

The review was conducted for the period 2003-08 through test-check of records (April-August 2008) of the FD and other selected departments² to examine the adequacy of budgetary controls, expenditure controls and administrative controls exercised by the FD. Audit objectives were explained to Secretary (Budget and Resources) at an entry conference held in June 2008 and audit findings were discussed with Principal Secretary in the exit conference held in November 2008. The Principal Secretary agreed to take necessary remedial action in the matter. The reply (November 2008) of the Government has been incorporated in the review.

Audit findings

5.1.6 Budgetary controls

5.1.6.1 Delay in furnishing budget estimates by Heads of Department

There were delays in receipt of budget estimates in the FD affecting the timely preparation of budget

Paragraph 21 of the KBM prescribes that the FD will prepare the budget based on the estimates furnished by the Heads of Departments (HoD) in the prescribed forms and by the specified due dates. Paragraph 187 of the KBM further stipulates that the FD will scrutinise the estimates item by item, with due regard to the explanations furnished by the HoD as well as the recommendations, if any, of the administrative departments concerned.

It was, however, observed that there was delay in submission of the budget estimates by four³ out of the eight test-checked departments ranging from 10 to 66 days during the period 2003-08. The FD did not maintain any control register to ensure timely receipt of budget estimates from the departments. The budget estimates of the HoD and the recommendations of the administrative departments received during the period 2003-07 were not produced to audit

² Co-operation, Commerce & Industries, Energy, Home & Transport, Housing, Information, Youth Services & Sports, Urban Development

³ Commerce & Industries, Information, Youth Services and Sports, Registrar of Co-operative Societies.

for verification. Consequently, it could not be verified in audit as to whether these were subjected to any scrutiny in the FD before preparing the budget. Government agreed to maintain a watch register.

5.1.6.2 Excess provision due to lack of scrutiny of departmental estimates

Ineligible proposals for Rs. 10.49 crore were included in the budget due to lack of scrutiny by the FD

Records revealed that the Department of Tourism in their budget estimates for Supplementary Grants for 2004-05 had included ineligible proposals for an amount of Rs. 10.49 crore which comprised repetition of proposals (one case-Rs. 2.88 crore), excess claims (10 cases-Rs. 2.42 crore) and double claims (six cases-Rs. 5.19 crore). These deficiencies were not noticed by the FD as the proposals were not closely scrutinised as required under Paragraph 187 of the KBM resulting in excess provision of funds. Neither the department surrendered the funds nor the FD withdrew these to reallocate to the needy departments.

5.1.6.3 Excess provision of funds due to defective departmental estimates

Failure of the FD to detect the mistakes in budget proposals led to excess provision of funds

The FD released (2006-08) Rs. 38.04 crore to the Department of Handloom and Textiles to waive a portion of the loans taken by weavers from the co-operative credit institutions which in turn, released this amount to the Registrar of Co-operative Societies (RCS) for disbursing the amounts to the co-operative credit institutions. The RCS released only Rs 35.10 crore and retained the balance Rs. 2.94 crore in his Personal Deposit (PD) Account. Records further revealed that the actual liability of Government on this account was Rs. 33.06 crore but the department overestimated the requirement of funds. The co-operative credit institutions retained the balance of Rs. 2.04 crore without surrendering the same to Government. Thus the FD too failed to closely scrutinise the estimates before making provisions in the budget resulting in savings of Rs. 4.98 crore which were not surrendered to Government. The Government replied that the entire amount would be got credited to their account.

5.1.6.4 Persistent savings

There were persistent savings due to lack of close scrutiny of departmental estimates

Paragraph 108 of KBM prescribes that estimation should be as close and accurate as possible and the provisions to be included should be based on what is expected to be actually paid or spent during the year. Any avoidable extra provision in an estimate is as much a financial irregularity as an excess expenditure over the sanctioned estimate.

Contrary to the above provisions, there were persistent savings during the period 2003-07 in the following departments:

Table 1: Persistent savings in selected departments

(Rupees in crore)

Name of the Grant	2003-04		2004-05		2005-06		2006-07	
	Savings	Percentage to Budget allotment	Savings	Percentage to Budget allotment	Savings	Percentage to Budget allotment	Savings	Percentage to Budget allotment
Agriculture and Horticulture	154.26	20.54	209.63	21.00	428.75	39.00	394.01	31.06
Finance	921.18	32.00	1,354.93	25.00	1,586.10	28.00	2,322.58	38.00
DPAR	51.67	23.75	55.60	21.68	44.61	19.86	91.57	24.89
Infrastructure	118.05	65.00	40.49	30.00	20.85	9.13	125.35	32.37
RDPR	586.93	48.00	198.12	13.00	260.17	13.70	455.91	18.38
Forest & Ecology	106.86	28.59	79.82	23.43	52.85	16.16	69.62	16.54
Urban Development	352.83	20.38	224.71	15.48	376.66	19.17	1,175.07	29.43
Health & Family Welfare	145.19	13.17	141.59	12.40	276.39	19.98	311.25	19.25
Kannada & Culture	5.93	12.90	8.98	25.10	5.78	11.85	16.90	14.02
Planning & Statistics, Science and Technology	6.40	23.11	20.96	17.98	88.82	25.02	69.52	13.30

There were persistent savings in these departments throughout 2003-07 and savings ranging from Rs. 921.18 crore to Rs. 2,322.58 crore occurred in the FD itself. Records in FD revealed that the effective scrutiny of budget proposals of the departments and monthly review of the expenditure coupled with a careful assessment of the commitments and liabilities for the remaining part of the financial year were not carried out by the FD in terms of Paragraphs 187 and 263 of KBM resulting in savings year after year.

Following factors contributing to the savings were also noticed:

Savings due to budget provisions without any proposal from the department

The FD provided Rs. 26.44 crore (2007-08) for modernisation and restructuring of the State Excise Department without any specific proposal from the department against which only Rs. 63.68 lakh were utilised at the end of March 2008. Action plan for restructuring had not been prepared by the department. Failure of the FD to obtain and scrutinise the budget estimates from the department resulted in unnecessary provision of funds which could have been gainfully utilised for other purposes. The Government, however, could not justify the excess budgetary provisions.

Budget provision for obsolete items of expenditure

Paragraph 109 of the KBM stipulates that the Estimating Officer must give his closest personal attention to each and every item and see that the items of expenditure which have become obsolete⁴ are omitted. Further, Paragraph 114 of the KBM provides that the salary estimates should be prepared reckoning the pay of the officers and the staff likely to be on duty and the actual pay to

Budget provision of Rs. 105.84 crore to Rs. 815.98 crore were made on obsolete items and vacant posts

⁴ Obsolete items are those in respect of which budget provision is made consecutively over years although no expenditure was incurred during any of the previous years

be drawn by each, irrespective of the sanctioned strength so that budget provision for posts held in abeyance or those which are continuously vacant is avoided.

Contrary to these provisions, budget provisions in respect of obsolete items and posts which were vacant during the period 2004-07 ranging from Rs. 105.84 crore to Rs. 815.98 crore were made by the FD in respect of the departments under its own administrative control. There was no mechanism to closely scrutinise the budget proposals having regard to the expenditure incurred during the preceding years under these obsolete items so as to avoid excess provisioning of funds. No action was also taken to surrender these provisions and reallocate them to the needy sectors. The Government contended that these provisions were essential to avoid supplementary estimates. The action was, however, contrary to codal provisions leading to savings.

Unnecessary supplementary provisions resulting in excess savings

FD released supplementary grants of Rs. 2,022 crore without ensuring their necessity

Paragraphs 283 and 284 of KBM stipulate, *inter alia*, that supplementary grants are to be provided when the amount included in a grant or appropriation authorised by the Appropriation Act is found to be insufficient for the year and that the authority should justify that the increased provision could not be foreseen at the time of preparation of original departmental estimates and also that such supplementary provisions were in the best interest of general public.

Contrary to these provisions, the FD provided supplementary grants of Rs. 2,022 crore during the period 2003-07 to the departments under its own administrative control. These provisions were over and above the original provision of Rs. 20,111.59 crore. The total expenditure, however, was only Rs. 15,963.23 crore. The provision of supplementary grants was therefore, wholly unjustified resulting in more savings. Failure of the FD to closely monitor the progress of expenditure by reviewing monthly statements of expenditure of the departments under its administrative control led to more savings. The Government contended that the total supplementary provisions during the period were only Rs. 483.31 crore. However, as per the Appropriation Accounts (Grant No.3) for the above period the supplementary provisions were Rs. 2,022 crore.

5.1.6.5 Non-surrender of Savings

Paragraph 264 of KBM and Article 314 of KFC provide that all savings anticipated by the Controlling Officers should be reported by them with full details and reasons to the FD immediately after these are foreseen. The FD was required to ensure this by prescribing due dates for surrendering the savings so that these are reallocated to other needy departments, before the end of the financial year while dealing with applications for re-appropriations and supplementary grants.

Savings of
Rs. 7,124.39
crore only were
surrendered by
the departments
against the total
savings of
Rs. 23,300.20
crore

Records revealed that the FD did not prescribe any due date to the Controlling Officers for surrendering the anticipated savings. On the contrary, the FD itself had issued (April 2008) directions to the Controlling Officers to surrender the savings by 15 April 2008. Consequently, the savings were communicated by the departments after the closure of the year rendering the re-appropriations ineffective. It was observed that during the period 2003-07 although the total savings were Rs. 23,300.20 crore, the actual amount surrendered was Rs. 7,124.39 crore only. Out of these, the savings pertaining to the FD were Rs. 6,184.80 crore and those actually surrendered by the FD were Rs. 2,557.35 crore only. The Government contended that this could not be ensured due to non-availability of reconciled expenditure figures and the savings even by the end of financial year. The reply was not tenable as necessary remedial action was required to have been taken as per the codal provisions.

5.1.7 Expenditure controls

The rules governing expenditure out of Government funds provided that no money shall be drawn from the treasury unless it is required for immediate disbursement and the drawal of money to prevent lapse of budget grants is irregular. Funds required for immediate use shall be drawn by the Drawing and Disbursing Officer on specified treasury bills. Keeping Government money in savings bank accounts of the banks was prohibited under the KFC. There were deficiencies in exercise of expenditure controls by the FD leading to release of excess funds to departmental organisations and keeping Government money in banks to avoid lapse of funds as detailed below:

5.1.7.1 Excess release of funds

The FD released
Rs. 4.25 crore in
excess of the
committed liability to
BMRDA, TECSOK
and CEDOK

Under the Bangalore Metropolitan Region Development Authority (BMRDA) Act, 1985, the BMRDA was entitled to reimbursement of the administrative expenses by the Government till it was able to meet these expenses from its own resources. Records revealed that the FD released (2003-08) Rs. 1.93 crore to the BMRDA although the BMRDA had generated enough internal resources (Rs. 15.83 crore) during this period and could have met their administrative expenses (Rs. 3.26 crore) on their own. The FD did not verify the financial position of BMRDA despite the fact that their annual reports and financial statements showed availability of funds. Similarly, Rs. 1.40 crore was released (2003-08) to Technical Consultancy Services of Karnataka (TECSOK⁵) towards their administrative expenses as against Rs. 15 lakh agreed to (August 1976) by the FD (at the rate of Rs. three lakh per annum) resulting in excess release of Rs. 1.25 crore. Failure of the FD to restrict the reimbursement to the agreed sum by closely monitoring the releases to the TECSOK by the Commerce and Industries (C&I) Department resulted in excess releases.

In another instance of reimbursement of administrative expenses (2003-08), Rs. 1.30 crore was released as against the committed Rs. 22.50 lakh to Centre

⁵ A departmental organisation rendering consultancy services to the C&I Department

for Entrepreneurship Development of Karnataka (CEDOK), Dharwad causing extra financial burden on the Government.

5.1.7.2 *Unauthorised release of funds by C&I Department*

Records revealed that funds were released by the C&I Department to the following organisations without the concurrence of the FD resulting in parking of funds outside the Government account as detailed below:

- Rupees 5.94 crore were released to Karnataka Council for Technological Upgradation (KCTU) during the period 2003-08 for conducting workshops and seminars in connection with technology transfer, quality management and technological upgradation. The release of funds by the C&I department was not need based resulting in accumulation of savings (Rs. 3.25 crore) which were invested by the organisation in fixed deposits and appropriating the interest (Rs. 1.38 crore) thereon. The release of funds, their utilisation and surplus left with the KCTU were being reported to the FD by both the C&I Department and the KCTU through approved action plans, release orders, annual reports, *etc.* However, no action was taken by the FD against such irregular releases leading to retention of Government money outside the treasury.
- Rupees one crore was released (2005-08) to Karnataka Udyog Mitra (KUM) a departmental organization by the C&I department for modernisation of technology and training purposes. These releases were not authorised by the Government as the concurrence of FD had not been obtained and the funds were not utilised by the KUM for the specified purpose. The failure of the FD to detect such unauthorised release of Government funds resulted in diversion of voted grants.
- Rupees 395.10 crore⁶ were released (2004-08) with the concurrence of the FD to the Karnataka State Financial Corporation (KSFC) on behalf of C&I department to disburse industrial subsidy to 19,555 identified industrial units. It was, however, observed that the KSFC had distributed subsidy of Rs. 249.65 crore only upto the end of March 2008 retaining the balance amount (Rs. 145.44 crore) although the subsidy claims had not been fully settled as envisaged. Inadequate monitoring of expenditure resulted in accumulation of excess funds with the KSFC.

5.1.7.3 *Transfer of funds from the Government treasury to avoid their lapse*

Failure of the FD to restrict the funds to their immediate requirement as provided in Article 161(2) of the KFC and Rule 17 of MCE resulted in their excess drawal by the departments and keeping outside the Government account to avoid their lapse as instanced below:

The C&I Department irregularly released Rs. 402.04 crore to KCTU, KUM and KSFC resulting in locking up of Government money of Rs. 149.69 crore

⁶ 2004-05 – Rs. 146 crore, 2005-06-Rs. 84.10 crore, 2006-07-Rs. 30 crore, 2007-08-Rs. 135 crore

Rs. 12.61 crore was irregularly deposited in savings bank accounts by the Government departments

Transfer of funds to Savings Bank Accounts

Article 76 of the KFC prohibits a Government servant from opening an account with a bank in his official capacity to deposit government money. In addition, specific orders were issued (July 2003) by the Government instructing the department not to open savings accounts with banks without the permission of the FD.

Records revealed the following instances of operating savings bank accounts with huge sums of government money without the concurrence of FD:

- The Directorate of State Education, Research and Training was operating eight savings bank (SB) accounts and the closing balance held in these SB accounts was Rs. 8.69 crore as at the end of March 2008.
- The Department of Youth Services was maintaining five SB Accounts and the closing balance held in these accounts at the end of March 2008 was Rs. 3.92 crore.

No monitoring mechanism such as periodical returns on the maintenance of SB accounts, the reasons therefor, the amount held in the SB accounts at the end of the financial year, the reasons for not crediting the unspent amounts to the Government *etc.*, was devised by the FD to effectively watch the Government moneys lying outside the treasury. Consequently, the FD had no effective control over such money exposing them to the risk of misuse.

Transfer of funds to other Departments/Organisations

Rs. 31.42 crore was diverted to other departments/organisations to avoid their lapse

Funds drawn by the Government departments were transferred to other Organisations/Departments to avoid their lapse as detailed below:

- The C&I department parked Government funds of Rs. 21.54 crore released (2003-08) for execution of various schemes with TECSOK. The funds were drawn by the C&I department on Payees' Receipts to avoid their lapse and transferred to TECSOK who in turn invested these in fixed deposits and earned interest thereon. The unspent money lying with TECSOK at the end of March 2008 was Rs. 12.19 crore and the interest earned thereon by TECSOK was Rs. 1.53 crore which was not credited to Government account.
- The Department of Youth Services released (2003-07) Rs. 10.54 crore to various Deputy Commissioners (DCs) in the State to distribute Rs. 10,000 each to Rajiv Gandhi Yuva Shakthi Sanghas for undertaking Sports, Cultural and Community Development activities under the Rajiv Gandhi Yuva Shakthi Programme. The funds were drawn in lump on payee's receipt and passed on to DCs. Records revealed that only Rs. 5.39 crore had been spent and the balance Rs. 5.15 crore was still held by the DCs as of March 2008.
- The Department of Handloom and Textiles drew (2004-06) Rs. 45 lakh for establishment of powerlooms and transferred the entire amount to the Karnataka State Powerloom Development Corporation (KSPLDC). The KSPLDC could spend only Rs. 8.53 lakh and the balance amount (Rs. 36.47 lakh) was not refunded to the Government (March 2008).

- The Department of Information, Tourism and Youth Services released (March 2005) Rs. 34.88 crore received from Government of India for promotion of tourism to the Karnataka State Tourism Development Corporation (KSTDC) with the concurrence of the FD. The funds were meant for executing tourism development works and the Department of Tourism was directed to spend the funds by 30 June 2005. The Department, however, could spend Rs. 21.16 crore only and the balance Rs. 13.72 crore was held by the KSTDC (March 2008). The injudicious action of the FD to release large sums of money at the close of the financial year with provision to keep them outside the Government account was against the principles of sound financial management coupled with the risk of misuse of Government money.

5.1.7.4 Injudicious release of funds under Aradhana Scheme

Rs. 22.40 crore was injudiciously released by the FD to the DCs resulting in accumulation of funds of Rs. 42.57 crore

Article 161(2) of the KFC provides that only so much of grant-in-aid be paid by the Government as is likely to be spent during the financial year. Government released (2003-08) Rs. 47.55 crore as grant-in-aid to the DCs to carryout repairs, renovation and construction of places of worship in areas populated by the members of Scheduled Caste and Scheduled Tribes under the Aradhana Scheme. Records revealed that the funds could not be fully utilised due to non-setting up of Aradhana Committees, non-selection of places for construction of temples, non-preparation of estimates, etc., and Rs. 20.75 crore remained unspent at the end of March 2007. Government in fact, had ordered (March 2007) the DCs to surrender the unspent money but the DCs did not comply with the orders. However, an additional Rs. 22.40 crore was released by Government during 2007-08. The amount spent (2007-08) was only Rs. 58 lakh and balance Rs. 42.57 crore remained with the DCs (March 2008).

Government in reply to the paragraphs 5.1.7.1 to 5.1.7.4 above stated that immediate action would be initiated to withdraw the funds available in SB accounts/fixed deposits and credit it to Government account.

5.1.8 Administrative controls

During the period 2003-08, Government resorted to open market borrowings to mobilise funds for public spending besides standing guarantee to the loans raised by the Statutory Boards and Corporations. The FD also monitored the operation and maintenance of the PD accounts where the ordinary system of accounting was not found suitable for the transactions. Failure of the FD to exercise proper administrative controls in these areas resulted in imprudent market borrowings, invoking Government guarantees by financial institutions and irregular retention of Government funds in PD accounts as detailed in the succeeding paragraphs.

5.1.8.1 Avoidable Market Borrowings

Open market borrowings of Rs. 1,164.92 crore were resorted to despite a comfortable cash position

The Karnataka Fiscal Responsibility Act, 2002 provides that the debts are maintained at prudent levels and Government should ensure that borrowings are used for productive purposes and are not applied to finance current expenditure. Contrary to these provisions, the FD raised Rs. 1,164.92 crore through open market borrowings between May 2005 and March 2008 although

the cash position of the Government was comfortable at Rs. 2,029.83 crore on 1 April 2005 and at Rs. 2,907.19 crore on 1 March 2008. The Government contended that it was necessary to go in for borrowings as the liability at the end of March 2008 was of the order of Rs. 8,271 crore. The reply was not tenable as the Government invested Rs. 572.98 crore in the treasury bills during the month of March 2008 and the cash position as at the end of 31 March 2008 was Rs. 3,480.16 crore. The Government did not also furnish the details to substantiate that the borrowings were used for productive purposes.

5.1.8.2 Guarantees given by Government

The guarantees given by the Government on behalf of the Government Departments, Public Sector Undertakings, Local Authorities, Statutory Boards and Corporation and Co-operative Institutions stood at Rs. 9,879.47 crore as at the end of March 2007. Review of records revealed:

Non-maintenance of records of Guarantees

Neither the FD nor the respective Administrative Department maintained any record of the guarantees given by the Government to various loanee institutions. The FD was compiling this information for the Budget Memorandum on the basis of the details furnished by the loanees directly which was not fool proof. Consequently, the FD could not ensure authenticity of the information incorporated in the Budget Memorandum.

Non-submission of statement of assets and liabilities

The Karnataka Ceiling on Government Guarantees Act, 1999 includes a condition for submission of periodical statement of assets and liabilities and annual accounts by the borrowing departments to the Administrative Departments and the FD. In six⁷ test-checked institutions, it was noticed that no such periodical statement was submitted to the Administrative Department and the FD. No instructions were issued by the FD to the borrowing departments in this regard.

Default in repayment of loan guaranteed by Government

It was observed that in respect of a loan drawn by Sahakari Sakkare Karkhane Niyamitha in Gulbarga District on the Government guarantee, the Industrial Finance Corporation of India and the Industrial Bank of India, Bangalore brought (July 2004) an attachment order from the Debts Recovery Tribunal, Bangalore and recovered Rs. 49.94 lakh from the Co-operation Department. The fact was also communicated (September 2004) to the FD. But the FD did not take any action although a mention was also made in the Report of The Comptroller and Auditor General for the year ended March 1999 [Paragraph 3.6.2(ii) & (iii)] that the guarantees were given as a matter of course without ensuring the credit worthiness/solvency of the loanee institutions.

The financial institutions resorted to invoking Government guarantees due to default in loan repayment

⁷ Directorate of Municipal Administration, Karnataka Slum Clearance Board, Bangalore Water Supply and Sewage Board, Rajiv Gandhi Rural Housing Corporation, Bangalore Metropolitan Region Development Authority and Registrar of Co-operative Societies

A separate department viz., Directorate of Investment Tracking and Realisation was created in the FD only during 2007-08 to regulate Government guarantees.

5.1.8.3 PD Accounts

Article 286 of KFC provides for opening of PD Accounts with the special permission of Government where the ordinary system of accounting is found not suitable for the transaction. However, the administrators of the PD accounts should close them at the end of the financial year by intimating the closing balance to the treasury officer for transferring them to the Consolidated Fund.

Non-surrender of unspent balances

Huge balances were retained in PD accounts against the provisions of KFC

Review of PD Accounts of the Director of Municipal Administration (DMA) and the Commissioner, State Excise Department revealed that the DMA had accumulated unspent balances ranging from Rs. 7.10 crore to Rs. 32.19 crore⁸ in his PD account during the period 2005-08. Similarly, the Commissioner, State Excise Department had irregularly retained Rs. 70.79 lakh in his PD account since June 2006 without intimating the treasury officer to transfer them to the Consolidated Fund as required under rules. Government stated that the amount in the PD account of the Excise Commissioner will be remitted to the Consolidated Fund immediately.

Non-withdrawal of excess credit to PD accounts

Records revealed that the State Huzur Treasury had credited (2004-05) an excess amount of Rs. 50 lakh to the PD Account of DMA and Rs. 7.07 lakh to the PD Account of the Controller of State Accounts (2004-05). However, no action was taken to withdraw the excess credits and to transfer them to the Consolidated Fund even after three years.

5.1.9 Conclusion

The budgetary, expenditure and administrative controls were not effectively enforced. There were persistent savings during the period 2003-07 due to lack of scrutiny of departmental estimates by the FD. Non-adherence to the prescribed rules and procedure resulted in withdrawal of funds from the Consolidated Fund and keeping them outside the Government Account exposing them to the risk of misuse. Resorting to open market borrowings when the cash position of Government was comfortable was against the principles of a sound fiscal management. Huge balances were retained in PD accounts against the provisions of KFC.

⁸ 31.3.2006-Rs. 7.10 crore, 31.3.2007-Rs. 11.54 crore, 31.3.2008-Rs. 32.19 crore

5.1.10 Recommendations

- The FD should ensure that the budget estimates are scrutinised strictly in accordance with the KBM to avoid excess provisioning of funds.
- The FD should ensure that savings are surrendered by all the Controlling Officers well in advance so that timely re-appropriations could be effected by the FD to utilise the available financial resources.
- The FD should exercise appropriate expenditure controls to ensure that Government moneys are not drawn by the departments in lumpsum and diverted to their organisations or SB account to avoid their lapse.
- The FD should take immediate action to review all outstanding guarantees and prescribe periodical returns to avert liabilities on the revenues of the State.

BANGALORE
THE

4 FEB 2009

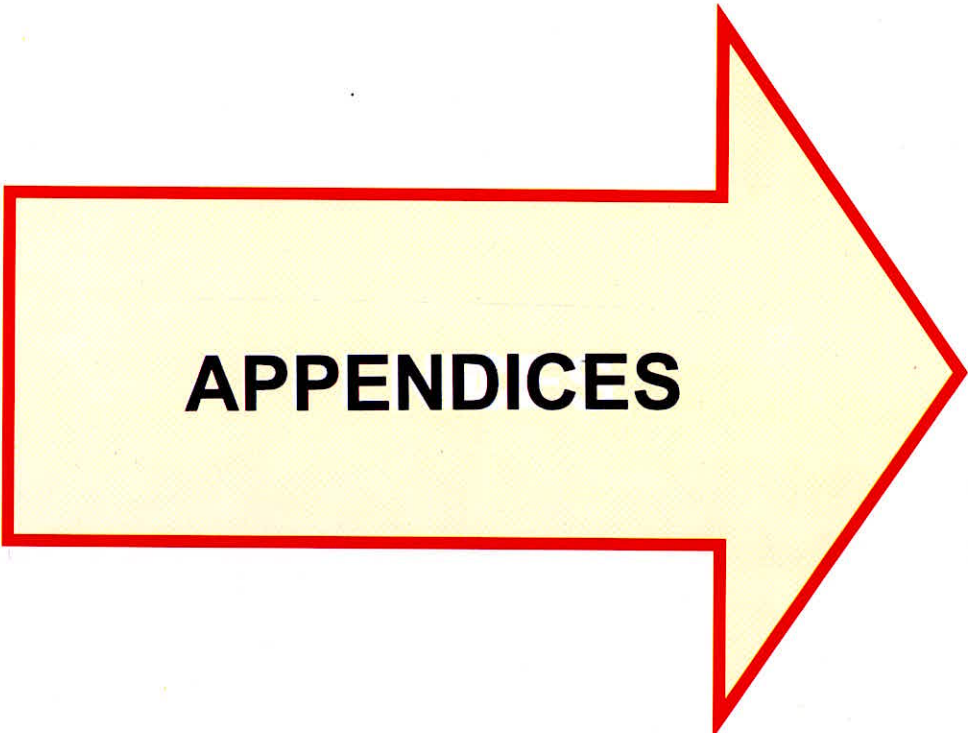

(USHA SANKAR)
Principal Accountant General
(Civil and Commercial Audit)

COUNTER SIGNED

NEW DELHI
THE

5 FEB 2009


(VINOD RAI)
Comptroller and Auditor General of India



APPENDICES

Appendix 1.1

Part A : Structure and form of Government Accounts

(Reference: Paragraph 1.1, Page 3)

I. Structure: The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorisation from the State Legislature. This part consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans etc).

Part II : Contingency Fund

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislature during the year was Rs.80 crore.

Part III : Public Account:

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State legislature.

II. Form of Annual Accounts:

The accounts of the State Government are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts, present the details of expenditure by the State Government vis-à-vis the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B:

(Reference: Paragraph 1.1, Page 3)

Box 1

Layout of Finance Accounts

Statement No.1 presents the summary of transactions of the State Government –receipts and disbursements, revenue and capital, public debt receipts and disbursements, etc., in the consolidated fund and transactions under contingency fund and public account and also offers explanation giving comparative summary of transactions, including cases of large and important variations.

Statement No.2 gives the summarised position of capital outlay outside revenue account showing progressive expenditure to the end of 2007-08

Statement No.3 gives financial results of irrigation works and electricity schemes.

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

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

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

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

Statement No.8 depicts the summary of balances under consolidated fund, contingency fund and public account as on 31 March, 2008

Statement No.9 shows the revenue and expenditure under different heads for the year 2007-08 as a *per cent* of total revenue/expenditure.

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

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

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

Statement No.13 depicts the detailed account of capital expenditure incurred during and to the end of 2007-08

Statement No.14 shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, co-operative banks and societies, etc. up to the end of 2007-08

Statement No.15 depicts the capital and other expenditure (other than on revenue account) to the end of 2007-08 and the principal sources from which the funds were provided for that expenditure.

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

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

Statement No.18 presents the detailed account of loans and advances given by the State, the amount of loan repaid during the year, the balance as on 31 March, 2008 and the amount of interest received during the year.

Statement No.19 gives the details of earmarked balances

Part C: List of terms used in the Chapter-I and basis for their calculation
(Reference: Paragraph 1.2, Page 5)

Terms	Basis for calculation
Buoyancy of a parameter	<u>Rate of Growth of the parameter</u> GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	<u>Rate of Growth of parameter (X)</u> Rate of Growth of parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount} / \text{Previous year Amount}) - 1] * 100$
Development Expenditure	Social Services + Economic Services
Average interest paid by the State	Interest Payment/ $[(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities}) / 2] * 100$
Interest spread	GSDP growth - Weighted Interest rates
Quantum Spread	Debt stock * interest spread
Interest received as <i>per cent</i> to Loans Outstanding	Interest Received $[(\text{Opening balance} + \text{Closing balance of Loans and Advances}) / 2] * 100$
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipts minus all Plan grants and Non-plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction or Avoidance of debt

Appendix 1.2

Summarised Financial Position of the Government of Karnataka as on 31 March, 2008

(Reference: Paragraph 1.2, Page 5)

		(Rupees in Crore)	
As on 31.3.2007	<i>Liabilities</i>		As on 31.3.2008
32,645.86		Internal Debt *	33,316.33
	11,700.41	Market Loans bearing interest	11,988.42
	2.05	Market Loans not bearing interest	1.52
	678.27	Loans from Life Insurance Corporation of India	643.68
	959.87	Loans from other Institutions	1,168.11
	19,305.26	Loans from RBI – Spl. Securities issued to National Small Savings fund of the Central Government.	19,514.60
9,199.64		Loans and Advances from Central Government -	9,557.08
	0.07	Pre 1984-85 Loans	0.07
	112.36	Non-Plan Loans	105.63
	8,886.85	Loans for State Plan Schemes	9,250.82
	36.53	Loans for Central Plan Schemes	32.84
	163.83	Loans for Centrally Sponsored Plan Schemes	167.72
66.72		Contingency Fund	80.00
7,784.93		Small Savings, Provident Funds, etc.	8,533.31
4,130.07		Reserve Funds	4,879.61
4,264.87		Deposits	4,199.29
1,658.30		Suspense and Miscellaneous balances	3,056.25
517.65		Remittances	-
60,268.04		Total	63,621.87
Assets			
44,504.05		Gross Capital Outlay on Fixed Assets -	53,152.98
	18,697.01	Investments in shares of Companies, Corporations, etc.	22,277.96
	25,807.04	Other Capital Outlay	30,875.02
6,240.82		Loans and Advances -	6,945.50
	1,246.84	Loans for Power Projects	1,245.73
	4,986.02	Other Development Loans	5,699.46
	7.96	Loans to Government servants and Miscellaneous Loans	0.31
-		Remittances	310.91
15.45		Other Advances	12.30
6,104.77		Cash -	3,919.45
	---	Cash in treasuries	--
	5.92	Departmental Cash Balance including permanent Advances	5.91
	231.87	Deposits with Reserve Bank of India	89.89
	0.01	Remittances in Transit	0.01
	5,523.77	Cash Balance Investments	3,480.49
	343.20	Investment from earmarked funds	343.15
3,402.95		Deficit/Surplus on Government Accounts	(-) 719.27
	7,601.54	Accumulated Deficit	3,402.95
	4,151.51	Deduct Revenue Surplus	3,776.37
	47.08	Deduct Other adjustments	100.07
		Deduct Capital Receipts	245.78
60,268.04		Total	63,621.87

* The liabilities shown above do not include off budget borrowings.

Appendix 1.3
Abstract of Receipts and Disbursements
(Reference: Paragraph 1.2, Page 5)

(Rupees in Crore)

(Rupees in Crore)											
2006-07	Receipts	2007-08	2006-07	Disbursements			2007-08				
				Non Plan	Plan	Total					
Section-A: Revenue											
37,586.94	I. Revenue receipts	41,151.14 [®]	33,435.43	I. Revenue expenditure	29,061.95	8,312.82		37,374.77^			
23,301.03	Tax revenue 25,986.76		10,419.42	General Services	10,786.54	85.24	10,871.78				
4,098.41	Non-tax revenue 3,357.66			Social Services-							
5,374.33	State's share of Union Taxes & Duties 6779.23		5,703.21	Education, Sports, Art and Culture	5,401.81	1,409.40	6,811.21				
2,224.37	Non Plan grants 1530.93		1,206.66	Health and Family Welfare	1,021.50	456.44	1,477.94				
1,284.30	Grants for State Plan Schemes 1916.25		1,205.44	Water Supply, Sanitation, Housing and Urban Development	107.77	1,385.29	1,493.06				
1,304.50	Grants for Central and Centrally Sponsored Schemes 1580.31		27.19	Information and Broadcasting	22.45	7.02	29.47				
			925.71	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	413.10	820.56	1,233.66				
			95.35	Labour and Labour Welfare	56.86	86.92	143.78				
			1,684.87	Social Welfare and Nutrition	1,230.42	603.47	1,833.89				
			88.28	Others	85.68	14.99	100.67				
			10,936.71	TOTAL	8,339.59	4,784.09	13,123.68				
				Economic Services							
			3,140.84	Agriculture and Allied Activities	2,920.42	1,597.63	4,518.05				
			906.79	Rural Development	399.82	559.58	959.40				
			348.52	Special Areas Programmes	171.36	155.68	327.04				
			294.42	Irrigation and Flood Control	156.72	121.80	278.52				
			2,402.01	Energy	2,299.03	8.73	2,307.76				
			365.86	Industry and Minerals	368.68	302.96	671.64				
			1,563.98	Transport	745.62	579.91	1,325.53				
			16.33	Science, Technology and Environment	0.01	27.46	27.47				
			1,401.49	General Economic Services	948.16	89.74	1,037.90				
			10,440.24	Total	8,009.82	3,443.49	11,453.31				
			1,639.06	Grants-in-aid and Contributions	1,926.00	--	1,926.00				
			4,151.51	II Revenue surplus carried over to Sec-B				3,776.37			
			37,586.94	TOTAL	41,151.14	37,586.94	TOTAL				41,151.14

2006-07	Receipts	2007-08	2006-07	Disbursements			2007-08			
				Non Plan	Plan	Total				
Section-B – Capital and others										
4,606.64	II. Opening Cash balance including Permanent Advances & Cash Balance Investments & investments from earmarked funds.	6,104.77					8,648.94*			
---	III. Miscellaneous Capital receipts	245.78	8,542.57	III. Capital Outlay	1,450.14	7,198.80	.			
			320.94	General Services	55.00	284.02	339.02			
				Social Services						
			54.98	Education, Sports, Art and Culture	6.95	113.82	120.77			
			142.95	Health and Family Welfare	-	354.24	354.24			
			925.48	Water Supply, Sanitation, Housing and Urban Development	183.94	1,247.59	1,431.53			
			2.00	Information and Broadcasting	--	1.04	1.04			
			164.40	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	--	201.25	201.25			
			2.74	Social Welfare and Nutrition	--	19.57	19.57			
			0.07	Other Social Services	--	19.28	19.28			
			1,292.62	Total Social Services	190.89	1,956.79	2,147.68			
				Economic Services						
			33.15	Agriculture and Allied Activities	-1.21*	80.14	78.93			
			176.34	Rural Development	0.82	136.09	136.91			
			4,115.74	Irrigation and Flood Control	928.51	2,512.99	3,441.50			
			430.47	Energy	112.90	320.00	432.90			
			63.72	Industry and Minerals	- 21.33*	107.23	85.90			
			1,823.50	Transport	129.96	1,381.66	1,511.62			
			286.09	General Economic Services	54.60	419.88	474.48			
			6,929.01	Total Economic Services	1,204.25	4,957.99	6,162.24			
			59.97	IV. Recoveries of Loans and Advances	52.07	357.23	IV. Loans and Advances	5.31	751.43	756.74
			1.86	From Power Projects 6.66	--	--	For Power Projects	--	5.55	5.55
			6.48	From Government Servants 5.13	--	1.89	To Government Servants	0.29	0.08	0.37
51.63	From others 40.28		355.34	To Others	5.02	745.80	750.82			
3,545.94	V. Public debt receipts	2,356.68	1,749.37	V. Repayment of Public Debt			1,328.77			
2,891.48	Internal debt other than Ways and Means Advances and Overdraft 1,472.55		1012.34	Internal debt other than Ways and Means Advances & Overdraft	802.08	-	802.08			
--	Ways and Means advances from Reserve Bank of India 78.13		-	Ways and Means advances from Reserve Bank of India	78.13	--	78.13			

2006-07	Receipts	2007-08	2006-07	Disbursements			2007-08
					Non Plan	Plan	Total
654.46	Loans and Advances from the Central Government 806.00		737.03	Repayment of Loans and Advances to Central Government	448.56	--	448.56
---	VI. Contingency Fund (recoupment)	13.28	13.28	VI. Contingency Fund	--	--	--
47,040.04	VII. Public Account Receipts	56,159.75	42,636.88	VII. Public Account Disbursements			54,054.80
1,748.07	Small Savings and Provident funds, etc. 1,993.69		1088.70	Small Savings and Provident Funds etc.			1,245.31
1,656.35	Reserve funds 1,034.10		468.10	Reserve Funds			284.57
19,072.96	Deposits and Advances 19,898.29		17,267.84	Deposits and Advances			19,960.71
20,772.01	Suspense and Miscellaneous 3,0714.20		20,535.09	Suspense and Miscellaneous			29,216.19
3,790.65	Remittances 2,519.47		3,277.15	Remittances			3,348.02
4,151.51	VIII. Revenue Surplus carried over from Sec. -A.	3776.37	6,104.77	VIII. Cash Balance at end			3,919.45
			0.01	Cash in Treasuries and Local Remittances			0.01
			231.87	Deposits with Reserve Bank			89.89
			5.92	Departmental Cash Balance including Permanent Advances			5.91
			5,523.77	Cash Balance Investment			3,480.49
			343.20	Investment from earmarked funds			343.15
59,404.10	Total	68,708.70	59,404.10	Total			68,708.70

Note : * Represents Receipts and Recoveries on Capital Account during 2007-08.

- ⊕ The Revenue Receipts during the year included Rs. 749.06 crore transferred from Public Account representing the outstanding credit balance as on 31.03.2007 under Deposits of local funds –Panchayat bodies funds. It includes Rs.358.31 crore being the debt-waiver benefit that the State Government got for the year. This amount has been adjusted by credit to Major Head '0075 - Miscellaneous General Services for contra debit to Major Head – '6004- Loans and advances from GOI'.

^ The Revenue expenditure includes Rs. 125.16 crore being the amount transferred to the Central Road Fund Account in Public Account as non-plan expenditure while the said grant was released/accounted as plan grants. It also includes Rs.39.43 crore (2001-02) being the interest relating to special securities issued to NSSF of the Central Government by the State Government. It includes Rs.0.24 crore relating to 2002-03 which has been brought to account during the current year below the Major Head '3604'.

% The expenditure shown under Social Services under Revenue section is understated to the extent of Rs.541.64 crore. The said expenditure now stands classified under Economic Services below the Major Head '2425'. However, the said amount was required to be classified under the Major head '2235'- Social Security & Welfare' as per correction slip No.620, dated 17-7-2007

ℳ Includes Rs. 1,507 crore being the amount discharged under off-budget borrowings

Appendix 1.4

Sources and Applications of Funds

(Reference: Paragraph 1.2, Page 5)

(Rupees in crore)

Sources				
2006-07		2007-08		
37,586.94		1. Revenue receipts		41,151.14
--		2. Capital Receipts		245.78
59.97		3. Recoveries of Loans and Advances		52.07
1,796.57		4. Increase in Public debt		1,027.91
4,403.16		5. Net receipts from Public account		2,104.95
	659.37	Increase in Small Savings, PF, etc	748.38	
	1,805.12	Net effect of Deposits and Advances	- 62.42	
	1,188.25	Increase in Reserve funds	749.53	
	236.92	Net effect of Suspense and Miscellaneous transactions	1,498.01	
	513.50	Net effect of Remittance transaction	- 828.55	
---		6. Net effect of Contingency Fund Transaction		13.28
43,846.64		Total		44,595.13

Applications				
33,435.43		1. Revenue expenditure		37,374.77
357.23		2. Lending for development and other purposes		756.74
8,542.57		3. Capital expenditure		8,648.94
1,498.13		4. Decrease in cash Balance		2,185.32
13.28		5. Net effect of Contingency Fund Transaction		--
43,846.64		Total		44,595.13

Explanatory Notes for Appendix 1.2, 1.3 and 1.4

1. The abridged accounts in the foregoing appendices have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in appendix 1.2, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures, etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and others pending settlement, etc.
4. There was a difference of Rs 68.78 crore (credit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". A net difference of Rs.41.05crore (credit) had since been reconciled and adjusted. The remaining difference of Rs.27.73 crore (credit) is under reconciliation.

Appendix 1.5

Time Series Data on State Government Finances

(Reference: Paragraph 1.2, Page 5)

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
PART A. RECEIPTS						
1. Revenue Receipts	16,169	20,760	26,570	30,352	37,587	41,151
(i) Tax Revenue	10,440(65)	12,570 (61)	16,072(60)	18,632(61)	23,301 (62)	25,987(63)
Taxes on Agricultural Income	1 (-)	1 (-)	2	2	1(-)	3(-)
Taxes on Sales, Trade, etc.	5,474 (52)	6,649 (53)	8,700(54)	9,870(53)	11,762(50)	13,894(53)
State Excise	2,094 (20)	2,334 (19)	2,806(17)	3,397(18)	4,495(19)	4,767(18)
Taxes on vehicles	676 (6)	800 (6)	983(6)	1,105(6)	1,374(6)	1,650(6)
Stamps and Registration fees	1,115 (11)	1,356 (11)	1,760(11)	2,213(12)	3,206(14)	3,409(13)
Land Revenue	60 (1)	68 (-)	118(1)	117(1)	109(-)	145(1)
Other Taxes	1,020 (10)	1,362 (11)	1,703(11)	1,928(10)	2,354(11)	2,119(9)
(ii) Non Tax Revenue	1,278 (8)	2,958 (14)	4,473(17)	3,875(13)	4,099(11)	3,358(8)
(iii) State's share in Union taxes and duties	2,786 (17)	3,245 (15)	3,878(15)	4,213(14)	5,374(14)	6,779(17)
(iv) Grants in aid from Government of India	1,665 (10)	1,987 (10)	2,147(8)	3,632(12)	4,813(13)	5,027(12)
2. Miscellaneous Capital Receipts (non debt)	Nil	Nil	Nil	Nil	Nil	246
3. Total revenue & Non debt capital receipts (1+2)	16,169	20,760	26,570	30,352	37,587	41,397
4. Recoveries of Loans and Advances	928	64	47	124	60	52
5. Public Debt Receipts	5,433	7,988	8,509	5,664	3,546	2,279
Internal Debt (excluding Ways & Means Advances and Overdrafts)	3,889 (72)	6,531 (82)	6,953(82)	4,995(88)	2,892(82)	1,473(65)
Loans & Advances from Government of India *	1,544 (28)	1,457 (18)	1,556(18)	669(12)	654(18)	806(35)
6. Total receipts in the Consolidated Fund (3+4+5)	22,530	28,812	35,126	36,140	41,193	43,728
7. Contingency Fund Receipts	8	--	41	39	-	13
8. Public Account Receipts	27,879	30,513	36,325	38,025	47,040	56,160
9. Total receipts of the State (6+7+8)	50,417	59,325	71,492	74,204	88,233	99,901
PART B. EXPENDITURE/DISBURSEMENT						
10. Revenue expenditure	18,815	21,285	24,932	28,041	33,435	37,375
Plan	3,245 (17)	3,553 (17)	5,125(21)	5,069(18)	7,852(23)	8,313(22)
Non Plan	15,570 (83)	17,732 (83)	19,807(79)	22,972(82)	25,583(77)	29,062(78)
General Services (incl. Interest Payments)	7,112 (38)	9,039 (42)	9,900(40)	10,036(36)	10,419(31)	10,872(29)
Social Services	6,326 (34)	6,965 (33)	7,723(31)	8,899(32)	10,937(33)	13,124(35)
Economic Services	4,803 (25)	4,652 (22)	6,511(26)	7,947(28)	10,440(31)	11,453(31)
Grants in aid and Contributions	574 (3)	629 (3)	798(3)	1,159(4)	1,639(5)	1,926(5)
11. Capital Expenditure	2,936	3,029	4,674	5,822	8,543	8,649
Plan	2,734 (93)	2,930 (97)	4,586(98)	5,806(100)	8,411(98)	7,199(83)
Non Plan	202 (7)	99 (3)	88(2)	16	132(2)	1,450(17)
General Services	76 (3)	128 (4)	136(3)	218(4)	321(4)	339(4)
Social Services	295 (10)	427 (14)	486(10)	1,105(19)	1,293(15)	2,148(25)
Economic Services	2,565 (87)	2,474 (82)	4,052(87)	4,499(77)	6,929(81)	6,162(71)
12. Disbursement of Loans and Advances	628	1,011	611	300	357	757
13. Total (10+11+12)	22,379	25,325	30,217	34,163	42,335	46,781
14. Repayments of Public Debt	1,696	3,441	4,029	811	1,749	1,251

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Internal Debt (excluding Ways & Means Advances and Overdrafts)	287 (17)	780 (23)	622(15)	393(48)	1,012(58)	802(64)
Net transactions under Ways & Means Advances and Overdraft	--	--	--	-	-	--
Loans and Advances from Government of India *	1,409 (83)	2,661 (77)	3,407(85)	418(52)	737(42)	449(36)
15. Appropriation to Contingency Fund	--	--	--	-	-	--
16. Total disbursement out of Consolidated Fund (13+14+15)	24,075	28,766	34,246	34,974	44,084	48032
17. Contingency Fund disbursements	--	41	39	--	13	--
18. Public Account disbursements	26,825	30,665	35,463	36,702	42,637	54055
19. Total disbursement by the State (16+17+18)	50,900	59,472	69,748	71,676	86,734	1,02,087
PART C. DEFICIT/SURPLUS						
20. Revenue Deficit (10-1)	2,646	525	--	---	---	--
Revenue Surplus (1-10)	--	--	1,638	2,311	4,152	3,776
21. Fiscal Deficit (3+4-13)	5,282	4,501	3,600	3,687	4,688	5,332
22. Primary Deficit (21-23)	1,990	791	---	---	452	826
Primary Surplus (23-21)	---	---	194	78	---	--
PART D. OTHER DATA						
23. Interest Payments (included in revenue expenditure)	3,292	3,710	3,794	3,765	4,236	4,506
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	3,390 (29)	3,104 (20)	3,604 (18)	3,620 (16)	5,026 (18)	4,729(16)@
25. Financial Assistance to local bodies, etc.	7,675	7,780	8,728	11,183	13,915	16,725
26. Ways and Means Advances/Overdraft availed (days)	171	196	61	--	---	4
27. Interest on WMA/Overdraft	5.23	8.85	1.20	-	---	0.04
28. Gross State Domestic Product (GSDP)	1,17,919	1,29,181	1,49,854	1,67,975	1,88,274@	2,15,282♣
29. Outstanding Debt (year end)	37,234	41,967	46,940	52,236	57,682	60,142
30. Outstanding Guarantees (year end)	13,314	14,179	11,574	8,984	9,879	10,786
31. Maximum amount Guaranteed (year end)	20,973	21,225	19,910	20,107	19,793	23,109
32. Number of incomplete projects (as per material in Finance Accounts)	35	70	238	120	261	429
33. Capital blocked in incomplete projects	6,141	8,813	9,496	3,450	1,174	1,480

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

* - Excludes Ways and Means Advances from Government of India

⊕ - Quick estimates

♣ -Anticipated estimates

@ Arrears s reported by Commercial Tax Department, State Excise and Electrical Inspectorate

Appendix 1.6
Outcome indicators of the State's own Fiscal Correction Path
(Source : Finance Department)

(Reference: paragraph 1.2.3, Page 7)

	Base Year Accounts 2003-04	2004-05 BE	2005-06 BE	2006-07 Proj	2007-08 Proj	2008-09 Proj
A. STATE REVENUE ACCOUNT:						
1. Own Tax Revenue	12570	14958	18680	20865	23417	26488
2. Own Non- Tax Revenue	2958	4486	4090	4516	5009	5491
3. Own Tax + Non-tax Revenue (1+2)	15528	19444	22770	25381	28426	31979
4. Share in Central Taxes & Duties	3245	3760	3760	4136	4550	5005
5. Grants	1987	2306	2688	2954	3306	3530
6. Total Central Transfer (4 + 5)	5232	6066	6448	7090	7856	8535
7. Total Revenue Receipts (3+6)	20760	25510	29218	32471	36282	40514
8. Devolution to ULBs	629	799	1160	1428	1743	2130
9. Major O&M (Roads, bridges and Irrigation)	251	401	513	970	1021	1078
10. Salaries	5523	5751	6169	6539	6907	8740
11. Pensions	1901	2214	2427	2661	3209	3518
12. Interest Payments	3710	3920	4029	4492	5053	5640
13. Subsidies – (Food, Transport, Housing & Industry)	525	905	1573	1203	1258	1317
14. Subsidies –Power	1675	1400	1750	1750	2100	2100
15. Other O&M (Edn, Health, RD, WS, Agr, Forest)	2197	2444	2530	3155	3836	4641
16. Administrative Expenditure	440	442	559	589	621	654
17. Other Revenue Expenditure	4434	7163	7654	8296	8913	9251
18. Total Revenue Expenditure (8 to 17)	21285	25439	28364	31083	34661	39069
19. Salary + Interest+ Pensions (10+11+12)	11134	11185	12625	13692	15169	17898
20. As % of Revenue Receipts (19/7)	54	47	43	42	42	44
21. Revenue Surplus/Deficit (7-18)	525	-71	-854	-1388	-1621	-1445
1. Interest payment on off-budget borrowings and SPV borrowing made by PSUs/SPUs outside budget	801	638	791	1203	817	480
2. Consolidated Revenue Deficit .	1326	567	63	185	804	965
Total Debt Stock	42954	48384	53185	60465	66340	72823
1. Expenditure on Capital formation	2937	2502	3774	4316	5346	6300
2. Recovery of loans and advances	64	30	30	100	100	100
E. GROSS FISCAL DEFICIT (GFD)	4501	4247	4714	5603	5875	6483

Appendix 1.7

Utilisation certificates outstanding as on 31 March, 2008

(Reference: Paragraph 1.5.5 , Page 23)

(Amount: Rupees in lakh)

Sl. No.	Department	Year of Payment of grant	Total grants paid		Utilisation Certificates			
					Received		Outstanding	
			Number	Amount	Number	Amount	Number	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
I	Education							
	2203- Technical Education	1992-93	11	6.60	8	5.27	3	1.33
	Total		11	6.60	8	5.27	3	1.33
II	Information, Sports & Youth Services							
1	2204- Sports & Youth Services	1989-90	12	5.93	-	-	12	5.93
		1990-91	1	0.10	-	-	1	0.10
		1998-99	2	94.75	-	-	2	94.75
	Total		15	100.78	-	-	15	100.78
2	2220- Information & Publicity	2006-07	13	39.35	12	36.35	1	3.00
	Total		13	39.35	12	36.35	1	3.00
III	Kannada and Culture							
1	2205- Art & Culture	1986-87	3	5.30	-	-	3	5.30
		1987-88	5	5.01	-	-	5	5.01
		1988-89	23	19.48	-	-	23	19.48
		1990-91	21	63.70	-	-	21	63.70
		1991-92	3	2.25	-	-	3	2.25
		1993-94	25	52.48	-	-	25	52.48
		1999-00	9	159.65	-	-	9	159.65
		2000-01	04	2.07	-	-	04	2.07
		2003-04	131	778.40	-	-	131	778.40
		2004-05	23	69.81	-	-	23	69.81
		2005-06	534	1521.68	-	-	534	1521.68
		2006-07	978	6890.08	195	1685.36	783	5204.72
	Total		1759	9569.91	195	1685.36	1564	7884.55
2	2235- Social Security & Welfare	1986-87	1	1.27	-	-	1	1.27
		1992-93	1	0.31	-	-	1	0.31
		1993-94	4	1.61	-	-	4	1.61
		1994-95	2	0.19	-	-	2	0.19
	Total		8	3.38	-	-	8	3.38
IV	Urban Development							
	2217- Urban Development	1993-94	6	271.52	-	-	6	271.52
		2001-02	5	293.84	-	-	5	293.84
		2002-03	2	638.00	-	-	2	638.00
		2003-04	8	8355.00	-	-	8	8355.00
		2004-05	30	35705.60			30	35705.60
		2005-06	26	14683.59			26	14683.59
		2006-07	9	2352.08	1	769.48	8	1,582.60
	Total		86	62299.63	1	769.48	85	61,530.15
V	Co-operation							
	3475- Other General Economic Services	1997-98	1	979.13	-	-	1	979.13
		1998-99	2	371.34	-	-	2	371.34
		2001-02	5	120.41	-	-	5	120.41
		2002-03	11	243.40	-	-	11	243.40

Sl. No.	Department	Year of Payment of grant	Total grants paid		Utilisation Certificates			
			Number	Amount	Received		Outstanding	
					Number	Amount	Number	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Total		19	1714.28	-	-	19	1,714.28
VI	Agriculture and Horticulture							
	2515- Other Rural Development Programme	1990-91	6	156.58	2	1.21	4	155.37
		1991-92	39	1233.84	6	914.57	33	319.27
		1992-93	6	96.22	-	-	6	96.22
		1993-94	33	1419.37	9	1068.59	24	350.78
		1994-95	61	2327.86	9	1187.33	52	1,140.53
		2001-02	66	6167.50	-	-	66	6,167.50
		2002-03	23	2331.53	5	954.42	18	1,377.11
		2003-04	11	133.46	-	-	11	133.46
		2004-05	2	18.76	-	-	2	18.76
		2005-06	11	1295.20	1	7.00	10	1,288.20
		2006-07	49	3837.01	-	-	49	3,837.01
	Total		307	19017.33	32	4133.12	275	14,884.21
VII	Planning, Statistics, Science and Technology							
	3425- Other Scientific Research	2002-03	2	13.50	-	-	2	13.50
		2003-04	3	27.82	-	-	3	27.82
		2005-06	37	804.34	37	804.34	-	-
		2006-07	18	109.50	-	-	18	109.50
	Total		60	955.16	37	804.34	23	150.82
VIII	Commerce and Industries							
	2851- Village and Small Industries	2006-07	12	93.66	-	-	12	93.66
	Total		12	93.66	-	-	12	93.66
	Grand Total		2290	93800.08	285	7433.92	2005	83,366.16

Appendix 1.8
Non-submission of accounts
(Reference: Paragraph 1.5.6 , Page 23)

Sl. No.	Department	Periods for which accounts not furnished	Number of accounts due
1.	Co-operation	1980-81 to 1982-83, 1983-84 to 1985-86 and 1993-94 to 2007-08	317
2.	Commerce and Industries	2000-01 to 2007-08	95
3.	Education	1992-93 to 2007-08	484
4.	Forest, Environment and Ecology	2007-08	36
5.	Health & Family Welfare Services	1999-2000 to 2007-08	27
6.	Labour	1999-2000 to 2007-08	09
7.	Law	2001-02 to 2007-08	07
8.	Planning	2000-01 to 2007-08	23
9.	Public works and CADA	2000-01 to 2007-08	11
10.	Revenue	2001-02 to 2003-04	03
11.	Rural Development and Panchayati Raj	2000-01 to 2007-08	08
12.	Science and Technology (State)	2000-01 to 2007-08	12
13.	Urban Development	1994-95 to 2007-08	95
14.	Youth Services and Sports	1999-2000 to 2007-08	25
15.	Animal Husbandry & Fisheries	2003-04 to 2007-08	20
16.	Social Welfare	2003-04 to 2007-08	11
	TOTAL		1183

Appendix 1.9

Audit of Autonomous Bodies

(Reference: Paragraph 1.5.7, Page 23)

Sl. No	Autonomous Bodies	Period of entrustment	Date of entrustment	Years for which accounts due	Year up to which accounts received	Year up to which Audit Report issued
1.	Bangalore Water Supply and Sewerage Board, Bangalore	2004-05 to 2008-09	19-1-2005	2007-08	2007-08	2006-07
2.	Bangalore Development Authority, Bangalore	2007-08 to 2009-10	7-8-08	2007-08	2007-08	2006-07
3.	Karnataka Urban Water Supply and Drainage Board, Bangalore	2007-08 to 2009-10	21-02-08	2007-08	2007-08	2006-07
4.	Karnataka Industrial Areas Development Board, Bangalore	2004-05 to 2008-09	21-4-05	2007-08	2007-08	2006-07
5.	Karnataka State Legal Services Authority	KSLS Act, 1987 amended in 1994	--	2007-08	2007-08	2006-07
6.	Karnataka Slum Clearance Board, Bangalore	2007-08 to 2011-12	28-05-08	2007-08	2007-08	2006-07
7.	Karnataka Housing Board, Bangalore	2006-07 to 2010-11	27.9.2007	2007-08	2007-08	2006-07
8.	Karnataka Bio diversity Board, Bangalore	2003-04 to 2007-08	12-06-06	2007-08	2007-08	2007-08

Appendix 1.10

Department-wise details of cases of misappropriations/defalcations

(Reference: Paragraph 1.5.8, Page 23)

(Rupees in lakh)

Sl. No.	Department	No. of cases	Amount
1	Horticulture	7	41.20
2	Animal Husbandry and Veterinary Services	1	1.10
3	Commerce and Industries	8	20.18
4	Labour	7	13.92
5	Law and Parliamentary Affairs	9	3.49
6	Education	6	1.91
7	Finance	5	6.28
8	Forest, Environment and Ecology	12	267.14
9	Health and Family Welfare	20	20.18
10	Home	4	86.55
11	Information, Tourism and Youth Services	14	32.04
12	Planning	1	1.55
13	Public Works	26	236.13
14	Water Resources	72	256.13
15	Revenue	10	10.18
16	Rural Development and Panchayat Raj	9	0.37
17	Social Welfare	2	2.94
18	Women and Child Development	3	0.88
	Total	216	1092.17

Appendix 1.11

Department wise details of cases of Write offs for 2007-08

(Reference: Paragraph 1.5.9, Page 23)

Sl. No.	Department	Authority sanctioning write off	Brief Particulars	No. of cases	Amount (In Rupees)
1.	Co-Operation	Registrar, Co-op Societies	Waiver of Audit fee Rs.355/- and Govt. share Rs.One lakh	01	1,00,355.00
2	Food & Civil Supplies	Addl. Director , Food & Civil Supplies	Deficit of Milo while transporting from Kolar	01	27,419.00
3	-do-	CAO Bangalore, Food & Civil Supplies	Deficit of Andhra Rice (67 ton, 939 kg) while transporting from Chennai to Chitradurga	01	40,794.75
4	Land Revenue	Under Secretary, Land Revenue	Waiver of Land Revenue due to deficit in crop yield owing to insufficient rain fall	01	1,82,663.28
5	-do-	-do-	Waiver of Land Revenue due to deficit in crop yield owing to insufficient rain fall.	01	1,03,491.12
6	-do-	-do-	Waiver of Land Revenue due to deficit in crop yield owing to insufficient rain fall	01	9,06,267.13
7	-do-	-do-	Waiver of Land Revenue due to deficit in crop yield owing to insufficient rain fall	01	1,14,211.12
8	Women and Child Welfare	Director, W&CW Department	Grant given to Southern Regional Conference of working Women in 1979	01	10,000.00
9	Forest, Environment & Energy	Principal Conservator of Forests, Bangalore	Recovery of extra cost from logging contractor in the O/o the Dy. Conservator of Forests (T), Sagar, Shimoga District	01	20,493.82
Total				09	15,05,695.22

Appendix 2.1

Major heads of account under which huge provisions remained unspent

(Reference Paragraph 2.3.1, Page 41)

(Rupees in crore)

Sl. No.	Grant No.	Major Head	Area	Unspent provision
1	2	3	4	5
1	1	2401	Crop Husbandry – Direction and Administration- Agriculture Department	22.22
			Crop Husbandry – Direction and Administration – Horticulture Department	44.78
			Crop Husbandry –Seeds -Prime Minister's Relief Package seed Replacement	58.84
			Crop Husbandry –Commercial Crops –Agriculture Department	75.82
			Crop Husbandry –Crop Insurance –New Crop Insurance Scheme	60.23
			Crop Husbandry – Tribal Area Sub Plan –Agriculture Department	12.12
			Crop Husbandry – Other Expenditure –Agriculture Department	52.26
			Crop Husbandry – Other Expenditure – Horticulture Department	18.03
		2402	Soil and Water Conservation – Assistance to Grama Panchayats –Grama Panchayats –CSS/CPS	12.90
			Soil and Water Conservation -Other Expenditure – Maidan Development	16.90
2	2	2403	Animal Husbandry –Veterinary Services and Animal Health –Prime Minister's Relief Package –Subsidiary Income Activities	33.00
		2404	Dairy Development –Assistance to Co-operatives and other bodies –Karnataka Milk Producers Co-operative Federation Limited	48.00
		2405	Fisheries –Marine Fisheries –Supply of Kerosene to Conventional Boats	18.00
			Fisheries -Other Expenditure –Matsya Ashraya	10.00
3	3	2039	State Excise- Direction and Administration - Commissioner for Excise and Other Establishments	10.54
			State Excise-Other Expenditure - Enforcement Activities	32.83
		2040	- Taxes on Sales, Trade etc.,-Direction and Administration-Commissioner for Commercial Taxes	15.38
		2070	Other Administrative Services-Other Expenditure - Filling up of Vacant Posts (State Sector)	130.17
			Other Administrative Services-Other Expenditure - Filling up of vacant posts (District Sector)	110.73
			Other Administrative Services-Other Expenditure - Additional Provision for Salaries	32.65
		2071	Pensions and Other Retirement Benefits – Civil - Superannuation and Retirement Allowances - State Government Pensions	291.25
			Pensions and Other Retirement Benefits – Civil - Commuted value of Pensions – Other Payments	20.71

1	2	3	4	5
			Pensions and Other Retirement Benefits – Civil - Gratuities Other Gratuities -Karnataka	59.89
4	07	2059	Public Works-General-Maintenance and Repairs - Maintenance Grants from XII Finance Commission	19.90
		2215	Water Supply and Sanitation-Water Supply - Assistance to Grama Panchayats - Grama Panchayats	21.52
			Water Supply and Sanitation-Water Supply - Assistance to Grama Panchayats Grama Panchayats- CSS/CPS	13.09
		2402	Soil and Water conservation-Other Expenditure - Prime Minister's Relief Package –Participatory Watershed Project	54.00
		2501	Special Programmes for Rural Development - Integrated Rural Development Programmes - Assistance to Grama Panchayats - Village Panchayats –CSS/CPS	28.71
		2505	Rural Employment-Other Programmes - Assistance to Grama Panchayats - Grama Panchayats –CSS/CPS	15.97
		2515	Other Rural Development Programmes - Panchayat Raj - Karnataka Rural Poverty and Panchayat Project	35.67
			Other Rural Development Programmes - Assistance to Grama Panchayats - Grama Panchayats	62.85
		3054	Roads and Bridges-District and Other Roads - Maintenance and Repairs - XII Finance Commission Grants for Maintenance	39.48
			Roads and Bridges-General - Assistance to Zilla Panchayats - Zilla Panchayats	75.43
		4215	Capital Outlay on Water Supply and Sanitation Water Supply-Rural Water Supply Capital Release to Grama Panchayats	399.81
			Capital Outlay on Water Supply and Sanitation Sewerage and Sanitation-Other Expenditure Suvarna Grama	64.89
		5054	Capital Outlay on Roads and Bridges District and Other Roads-Other Expenditure NABARD Assisted works	125.00
5	10	2225	Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes Welfare of Scheduled Castes –Assistance to Taluk Panchayats –Taluk Panchayats CSS/CPS	22.32
			Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes Welfare of Scheduled Castes –Special Central Assistance for SCP	12.99
			Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes Welfare of Scheduled Tribes – Assistance to Taluk Panchayats –Taluk Panchayats CSS/CPS	30.94
			Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes Welfare of Backward classes –Education –Welfare of Other Backward Classes	12.49

1	2	3	4	5
6	11	2235	Social Security and Welfare-Social Welfare - Child Welfare-Bagya Lakshmi	92.84
			Social Security and Welfare-Social Welfare - Women Welfare-PM's Pilot Project of providing food grains to Pregnant and Lactating women and Adolescent girls	12.93
			Social Security and Welfare-Social Welfare - Assistance to Zilla Panchayats - Zilla Panchayats –CSS/CPS	18.87
7	14	2030	Stamps and Registration -Registration - Direction and Administration - Upgradation of Standards of Administration	12.67
		2053	District Administration-Other Establishments - Taluk Establishment	13.03
			District Administration-Other Expenditure - Creation of New Districts Chikkaballapur and Ramnagar	12.78
		2235	Social Security and Welfare - Other Social Security and Welfare Programmes - Direction and Administration - New Social Security	251.39
		2245	Relief on Account of Natural Calamities - Drought-Other Expenditure - Other Miscellaneous items of Relief Expenditure	48.40
		4059	Capital outlay on Public Works-General - Construction-Belgaum Vidhana soudha	70.00
			Capital outlay on Public Works-General - Other Capital Expenditure - Creation of new districts Chikkaballapur & Ramnagar	30.00
8	17	2202	General Education-Elementary Education - Other Expenditure-Other Schemes	118.57
			General Education-Secondary Education - Text Books - Text Books –Directorate, Press and Depots	13.16
			General Education-Secondary Education - Assistance to Non-Government Secondary Schools - Assistance to Non-Government Secondary Schools (State Sector Schemes)	23.62
			General Education-Secondary Education - Government Secondary Schools - Junior Colleges	29.57
			General Education-University and Higher Education - Government Colleges and Institutes - Other Government Colleges	38.62
			General Education-General - Assistance to Zilla Panchayats - Zilla Panchayats –CSS/CPS	12.22
			General Education-General-Other expenditure - Grants-in-Aid in Education	60.00
		2203	- Technical Education-Polytechnics-Polytechnics	18.37
			Technical Education-Other expenditure - Technical Education Quality Improvement	51.02

1	2	3	4	5
9	18	2505	Rural Employment-Other Programmes - Employment Assurance Scheme - Employment in Government Sectors	99.90
		2851	Village and Small Industries-Small Scale Industries - Lumpsum Provision for Special Component Plan (Corporations and Companies viz., Lidkar, KVIB, KHDC & KSCDS)	14.74
			Village and Small Industries-Small Scale Industries - Establishment of Mini Tool Room	12.00
			Village and Small Industries-Small Scale Industries - Suvarna Kayaka	52.62
			Village and Small Industries-Small Scale Industries - Kaushalya Aabhivridhi Yojane	25.00
			Village and Small Industries-Sericulture Industries - State Sericulture Industries	19.51
		3475	Other General Economic Services - Transfer to Reserve Funds / Deposit Accounts - Transfer of Cess to the Infrastructure Initiative Fund	92.92
10	19	2215	Water supply and sanitation-Water supply - Assistance to Local Bodies, Corporations, etc., - Karnataka Urban Water Supply and Drainage Board	24.34
		2217	Urban Development - Other Urban Development Schemes - Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Boards etc., - Bangalore Metropolitan Regional Development Authority	319.16
			Urban Development-General - Assistance to Local Bodies, Corporations etc., - Grants to Urban Local Bodies Under TFC Grants	32.35
			Urban Development-General - Other expenditure - Basic Urban Service Programme Urban Infrastructure	369.98
			Urban Development-General - Other expenditure - Sub-Mission for Basic Services for Urban poor	132.30
			Urban Development-General - Other Expenditure - Urban Infrastructure Development Scheme for small and Medium Town (UIDSSMT)	215.58
			Urban Development-General - Other expenditure - Basic Urban Service Programme Urban Transport	47.40
		3475	Other General Economic Services - Urban Oriented Employment Programme - Swarna Jayanthi Shahari Rojgar Yojana	21.97
		6215	Loans for Water Supply and Sanitation - Water Supply - Loan to Public sector and other undertakings - Bangalore Water Supply and Sewerage Board	113.15
		6217	Loans for Urban Development - Other Urban Development Schemes - Loans to Local Bodies and Corporations etc., - Bangalore Development Authority	33.10

1	2	3	4	5
11	20	2059	Public Works-General - Direction and Administration - Executives (C&B North) - Public Works-Suspense-Debits	13.78 96.42
		3054	Roads and Bridges-District and other Roads - Road works -Rural Road works Roads and Bridges-General - Transfer to Reserve Fund Deposit Accounts - Transfer to Grants from Central Road Fund to Deposit Head sub-vention Roads and Bridges-General - Transfer to Reserve Fund Deposit Accounts - Transfer of cess to Rural Road Development Fund	27.05 24.84 145.00
		4059	Capital outlay on Public Works-General - Construction-Departmental Buildings	33.41
		4216	Capital outlay on Housing - Government Residential Buildings - Other Housing-Construction	15.37
		5054	Capital Outlay on Roads and Bridges - State Highways-Road works - Other Road formation Capital Outlay on Roads and Bridges - State Highways-Road works - Hassan Peripheral Ring Roads Capital Outlay on Roads and Bridges - State Highways-Road works - Development of State Highways world Bank Assistance Capital Outlay on Roads and Bridges - District and other Roads-Other expenditure - Central Road Fund Works Capital Outlay on Roads and Bridges - District and other Roads-Other expenditure - NABARD Assisted works	14.76 43.36 47.15 10.94 25.41
12	21	4701	Capital Outlay on Major and Medium Irrigation - Medium Irrigation Commercial - Anjanapura-NABARD-Other Expenditure Capital Outlay on Major and Medium Irrigation - Medium Irrigation Commercial-UKP Zone - Upper Krishna Project / Krishna Basin Project -AIBP Capital Outlay on Major and Medium Irrigation - Medium Irrigation Commercial - Karnataka Neeravari Nigam Limited – Accelerated Irrigation Benefit Programme (AIBP) Capital Outlay on Major and Medium Irrigation - General-Other expenditure-New Schemes Capital Outlay on Major and Medium Irrigation - General-Other expenditure - PM Relief Package for Suicidal of Farmers-KNNL Capital Outlay on Major and Medium Irrigation - General-Other expenditure - PM Relief Package for Suicidal of Farmers-KBJNL Capital Outlay on Major and Medium Irrigation - General-Other expenditure - PM Relief Package for Suicidal of Farmers-UTP	15.00 36.19 186.96 66.20 259.95 77.14 15.52

1	2	3	4	5
		4702	Capital Outlay on Minor Irrigation-Surface water - World Bank Aided Tank Irrigation Projects	130.00
			Capital Outlay on Minor Irrigation-Surface water - Lift Irrigation Scheme	79.61
			Capital Outlay on Minor Irrigation - Special Component Plan	14.60
13	22	2210	Medical and Public Health - Urban Health Services –Allopathy - Hospitals and Dispensaries - Hospitals attached to Teaching Institutions	29.34
			Medical and Public Health - Urban Health Services –Allopathy - Other Expenditure - XIIth Finance Commission Grants for upgradation of Health Services	13.59
			Medical and Public Health - Medical Education Training and Research –Allopathy - Education including Education in Pharmacy	37.89
			Medical and Public Health-- Public Health - Prevention and Control of Diseases - Malaria	10.53
			Medical and Public Health-- Public Health - Other Expenditure - Karnataka Health System Development and Reforms Project	28.24
			Medical and Public Health - General-- Assistance to Zilla Panchayats - Zilla Panchayats	23.33
			Medical and Public Health - General-- Other Expenditure - Apadbhandava Scheme	35.01
14	26	2515	Other Rural Development Programmes –Other Expenditure –Hyderabad Karnataka Development Board	18.40
			Other Rural Development Programmes –Other Expenditure –Malnad Areas Development Board	12.61
		2575	Other Special Areas Programmes –Others –Special Area Programme –Legislators Constituency Development Fund	128.75
15	29	2049	Interest Payments - Interest on Small Savings, Provident Fund, etc., - Interest on State Provident Funds - General Provident Funds	129.52
			Interest Payments - Interest on Small Savings, Provident Fund, etc., - Interest on Insurance and Pension Funds - State Government Insurance Funds	144.90
			Interest Payments - Interest on Loans and Advances from Central Government - Interest on Loans for State Plan Schemes	54.81
			Interest Payments - Interest on Loans and Advances from Central Government - Interest on State Plan Loans consolidated in terms of recommendations of the 12th Finance Commission	22.77

1	2	3	4	5
		6003	Internal Debt of the State Government - Ways and Means Advances from Reserve Bank of India - Clean and Secured Ways and Means Advances	921.87
			Internal Debt of the State Government - Ways and Means Advances from Reserve Bank of India - Over Draft with Reserve Bank of India	350.00
		6004	Loans and Advances from the Central Government - Loans for State Plan Schemes - Block Loans - Normal Assistance	15.22

Appendix 2.2

Unspent provision due to non/short/ late -release of funds and non/late-receipt of sanctions from Government

(Reference: Paragraph 2.3.2, Page 41)

(Rupees in crore)

Sl. No.	Grant	Head of account	Unspent provision
1.	01 –Agriculture and Horticulture	2401-001 –1-Agriculture Department -PM's Relief Package –Extension Services -Grants-in-aid	1.00
2.		2401-103-16–Karnataka as Global Seed Destination -Other expenses	2.70
3.		2401-105 –01-Soil Health Centres -Subsidiary expenses	4.80
4.		2401-112 –01-Centrally sponsored scheme of National Pulses Development Project (75% GOI & 25% State Government) -Other expenses	0.08
5.		2401-112 – 01-Centrally sponsored scheme of National Pulses Development Project (75% GOI & 25% State Government) -subsidies	0.82
6.		2401-800 –1-Agriculture Department -State Agricultural Policy –Other Expenses	2.10
7.		2401-800 –1-Agriculture Department -AGRISNET –Other Expenses	1.00
8.		2402-109 –02-Karnataka Watershed Training Centre Building Expenses	0.13
9.	02 – Animal Husbandry and Fisheries	2403-101 –04-Rinderpest Surveillance and Vaccination Programme for Total Eradication of Rinderpest – CSS (100% Central Assistance) -General Expenses	0.27
10.		2403-101 – 04-Rinderpest Surveillance and Vaccination Programme for Total Eradication of Rinderpest – CSS (100% Central Assistance)- Transport Expenses	0.05
11.		2403-101 - 04-Rinderpest Surveillance and Vaccination Programme for Total Eradication of Rinderpest – CSS (100% Central Assistance)- Maintenance	0.05
12.		2403-101 –21-Control of Animal Diseases –General Expenses	4.43
13.		2403-101-21 –Control of Animal Diseases -Grants-in-aid	0.08
14.		2403-101 –17-Centrally sponsored scheme of setting up of State Veterinary Council -Grants-in-aid	0.20
15.		2403-101 –25-Institute for Vaccine Production –Other expenses	0.50
16.		2403-102 –2-Animal Husbandry Department -Suvarna Karnataka –Grants-in-aid	0.10
17.		2403-103 –17-Assistance to Poultry Farms (CSS) –Other expenses	0.99
18.		2403-113 –04-Animal Husbandry Statistics and Live Stock Census -Transport Expenses	0.50
19.		2403-113 –04-Animal Husbandry Statistics and Live Stock Census -General Expenses	0.40

Sl. No.	Grant	Head of account	Unspent provision
20.		2403-113 -04-Animal Husbandry Statistics and Live Stock Census - Travel Expenses	0.10
21.		2403-113 -04-Animal Husbandry Statistics and Live Stock Census - Subsidiary Expenses	0.02
22.		2404-191 -1-Karnataka Milk Producers Co-operative Federation Limited -Dairy Programmes for Women -Karnataka Milk Federation -Other Expenses	23.40
23.		2404-191 -1-Karnataka Milk Producers Co-operative Federation Limited -Dairy Programmes for Women -Special Component Plan	4.65
24.		2404-191 -1-Karnataka Milk Producers Co-operative Federation Limited -Dairy Programmes for Women -Tribal Sub Plan	1.95
25.		2404-191 -1-Karnataka Milk Producers Co-operative Federation Limited -Strengthening of Infrastructure for quality and clean Milk Production -Other Expenses	13.90
26.		2404-191-1-Karnataka Milk Producers Co-operative Federation Limited -Institute of IRMA Pattern -Grants-in-aid	4.10
27.		2404-191-2 -Institute of Animal Health and Veterinary Biologicals -Central Regional Disease Diagnostic Laboratory -Grants-in-aid	2.91
28.		2405-103-06 -Remission of Central Excise Duty on HSD used by Mechanical Fish craft -Financial Assistance / Relief	2.00
29.		2405-120-07 -Fisherman Welfare -Contributions	2.37
30.		2405-120-07 - Fisherman Welfare -Financial Assistance / Relief	0.77
31.		2405-120-07 - Fisherman Welfare -Subsidies	0.07
32.		2405-800-20 -Matsya Ashraya -Other Expenses	7.80
33.		2405-800-20 -Matsya Ashraya -Special Component Plan	1.55
34.		2405-800-20 - Matsya Ashraya -Tribal Sub-Plan	0.65
35.		2405-800-21 - Assistance to National Fisheries Development Board Assisted Schemes -Grants-in-aid	0.22
36.		4403-101-06 -Institute of Vaccine Production -Major works	1.50
37.	07 -Rural Development and Panchayat Raj	2402-800-03 -Prime Minister's Relief Package -Rain Water Harvesting -Other Expenses	6.00
38.		2402-800-03 -Prime Minister's Relief Package -Participatory Watershed Project -Other Expenses	54.00

Sl. No.	Grant	Head of account	Unspent provision
39.	08 –Forest, Ecology and Environment	2406-01-101-2 –Other Schemes -Implementation and Management Action Plan for Mangroves -Major Works	0.54
40.		2406-01-101-2 –Utilisation of CAMPA Fund –Major works	20.00
41.		2406-02-110-20 –Nilgiris Biosphere Rescue -Major Works	0.68
42.	09 –Co-operation	4425-108-54 –Renukadevi Farmers Maize Processing Unit Investments -Investments	1.37
43.		6425-108-3 –Other Societies -Special Credit to PACs for BDP (Interest Free Loans.)-CSS –Loans	0.12
44.		6425-105-3 – Loan assistance under NCDC – Sponsored ICDP Project -Loans	0.15
45.		6425-108-3 –Loans to Renukadevi Farmers Maize Processing Unit -Loans	2.47
46.		6425-108-3 –Loans to Renukadevi Farmers Maize Processing Unit –Souhardha Society Loans	0.50
47.	12 –Information, Tourism and Youth Services	3452-80-001-01 -- Directorate of Tourism -Special Component Plan	8.43
48.		3452-80-001-01 - Directorate of Tourism -Tribal Sub Plan	3.43
49.	19 –Urban Development	2217-80-800-07 –Submission for Basic Services for Urban Poor	132.30
50.		2217-80-800-06 –Basic Urban Service Programme Urban Infrastructure –Other Expenses	369.98
51.		2217-80-800-08 –Urban Infrastructure Development Scheme for Small and Medium Town (UIDSSMT) -Other Expenses	15.58
52.		2217-80-800-11 –Basic Urban Service Programme Urban Transport -Other Expenses	47.40
53.		3604-191-04 –Bruhat Bangalore Mahanagara Palike -Financial Assistance / Relief	1.67
54.	23 -Labour	2230-01-198-6 –Grama Panchayats CSS /CPS -Block Grants	0.90
55.		2210-01-102-01 –Administrative Unit -Grant-in-aid	0.75
		Total	754.43

Appendix 2.3

Persistent Unspent Provisions of Rs.1 crore and above (Reference: Paragraph 2.3.3, Page 41)

Sl. No.	Grant	Major Head	(Rupees in crore)		
			Year		
			2005-06	2006-07	2007-08
1.	01- Agriculture and Horticulture (Revenue-Voted)	2401-001-1- Agriculture Department	5.84	5.36	22.22
2.		2401-001-2- Horticulture Department	3.47	8.09	44.78
3.		2401-103-01 Seed Farms	1.09	0.89	1.35
4.		2401-109-21 –Farm Related Activities	1.93	2.59	2.28
5.		2401-109-80 –Project for Agricultural Training of Farm Women and Youth with DANIDA Assistance	1.72	1.84	1.46
6.		2401-110-07 New Crop Insurance Scheme	191.64	147.10	60.23
7.		2401-796-1- Agriculture Department	4.38	4.38	12.12
8.		2401-800-1- Agriculture Department	51.87	48.08	52.26
9.		2401-800-2- Horticulture Department	2.09	15.41	18.03
10.		2402-102-1– Directorate and other Establishment	1.00	1.50	2.21
11.		2402-102-25- Centrally Sponsored Scheme –Soil Conservation in the catchment of River Valley Projects by Watershed Development Department	8.73	1.81	2.56
12.	02 –Animal Husbandry and Fisheries (Revenue Voted)	2403-101-21 –Control of Animal Diseases	2.44	3.60	4.64
13.		2403-800-14 Special Component Plan (State Plan Scheme)	1.62	3.11	1.62
14.		2403-800-23 Live Stock Development Farms	1.49	1.90	2.35
15.	(Capital Voted)	4403-101-02 Construction of Dispensaries under RIDF	1.57	3.49	1.60
16.	03 –Finance (Revenue Voted)	2070-800-10 Filling up of Vacant Posts (State Sector)	144.67	131.32	130.17
17.		2070-800-11 Filling up of Vacant Posts (District Sector)	121.75	111.99	110.73
18.		2071-01-104-2 Other Gratuities –Karnataka	136.93	101.52	59.89
19.		2216-80-103-01 Subsidy to HDFC on House Building Loans to Government Servants	4.00	5.59	5.87
20.	(Capital Voted)	7610-201-02 House Building Advance to All India Service Officers	2.96	6.96	2.92
21.		7610-202-01 Motor Conveyance Advance to Government Servants including AIS Officers	3.84	3.57	3.96
22.	04 –Department of Personnel and Administrative Reforms (Revenue Voted)	2013-800-02 Telephone Charges	1.76	1.77	1.37
23.		2015-108-01 Issue of Photo Identity Cards to Voters	7.97	11.62	11.01
24.		2052-090-01 Karnataka Government Secretariat	4.95	6.27	7.73

Sl. No.	Grant	Major Head	Year		
			2005-06	2006-07	2007-08
25.	06 –Infrastructure Development (Capital Voted)	5465-01-190-3 Investment in Rail Infrastructure Development Corporation (Karnataka) Ltd., (KRIDE)	5.50	61.11	69.56
26.	07 –Rural Development and Panchayat Raj (Revenue Voted)	2215-01-102-9 Other Schemes	1.10	1.21	2.04
27.	(Capital Voted)	4215-01-102-1 Scheme with Bilateral Assistance	1.00	1.00	1.00
28.		4215-01-102-9 Capital Release to Grama Panchayats	101.28	343.84	399.81
29.	11 – Women & Child Development (Revenue Voted)	2235-02-102-04 Centrally Sponsored Scheme (100%) of Integrated Child Development Service	3.03	4.23	1.30
30.	17 – Education (Capital Voted)	4202-01-203-1 Buildings	21.15	23.16	25.43
31.		4202-02-104-1 Buildings	1.22	4.00	39.85
32.	18 – Commerce & Industries (Revenue Voted)	2851-102-29 Lumpsum Provision for Special Component Plan (Corporation and Companies viz., Lidkar, KVIB, KHDC and KSCDS)	1.73	5.43	14.74
33.		2851-107-1 State Sericulture Industries	27.99	29.16	19.51
34.		2885-01-101-2 Karnataka Industrial Area Development Board	4.00	2.00	2.20
35.	(Capital Voted)	4851-102-09 Specialised Skill Development Institutions	1.35	2.38	1.00
36.		6885-60-800-3 Invoking of Guarantees	1.00	1.00	1.00
37.	19 –Urban Development (Revenue Voted)	2215-01-191-1 Karnataka Urban Water Supply and Drainage Board	10.31	42.93	24.34
38.		2217-05-800-03 Starting of DUDC	2.12	2.79	3.22
39.		2217-80-001-3 Municipal Administrative Service	1.79	1.68	2.85
40.		2217-80-001-4 Directorate of Municipal Administration	5.48	18.57	23.43
41.	20 –Public Works (Revenue Voted)	2059-80-001-09 Execution (C&B) North	4.47	8.14	13.78
42.		2059-799-1 Debits	76.31	87.42	96.42
43.		2216-01-700-4 Furnishing	1.99	1.05	2.48
44.		3054-80-797-03 Transfer of cess to Rural Road Development Fund	161.58	100.00	145.00
45.		3054-80-001-01 Prorata Establishment Charges transferred from 2059 Public Works	4.22	4.64	5.10
46.	(Capital Voted)	4216-01-700-2 Construction	7.51	6.19	9.37
47.	21 –Water Resources (Revenue Voted)	2702-01-102-1 Chief Engineer, Minor Irrigation, Bangalore	7.44	11.11	7.54
48.		2705-201-01 Tunga Bhadra Project	2.51	3.06	3.17
49.		2705-202-01 Malaprabha and Ghata Prabha Projects	1.82	21.58	4.38

Sl. No.	Grant	Major Head	Year		
			2005-06	2006-07	2007-08
50.		2705-203-01 Cauvery Basin Projects	1.52	2.18	3.11
51.		2705-205-01 Bhadra Project	1.25	1.50	2.04
52.		2705-206-01 Projects	1.03	1.58	2.20
53.	(Capital Voted)	4701-01-328-6 Lift Irrigation Scheme NABARD	12.67	17.68	4.30
54.		4701-01-401-3 Suspense	8.16	8.73	7.50
55.		4701-03-328-4 Other Expenditure	3.92	4.76	1.15
56.		4701-03-337-3 Suspense	1.00	1.00	1.00
57.		4701-03-374-01 AIBP	64.56	195.00	186.96
58.		4701-80-800-01 New Schemes	19.29	24.25	66.20
59.		4702-101-1 Water Tanks –Construction of New Tanks, Pickups etc	21.11	157.11	270.20
60.		4702-101-2 World Bank Aided Tank Irrigation Projects	29.96	120.00	130.00
61.		4702-101-3 Lift Irrigation Projects	1.48	27.87	79.61
62.		4702-789 Special Component Plan	18.51	9.03	14.60
63.		4702-796 Tribal Area Sub-Plan	4.03	1.71	7.85
64.	22 –Health and Family Welfare	2210-06-101-1 Malaria	11.69	11.06	10.53
65.	(Revenue Voted)	2210-06-101-8 Control of Blindness	3.82	5.61	5.64
66.		2211-003-02 Training of Auxilliary Nurses, Midwives, Dadis and Lady Health Visitors	1.10	1.02	1.20
67.		2211-102-01 Urban Family Welfare centres run by State Government	1.10	1.51	2.09
68.	(Capital Voted)	4210-01-110-1 Buildings	40.62	56.15	64.02
69.	23 –Labour (Revenue Voted)	2210-01-102-01 Administrative Unit	8.53	6.50	8.44
70.		2210-02-101-01 General Employment and Training	1.10	1.15	1.96
71.	25 –Kannada and Culture (Revenue Voted)	2205-102-1 Associations and Academics	3.19	3.25	16.47
72.	29 –Debt Servicing (Revenue Charged)	2049-01-115-01 Interest on Ways and Means and Special Ways and Means	5.00	5.00	4.96
73.		2049-01-200-1 Interest on loan –Temporary ways and means Accommodation from the Reserve bank of India	1.16	1.35	1.53
74.		2049-04-101 Interest on Loans for State Plan Schemes	1093.27	97.87	54.81

Appendix 2.4
Surrender of unspent provisions
(Reference: Paragraph 2.3.4, Page 41)

(Rupees in crore)

Sl. No.	Grant/Section	Amount of unspent provision	Amount surrendered	Amount not surrendered	Percentage of amount not surrendered
(1)	(2)	(3)	(4)	(5)	(6)
1	1 Agriculture and Horticulture				
	Revenue Voted	408.73	266.13	142.60	35
	Revenue Charged	0.05	0.04	0.01	20
	Capital Voted	6.33	6.03	0.30	5
2	2 Animal Husbandry & Fisheries				
	Revenue Voted	141.95	110.14	31.81	22
	Revenue Charged	0.07	0.05	0.02	29
	Capital Voted	10.35	2.16	8.19	79
3	3 Finance				
	Revenue Voted	228.53	74.22	154.31	68
	Revenue Charged	4.48	---	4.48	100
	Capital Voted	30.56	9.60	20.96	69
4	4 Department of Personnel and Administrative Reforms				
	Revenue Voted	61.94	19.40	42.54	69
5	6 Infrastructure Development				
	Capital Voted	61.02	60.21	0.81	1
6	7 Rural Development and Panchayat Raj				
	Revenue Voted	384.70	60.00	324.7	84
	Capital Voted	596.15	125.00	471.15	79
7	8 Forest, Ecology and Environment				
	Revenue Voted	67.77	44.38	23.39	35
8	9 Co-operation				
	Revenue Voted	32.08	27.10	4.98	16
9	10 Social Welfare				
	Revenue Voted	102.25	4.33	97.92	96
	Capital Voted	21.36	---	21.36	100
10	11 Women and Child Development				
	Revenue Voted	142.57	---	142.57	100
	Capital Voted	3.53	---	3.53	100
11	12 Information, Tourism and Youth Services				
	Revenue Voted	34.24	16.19	18.05	53
	Capital Voted	49.14	5.00	44.14	90
12	13 Food and Civil Supplies				
	Revenue Voted	7.02	4.88	2.14	30
13	14 Revenue				
	Revenue Voted	126.16	17.30	108.86	86
	Revenue Charged	1.05	---	1.05	100
	Capital Voted	107.80	---	107.80	100
14	15 Information Technology				
	Revenue Voted	0.60	---	0.60	100
15	16 Housing				
	Revenue Voted	12.24	---	12.24	100
	Capital Voted	26.37	---	26.37	100
16	17 Education				
	Revenue Voted	317.87	75.11	242.76	76
	Capital Voted	64.24	36.02	28.22	44

Sl. No.	Grant/Section	Amount of unspent provision	Amount surrendered	Amount not surrendered	Percentage of amount not surrendered
(1)	(2)	(3)	(4)	(5)	(6)
17	18 <i>Commerce and Industries</i>				
	Revenue Voted	296.97	19.64	277.33	93
	Capital Voted	48.60	5.02	43.58	90
18	19 <i>Urban Development</i>				
	Revenue Voted	1,194.95	785.27	409.68	34
	Capital Voted	155.33	---	155.33	100
19	20 <i>Public Works</i>				
	Revenue Voted	344.25	29.80	314.45	91
	Capital Voted	217.72	---	218.82	100
20	21 <i>Water Resources</i>				
	Revenue Voted	48.66	26.56	22.10	45
	Capital Voted	1,168.64	463.16	705.48	60
21	22 <i>Health and Family Welfare</i>				
	Revenue Voted	243.75	147.87	95.88	39
	Capital Voted	67.12	27.15	39.97	60
22	23 <i>Labour</i>				
	Revenue Voted	29.28	24.45	4.83	16
	Capital Voted	10.89	---	10.89	100
23	24 <i>Energy</i>				
	Revenue Charged	21.02	---	21.02	100
	Capital Voted	50.04	---	50.04	100
24	25 <i>Kannada and Culture</i>				
	Revenue Voted	38.91	30.57	8.34	21
25	26 <i>Planning, Statistics, Science and Technology</i>				
	Revenue Voted	178.76	4.19	174.57	98
26	27 <i>Law</i>				
	Revenue Voted	15.66	3.43	12.23	78
27	28 <i>Parliamentary Affairs and Legislation</i>				
	Revenue Voted	18.42	17.20	1.22	7
	Revenue Charged	0.46	0.43	0.03	7
28	29 <i>Debt Servicing</i>				
	Revenue Charged	312.43	144.98	167.45	54
	Capital Charged	1,320.70	0.13	1,320.57	100
	Total	8,833.71	2,693.14	6,140.57	70

Appendix 2.5
Excess requiring regularisation
(Reference: Paragraph 2.4.1, Page 42)

(Rupees in crore)

Year	Number of grants/ Appropriation	Grant/Appropriation numbers	Amount of excess required to be regularised as commented in the Appropriation Accounts/Audit Reports	Actual excess	Remarks
1989-90	12/5	7,8,10,24,27,46,47,49,53,20,35,56,23,45,12, Interest payments	25.89	25.89	
1990-91	13/4	6,7,10,13,20,32,45,46,47,52,27,33,35,47,4	35.73	35.68	Excess reduced on account of reconciliation of expenditure
1991-92	13/3	7,11,14,22,23,36,45,46,47,51, 57,27,24,41, 43	58.99	58.47	-do-
1992-93	12/3	6,9,27,32,34,41,43,44,45,46,50,52,25,33, 34,48	107.47	107.47	
1993-94	7/3	22,36,46,49,54,13,29,49,24,43, Internal debt, Loans and advances from Central Government and Inter State Settlements	57.47	57.47	
1994-95	4/6	21,35,3,48,15,24,46,47,55	8.35	7.95	Due to erroneous budget provision
1995-96	9/2	2,33,39,43,45,49,1,46,52,21,44	27.79	27.79	
1996-97	9/3	2,16,33,43,49,51,8,24,25,45,1, 21,43,44	104.40	104.40	
1997-98	11	12,33,37,39,43,49,51,24,27,32,55	84.01	84.01	
1998-99	12	9,17,33,37,39,40,4,25,46,43,52	35.86	34.74	Excess reduced on account of reconciliation of expenditure
1999-00	11/2	10, 16, 19, 33, 34, 39, 48, 49, 65, 66, 8, 43.	333.22	333.22	
2000-01	11	5, 15, 24, 35, 38, 49, 7, 10, 42, 30, 44	114.46	114.46	
2001-02	10	5, 10, 13, 15, 24, 30, 35, 42, 44, 50	112.64	112.64	
2002-03	3/5	53,13,60,15,30,44,55,44	1,090.49	1,090.49	
2003-04	6/1	14,16,27,24,8,20,29	2,817.82	2,811.36	Reduction of Rs.6.46 crore is the net result of increase of Rs.0.04 crore due to reconciliation and decrease of Rs.6.50 crore due to rectification of misclassification.
2004-05	5/1	8,17,18,20,24,29	1,919.02	2,204.68	Excess increased due to proforma correction of Rs.285.66 crore under Grant 24 on account of book adjustments relating to power subsidy for 2004-05, not shown in the annual accounts 2004-05
2005-06	4/1	3,14,18,24,25	809.02	809.02	
2006-07	4/1	8,14,15,18,24	483.45	483.45	
Total			8,226.08	8,503.19	

Appendix 2.6

Persistent Excess expenditure over provision

(Ref: Paragraph 2.4.3, Page 42)

(Rupees in crore)

Sl. No.	Grant & Head of account	2005-06			2006-07			2007-08		
		Provision	Expenditure	Excess	Provision	Expenditure	Excess	Provision	Expenditure	Excess
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	1- Agriculture and Horticulture 2013-800-06 -Gardens	0.91	1.59	0.68	1.09	1.29	0.20	0.98	1.23	0.25
2	3 - Finance 2071-01-105-3 -Other Family Pensions -Karnataka	95.00	124.36	29.36	85.00	250.29	165.29	150.00	350.16	200.16
3	2071-01-115-2 -Social Services	43.69	46.67	2.98	46.05	50.63	4.58	58.10	60.12	2.02
4	4 - Department of Personnel and Administrative Reforms 2013-108 Tour Expenses	2.07	2.52	0.45	2.07	2.58	0.51	2.47	3.22	0.75
5	2015-103-02 Legislative Council Constituencies	0.01	0.63	0.62	0.01	0.39	0.38	0.31	0.42	0.11
6	2014-102-01 Judges	3.75	3.82	0.07	3.75	4.39	0.64	4.18	4.67	0.52
7	2014-102-04 Judicial Officers and Staff of High Court	0.18	0.41	0.23	0.19	0.22	0.03	0.20	0.30	0.10
8	19 - Urban Development 2217-05-001-1 Town and Regional Planning	4.74	5.04	0.30	4.67	5.01	0.34	5.70	5.94	0.24
9	6217-60-191-3 Karnataka Infrastructural Project -Loans to PSUs and Local Bodies	---	---	0.84	---	---	0.95	---	---	0.18

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	20 – Public Works									
10	2059-80-001-01 Chief Engineer (C&B South, Bangalore)	2.71	4.27	1.56	3.10	4.60	1.50	3.23	5.23	2.00
11	2059-80-001-02 Chief Engineer (C&B North, Dharwad)	1.70	2.26	0.56	1.91	2.30	0.39	2.27	2.81	0.55
12	2059-80-001-04 Supervision (C&B, South)	4.49	5.47	0.98	5.09	5.52	0.43	6.10	7.02	0.92
13	2059-80-001-05 Execution (C&B South)	40.72	48.33	7.61	44.31	48.10	3.79	56.81	58.29	1.48
14	3054-01-001-1 Direction	1.77	2.73	0.96	2.19	2.56	0.37	2.61	3.03	0.42
	21 - Water Resources									
15	2701-01-316-04 Maintenance and Repairs	0.31	0.40	0.09	0.47	0.58	0.11	0.37	0.46	0.09
16	2701-01-317-04 Maintenance and Repairs	8.56	11.29	2.73	7.54	11.78	4.24	8.30	11.28	2.98
17	2701-03-345-04 Maintenance and Repairs	0.10	0.20	0.10	0.11	0.23	0.12	0.12	0.28	0.16
18	2702-01-101-02 Maintenance and Repairs	15.63	23.68	8.05	29.20	40.38	11.18	18.92	23.33	4.41
19	2702-80-001-1 Chief Engineer, Minor Irrigation	2.64	3.32	0.68	2.86	3.43	0.57	3.39	4.09	0.70
20	4701-01-315-3 Suspense	-	4.33	4.33	-	0.49	0.49	-	1.15	1.15
21	4701-01-317-1 Direction and Administration	1.14	9.34	8.20	1.04	8.27	7.23	1.17	10.67	9.50
22	4701-01-359-1 Direction and Administration	0.88	1.60	0.72	0.62	3.08	2.46	0.96	3.86	2.90
	22 –Health and Family Welfare									
23	2211-108-1 India Population Project –Population Centre	1.14	2.46	1.32	1.46	1.85	0.39	1.69	2.04	0.35
24	6210-01-800-81 Upgrading Health Facility in Karnataka	-	-	0.80	-	-	0.58	-	-	3.91

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
25	29 –Debt Servicing 2049-01-123-02 Interest on Special Securities issued to National Small Savings Fund of the Central Government by State Government	987.64	1,311.78	324.14	1,661.86	1715.35	53.49	1,956.25	1,960.89	4.64
26	2049-04-103 Interest on loans for Centrally Sponsored Plan Schemes	18.81	19.05	0.24	18.33	18.75	0.42	1.78	18.51	0.93

Appendix 2.7
Unnecessary supplementary provisions
(Reference: Paragraph 2.5.1, Page 42)

(Rupees in crore)

Sl. No.	Grant No. & Section	No. of detailed heads	Provision		Expenditure	Unspent provision
			Original	Supplementary		
1.	1 (Revenue-Voted)	01	-	2.00	-	2.00
2.	9 (Revenue –Voted)	02	-	5.89	-	5.89
3.	10 (Revenue-Voted)	01	5.00	2.22	2.22	5.00
4.	11 (Revenue –Voted)	01	-	0.21	-	0.21
5.	13 (Revenue –Voted)	01	-	0.50	-	0.50
6.	14 (Capital – Voted)	01	-	30.00	-	30.00
7.	17 (Revenue –Voted)	04	-	12.00	-	12.00
8.	18 (Revenue –Voted)	01	10.20	0.69	7.83	3.06
9.	20 (Revenue –Voted)	02	-	17.14	-	17.14
	20 (Capital- Voted)	02	170.00	6.97	128.19	48.78
10.	22 (Revenue- Voted)	02	5.01	5.64	5.01	5.64
11.	23 (Revenue –Voted)	02	13.35	5.77	13.22	5.90
12.	25 (Revenue –Voted)	01	6.05	5.10	5.78	5.37
	Total	21	209.61	94.13	162.25	141.49

Appendix 2.8
Insufficient supplementary provisions
(Reference: Paragraph 2.5.2, Page 42)

(Rupees in crore)

Sl. No.	Grant & Section	No. of detailed heads	Provisions		Expenditure	Excess uncovered
			Original	Supplementary		
1	4 (Revenue – Voted)	01	3.00	0.05	3.32	0.27
2	14 (Revenue – Voted)	01	2.01	0.20	2.51	0.30
3	15 (Revenue – Voted)	01	1.50	0.50	2.20	0.20
4	17 (Revenue – Voted)	04	49.29	4.11	61.75	8.35
5	21 (Capital-Voted)	01	1.96	0.08	3.25	1.21
6	22 (Capital – Voted)	02	60.02	35.00	108.36	13.34
7	27 (Capital- Voted)	01	-	4.12	4.86	0.74
	Total	11	117.78	44.06	186.25	24.41

Appendix 2.9
Excessive supplementary provisions
(Reference: Paragraph 2.5.3, Page 42)

(Rupees in crore)

Sl. No.	Grant & Section	No. of detailed heads	Provision		Expenditure	Unspent provision
			Original	Supplementary		
1	1 (Revenue-Voted)	01	-	25.00	8.10	16.90
2	4 (Revenue-Voted)	02	0.03	4.50	2.45	2.08
3	5 (Revenue-Voted)	01	29.91	50.00	73.91	6.00
4	7 (Capital-Voted)	02	107.44	34.83	136.91	5.36
5	10 (Capital -Voted)	02	29.77	16.00	37.78	7.99
6	12 (Revenue-Voted)	01	6.48	0.63	6.52	0.59
7	14 (Revenue-Voted)	02	-	61.00	35.54	25.46
8	15 (Revenue-Voted)	01	5.65	0.59	6.04	0.20
9	17 (Revenue-Voted)	03	2.04	12.90	5.55	9.39
	17 (Capital-Voted)	01	-	4.00	0.50	3.50
10	18 (Revenue-Voted)	02	2.00	3.22	3.37	1.85
11	20 (Revenue-Voted)	01	-	10.52	7.06	3.46
12	21 (Revenue-Voted)	01	9.57	43.59	51.75	1.41
	21 (Capital-Voted)	01	2.40	10.00	5.62	6.78
13	22 (Revenue -Voted)	01	14.67	9.25	15.92	8.00
14	23 (Revenue –Voted)	02	12.63	10.17	21.03	1.77
15	24 (Capital –Voted)	01	250.00	120.00	320.00	50.00
	Total	25	472.59	416.20	738.05	150.74

Appendix 2.10
Injudicious re-appropriation of funds

(Reference: Paragraph 2.6.1, Page 43)

(Rupees in crore)

Sl. No.	Head of account	Provision (Original plus Supplementary)	Re-appropriation	Final Grant	Expenditure	Excess (+)/ unspent provision (-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	2702 Minor Irrigation 1 Surface Water 101 Water Tanks 2 Maintenance and Repairs 200 Maintenance	18.92	(+)1.30	20.22	23.33	(+)3.11
2	4702 Capital outlay on Minor Irrigation 800 Other Expenditure 1 Land acquisition charges and settlement of claims 132 Capital expenses	10.00	(+)10.38	20.38	22.71	(+)2.32
3	2202 General Education 2 Secondary Education 196 Assistance to Zilla Panchayats 1 Zilla Panchayats 1 Block Grants 406 Tumkur	55.78	(+)0.25	56.03	56.65	(+)0.62
4	2013 Council of Ministers 108 Tour expenses 41 Travel Expenses	2.47	(+)0.14	2.61	3.22	(+)0.61
5	5051 Capital outlay on Ports & Light Houses 2 Minor Ports 201 Karwar Port Development 4 Construction of Wharfs, jetties and other facilities 59 Other Expenses	0.75	(+)1.20	1.95	2.44	(+)0.49
6	2701 Major and Medium Irrigation 1 Major Irrigation – Commercial 318 Tungabhadra project – Right Bank 4 Maintenance and Repairs 200 Maintenance	2.65	(+)0.87	3.52	4.00	(+)0.48

(1)	(2)	(3)	(4)	(5)	(6)	(7)
7	2702 Minor Irrigation 80 General 1 Direction and Administration 1 Chief Engineer – Minor Irrigation 1 Chief Engineer, Minor Irrigation (South), Bangalore-Salaries	1.67	(+)0.06	1.73	2.11	(+)0.38
8	2403 Animal Husbandry 101 Veterinary Services & Animal Health 6 Institute of Animal Health and Veterinary Biological and clinical laboratories, Bangalore 101 Grants in aid	3.48	(+)0.80	4.28	4.63	(+)0.35
9	2202 General Education 2 Secondary Education 109 Government Secondary scheme 6 Providing infrastructural facilities to Government Secondary schools converted into Junior colleges 125 Modernization	2.10	(+)4.20	6.30	6.59	(+)0.29
10	2702 Minor Irrigation 80 General 1 Direction & Administration 1 Chief Engineers – Minor Irrigation 2 Chief Engineer, Minor irrigation (North), Bijapur - Salaries	1.51	(+)0.09	1.60	1.88	(+)0.28
11	2702 Minor Irrigation 80 General 001 Direction & Administration 2 Survey establishment 01 Bangalore South - Salaries	1.02	(+)0.12	1.14	1.41	(+)0.27
	Total	100.34	(+)19.42	119.76	128.99	(+)9.23
12	2235 Social Security & Welfare 60 Other Social security and welfare programmes 001 Direction & Administration 02 New Social security 059 Other Expenses	252.00	(-)23.43	228.57	0.61	(-)227.96

(1)	(2)	(3)	(4)	(5)	(6)	(7)
13	2071 Pensions and Other Retirement Benefits 01 Civil 104 Gratuities 2 Other Gratuities -Karnataka 03 DCRG under revised Pension Rules 251 Pension and Retirement Benefits	365.00	(-)9.00	356.00	309.14	(-)46.86
14	2202 General Education 80 General 800 Other Expenditure 35 Grants-in-aid in Education 101 Grants-in-aid	60.00	(-)13.25	46.75	0.00	(-)46.75
15	2202 General Education 1 Elementary Education 800 Other Expenditure 1 Other Schemes 44 Sarva Shiksha Abhiyana Society 059 Other Expenses	230.00	(-)31.73	198.27	157.09	(-)41.18
16	2851 Village and Small Industries 102 Small Scale Industries 73 Koushalya Abhivridhi Yojane 59 Other Expenses	30.00	(-)4.00	26.00	1.00	(-)25.00
17	2202 General Education 3 University and Higher Education 103 Government Colleges and Institutes 2 Other Government Colleges 1 Other Government Colleges 59 Other Expenses	34.05	(-)1.00	33.05	18.95	(-)14.10
18	2852 Industries 80 General 800 Other Expenditure 47 Establishment of Urban Health 59 Other Expenses	6.00	(-)1.64	4.36	1.50	(-)2.86
19	2501 Special Programmes for Rural Development 1 Integrated Rural Development Programmes 198 Assistance to Grama Panchayats 6 Village Panchayats -CSS/CPS 1 Block Grants 420 Raichur	5.11	(-)0.32	4.79	1.98	(-)2.81

(1)	(2)	(3)	(4)	(5)	(6)	(7)
20	2235 Social Security and Welfare 2 Social Welfare 103 Women's Welfare 99 Welfare Programmes for Women 100 Financial Assistance / Relief	6.60	(-)1.07	5.53	2.87	(-)2.66
21	2501 Special Programmes for Rural Development 1 Integrated Rural Development Programmes 198 Assistance to Grama Panchayats 6 Village Panchayats –CSS/CPS 1 Block Grants 404 Kolar	4.84	(-)0.93	3.91	1.77	(-)2.14
22	2501 Special Programmes for Rural Development 1 Integrated Rural Development Programmes 198 Assistance to Grama Panchayats 6 Village Panchayats –CSS/CPS 1 Block Grants 407 Mysore	4.49	(-)0.63	3.86	2.37	(-)1.49
23	2054 Treasury and Accounts Administration 095 Directorate of Accounts and Treasuries 1 Director of Treasuries 125 Modernisation	8.00	(-)1.12	6.88	5.54	(-)1.34
24	2235 Social Security & Welfare 2 Social Welfare 102 Child Welfare 4 CSS (100%) of Integrated Child Development Service 51 General Expenses	4.50	(-)0.05	4.45	3.14	(-)1.31
25	2852 Industries 80 General 800 Other Expenditure 46 Infrastructure support and Trade promotion 125 Modernisation	6.46	(-)1.00	5.46	4.26	(-)1.20
26	2801 Power 80 General 101 Assistance to Electricity Board 1 Karnataka Electricity Board 12 Incentive Growth to GP 106 Subsidies	10.00	(-)9.00	1.00	0.00	(-)1.00

(1)	(2)	(3)	(4)	(5)	(6)	(7)
27	2014 Administration of Justice 105 Civil and Session Courts 11 Setting up of 6 Lok Adalats (Legal Policy) 59 Other Expenses	2.00	(-)0.50	1.50	0.50	(-)1.00
28	5051 Capital outlay on Ports & Light Houses 2 Minor Ports 209 Development of Mangalore Ports 4 Construction of Wharfs, jetties and other Facilities 59 Other Expenses	1.78	(-)1.12	0.66	0.16	(-)0.50
29	2406 Forestry and Wild life 1 Forestry 105 Forest Produce 1 Timber and other Forest Produce removed by Government Agency 51 General Expenses	0.55	(-)0.17	0.38	0.00	(-)0.38
30	4702 Capital outlay on Minor Irrigation 101 Surface Water 3 Lift Irrigation Scheme 1 Chief Engineer, Bangalore (Minor Irrigation) 436 NABARD Works	20.52	(-)6.73	13.79	13.43	(-)0.36
31	2071 Pensions and Other Retirement Benefits 1 Civil 101 Superannuation and Retirement Allowances 3 State Government Pension 1 Pension paid in India 251 Pension and Retirement Benefits	2,256.00	(-)291.00	1,965.00	1,964.75	(-)0.25
32	2205 Art and Culture 102 Promotion of Arts and culture 1 Associations and Academics 73 Assistance to Kempegowda Foundation 15 Subsidiary Expenses	1.00	(-)0.50	0.50	0.25	(-)0.25
	Total	3,308.90	(-)398.19	2,910.71	2,489.32	(-)421.39

(1)	(2)	(3)	(4)	(5)	(6)	(7)
33	2202 General Education 2 Secondary Education 109 Government Secondary Scheme 3 High Schools (District Sector Scheme) 59 Other Expenses	32.00	(+)27.53	59.53	39.48	(-)20.05
34	4702 Capital outlay on Minor Irrigation 101 Surface Water 5 Barrages 1 Construction of Barrages 436 NABARD Works	49.80	(+)22.21	72.01	66.15	(-)5.86
35	2852 Industries 8 Consumer Industries 201 Sugar 7 Special Package to Sugar cane Growers and Sugar Industries 106 Subsidies	67.00	(+)6.64	73.64	70.92	(-)2.72
36	4702 Capital outlay on Minor Irrigation 101 Surface Water 1 Water Tanks –Construction of New tanks, Pickups etc., 6 Restoration of old and breached tanks and desilting of tanks 139 Major Works	0.00	(+)2.29	2.29	0.00	(-)2.29
37	2245 Relief on Account of Natural Calamities 2 Floods, Cyclones etc 110 Assistance for repairs & restoration of damaged water supply and sewerage works 1 Flood relief –Repairs of flood damages and reserve 100 Financial assistance / Relief	47.43	(+)60.76	108.19	106.19	(-)2.00
38	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 404 Kolar	10.92	(+)0.05	10.97	9.81	(-)1.16

(1)	(2)	(3)	(4)	(5)	(6)	(7)
39	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 408 Chickmagalur	5.41	(+)0.03	5.44	4.46	(-)0.98
40	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 410 Hasssan	7.35	(+)0.04	7.39	6.49	(-)0.90
41	2501 Special Programmes for Rural Development 1 Integrated Rural Development Programmes 198 Assistance to Grama Panchayats 6 Village Panchayats –CSS/CPS 1 Block Grants 451 Davanagere	2.97	(+)0.22	3.19	2.47	(-)0.72
42	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 456 Chickmagalur	4.61	(+)0.03	4.64	3.97	(-)0.67
43	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 407 Mysore	8.25	(+)0.30	8.55	7.95	(-)0.60
44	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 420 Raichur	6.18	(+)0.04	6.22	5.66	(-)0.56

(1)	(2)	(3)	(4)	(5)	(6)	(7)
45	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 405 Shimoga	6.61	(+)0.25	6.86	6.31	(-)0.55
46	2235 Social Security and Welfare 2 Social Welfare 102 Child Welfare 101 Grants-in-Aid	2.12	(+)1.70	3.82	3.32	(-)0.50
47	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 406 Tumkur	12.06	(+)0.04	12.10	11.61	(-)0.49
48	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 413 Belgaum	16.05	(+)0.06	16.11	15.66	(-)0.45
49	2501 Special Programmes for Rural Development 1 Integrated Rural Development Programmes 198 Assistance to Grama Panchayats 6 Village Panchayats –CSS/CPS 1 Block Grants 403 Chitradurga	3.34	(+)0.57	3.91	3.50	(-)0.41
50	5465 Capital outlay on General Financial and Trading Institution 2 Investment in Bangalore International Airport Ltd (BIAL) through KSIIDC 3 KSIIDC –BIAP Cell 211 Investments	0.25	(+)0.33	0.58	0.25	(-)0.33
51	2501 Special Programmes for Rural Development 1 Integrated Rural Development Programmes 198 Assistance to Grama Panchayats					

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	6 Village Panchayats –CSS/CPS 1 Block Grants 463 Haveri	2.67	(+)1.06	3.73	3.40	(-)0.33
52	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 403 Chitradurga	5.88	(+)0.03	5.91	5.60	(-)0.31
53	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 417 Gulbarga	11.14	(+)1.25	12.39	12.09	(-)0.30
54	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 402 Bangalore (Rural)	7.75	(+)0.40	8.15	7.87	(-)0.28
55	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 415 Dharwar	4.15	(+)0.03	4.18	3.92	(-)0.26
56	2235 Social Security and Welfare 2 Social Welfare 197 Assistance to Taluk Panchayats 6 Taluk Panchayats –CSS/CPS 3 Integrated Child Development Service 463 Haveri	5.50	(+)0.04	5.54	5.29	(-)0.25
	Total	319.44	(+)125.90	445.33	402.39	(-)42.95
57	4702 Capital outlay on Minor Irrigation 101 Surface Water 1 Water Tanks –Construction of New Tanks, Pick ups etc					

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	2 Chief Engineer, Minor Irrigation, Bangalore 436 NABARD Works	31.08	(-)7.12	23.96	28.88	(+)4.92
58	2235 Social Security and Welfare 2 Social Welfare 103 Women's Welfare 99 Welfare programmes for Women 101 Grants-in-Aid	1.17	(-)0.50	0.67	1.12	(+)0.45
Total		32.25	(-)7.62	24.63	30.00	(+)5.37

Appendix 2.11

Defective re-appropriation orders (Reference: Para 2.6.2, Page 43)

(Rupees in crore)

SL. No.	Grant	Re-appropriation Order No. & Date	Amount included	Issuing authority	Reasons for rejection
1	1-Agriculture & Horticulture	AHD 43 HGM 2008 Dt.03.03.08	0.0015	Under Secretary to Government Horticulture Department	Form 22A not enclosed
2	1-Agriculture & Horticulture	JAE A/C-3/ANUDANA/07-08 DT.11.2.08	0.0100	Commissioner Watershed Development Department	Order and Statement not signed in ink statement does not tally
3	1-Agriculture & Horticulture	FD 308 BRS 2008 DT.29.03.08	35.0000	Under Secretary to Government FD(FR&BCC)	Non-availability of grants for reappropriation
4	3-Finance	DOT/BUD(2)/51/07-08 DT.4.1.08	0.0200	Director of Treasuries	Sanction for reappropriation not conveyed
5	4-Department of Personnel and Administrative Reforms	DPAR 07 PRB 2008 B'LORE dated 19.03.2008	0.0159	Secretary to the Government DPAR(Political) Bangalore	Reappropriation Statement in Form 22A has not been enclosed
6	4-Department of Personnel and Administrative Reforms	CASIUE 36 SALU 2008 19.03.08	0.0656	Secretary to the Government, DPAR (Service Rules-2) Bangalore	1. Sanction for reappropriation has not been communicated in the order. 2. Ink signed copy of the order CASUE 36 SALU 2008 forwarded to this office has not been received in this office.
7	5 - Home and Transport	Acct(6)15 Anudhana/msg 06-07 dt22.10.08	0.0200	O/o DGP & commentdent General, Home Guards & Director of Civil Defence No.1, AM Road B'lore 42	Reappropriation order is not self balanced and internal columns do not tally
8	5 - Home and Transport	HD11 PBL 2008 dt.11.02.2008	0.3600	Under Secretary to Government Home Department (Police Expenditure)	The administrative department of Government are empowered to sanction reappropriation not exceedingRs.50 lakh under one unit of appropriation
9	8-Forest, Ecology & Environment	FEE 24/ENG 2007 DT.25.01.08	0.0327	Under Secretary to Government, Forest, Ecology & Environment Department	Form 22A not balanced
10	8-Forest, Ecology & Environment	FEE/69/ENG/07 DT.3.03.2008	0.0850	Under Secretary to Government, Forest, Ecology & Environment Department	Form 22A not balanced
11	8-Forest, Ecology & Environment	FEE/33/ENG/2007 DT.14.03.2008	0.0965	Under Secretary to Government, Forest, Ecology & Environment Department	Form 22A not balanced
12	12-Information Tourism & Youth Services	VAPRA 10 PSF 2008 DT.14.03.08	0.1500	The Director, Information & Publicity, Infantry Road, B'lore - 7	Sanction for reappropriation not communicated in the order
13	12-Information Tourism & Youth Services	FTS/17/A/CTS/742 DT.	0.0100	The Director, Government Flying Training School, Jakkur Aerodrome, B'lore-64	Reappropriation statement not signed in ink and columns are not properly filled in

14	12-Information Tourism & Youth Services	FTS/7/a/cts/07- 08/774 dt.26.3.08	0.0100	The Director, Government Flying Training School, Jakkur Aerodrome, B'lore-64	Sanction for reappropriation not communicated in the order
15	14-Revenue	ACT 3/CR -09/07- 08 DT.16.05.07	0.0200	Comissioner Hindu religious and charitable Endowments, B'lore - 18	Reappropriation order issued before the approval of full budget by the State Legislature
16	14-Revenue	RD 189 Bhudasa 2007 dt.31.12.2007	0.0800	Secretary to Government Revenue department, M.S.Building B'lore-1	Sanction for reappropriation not intimated properly in the G.O.
17	14-Revenue	ACT/BUD/CR/12/0 7-08/DT. 7.03.08	0.0200	Regional Commissioner Mysore	Proper sanction not communicated in the order. Reappropriation statement KFC 22A not self balanced. Reasons for saving not intimated.
18	17-Education	LD/LEPAVI- 2/43/PRAVI/07-08 dt.17.01.08	0.0200	Director of Libraries	1. Want of Specific reasons. 2. Sanction for reappropriation not communicated
19	17-Education	FD 92 BRS 2008 B'lore dt.5.2.08	38.9827	Secretary to Government of Karnataka, Finance Dept. Vidhana Soudha, B'lore	Want of approval from Planning department & reappropriation order not received mentioned in the statement
20	17-Education	FD 299 BRS 2008 B'lore dt.5.2.08	6.0400	Secretary to Government of Karnataka, Finance Dept. Vidhana Soudha, B'lore	Want of approval from Planning department
21	17-Education	FD 69 BRS 2008 B'lore dt.5.2.08	4.3673	Secretary to Government of Karnataka, Finance Dept. Vidhana Soudha, B'lore	Want of approval from Planning department
22	18-Commerce and Industries	FD 132 BRS 2008 DT.25.02.08	72.0000	Finance Department	Involves reappropriation of funds from plan to non-plan heads of account
23	18-Commerce and Industries	KYJA1/ACCTS/H A 2/07/08 dt.14.12.2007	0.0200	Commissioner for Textiles Development and Director of Handloom Textiles	Reappropriation Statement is not self-balanced and not in prescribed form
24	19-Urban Development	TPLV(2)380/07 DT.19.12.07	0.0812	Director of Town Planning Department	1. Form NO.22A of KFC 2. Sanction for reappropriation has not been communicated to this office
25	20-Public Works	CA2419-424/07-08 DT.19.11.07	0.0125	Chief Architect	Reasons for increase have not been given in KFC 22A
26	21-Water Resources	PW 9 (a) FC 1/08 dt.31.1.2008	0.7919	Finance Department (PW Finance Cell)	Reappropriation is not permissible from one grant to another grant and between revenue and capital
27	21-Water Resources	JASAE/20 HPC 2008	0.1850	Finance Deperment (Exp)	Sanction order for reappropriation has not been communicated. It has not been signed in ink.
28	22-Health and Family Welfare	AKUKA 17 HPC 2008 dt.26.03.2008	0.9900	Secretary to the Government Health & Family Welfare Department B'lore	Reappropriation Statement in Form 22A signed in ink is not enclosed with the sanction order
29	23-Labour	ACT 2/BOD CR 26 A/07-08 DT.24.01.08	0.0195	Director of Labour	Already been appropriated

30	23-Labour	ACT 2/BOD CR 26 A/07-08 DT.27.12.07	0.0100	Director of Labour	Order not signed in ink
31	23-Labour	LD 100 ETI 08 B'LORE DT.26.03.08	0.1949	Director of Labour	Statement KFC 22A not self balanced. Specific reasons not furnished.
32	23-Labour	BUDGET/IV - 13/07-08 DT18.02.08	0.0200	Director of Labour	Statement KFC 22A not self balanced.
33	23-Labour	LD 34 LSV 08 B'lore dt.15.03.08	0.4500	Director of Labour	Sanction for reappropriation not communicated. Has already been reappropriated
34	25-Kannada & Culture	DAMST 1:591 REAPP 07-08 Mysore dt.7.3.08	0.0180	Director of Archaeology & Museums Mysore	Want of specific reasons, department limit exceeds, reappropriated twice to the same head
35	25-Kannada & Culture	KASAMVA 6 KARAGE 08 B'LORE DT.31.3.08	0.2351	Secretary to Government, K&C, B'lore	Statement not self-balanced, and of specific reasons not mentioned
36	25-Kannada & Culture	KAGASA 56 08-09 DT.12.06.08	0.0930	Chief Editor Karnataka Gazetteer B'lore	Reappropriation order not signed in ink and statement not tallied
37	26-Planning Statistics	PD 60 PSD 2007 DT.12.09.07	0.0125	Under Secretary to Government of Karnataka (1&2) Planning & Statistics Dept	Form 22A not in order
38	27-Law	FD 259 BRS 2007 DT.4.12.07	2.2500	Secretary to Govt of Karnataka FD(FR & BCC) Vidhana soudha B'lore -1.	Increase in plan expenditure, permission of Planning Dept not obtained
39	27-Law	FJA/BUD/2007 DT.24.11.07	0.0500	The Director of Karnataka Judicial Academy, Consent House, Cresent Road, B'lore	Sanction of reappropriation not communicated in the order
40	27-Law	FD 32 BRS 2008 DT.17.1.2008	2.2500	The Secretary to Government of Karnataka, FD(FR&BCC) Vidhana soudha, B'lore -1	Year shown as 2008-09 instead of 2007-08. Permission of Planning Commission not obtained for increase of plan expenditure.
41	27-Law	OE 44 PPE 2008 DT.20.2.08	0.1000	The Secretary to Government of Karnataka, Home Depat Law and order, COFEFOSA & Prosecutions V.S B'lore	Sanction of reappropriation not communicated in the order
42	27-Law	KJA 900/2008 DT.16.2.08	0.1100	The Director, Karnataka Judicial Academy, Cresent House, Cresent Road, B'lore - 1	Reappropriation statement is not self balanced
43	27-Law	DCM 14/CS- 1/355/07-08 DT.29.1.08	0.0200	The Director of Prosecutions & Govt. Litigations in Karnataka, KHB Complex, 6th Floor, Cauvery Bhavan, B'lore 9	Sanction order for reappropriation has not been communicated.
44	27-Law	OE 44 E 2008 DT.20.2.08	0.1000	The Secretary to Government of Karnataka, Home Department Law and order, COFEFOSA & Prosecutions V.S B'lore	Sanction order for reappropriation has not been communicated.
Total			165.4208		

Appendix 2.12

Errors in budgeting

(Reference: Paragraph 2.8, Page 44)

(Rupees in crore)

Sl. No.	Grant	Head of account	Amount involved	Error
1	01 -Agriculture and Horticulture	2015 -Elections -Preparation and Printing of Electoral Rolls -Parliamentary and Assembly constituencies -Travel Expenses	1.00	Provision (Supplementary) was to be made under Grant No.4
2		2405 -Fisheries -Assistance to Zilla Panchayat -CSS/CPS -FPA for Development of Inland Fish and Block Grants -Bangalore (Rural)	0.95	Provision (Supplementary) was to be made under Grant No.2
3		2406-Forestry and Wild Life -Forest - Assistance to Zilla Panchayats -Block Grants -Bangalore	0.02	Provision (Supplementary) was to be made under Grant No.8
4	07 - Rural Development and Panchayat Raj	2059 -Public Works -General - Assistance to Zilla Panchayat -ZP	0.69	Provision (Supplementary) was to be made under Grant No.20
5	9 -Co-operation	4225 -Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes -Welfare of Scheduled Castes -Investments in Public Sector and Other undertakings - Prime Credit through Self Help Groups (SHGs) - Investments	0.05	Provision was to be made under Grant No.10
6	16 -Housing	2216 - Housing -Assistance to Grama Panchayats -Grama Panchayats - Maintenance Grants -Bangalore (Rural)	0.18	Provision (Supplementary) was to be made under Grant No.7
7	16 -Housing	2217 -Urban Development -Slum Area Improvement -Assistance to Local Bodies and Corporation etc., -Slum Clearance Board -Integrated Housing and Slum Development Programme (IHSDP) - Subsidies	11.95	Provision (Supplementary) was to be made under Grant No.19
8	18 - Commerce and Industries	2851 -Village and Small Industries -Direction and Administration -Head quarters and other staff for Small Scale and Cottage Industries in Community Development in National Extension Services Blocks	0.02	Due to arithmetic error
9	20 - Public Works	2059 -Public Works	17.14	Provision (Supplementary) was to be made under Grant No.7
10	20 -Public Works	4711- Capital outlay on Flood control Projects -Flood Control -Civil Works -Other Flood control works -Haliyal works	0.0045	Provision (Supplementary) was to be made under Grant No.21
11	23 -Labour	4250 -Capital outlay on other social services -Labour -Construction of Karmika Bhavan - Construction	0.87	Provision (Supplementary) was to be made under Grant No.20
Total			32.87	

Sl. No.	Grant	Head of account	Amount involved	Error
1	9- Co-operation	2425- Cooperation	233.63	According to correction slip No.620, the provision to be made under 2235 of Grant 10
2	17- Education	2202-General Education	230.00	According to correction slip No.583, new minor head to be opened to accommodate 'Sarva Shikshana Abhiyan'
3	20-Public Works	2216-Housing	51.91	According to correction slip No.535, the provision to be made under 2216-05-06-09
4	21-Water Resources	2701-01- Major and Medium Irrigation	35.25	According to correction slip No.508, the provision to be made under new major head 2700
5		2701-03 - Major and Medium Irrigation	4.62	According to correction slip No.509, the provision to be made under 2701-Medium Irrigation
6		2701-01-101 and 102 - Major and Medium Irrigation	44.72	According to correction slip No.510, the provision to be made under 2702-03
7		4701- Capital outlay on Major and Medium Irrigation	3,347.15	According to correction slip No.511, the provision to be made under 4700
8	4-Department of Personnel and Administrative Reforms	2014-Administration of Justice	0.50	To be classified as charged instead of voted
Total			3,947.48	

Appendix 2.13

Flow of expenditure during the four quarters of 2007-08

(Reference: Paragraph 2.9, Page 44)

(Rupees in crore)

Sl. No.	Head of account	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total	March 2008	Percentage of expenditure in March 08 to total expenditure of 2007-08
1	2404	0.00	0.14	2.70	24.50	27.34	20.50	74.98
2	2506	0.42	0.40	0.66	2.05	3.53	1.59	44.91
3	2711	0.00	0.08	0.11	0.20	0.39	0.20	51.81
4	2810	0.05	0.04	0.05	3.36	3.50	2.89	82.47
5	2885	0.00	0.00	1.00	1.00	2.00	1.00	50.00
6	3452	2.33	4.57	7.58	32.73	47.21	29.64	62.78
7	4070	0.00	0.00	0.00	1.48	1.48	1.05	70.81
8	4217	7.74	83.00	98.15	91.29	280.18	91.29	32.58
9	4220	0.00	0.00	0.00	1.04	1.04	0.34	32.69
10	4225	3.57	11.03	22.51	164.14	201.25	105.36	52.35
11	4235	0.00	1.00	1.75	16.81	19.57	11.93	60.97
12	4402	0.00	0.00	0.00	3.97	3.97	3.04	76.56
13	4403	0.00	10.00	2.40	27.29	39.69	26.31	66.28
14	4852	-0.12	-21.00	24.82	69.99	73.68	24.99	33.92
15	4860	0.00	0.20	0.00	0.96	1.17	0.96	82.48
16	5051	0.44	1.30	1.71	3.03	6.49	2.68	41.39
17	5452	0.00	0.00	0.00	50.86	50.86	48.01	94.41

Appendix 2.14

Cases of New Service/New Instrument of Service (Reference: Paragraph 2.10, Page 44)

(Rupees in crore)

Sl. No.	Grant	Head of account	Budget Provision	Expenditure	Excess
(1)	(2)	(3)	(4)	(5)	(6)
1	7-Rural Development and Panchayat Raj	3054 Roads and Bridges 80 General 196 Assistance to Zilla Panchayats 1 Zilla Panchayats 01 Block Grants 405 Shimoga	3.01	14.32	11.31
2		2505 Rural Employment 60 Others 196 Assistance to Zilla Panchayats 6 Zilla Panchayats – CSS/CPS 04 State Employment Assurance Scheme (Nemmadi) 403 Chitradurga	0.80	3.99	3.19
3		2505 Rural Employment 60 Others 196 Assistance to Zilla Panchayats 6 Zilla Panchayats – CSS/CPS 04 State Employment Assurance Scheme (Nemmadi) 405 Shimoga	0.38	1.54	1.16
4		2505 Rural Employment 60 Others 196 Assistance to Zilla Panchayats 6 Zilla Panchayats – CSS/CPS 04 State Employment Assurance Scheme (Nemmadi) 408 Chikmagalur	0.40	1.63	1.23
5		2505 Rural Employment 60 Others 196 Assistance to Zilla Panchayats 6 Zilla Panchayats – CSS/CPS 04 State Employment Assurance Scheme (Nemmadi) 410 Hassan	0.63	2.57	1.94
6		2505 Rural Employment 60 Others 196 Assistance to Zilla Panchayats 6 Zilla Panchayats – CSS/CPS 04 State Employment Assurance Scheme (Nemmadi) 411 Kodagu	0.38	1.26	0.88
7		2505 Rural Employment 60 Others 196 Assistance to Zilla Panchayats 6 Zilla Panchayats – CSS/CPS 04 State Employment Assurance Scheme (Nemmadi) 413 Belgaum	0.69	2.79	2.10

(1)	(2)	(3)	(4)	(5)	(6)
8		2505 Rural Employment 60 Others 196 Assistance to Zilla Panchayats 6 Zilla Panchayats – CSS/CPS 04 State Employment Assurance Scheme (Nemmadi) 417 Gulbarga	1.29	2.69	1.40
9		2505 Rural Employment 60 Others 196 Assistance to Zilla Panchayats 6 Zilla Panchayats – CSS/CPS 04 State Employment Assurance Scheme (Nemmadi) 418 Bellary	0.54	2.01	1.47
10		2505 Rural Employment 60 Other Programmes 196 Assistance to Zilla Panchayats 6 Zilla Panchayats – CSS/CPS 04 State Employment Assurance Scheme (Nemmadi) 419 Bidar	0.65	3.26	2.61
11		2505 Rural Employment 60 Others 196 Assistance to Zilla Panchayats 6 Zilla Panchayats – CSS/CPS 04 State Employment Assurance Scheme (Nemmadi) 420 Raichur	0.64	2.56	1.92
12		2505 Rural Employment 60 Others 196 Assistance to Zilla Panchayats 6 Zilla Panchayats – CSS/CPS 04 State Employment Assurance Scheme (Nemmadi) 451 Davanagere	0.79	2.91	2.12
13	20 –Public Works	4250 Capital Outlay on Other Social Services 201 Labour 04 Construction of Karmika Bhavan	0.38	2.01	1.63
14	22 –Health and Family Welfare	2210 Medical and Public Health 01 Urban Health Services – Allopathy 110 Hospitals and Dispensaries 2 Major Hospitals 83 Upgrading Health Facility in Karnataka Ph 99	--	1.68	1.68
15		6210 Loans for Medical and Public Health 01 Urban Health 800 Other Loans 81 Upgrading Health Facility in Karnataka	--	3.91	3.91
Total			10.58	49.13	38.55

Appendix 2.15
Expenditure without budget provision
(Reference: Paragraph 2.11, Page 44)

(Rupees in crore)

Sl. No.	Grant	Head of account		Amount
1	2	3		4
01	7-Rural Development and Panchayat Raj	2215 01 102 7	Water Supply and Sanitation Water Supply Rural Water Supply Programmes Schemes with Bi-lateral assistance -Integrated Rural Water Supply and Environmental Sanitation Project -Phase-II Danida Assisted -165 IDP -Other Expenses	0.79
02	8 -Forest, Ecology and Environment	6405 101 81	Loans for Forestry and Wild life Forest Conservation Development and Regeneration Karnataka Sustainable Forest Management and Bio-Conservation Project-IDP 163	0.06
03	10 -Social Welfare	4225 01 190 03	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes Welfare of Scheduled Castes Investments in Public Sector and Other Undertakings Micro credit through Self Help Groups (SHG's) -Investments	0.92
04	12 - Information, Tourism and Youth Services	2204 800 12	Sports and Youth Services Other Expenditure Financial Assistance to Sports persons and Wrestlers in indigent circumstances -Pension and Retirement benefit	0.02
05	19 -Urban Development	3604 191 04 2 80	Compensation and Assignments to Local Bodies and Panchyat Raj Institutions Assistance to Municipal Corporations Bruhat Bangalore Mahanagara Palike Karnataka Urban Development Coastal Management -General Expenses	0.08
06		6217 60 191 3 80 395	Loans for Urban Development Other Urban Development Schemes Loans to Local Bodies and Corporations etc., Loans to trust Boards for information of layouts / extensions Karnataka Infrastructure Project Loans to PSUs and Local Bodies	0.18
07		6217 60 191 3 6 01	Loans for Urban Development Other Urban Development Schemes Loans to Local Bodies and Corporations etc., Loans to trust Boards for information of layouts / extensions BMP Karnataka Debt Relief	0.05

Sl. No.	Grant	Head of account		Amount
08	22 –Health and Family Welfare	2210	Medical and Public Health	
		01	Urban Health Services –Allopathy	
		110	Hospitals and Dispensaries	
		2	Major Hospitals	
		83	Upgrading Health Facility in Karnataka Ph 99	1.68*
09		6210	Loans for Medical and Public Health	
		01	Urban Health Services	
		800	Other Loans	
		81	Upgrading Health Facility in Karnataka	3.91
10	29 –Debt Servicing	2049	Interest payments	
		04	Interest on loans and advances from Central Government	
		101	Interest on loans for State Plan Schemes	
		02	Back to Back external loans	8.89
	Total			16.58

♦ Represents payment of additional Central assistance for externally aided projects. The debits has been booked under the service head as per GO.No.FD 31 BGL 2008 (3) Bangalore dated 31.03.2008

Appendix 2.16

Sanctions from Contingency Fund not fully utilised

(Reference: Paragraph 2.12, Page 45)

(Rs. in crore)

Sl.No.	Head of account	Sanction No. and Date	Amount		Per cent
			Sanctioned	Drawn	
1	2053 –District Administration	FD 20 BCF 2007 Dt 01.01.2008	0.50	0.06	12
2	2203 – Technical Education	FD 15 BCF 2007 Dt 20.09.2007	4..00	3.06	77
3	2210 -Medical	FD 17 BCF 2007 Dt 29.11.2007	0.60	0.40	67
4	2702 – Minor Irrigation	FD 14 BCF2007 Dt.12.09.2007	0.28	0.22	79

Appendix 3.1
(Reference: Paragraph 3.1.4, Page 51)
List of test-checked ULBs

SI No	District	Name of the ULB
1	Hassan	CMC, Hassan
2	Hassan	TMC, Channarayapatna
3	Hassan	TMC, Sakaleshpur
4	Hassan	TMC, Belur
5	Hassan	TMC, Holenarasipura
6	Davanagere	CC, Davanagere
7	Davanagere	CMC, Harihara
8	Davanagere	TP, Honnali
9	Davanagere	TMC, Harapanahalli
10	Davanagere	TP, Channagiri
11	Belgaum	CC, Belgaum
12	Belgaum	TMC, Bailahongala
13	Belgaum	TMC, Chikkodi
14	Belgaum	TMC, Athani
15	Belgaum	TMC, Sankeshwar
16	Belgaum	CMC, Gokak
17	Belgaum	CMC, Nippani
18	Bagalkot	CMC, Bagalkot
19	Bagalkot	CMC, Ilkal
20	Bagalkot	TMC, Mudhol
21	Bagalkot	CMC, Jamkhandi
22	Bagalkot	CMC, Rabkavi-Banhatti
23	Bellary	CC, Bellary
24	Bellary	TMC, Sandur
25	Bellary	TMC, Kampli
26	Bellary	CMC, Hospet
27	Bellary	TMC, Siruguppa
28	Gulbarga	CC, Gulbarga
29	Gulbarga	CMC, Yadgir
30	Gulbarga	CMC, Shahabad
31	Gulbarga	TMC, Shahapur
32	Gulbarga	TMC, Sedam
33	Uttara Kannada	CMC, Karwar
34	Uttara Kannada	TMC, Bhatkal
35	Uttara Kannada	TMC, Kumta
36	Uttara Kannada	TP, Haliyal
37	Uttara Kannada	TP, Ankola
38	Uttara Kannada	TP, Honnavar
39	Uttara Kannada	CMC, Dandeli

Sl No	District	Name of the ULB
40	Uttara Kannada	CMC, Sirsi
41	Uttara Kannada	TP, Siddapur
42	Mysore	CC, Mysore
43	Mysore	TMC, KR Nagar
44	Mysore	TMC, Hunsur
45	Mysore	TMC, Nanjangud
46	Mysore	TP, HD Kote
47	Udupi	CMC, Udupi
48	Bangalore	BBMP, Bangalore
49	Dharwad	CC, Hubli-Dharwad
50	Dakhina Kannada	CC, Mangalore

Appendix 3.2

(Reference: Paragraph 3.1.7.3, Page 54)

List of ULBs which did not conduct awareness programme

Sl.No.	District	Name of the ULB
1	Hassan	TMC, Channarayapatna
2	Hassan	TMC, Sakaleshpur
3	Hassan	TMC, Belur
4	Hassan	TMC, Holenarasipura
5	Davanagere	TP, Honnali
6	Davanagere	TMC, Harapanahalli
7	Davanagere	TP, Channagiri
8	Bellary	TMC, Sandur
9	Gulbarga	CMC, Yadgir
10	Uttara Kannada	TMC, Kumta
11	Uttara Kannada	TP, Haliyal
12	Uttara Kannada	TP, Siddapur
13	Mysore	TMC, KR Nagar
14	Mysore	TMC, Nanjangud
15	Mysore	TP, HD Kote

Appendix 3.3

(Reference: Paragraph 3.1.7.4, Page 54)

List of ULBs in which subsidy remained undistributed to SHGs

Sl.No.	TMC/CMC	Funds released by DMA (In rupees)
1	TMC, Bailahongala	2,56,000
2	TMC, Chikkodi	1,39,250
3	TMC, Athani	2,47,500
4	CMC, Bagalkot	25,03,600
5	CMC, Rabakavi-Banahatti	4,43,000
6	TMC, Kampali	1,04,000
7	CMC, Yadgir	4,77,250
8	CMC, Shahabad	2,64,000
9	TMC, Shahapur	1,07,000
10	TP, Ankola	1,90,750
11	TMC, KR Nagar	91,000
12	TMC, Nanjangud	1,84,000
	Total	50,07,350

Appendix 3.4
(Reference: Paragraph 3.1.7.5, Page 55)
List of ULBs which did not utilise any amount given for tools and equipment

Sl No	District	Name of the ULB	Releases (Rupees in lakh)
1	Hassan	TMC, Channarayapatna	17.50
2	Hassan	TMC, Sakaleshpur	24.00
3	Hassan	TMC, Belur	15.00
4	Davanagere	TP, Honnali	12.00
5	Davanagere	TMC, Harapanahalli	20.00
6	Davanagere	TP, Channagiri	10.00
7	Belgaum	TMC, Chikkodi	29.00
8	Belgaum	TMC, Athani	34.00
9	Belgaum	TMC, Sankeshwar	29.00
10	Bagalkot	CMC, Ilkal	40.00
11	Bagalkot	TMC, Mudhol	35.04
12	Bagalkot	CMC, Jamkhandi	44.00
13	Bellary	TMC, Sandur	18.00
14	Bellary	TMC, Kampli	34.40
15	Bellary	TMC, Siruguppa	35.10
16	Gulbarga	CC, Gulbarga	219.14
17	Uttara Kannada	TMC, Bhatkal	4.52
18	Uttara Kannada	TMC, Kumta	14.00
19	Uttara Kannada	TP, Haliyal	10.00
20	Uttara Kannada	TP, Ankola	1.91
21	Uttara Kannada	TP, Honnavar	10.00
22	Uttara Kannada	TP, Siddapur	10.00
23	Mysore	CC, Mysore	403.00
24	Mysore	TMC, KR Nagar	15.00
25	Mysore	TMC, Hunsur	34.00
26	Mysore	TMC, Nanjangud	39.00
27	Mysore	TP, HD Kote	10.00
Total			1,167.61

Appendix 3.5
(Reference: Paragraph 3.1.7.5, Page 55)
List of ULBs which did not supply safety gears to sanitary workers

Sl No	District	Name of the ULB
1	Hassan	CMC, Hassan
2	Hassan	TMC, Channarayapatna
3	Hassan	TMC, Sakaleshpur
4	Davanagere	TP, Honnali
5	Davanagere	TMC, Harapanahalli
6	Belgaum	TMC, Chikkodi
7	Belgaum	CMC, Gokak
8	Bellary	CC, Bellary
9	Bellary	TMC, Sandur
10	Bellary	TMC, Kampli
11	Bellary	CMC, Hospet
12	Bellary	TMC, Siruguppa
13	Gulbarga	CMC, Yadgir
14	Gulbarga	TMC, Sedam
15	Uttara Kannada	CMC, Bhatkal
16	Mysore	TP, HD Kote

Appendix 3.6**(Reference: Paragraph 3.1.7.7, Page 56)****List of test-checked ULBs owning the landfill sites but not using them**

Sl No	District	Name of the ULB
1	Hassan	CMC, Hassan
2	Davanagere	TP, Honnali
3	Belgaum	CMC, Gokak
4	Bagalkot	CMC, Bagalkot
5	Bagalkot	CMC, Ilkal
6	Bagalkot	CMC, Jamkhandi
7	Bagalkot	CMC, Rabkavi-Banhatti
8	Bellary	CC, Bellary
9	Bellary	CMC, Hospet
10	Gulbarga	CC, Gulbarga
11	Gulbarga	CMC, Yadgir
12	Gulbarga	TMC, Shahapur
13	Gulbarga	TMC, Sedam
14	Uttara Kannada	TMC, Bhatkal
15	Uttara Kannada	CMC, Sirsi
16	Mysore	TP, HD Kote
17	Udupi	CMC, Udupi
18	Dharwad	CC, Hubli-Dharwad

Appendix 3.7
(Reference: Paragraph 3.1.8.2, Page 58)
HCEs running without valid authorisation

Sl.No.	District	Name of the Hospital	Govt/Private
1	Hassan	Crawford Govt Hospital, Sakaleshpur	Govt
2	Bangalore	Veterinary College, Hebbal	Govt
3	Belgaum	Govt General Hospital, Chikodi	Govt
4	Belgaum	Dr. Mohan B, Gokak	Private
5	Belgaum	Akshay Diagnostic Lab, Sankeshwar	Private
6	Belgaum	Sandesh Pathology Lab, Sankeshwar	Private
7	Belgaum	Syrian Hospital, Sankeshwar	Private
8	Belgaum	Harihar's Clinic Lab, sankeshwar	Private
9	Belgaum	Sankeshwar Dia Lab, Sankeshwar	Private
10	Belgaum	KURBET's Medical Lab, Sankeshwar	Private
11	Belgaum	Shri Gurudutt Clinic, Sankeshwar	Private
12	Belgaum	Manasi Hospital, Sankeshwar	Private
13	Belgaum	Shri Matha Sushrushalaya, Sankeshwar	Private
14	Belgaum	Rukmini Hospital & Maternity Home, Sankeshwar	Private
15	Belgaum	Banashankari Fracture Accident & Dental Hospital, Sankeshwar	Private
16	Belgaum	Geetha Nursing Home, Nippani	Private
17	Belgaum	Viswas Hospital, Nippani	Private
18	Belgaum	Tilve General Hospital, Nippani	Private
19	Belgaum	Sadhana Hospital, Nippani	Private
20	Belgaum	Dr.Py.Kulkarni, Nippani	Private
21	Bagalkot	Kerudi Hospital, Bagalkot	Private
22	Bagalkot	Shanti Children Hospital, Bagalkot	Private
23	Bagalkot	Dandin Hospital, Bagalkot	Private
24	Bagalkot	Daddenavar Hospital & Research Centre, Bagalkot	Private
25	Bagalkot	Kubsad Hospital, Mudhol	Private
26	Bagalkot	Sri Sai Arthopaedic & Trauma Centre, Mudhol	Private
27	Bagalkot	Ramana Gouda Hospital, Mudhol	Private
28	Bagalkot	Talathi Hospital, Mudhol	Private
29	Bagalkot	Kiran Clinic, Mudhol	Private
30	Bagalkot	Dr.M.B. Bakshi Clinic, Mudhol	Private
31	Bagalkot	Kadambari Maternity & Nursing Home, Mudhol	Private
32	Bagalkot	Dhanvantari Nursing Home, Mudhol	Private
33	Bagalkot	Shri Sai Hospital, Mudhol	Private
34	Bagalkot	Sri Daneshwari Hospital, Mudhol	Private
35	Bagalkot	Naiak Nursing Home, Mudhol	Private
36	Bagalkot	Sanjeevini Children Hospital, Mudhol	Private

Sl.No.	District	Name of the Hospital	Govt/Private
37	Bagalkot	Chetana Hospital, Mudhol	Private
38	Bagalkot	Daddi Hospital, Jamkhandi	Private
39	Bagalkot	Yashoda Krishna Hospital, Rabkavi	Private
40	Bagalkot	Tamboli Poly Clinic, Banhatti	Private
41	Bagalkot	Ashakiran Maternity Home, Banhatti	Private
42	Mysore	Govt. Veterinary Hospital, Mysore	Govt
43	Mysore	St. Marys Community health centre, HD Kote	Private
44	Mysore	Bahusar Nursing Home, Hunsur	Private
45	Uttar Kannada	Shree Arya Nursing Home, Karwar	Private
46	Uttar Kannada	Ramleela Hospital, Kumta	Private
47	Uttar Kannada	Nishath Nursing Home, Bhatkal	Private
48	Belgaum	Govt. General Hospital, Gokak	Govt
49	Belgaum	Navajeevan Maternity & Nursing Home, Gokak	Private
50	Belgaum	Maldar Hospital, Sankeshwar	Private
51	Uttar Kannada	Gurukripa Nursing Home, Karwar	Private
52	Dharwad	Vivekananda General Hospital	Private

Appendix 3.8

(Reference: Paragraph 3.1.8.3, Page 59)

Disposal of BMW by Government Hospital endangering Public Health

Sl.No.	Place	Hospital
1	Hassan	General Hospital, Belur
2	Hassan	General Hospital, Channarayapatna
3	Hassan	Crawford Government Hospital, Sakaleshpur
4	Hassan	General Hospital, Holenarasipura
5	Davanagere	General Hospital, Harapanahalli
6	Davanagere	Chigateri District Hospital, Davanagere
7	Davanagere	First Grade General Hospital, Channagiri
8	Bagalkot	K.E.M. General Hospital, Mudhol
9	Bagalkot	Community Health Center, Banahatti
10	Bellary	Taluk General Hospital, Kampli
11	Bellary	General Hospital, Siruguppa
12	Uttara Kannada	General Hospital, Dandeli
13	Mysore	Taluk General Hospital, H.D. Kote
14	Bangalore	Vanivilas Hospital, Bangalore
15	Bangalore	General Hospital, Jayanagar

Appendix 3.9

(Reference: Paragraph: 3.3.9.1, Page 78)

Delay in acquisition of land

Name of the Division/ Name of LIS	Audit observations
Bellary/ Thambrahally (N)	Work was taken up in 2000 but proposal for acquiring 12.02 acres of land for construction of canals was submitted in June 2006 and required lands were not yet acquired. Due to non-formation of canals, no <i>atchkat</i> could be irrigated despite completion of civil and mechanical works at a cost of Rs. 69.02 lakh. Work not completed.
Belgaum/ Salamwadi	The LIS proposed (July 1985) for taking up as departmental work could not be executed due to non acquisition of land. Modified revised estimate was prepared (2006) for Rs. 219.51 lakh which was not yet sanctioned (March 2008). An expenditure of Rs. 97.13 lakh was incurred (Dec 2007). Work is in progress.
Bijapur/ Chiknasabi	Though acquisition of forest land and private land was involved, proposals for acquisition of private land (spread over various stretches) were submitted on piece meal basis. Approval for diversion of forest land was accorded by the Forest Department in 1998. The department is yet to acquire the required land for completion of work. Expenditure incurred : Rs. 2.90 crore.
Gulbarga/ Chatnally	The expenditure of Rs. 38.51 lakh was rendered wasteful due to non-acquisition of land for the distribution system of the LIS. Work is not yet completed.
Mysore/ Medini	The civil works taken up during 1995 were stopped (1998) after incurring an expenditure of Rs. 52.48 lakh due to land litigation. Thus, the entire amount spent on the LIS remained unfruitful for over 10 years. Work not completed.
Total expenditure ; Rs. 5.47 crore.	

Appendix 3.10

(Reference: Paragraph: 3.3.9.2, Page 78)

Defective execution of works/deficiency in check measurements

Name of the Division/ Name of LIS	Audit observations
Bijapur/ Chiknasabi	Principal Secretary to Govt, WRD (MI) during inspection (July 2002) observed that the quality of the protection wall constructed alongside the canal was substandard and directed the department to remove the defective wall and reconstruct the same at the risk and cost of the contractor. Defective works like, leakages in rising main due to its improper connection to the delivery chamber and locating the bed level of the canals at 3M above the bed level of cistern were also observed. The department replied (August 2008) that the cost of rectification works would be recovered from the original contractor.
Dharwad/ Vasan	The LIS estimated to cost Rs. 52 lakh taken up for irrigating an <i>atchkat</i> of 347 ha was completed (April 2002) at a cost of Rs. 1.43 crore. However, the LIS was not made functional up to 2004 due to leakage in rising main pipes. Rejuvenation works were taken up (2004-05) under EFC grants at a cost of Rs. 15 lakh. However, no <i>atchkat</i> was irrigated during 2005-06 whereas an <i>atchkat</i> of only 15 ha (4%) was irrigated during 2006-07. The reasons for shortfall were attributed to no demand for water.
Bellary/ Thambrahally (N)	The work of formation of canal embankment was included both in the estimate and Schedule 'B' of the agreement without the alignment of the canal being approved by the competent authority. Further, the Executive Engineer reported (May 2005 and January 2006) that the embankment was executed in parallel to ground profile instead of providing the same in the valley portion and it was executed unnecessarily in some places/constructed at places where it was not necessary. Further, the excavated stuff was found used for embankment though material from borrow areas was required to be used for the embankment as per specification. The work was not completed (August 2008).
Bellary/ Thambrahally	The LIS taken up for irrigating an area of 498 ha at an estimated cost of Rs. 98 lakh (1993-94) was finally completed (June 2000) at a cost of Rs. 1.96 crore. However, no area could be irrigated even after completion of work due to leakage in rising main. The Scheme continued to be defunct despite it was taken up (2003-04) for rejuvenation under EFC grants by taking up repairs to rising main and motors at a cost of Rs. 16 lakh. Proposal for relaying of rising main for the entire length at a cost of Rs. 50 lakh was made (2007-08). The Vigilance Cell in its investigation report attributed (August 2005) that the execution of work was not according to specifications and measurements recorded in the MB were not verified and check-measured.
Bellary/ Badanahatti	The LIS was completed (July 2005) at a cost of Rs. 1.56 crore. During trial run (July 2005), leakages were noticed in the rising main. The Vigilance cell of the department noticed defects in execution viz., non fixing of required protective valves, embankment works, concrete block, non-execution of approach roads, non-providing of gravel backing etc. Further, excess payment due to recording excess measurements for rising main was also noticed which worked out to Rs. 22.15 lakh but the same was not recovered from the concerned.

Name of the Division/ Name of LIS	Audit observations
Hassan/ Ankavally	The LIS was completed (1995) at a cost of Rs. 19.53 lakh. However, heavy leakages were noticed in the rising main during trial run (April 1995). The special vigilance cell after spot inspection (June 1995) reported improper execution of collar joint work and non-using of specified pipes. Rectification works were taken up as per instructions of the secretary (November 1997). Since the existing pipes were not in usable condition, SE instructed (August 1999) for providing the entire length with PSC pipes. Revised estimate for Rs. 29.50 lakh submitted (October 2003) to Government is not yet approved (March 2008).
Bellary/ Jawuku	The Vigilance cell of the department noticed (February 2006) that payment of Rs. 7.25 lakh was made for formation of approach road and desilting works without the works being actually carried out.
Belgaum/ Mallikwad	The LIS taken up (April 1998) for irrigating an <i>atchkat</i> of 121 ha was completed (February 2004) at a cost of Rs. 2.33 crore. In addition, leakages in jackwell occurred (2007) due to which the machineries have been dismantled and kept separately. Reasons for leakages had not been investigated.

Appendix 3.11
(Reference: Paragraph: 3.3.9.3, Page 78)
Non -synchronisation of different components of work

Name of the Division/ Name of LIS	Components of work not synchronised	Value of work done (Rs. in lakh)
Bellary/ Thambrahally	Supply of machinery completed in 2002 but power supply sought for from KEB in 2006 is not yet provided.	69.02
Belgaum/ Salamwadi	Civil work was completed (May 2004) at a cost of Rs. 26.94 lakh (June 2006) and pumping machineries were supplied at a cost of Rs. 28.71 lakh (March 2004) but erection and commissioning was yet to be done. Power supply from KPTCL was not obtained (March 2008).	97.12
Kushtagi/ Daddal	Civil works were almost completed whereas the works relating to supply and erection of machineries was pending (March 2008).	557.51
Bellary/ Pattanaseragu	Civil works entrusted in 1999-2000 are not yet completed whereas the work of supply of machineries was completed in 2003.	19.71
Bellary/ Guttiganur	Pumping machinery had been erected but Canal and CD works were pending execution (March 2008).	112.30
Dharwad/ Thanagundi	Civil & mechanical works completed in 2003. Work of providing power supply was taken up in November 2007. Work had not been completed (March 2008).	98.82
Total Expenditure		Rs. 954.48

Appendix 3. 12
(Reference: Paragraph: 3.3.10.2, Page 80)
Change in scope of work due to defective designs

(Amount: Rupees in crore)

Name of the Division/ Name of LIS	Estimated cost/Revised estimated cost	Designed atchkat in ha	Actual expenditure	Audit observations
Dharwad/ Motitalab	1.61 / 4.16	NA	4.85	Changing over to PSC pipes after entrustment of work resulted in escalation in the cost of work (BC Ratio: 0.07). The work is yet to be completed (2008). The departmental enquiry was ordered (April 2003) against officers for faulty preparation of the estimate. Outcome of the enquiry is awaited.
Dharwad/ Agasanamatti	2.55 / 3.70	403	3.40	Change in alignment of canal was approved (December 2002) by CE stating that additional atchkat of 200 acres could be achieved by effecting such change (original 2.37 km / revised 2.3 km). This necessitated change in design of pumps/ increase in width and height of canal/formation of embankment/ executing additional CD works, repairs/ replacements of jackwell and pumping machineries of 1st stage as extra items of work constituting changes in violation of guidelines/instructions .
Kushtagi/ Huda	1.00 / 4.00	405	4.00	The intake well, intake channel, jackwell, rising main and pumping machineries were originally provided for 1st and 2nd lifts separately. However, after entrustment of work, the above components were provided for single lift only. Changing of pressure pipes to PSC pipes/ change of strata classification while laying rising main pipes necessitating execution of extra/ additional items of work and consequent escalation in the cost of work.
Kushtagi/ Daddal	4.85 / 8.48	1417	5.58	Essential items of work such as canals for upper and lower cisterns, air relief valves, CD works, etc., were not provided in the original estimate. Changes observed in classification of strata during excavation for open intake channel and jackwell necessitated execution of extra items of work. Additional items of work such as RCC lining for open intake channel, bell mouth approach, change of intake control structure from UCR masonry to RCC, providing brick masonry for jackwell, etc., were also executed indicating deficiency in survey and investigation.
Kushtagi/ Pothnal	1.00 / 2.60	645	2.57	Extra items and extra quantities of work were executed as per site conditions indicating estimates were prepared with insufficient data / survey work. Though the scheme was commissioned during 2001-02, no atchkat was irrigated except an atchkat of 52 ha (against designed ha) during 2005-06.

Name of the Division/ Name of LIS	Estimated cost/Revised estimated cost	Designed <i>atchkat</i> in ha	Actual expenditure	Audit observations
Kushtagi/ Anakanal Upanal	0.30 / 1.35	161	0.30	During execution of work, CE instructed (May 2002) to provide open channel in lieu of intake pipeline originally designed to avoid siltation of pipes since the same was coming under the backwaters of a Dam. It was also instructed to excavate intake channel for an extra length (from 510M to 720M). The above changes in the scope of the work resulted in execution of extra items/ excess quantities indicating defective designs.
Belgaum/ Manakapur Kasanal	1.20 / 2.36	283	2.22	The LIS was taken up (April 2000) and completed (2004). An <i>atchkat</i> of only 26 and 16 ha was irrigated during 2004-05 and 2006-07 respectively whereas no <i>atchkat</i> was irrigated during 2005-06 and 2007-08. Audit scrutiny revealed that SE issued (May 2001) instructions to lay the rising main pipes 1M below the ground level and also to provide murrum bedding wherever the rising main runs in BC soil. Further, CE instructed (July 2003) to provide concrete wall in lieu of intake well and provide intake pipes since construction of intake well was not possible due to continuous flow of water. Consequent execution of additional items/ extra quantities after entrustment of work rendered escalation in the cost of work.
Belgaum/ Borgaon Donewadi	1.50 / 1.74	242	1.74	The LIS taken up (April 2000) was completed (2004). Audit scrutiny revealed that the quantum of (canal network) work executed (excavation/ embankment /no. of cross drainages) was less when compared to the estimated quantity. Consequently, irrigation benefit to the <i>atchkat</i> (70%) was deprived during the past 4 years.
Bellary/ Guttiganur	1.12 / 1.89	624	1.12	During execution, the designs of pump house and intake well were modified rendering execution of additional / extra quantities of work and consequent escalation in the cost of the work.
Total	Rs. 15.13/ 20.28		25.78	

Appendix 3.13

(Reference: Paragraph 3.4.1, Page 87)

Details of agricultural loan and interest waiver/subsidy schemes implemented during 2004-07

	Scheme 1 (One time waiver of outstanding dues)	Scheme 2 (Interest and penal interest waiver)	Scheme 3 (Interest subsidy at 6 per cent and 4 per cent)	Scheme 4 (Loan waiver scheme of 2007)		
				GO 50 dated 16.4.2007	GO 64 dated 16.4.2007	GO 65 dated 16.4.2007
Highlights	Government of Karnataka vide GO No. CMW 109 CLS 2004 dated 4.3.2005 introduced the scheme of waiver of outstanding dues (Principal and interest) of the farmers who had availed agricultural term loans (medium-term and long term) from the co-operative credit institutions (PACS/DCC Banks/PCARD Banks/KSCARD Bank and KSC Apex Bank) and who have paid as interest, as on 31.3.2004, amounts in excess of the principal amount borrowed by them.	Government of Karnataka introduced the scheme of waiver of interest and penal interest vide GO No. CO 85 CLS 2005 dated 27.4.2005. As per this GO, interest and penal interest outstanding as on 31.3.2005 shall be waived off in respect of such of those farmers who have availed short-term, medium-term (MT), medium-term conversion and long term (LT) loans from Co-operative Credit Institutions provided the outstanding principal amount as on 31.3.2004 shall be repaid in full during the period 1.4.2005 to 30.6.2005 together with interest from 1.4.2005 till the date of repayment. This was however, modified subsequently from 1.3.2005 to 31.5.2006 vide various orders. The Government also decided to reimburse the interest for the period 1.3.2005 to 31.5.2006 and in cases where the farmers had already paid the interest and penal interest, they were also eligible for the benefit of waiver. However, the same would be deposited in the treasury and would be paid to the farmers after three years together with interest at 4 per cent per annum.	The scheme of extending loans to farmers at 6 per cent interest was introduced vide GO No. CMW 107 CLS 2004 dated 10.12.2004 wherein Government undertook to reimburse the difference between lending rate and subsidised rate for all those loans availed after 1.4.2004. From 1.4.2006, Government introduced the scheme of lending loans at 4 per cent interest subsidising the difference to Co-operative credit institutions.	Government of Karnataka vide GO No. CO 50 CLS 2007 dated 16.4.2007 and 15.5.2007 introduced the scheme of loan waiver, wherein all those who have availed loan after 1.1.06 and kept outstanding as on 31.12.06 would be eligible for waiver of loan upto Rs. 25,000 with interest till date of repayment on loans. The last date for repayment of loans was 31.5.2007.	Government of Karnataka vide GO No. CO 64 CLS 2007 dated 16.4.2007 and 15.5.2007 introduced the scheme of waiver of interest wherein the interest for the current year shall be waived off in such of those cases where the farmers shall repay the MT & LT instalments due for the year on or before 31.5.2007.	Government of Karnataka vide GO No. CO 65 CLS 2007 dated 16.4.2007 and 15.5.2007 decided to waive off the outstanding interest and penal interest in respect of those farmers who shall repay the overdue principal amount outstanding as on 31.12.2006 before 31.5.2007.

	Scheme 1 (One time waiver of outstanding dues)	Scheme 2 (Interest and penal interest waiver)	Scheme 3 (Interest subsidy at 6 per cent and 4 per cent)	Scheme 4 (Loan waiver scheme of 2007)		
				GO 50 dated 16.4.2007	GO 64 dated 16.4.2007	GO 65 dated 16.4.2007
Purpose of loan	For agriculture and agriculture related purposes.					
Period of loan taken	Loans outstanding as on 31.3.2004.	Loans outstanding as on 31.3.2004	1.4.2004 to 31.3.2006 (6 per cent) and 1.4.2006 and onwards (4 per cent)	1.1.2006 to 31.12.2006	1.1.2006 to 31.12.2006	Loans outstanding as on 31.12.2006
Repayment schedule	Not applicable as all farmers who have paid interest as on 31.3.2004 amounts in excess of the principal amount borrowed by them are eligible	Principal outstanding as on 31.3.2004 to be repaid before 31.5.2006	Not applicable	Not applicable for cases of borrowings less than Rs. 25,000/-. In respect of borrowings more than Rs. 25,000/-, the loan in excess of Rs. 25,000/- to be repaid by 31.5.2007	Principal instalments for the year 2006-07 to be paid by 31.5.2007	Principal outstanding as on 31.12.2006 to be repaid before 31.5.2007.
Total claims preferred	Rs. 65.85 crore	Rs. 1,160.48 crore	Rs. 354.25 crore	Rs. 1,862.39 crore (for all the three schemes put together)		
Amount released/ Expenditure incurred till date	Rs. 49 crore	Rs. 1,160.48 crore	Rs. 354.13 crore	Rs. 1,739.88 crore		
Balance claims pending	Rs. 16.85 crore	Nil	Rs. 0.12 crore	Rs. 122.51 crore		
Value of ineligible claims	Rs. 8.86 crore	Rs. 87.82 crore	Rs. 1.67 crore	Rs. 63.83 crore		
Para No. of the Report	3.4.3.2	3.4.3.3	3.4.3.1	3.4.3.4 to 3.4.3.6		

Appendix 3.14**(Reference: Paragraph 3.4.3.1, Page 88)**

Statement showing the district-wise details of claims preferred by PCARD banks for non-agricultural purposes under interest subsidy scheme

Sl.No.	Name of the District	No. of taluks	No. of cases	Amount in Rs.
1.	Mandya	7	1,147	15,24,779
2	Belgaum	10	444	15,13,045
3.	Bagalkot	5	166	4,28,249
4.	Bijapur	1	16	30,698
5.	Bidar	5	185	4,70,610
6.	Hassan	4	67	1,41,710
7.	Dharwar	5	324	4,57,501
8.	Gadag	3	104	2,97,030
9.	Shimoga	8	4,190	51,43,327
10.	Davanagere	3	184	2,41,560
11.	Mangalore	5	3,411	42,45,722
12.	Udupi	3	314	17,20,500
13.	Haveri	7	328	4,93,957
	Total		10,880	1,67,08,688

Appendix 3.15

(Reference: Paragraph 3.4.3.2, Page 89)

Statement showing the district wise details of claims preferred by PCARD banks for non-agricultural purposes under one time waiver of outstanding dues

Sl.No.	Name of the District	No. of taluks	No. of cases	Amount in Rs.
1.	Mandya	5	29	12,16,336
2	Belgaum	9	354	1,64,16,334
3.	Bagalkot	4	43	19,85,784
4.	Bijapur	4	17	4,22,431
5.	Bidar	4	26	6,61,276
6.	Hassan	6	176	47,60,093
7.	Dharwar	4	16	9,00,113
8.	Gadag	5	16	3,74,809
9.	Shimoga	8	805	2,13,33,254
10.	Davanagere	6	96	53,24,004
11.	Mangalore	5	364	1,64,51,176
12.	Udupi	3	230	97,88,147
13.	Haveri	4	9	3,29,089
	Total	67	2,181	7,99,62,846

Appendix 3.16

(Reference: Paragraph 3.4.3.3, Page 90)

Statement showing inadmissible claims by PACS due to short/non remittance of principal by the farmers under Scheme of waiver of Interest and Penal Interest on term loans

Sl. No.	Name of the district	No. of taluks	No. of PACS	Extent of short/non remittance	No. of inadmissible cases	Inadmissible Amount (In rupees)
1	Bijapur	5	38	6,41,85,112	4,193	1,95,68,658
2	Bagalkot	3	21	3,22,85,205	1,344	71,98,439
3	Mandya	3	54	3,33,28,555	2,768	1,98,59,224
4	Hassan	3	23	3,33,43,724	1,232	1,73,49,124
5	Belgaum	7	190	45,26,13,813	23,854	28,59,97,782
6	Dharwar	3	17	78,86,848	453	66,68,724
7	Shimoga	2	14	68,49,447	830	37,69,493
	Total	26	357	63,04,92,704	34,674	36,04,11,444

Appendix 3.17

(Reference: Paragraph 3.4.3.4, Page 92)

Statement showing inadmissible claims by PACS due to short/non-remittance of principal by the farmers under Crop Loan waiver scheme 2007

(Amount in Rupees)

Sl. No.	Name of the District	No. of taluks	No. of PACS	Amount of short/non remittance	No. of inadmissible cases	Inadmissible Amount
1	Bijapur	5	46	6,05,35,664	2,629	5,13,14,390
2	Bagalkot	3	21	81,74,081	529	84,97,632
3	Hassan	8	114	20,76,06,251	8,112	14,02,28,043
4	Belgaum	7	139	11,60,37,161	3,146	8,53,74,165
5	Dharwar	3	12	35,03,189	152	15,83,700
6	Mandya	4	124	6,82,58,470	2,905	6,95,43,530
7	Shimoga	2	9	25,14,763	221	28,83,278
8	Davangere	2	23	1,19,23,653	559	1,00,71,720
9	Mangalore	4	42	43,66,14,026	7,562	19,54,23,487
	Total	38	530	91,51,67,258	25,815	56,49,19,945

Appendix 3.18

(Reference: Paragraph 3.4.3.5, Page 93)

Statement showing the district wise details of claims by PCARD Banks for non-agricultural purposes and reimbursed under waiver of interest scheme during the year 2006-07

Sl.No.	Name of the District	No. of taluks	No. of cases	Amount in Rs.
1.	Mandya	7	249	4,60,950
2	Belgaum	10	76	5,42,201
3.	Bagalkot	2	59	5,11,024
4.	Bijapur	2	2	49,777
5.	Bidar	4	135	83,324
6.	Hassan	4	22	1,56,169
7.	Dharwar	2	67	3,46,165
8.	Gadag	2	3	2,883
9.	Shimoga	2	36	55,352
10.	Mangalore	5	149	9,45,714
11.	Udupi	1	77	6,73,089
12.	Haveri	3	28	15,905
	Total	44	903	38,42,553

Appendix 3.19

(Reference: Paragraph 3.4.3.5, Page 94)

Statement showing the district wise details of excess interest claims by PCARD Banks under waiver of interest for the year 2006-07

Sl.No.	Name of the District	No. of taluks	No. of cases	Amount in Rs.
1.	Mandya	2	16	17,017
2	Belgaum	3	26	51,935
3.	Bagalkot	2	99	1,42,003
4.	Bijapur	2	18	77,428
5.	Bidar	2	6	14,997
6.	Hassan	2	48	13,793
7.	Dharwar	3	24	38,741
8.	Shimoga	3	87	14,739
9.	Davanagere	2	77	29,598
10.	Mangalore	1	165	36,043
11.	Udupi	2	180	55,783
12.	Haveri	1	4	14,481
	Total	25	750	5,06,558

Appendix 3.20

(Reference: Paragraph 3.4.3.5, Page 94)

Statement showing the cases of loan disbursed after 31.12.2006 under waiver of interest scheme during the year 2006-07

District/Taluk	No. of cases	Amount (In rupees)
BIJAPUR		
Muddebihal	7	31,681
Basavana Bagewadi	4	14,643
Total	11	46,324
BAGALKOT		
Jamakhandi	44	1,19,311
Bagalkot	27	81,090
Hungund	43	2,27,929
Mudhol	29	1,62,324
Badami	22	39,480
	5	20,697 (Disbursed prior to 1.1.06)
Total	170	6,50,831
DHARWAR		
Kundagol	19	1,13,824
Kalghatgi	10	36,038
		1,49,862
GADAG		
Gadag	21	1,16,848
Ron	13	24,275
Total	63	1,41,123
Grand Total	244	9,88,140

Appendix 3.21

(Reference: Paragraph 3.4.3.6, Page 94)

Statement showing the district wise details of claims preferred by PCARD Banks for non-agricultural purposes under interest and penal interest waiver scheme of 2007

Sl.No.	Name of the District	No. of taluks	No. of cases	Amount in Rs.
1.	Mandya	7	86	61,83,217
2.	Belgaum	9	167	15,41,816
3.	Bagalkot	4	235	78,85,285
4.	Bijapur	3	27	27,34,633
5.	Bidar	1	10	1,90,080
6.	Hassan	5	217	19,65,078
7.	Dharwar	4	100	41,82,662
8.	Gadag	3	47	16,83,888
9.	Shimoga	5	84	2,60,705
10.	Davanagere	1	2	7,24,422
11.	Mangalore	4	826	1,06,15,987
12.	Udupi	3	342	46,42,708
13.	Haveri	6	45	13,91,455
	Total	55	2,188	4,40,01,936

Appendix 3.23
(Reference: Paragraph 3.5.4, Page 98)
Non-compliance to Government of India conditions

Division	Area (ha)	Purpose	Period	Conditions not complied
Bangalore Rural	35.20	Minor Irrigation	1981	Non-compliance with norms for CA
Belgaum	1.137	Road work	2006	Non-compliance with norms for CA
	145.00	Field firing range	2002	Non-payment of Rs.1.83 crore towards cost of strip plantation and non-execution of agreement with the Department
Belgaum Army at Ramdurga	50.00	Army works	--	Soil conservation measures were not as per norms; irregular execution of non-forestry works in the safety zone area of 4,681.91 ha
Belgaum/PCCF	338.53	Irrigation project	2005	Raising and maintenance of plantations at the project cost was not enforced by the division; Demarcation was not done as per norms
Bidar	2.93	Minor Irrigation	1984	Non-compliance with norms for raising wet nurseries and tree crops in foreshore area; unauthorised usage of excess land
	6.20		1986	
Chitradurga	89.55	Wind power	2004	Plan for additional afforestation, maintaining and biodiversity conservation in 73.04 ha of forest land (in addition to raising CA) not complied with by the user agency. Planting of dwarf species of trees in between two windmill footprints not done
	27.63		2006	Non-release of funds realised towards lease rent for providing gas connection under Joint Forest Planning and Management (JFPM) programme
	50.58	Mining	1998	Afforestation and soil conservation along the boundary area delayed for over five years
Davanagere	19.94	Wind power	2003	Planting medicinal plants, soil conservation measures, demarcation of leased land, etc not complied with despite lapse of four years
Gadag	65.74	Wind power	2004	Non-compliance with norms for raising medicinal plants
	157.85		2005	Soil conservation measures not in compliance with norms
Karwar	330.21	Transmission line	2002	Planting of perennial shrubs, low height fruit trees on degraded forest, medicinal plants and water conservation measures not taken up
	1,416.00	KAIGA project	1988	Despite payment of Rs.57.22 lakh by the user agency, the dwarf tree below transmission lines were not taken up by the Department
Mangalore	2.79	Power	2005-06	Adequate safety measures for protection of wild life by the user agency not ensured
	3.308		2006	Notification of RF/PF not done
	6.37		2005-06	Catchment Area Treatment Plan (CATP) not implemented by the user agency
Shimoga	449.55	Irrigation Project	2005	Shortfall in CATP to the extent of Rs.120.42 crore
	3,198.515			

Appendix 3.24
(Reference: Paragraph 3.5.5, Page 99)
Statement showing the renewal of leases of forest land pending

Sl No.	Persons to whom leases have been granted	Purpose of diversion	Village	Extent in ha	Lease period	Lease rent due (in Rs.)
1	KV Balse	Construction of small scale industry	Hutgar FSy.No.28	1.20	06.11.1967 to 05.11.1967 (10 years)	7,200
2	Managing Director, Karnataka State Veneers Limited, Plywood Colony, Dandeli	Manufacture of decorative veneers and plywood products	Kavachur FSy. No.279P	24.70	23.10.1974 to 23.10.2004 (30 years)	8,40,100
3	Managing Director, Karnataka State Forest Industries Corporation Limited, Bangalore	--	Balekoppa MF 14P, MF 59, PF, 59P, PF57, PF56 Shiralagi MF297 (AP) MF 304	439.52	04.04.1975 to 03.04.1995 (20 years)	--
4		Cultivation	Mundganhalli 8,19 Golikatta 20	162.90	From 01.05.1974	1,900
5	Chief Officer, Municipal Council Siddapur and Secretary, Mandal Panchayat, Siddapur	Construction of water storage for rural people	Hosur FSy.No.166A/P1 Balekoppa FSy.No.170 Kondli FSy.No.48, 100AJA Anjibail FSy.No.87	0.1147	1990-91 to 01.04.2007 (10 years)	1,000
6	Divisional Officer, Microwave Project, Hubli	--	Nilkund FSy.No.30 Revenue Sy.No.81	0.24	1991-92 to 2003 (10 years)	1,500
7	Mahatma Gandhi Centenary College Averguppa	--	Averguppa FSy.No.25A1	10.08	04.09.1974 to 2004-05 (30 years)	3,60,000
8	Secretary, Mandal Panchayat, Islur	For laying out a new approach road	Chipgi	0.036	09.07.1993 to 06.07.2003 (10 years)	750
9	Chairman, Mahila Mandal, Hulekal	Construction of Balawadi building and park	Hancharta FSy.No.106b1	0.20	1974-75 to 2004-05 (30 years)	--
10	GM Hegde, Hulgod	--	Malenalli Sy.No.29	0.01ha 1gulta	Up to 11.12.1990 (05 years)	--
11	Ballarpur Industries Limited, Binaga, Karwar	Laying out underground pipeline from the factory to Chimney	Binaga FSy.9	0.125	05.12.1974 to 02.11.2001 (30 years)	--
12		Construction of storage tank	Baithkol FSy.No.16	0.46	20.03.1975 to 02.11.2001 (30 years)	--
13	Chairman, Narayan High School, Wailwada, Naitisavar, Karwar	Construction of school building and playground	Naitisavar FSy.No.157A1A Wailwada FSy.No.298A1A1	1.21	04.06.1981 to 03.06.2001 (20 years)	10,000
14	Town Municipal Council, Ankola	Construction of reservoir and approach road	Baleguli FSy.44	0.12	21.06.1982 to 20.06.1992 (10 years)	3,000
15	Excise Inspector Majali Check post, Karwar	Construction of check post	Majali FSy.No.287A	0.011	27.04.1983 to 26.04.2003 (20 years)	165
16	Arvind Motors, Balmath road, Mangalore	Construction of Tata Mercedes Benz Service station	Baad FSy.No.1454	0.03	20.12.1960 to 20.12.1963 (03 years)	--

Sl No.	Persons to whom leases have been granted	Purpose of diversion	Village	Extent in ha	Lease period	Lease rent due (in Rs.)
17	Bishop Catholic Diocese Bishop's House, Karwar	Holy Family Convent School, Joida	Joida FSy.No.146A1A	0.21	07.04.1995 to 06.04.2005 (10 years)	840
18	Inspector & Director General of Police, Bangalore	Construction of staff quarters	Belekeri FSy.No.307A	0.40	28.03.1995 to 27.03.2005 (10 years)	1,600
19	NPC, Kaiga	Construction of FRL road to Kaiga	Hartuga FSy.No.48 & 21	3.24	21.06.1995 to 20.06.2005 (10 years)	--
20	Managing Director, Jungle Lodges & Resorts, MG Road, Bangalore	Diversion of forest land for Devbagh Beach Resort	Chittakula FSy.No.1185A	2.00	--	2,000
21	Mandal Panchayat, Amdalli, President, Gram Panchayat, Amdalli	Release of forest land for burial ground	Amdalli FSy.No.314	0.40	28.06.1993 to 27.06.2003 (10 years)	1,600
22	Executive Engineer, Minor Irrigation Investigation Division No.2, Dharwad	Release of forest land for construction of Representation Basin Station	Aversa FSy.No. 102A1A1A1A1A1 Sakalben	0.826	24.12.1982 to 23.12.2002 (20 years)	--
23	Kuvempu University	Release of forest land for education purpose	Singamane MF	89.94	21.09.1979 to 20.09.1999	--
24	Telecom Department	Release of forest land for micro wave tower	Bintravalli Sy.No.1888	0.40	17.08.1989 to 16.08.1999	--
TOTAL				738.37		12,31,655

Appendix 3.25
(Reference: Paragraph 3.5.11, Page 102)
Progress in raising compensatory afforestation

Division	Area (in ha)	Purpose	Period	Details
Karwar	500	Naval Base	2002-03	As against CA to be raised in 500 ha, CA was taken up in 170 ha during 2004 to 2006 leaving a balance of 350 ha yet to be taken up under CA.
	65	400 KV line	2002-03	No CA was taken up as on date.
Mangalore	2.79	Hydro electric Project	2005-06	CA not taken up in 2 ha non forest land as stipulated ,even after four years since mutation of non forest land to forest department.
	3.308	Power	2005	The CA should have been raised over 5 Ha of degraded forest and 0.9 ha of non forest land at the cost of the user agency. CA yet to be raised.
Belgaum KNNL/ NHAI/ Army (3-cases)	282.967	Irrigation road widening/ Army	2002	Though the amount of CA charges Rs.185.42 lakh recovered there has been delay in raising of CA by more than four years. Consequently the amount actually required for raising/ maintenance would be much more at a later date actually recovered besides delay in initiating plan for maintaining bio- diversity /ecological balance.
Belgaum Army at Ramdurga	50	Army works		CA over an area of 60 ha in degraded forest is stipulated to be taken up at the cost of user agency; this has not been complied with.
Belgaum	1.11	Transmission line	1999	As per the G O, dt 4-5 -1999, CA had to be raised over 2.2 ha of degraded forest land as against 1.11 ha of forest land diverted. However planting has been done in 5 acres of forest land. Reason for deviation is not on record. Survival/ status of plantation are not on record.
	1.137	Road work	2006	CA to be raised over equivalent area identical non-forest land not been complied with.
Bangalore (Rural)	53	Minor Irrigation tank	1983	CA raised in 10 ha of forest land during 1987-88 as against 53 ha. Balance area not tackled, status of CA not on record
	51.2	Road	2002	Advance work carried out in 2006-07 after a delay of 4 years.
	565	Airport	2002	As against the requirement of CA to be raised in 565 ha of non-forest land, CA raised in 130 ha. Balance area is yet to be tackled.
	31	Minor Irrigation tank	1989	CA should have been raised in 31 ha of non-forest land. However, CA is reported to have been taken up in 35 ha of forest land
Bangalore (Urban)	4.52	Defence	1987	As against equivalent non-forest land to be brought under CA, the dept is yet to take up afforestation despite recovery of CA charges resulting in delay in raising CA by more than 20 years. Thereby the cost of raising plantation at present rate will be more than the amount recovered.
Mandya	3.99	Irrigation	1988	Non-forest land for raising CA in 8 ha is yet be identified.
Bidar	2.93	Minor Irrigation	1984	The Division is yet to take up CA in lieu of the diverted forest land in 42.85 ha even after 22 years. At present cost the amount required for raising CA would be Rs.23.23 lakh (@ Rs.54,200 per ha) against this the division has recovered only Rs.5,860 . CA and Penal charges at Rs.38.7 lakh has not been recovered as on date. (Total to be recovered -including interest = Rs.21.58 lakh + Rs.41.58 lakh)
	6.20		1986	
Total	1,624.152			

Appendix 4.1
(Reference: Paragraph 4.1.1, Page 107)
Particulars of HRA drawn, admissible and difference

(A) P.G. Centre, Bhootharamanahatti, Belgaum

(Amount in Rupees)

Year	No. of employees	HRA paid	HRA admissible	Difference
2002-03	33	2,44,194	1,38,813.80	1,05,380.20
2003-04	35	2,51,584	1,39,117.20	1,12,466.80
2004-05	35	2,58,490	1,40,586.20	1,17,903.80
2005-06	35	2,69,395	1,38,946.20	1,30,448.80
2006-07	32	2,42,378	1,29,128.60	1,13,249.40
2007-08	36	1,00,027	47,248.80	52,778.20
Total		13,66,068	7,33,840.80	6,32,227.20

(B) Kannada University, Kamalapur, Hampi

(Amount in Rupees)

Year	No. of employees	HRA paid	HRA admissible	Difference
2003-04	66	12,52,843	6,68,184	5,84,659
2004-05	73	14,16,907	7,55,682	6,61,225
2005-06	73	14,70,242	7,84,128	6,86,114
2006-07	74	14,22,079	7,58,442	6,63,637
2007-08	72	28,88,343	15,40,451	13,47,892
Total		84,50,414	45,06,887	39,43,527

(Amount in Rupees)

Total: A + B	HRA paid	HRA admissible	Difference
	98,16,482	52,40,727.80	45,75,754.20

Appendix 4.2
(Reference: Paragraph 4.2.4, Page 114)
Statement of avoidable interest on HUDCO loan by KUWS&DB

Payments made by the Board		Amount appropriated by HUDCO towards		(Amount in Rupees) Interest payable as per original schedule of payment	
Date of payment	Amount paid	Principal	Interest	Instalment	Amount payable
28.10.2001	83,80,000	--	83,80,000	31.3.2002	5,52,09,076
23.1.2002	1,72,26,370	--	1,72,26,370	30.6.2002	3,31,47,293
123/5.7.2002	9,81,22,848	1,78,58,000	8,02,64,848	30.9.2002	3,25,44,585
157/30.12.2002	5,01,52,585	--	5,01,52,585	31.12.2002	3,20,13,796
26.7.2004	6,67,66,793	2,73,07,000	3,94,59,793	31.3.2003	3,77,53,095
29.9.2004	6,58,93,257	--	6,58,93,257	30.6.2003	3,70,01,813
1683/12.10.04	24,49,53,724	2,72,35,340	21,77,18,384	30.9.2003	3,62,50,530
29.9.2004	1,93,53,140	--	1,93,53,140	31.12.2003	3,54,99,248
				31.3.2004	3,47,47,965
				30.6.2004	3,39,96,683
				30.9.2004	3,31,23,146
			49,84,48,377		40,12,87,230
Total amounts adjusted towards interest by HUDCO (A)			49,84,48,377		
Total interest payable as per original schedule of payment (B)			40,12,87,228		
Avoidable interest C (A-B)			9,71,61,149		
Re-schedulement charges paid (D)			30,80,360		
Total avoidable payments (C+D)			10,02,41,509		

Appendix 4.3
(Reference: Paragraph 4.4.1.1, Page 117)
Details of Departmental Notes pending as of 31 October 2008
(Excluding General and Statistical Paragraphs)

Sl. No	Department	Audit Report (Civil)											Total
		1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	
1.	Animal Husbandry & Veterinary Services	-	-	-	1	-	1	-	-	-	1	-	3
2.	Commerce and Industries	-	-	1	-	-	1	-	-	-	-	-	2
3.	Co-operation	-	-	-	-	-	-	-	-	-	-	1	1
4.	Ecology and Environment	-	-	-	-	-	-	1	-	-	-	-	1
5.	Education	-	-	-	-	-	-	-	1	1	-	2	4
6.	Finance	-	-	-	-	-	1	-	-	-	-	1	2
7.	Food, Civil Supplies and Consumer Affairs	-	-	-	-	-	-	-	-	-	1	-	1
8.	Forest	-	-	-	-	-	-	-	1	1	-	-	2
9.	Health & Family Welfare	3	-	-	-	2	1	-	-	-	-	-	6
10.	Horticulture	-	-	-	-	-	-	-	-	-	-	1	1
11.	Housing	1	-	-	-	-	-	-	-	-	1	1	3
12.	Information, Tourism, Kannada and Culture	-	-	-	-	-	-	-	-	-	1	1	2
13.	Information Technology and Bio-technology	-	-	-	-	-	-	-	-	-	1	-	1
14.	Labour	-	-	-	-	-	-	-	-	1	-	-	1
15.	Legislature Secretariat	-	-	-	-	1	-	-	-	-	-	-	1
16.	Minor Irrigation (Water Resources)	-	-	1	-	-	-	-	-	1	2	3	7
17.	Planning	-	-	-	-	1	-	-	-	-	-	-	1
18.	Public Works	-	-	-	-	-	-	-	-	1	-	5	6
19.	Revenue	-	-	1	-	-	-	-	-	-	-	1	2
20.	Social Welfare	1	-	2	1	-	1	-	-	-	-	-	5
21.	Urban Development	-	-	-	-	-	-	-	-	-	6	2	8
22.	Water Resources (Major & Medium Irrigation)	-	-	-	-	-	-	-	1	1	2	-	4
23.	Women and Child Development	-	-	-	-	-	-	-	1	-	-	-	1
24.	Youth Services and Sports	-	-	-	-	1	-	-	-	-	-	-	1
25.	Forest, Home & Transport	-	1	-	-	-	-	-	-	-	-	-	1
26.	Health & Family Welfare and Public Works	-	-	-	-	-	-	-	1	-	-	-	1
Total		5	1	5	2	5	5	1	5	6	15	18	68

Appendix 4.4

(Reference: Paragraph 4.4.1.2, Page 118)

Paragraphs (excluding General and Statistical) yet to be discussed by PAC as of 31 October 2008

Sl. No.	Department	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Total
1.	Agriculture	-	-	-	-	2	-	-	-	-	-	-	-	-	-	2
2.	Animal Husbandry and Veterinary Services	-	-	-	-	-	3	1	1	2	-	-	-	1	-	8
3.	Commerce and Industries	-	-	-	-	-	3	2	1	1	-	-	-	-	-	7
4.	Co-operation	1	-	-	-	-	-	-	-	-	-	-	-	-	1	2
5.	Ecology and Environment	-	-	-	-	-	-	-	-	1	1	-	-	-	-	2
6.	Education	2	1	4	5	1	-	1	2	2	1	1	1	-	2	23
7.	Finance	-	-	-	-	-	-	-	-	1	-	-	-	-	1	2
8.	Food and Civil Supplies and Consumer Affairs	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1
9.	Forest	1	-	1	2	-	-	-	-	1	2	1	1	-	-	9
10.	Health and Family Welfare	3	-	1	4	4	1	2	2	1	-	2	-	-	-	20
11.	Home	-	2	2	-	2	-	-	2	-	2	1	3	-	-	14
12.	Horticulture	-	-	-	-	1	1	-	-	-	-	-	-	-	1	3
13.	Housing	-	-	-	2	-	-	-	-	-	-	-	-	1	1	4
14.	Information, Tourism, Kannada and Culture	-	-	-	-	-	-	3	1	-	-	-	-	1	1	6
15.	Information Technology and Bio-Technology	-	-	-	-	-	-	-	-	-	-	-	2	1	-	3
16.	Labour	-	-	-	-	-	-	-	-	-	1	-	1	-	-	2
17.	Legislature Secretariat	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1
18.	Minor Irrigation (Water Resources)	1	6	3	5	4	3	-	-	-	-	-	3	2	3	30
19.	Planning	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1
20.	Public Works	-	2	2	4	1	-	-	-	-	-	-	1	3	5	18
21.	Revenue	-	-	-	1	1	1	-	1	-	-	-	-	1	1	6
22.	Rural Development & Panchayat Raj	-	1	-	-	-	-	-	-	-	1	-	-	-	-	2
23.	Social Welfare	-	-	-	2	-	3	3	1	1	-	-	1	-	-	11
24.	Transport	-	1	-	-	-	-	-	-	-	-	-	-	-	-	1
25.	Urban Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8
26.	Water Resources (Major & Medium Irrigation)	14	7	7	6	8	7	2	2	2	6	2	2	2	-	67
27.	Women & Child Welfare	-	-	-	-	1	-	-	-	-	-	1	-	-	-	2
28.	Youth Services and Sports	-	-	-	-	-	2	-	2	-	-	-	-	-	-	4
29.	Agriculture, Forest, Home & Transport	-	-	-	-	1	-	-	-	-	-	-	-	-	-	1
30.	Health & Family Welfare, Public Works and Rural Development and Panchayat Raj	-	-	-	-	-	-	-	-	-	-	1	-	-	-	1
	Total	22	20	20	31	26	24	14	17	12	14	9	15	19	18	261

Appendix 4.5
(Reference: Paragraph 4.4.3, Page 120)
Year-wise breakup of Outstanding Inspection Reports as on 30 June 2008

Year	Department of Kannada and Culture		Department of Water Resources		Department of Minor Irrigation		Department of Public Works	
	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs
Upto 1998-99	16	53	45	92	73	112	98	116
1999-2000	01	07	12	26	10	28	14	27
2000-01	02	09	21	81	13	48	28	54
2001-02	02	04	16	36	13	36	20	37
2002-03	01	05	18	72	17	52	35	105
2003-04	01	04	26	83	23	193	47	216
2004-05	03	13	40	191	11	130	61	445
2005-06	02	07	01	14	24	367	12	29
2006-07	02	05	40	382	--	--	65	678
2007-08	02	15	--	--	--	--	--	--
Total	32	122	219	977	184	966	380	1,707

