

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

FOR THE YEAR ENDED 31 MARCH 2005

GOVERNMENT OF KARNATAKA

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PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.
2. Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of State Government for the year ended 31 March 2005.
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 2004-05 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 2004-05 have also been included, wherever necessary.



OVERVIEW

This report contains five chapters of which the first two contain the observations on the accounts of the State Government for 2004-05 and the other three contain audit comments in the form of four reviews, two long paragraphs and 24 paragraphs on selected schemes, programmes and financial transactions of the Government. A summary of main audit findings is presented in the overview.

1. Financial position of the State Government

Revenue receipts of the Government increased from Rs.14,823 crore in 2000-01 to Rs. 26,163 crore in 2004-05 (77 *per cent*). The share of tax revenue (Rs.15,769 crore) and non-tax revenue (Rs.4,369 crore) in total revenue receipts was 60 *per cent* and 17 *per cent* respectively in 2004-05. Central tax transfers and grants-in-aid contributed 23 *per cent* of the total revenue receipts.

Arrears of revenue increased by 90 *per cent* since 2000-01 and aggregated Rs.3,604 crore as of March 2005.

Revenue expenditure increased by 47 *per cent* from Rs. 16,685 crore in 2000-01 to Rs.24,523 crore in 2004-05. Committed expenditure on salaries and pension increased from Rs.6,213 crore to Rs.7,687 crore during the period.

Interest payments increased by 59 *per cent* from Rs.2,388 crore in 2000-01 to Rs.3,794 crore in 2004-05 and constituted 15 *per cent* of the revenue receipts.

The capital expenditure increased from Rs.3,029 crore (2003-04) to Rs.4,674 crore (2004-05).

Outstanding liabilities of the State increased by 77 *per cent* from Rs.26,571 crore in 2000-01 to Rs. 46,940 crore in 2004-05 and the ratio of fiscal liabilities to Gross State Domestic Product increased from 25 *per cent* to 32 *per cent* during the period. The amount guaranteed by the State Government on behalf of Statutory Corporations, Government Companies, etc., and outstanding was Rs. 11,574 crore as of March 2005.

As at the end of 2004-05 the total investment in Statutory Corporations, Government Companies, etc., was Rs.10,741 crore, but the return was negligible (Rs.17 crore).

Fiscal deficit of the State was the lowest at Rs.3,600 crore during the period 2000-05.

The year 2004-05 ended with a revenue surplus of Rs.1,640 crore due to healthy growth of revenue receipts as also due to transfer of Panchayat Bodies' Funds (Rs.887 crore) and interest component relating to repayment of the House Building Advance (Rs.13 crore) to Revenue Account from Public Account and Loans and Advances respectively.

(Paragraphs 1.1 to 1.10)

The overall unspent provision of Rs.1,876.52 crore was 5 *per cent* of the total grants/ appropriations. This was the result of unspent provision of Rs.3,795.54 crore in 29 grants/appropriations offset by excess of Rs.1,919.02 crore in 5 grants/appropriations.

(Paragraph 2.2)

2. Implementation of the Consumer Protection Act, 1986

The Consumer Protection Act, 1986, which came into effect from July 1987 aimed at providing for simple, speedy and inexpensive redressal of the grievances of the consumers. Audit review of the implementation of the Act disclosed that there was no documented policy frame work for providing adequate adjudication mechanism and requiring involvement of State/District administration and Non-Governmental Organisations in the area of consumer awareness and empowerment. The District Consumer Protection Councils were not set up. Staff sanctioned for the consumer fora was inadequate and pendency of consumer disputes was high. Efforts to enhance consumer awareness were inadequate.

(Paragraph 3.1)

3. Implementation of National Highways Project in Karnataka

The State Public Works Department is responsible for the development and maintenance of National Highway projects in Karnataka, on behalf of the Ministry of Road Transport and Highways. Of the 3,973 kilometres of National Highways in the State, the State Public Works Department is responsible for the development and maintenance of 3,218 kilometres. Audit review disclosed that execution of works lacked proper prioritization. The designed life of roads was unrealistic leading to premature failures. Inadequate survey, investigation and estimation of the projects resulted in their cost and time overruns. Non-synchronisation of road works with cross drainage and bridge works resulted in hindrance to smooth flow of traffic. Non-adherence to Ministry of Road Transport and Highways specifications on execution of works resulted in unjustified expenditure of Rs.9.63 crore. Execution of works through piecework contractors deprived the Department of the benefits of competitive rates and quality control checks.

(Paragraph 3.2)

4. Infrastructural Development in Mega Cities

With the objective of upgrading infrastructure to provide impetus to further economic growth and quality of life by tackling problems arising out of traffic congestion, environmental degradation, etc., the Bangalore Development Authority implemented the scheme. Audit review of the implementation of the scheme disclosed that in the absence of agreement, the Bangalore Development Authority had to bear Rs.32.31 crore towards cost escalation and share payable by State Government, National Highways Authority of India and the Railways, being the other stakeholders. The Bangalore Development Authority floated bonds to mobilise funds for execution of projects

injudiciously. Projects were designed without taking into account results of soil investigations leading to material changes in design and scope of work, which resulted in avoidable extra expenditure of Rs.1.16 crore. The contract management by the Bangalore Development Authority was deficient as there were undue favours to contractors (Rs.6.31 crore), and extra contractual payments (Rs.two crore). Quality control tests did not adhere to standards prescribed.

(Paragraph 3.3)

5. Evaluation of Internal Control System and Internal Audit

The Medical Education Department was established with the basic responsibility of providing quality medical education at graduate, post-graduate and super speciality levels. Audit evaluation of internal controls in the Department disclosed that budget control mechanism in place was not effective. Inadequate internal controls led to revenue loss, non-recovery of arrears, *etc.*, involving Rs.22.63 crore. Substantial vacancies in faculty positions, excess admission of students in Government Nursing Schools, *etc.*, indicated insufficient administrative controls.

(Paragraph 5.1)

6. Karnataka Housing Board – Application and General Controls of Information Technology Systems and Incorrect Assessment of Demand under ‘100 Housing Scheme’

Audit review of the two important computer application systems in the Karnataka Housing Board disclosed that the investments on these applications were made without a clear Information Technology strategy. Full potential of the applications was not availed of and the package developer was paid high rates for performing routine tasks.

The Karnataka Housing Board formulated (July 2000) the ‘100 Housing Scheme’ for providing 13,500 houses and 15,000 developed sites, at affordable prices, at 100 locations in the State, before December 2002. The assessment of demand for the houses and sites was improper and even as of July 2005, 46 *per cent* of the houses constructed and 64 *per cent* of the sites developed were not allotted.

(Paragraph 3.4)

7. Maintenance of Irrigation Canals of Central Zone

The allocation of funds and incurring of expenditure on maintenance of the irrigation canals was not regulated according to the requirements and execution of additional works resulted in accumulation of pending bills to Rs.14.34 crore. Works valued at Rs.10.63 crore were split up and entrusted on piecework basis without obtaining sanction from competent authority. Sowdies had been engaged in excess of the prescribed norms, for management of water, which resulted in an irregular expenditure of Rs.6.65 crore.

(Paragraph 3.5)

8. Audit of transactions

Misappropriation/losses

Due to not having adequate systems and controls, dues of Rs.5.55 crore remained unrecovered for periods ranging from two to seven years affecting cash flow and ways and means position of Government/Bangalore Water Supply & Sewerage Board.

(Paragraph 4.1.1)

Four Government hospitals did not recover processing cost of blood, resulting in loss of Rs.1.10 crore.

(Paragraph 4.1.2)

Failure of the Executive Engineer, No. 5 Tungabhadra Canal Division, Yermarus to exercise required control checks and comply with the guidelines issued by Government in carrying out scarcity relief works facilitated misappropriation of Government money and food grains valued at Rs.50.29 lakh.

(Paragraph 4.1.4)

Infructuous/wasteful expenditure and overpayment

Preparation of master plan for Information Technology Corridor without specific Legislative sanction for the corridor and failure to prevent construction activity, which was not in conformity with such a plan resulted in the fee of Rs.1.34 crore paid by the Bangalore Development Authority for preparation of the master plan becoming wasteful.

(Paragraph 4.2.1)

Inaction of the Government and its failure to issue appropriate direction to the Executive Engineer, Public Works Division, Mandya to forestall the execution of the improvement works in selected reaches of Bangalore-Nilgiri State Highway while converting it into a four-lane carriage way, resulted in dismantling of the same by Karnataka Road Development Corporation Limited in less than a year, rendering the expenditure of Rs.61.39 lakh wasteful.

(Paragraph 4.2.2)

Delay in disposing of an old Chetak helicopter and injudicious action of the Government to overhaul and maintain it resulted in a wasteful expenditure of Rs.2.41 crore.

(Paragraph 4.2.3)

Unauthorised approval by the Superintending Engineer, Minor Irrigation Circle, Gulbarga allowing 15 *per cent* premium as bridge weightage outside the contractual obligation in the work of constructing a submersible bridge-cum-barrage across the river Bhima near Hireanur village resulted in excess payment of Rs.2.37 crore to the contractor.

(Paragraph 4.2.4)

Avoidable/extra/unfruitful expenditure

Inadequate provision in the original estimate for rehabilitation of a road work from Shedbal to Sankeshwar and revision of the estimate after allotment of the work to a contractor resulted in an avoidable extra cost of Rs.1.61 crore.

(Paragraph 4.3.4)

Idle investment/idle establishment/blockage of funds

Release of Rs. one crore before sanctioning the land for a work under Member of Parliament Local Area Development Scheme and ineffective monitoring by the Deputy Commissioner, Haveri led to blocking of funds of Rs.one crore and its non-utilisation.

(Paragraph 4.4.2)

Inability of Karnataka Urban Water Supply and Drainage Board to acquire lands for underground drainage in Hassan, to get formalities completed on time and to identify alternative site for construction of sewage treatment plant in view of public protest resulted in investment of Rs.10.36 crore made on the work remaining unproductive.

(Paragraph 4.4.3)

Failure of the Government to provide funds for completion of balance works of constructing a minor irrigation tank near Gollahalli village of Kolar district resulted in denial of irrigation facilities to 165 hectares of land even though Rs.5.53 crore was spent on the project.

(Paragraph 4.4.4)

Failure of Water Resources Department (Minor Irrigation) to ensure proper survey and investigation before taking up the work of constructing a 6.54 km long feeder canal from Haludyamavvanahally storage tank to Uduvally tank and delay in sanctioning revised estimates resulted in suspending the work leading to locking up of Government funds of Rupees two crore. The unjustified decision of the Superintending Engineer, Minor Irrigation Circle, Bangalore to work out a separate data rate for extra item of excavation work in medium rock requiring blasting, resulted in an extra contractual benefit of Rs.50.14 lakh to the contractor.

(Paragraph 4.4.6)

Violation of contractual obligations/undue favour to contractors

Failure of the Water Resources Department to enforce contractual obligation of restoring the over-excavated canal to the approved section in the work of constructing Karanja Right Bank canal had resulted in an undue benefit of Rs.35.69 lakh to two contractors, as the expenditure was borne by the Department.

(Paragraph 4.5.1)

Regularity issues and other points

Public Sector Banks made excess payment of family pension of Rs.1.10 crore in 656 cases.

(Paragraph 4.6.1)



CHAPTER I

FINANCES OF THE STATE GOVERNMENT

Summary

In Karnataka, revenue and fiscal deficits declined in 2003-04 and the year 2004-05 ended with revenue surplus. The Balance from Current Revenue (BCR) became positive in 2003-04 and continued to be so in 2004-05 indicating availability of resources from current revenue for programme spending after meeting the committed expenditure. The ratio of revenue receipts to total expenditure rose from 82 *per cent* in 2003-04 to 88 *per cent* in the current year. Revenue of the State consisting of its own taxes and non-tax revenue, Central tax transfers and grants-in-aid from Government of India (GOI) increased by 77 *per cent* from Rs.14,823 crore in 2000-01 to Rs.26,163 crore in 2004-05 with significant inter year variations in growth rates. During the year, revenue receipts grew by 26 *per cent* due to increase in 25 *per cent* tax revenue, 48 *per cent* non-tax revenue, 20 *per cent* State's share of Union taxes and 8 *per cent* grant-in-aid from GOI. The increase in tax revenue (Rs.3,199 crore) was mainly due to increase in collection of taxes on sales, trade, *etc.*, (Rs.2,051 crore), state excise (Rs.472 crore), stamps and registration fees (Rs.404 crore), taxes on vehicles (Rs.183 crore), *etc.*

Overall expenditure of the State increased by 56 *per cent* from Rs.19,143 crore in 2000-2001 to Rs.29,808 crore in 2004-05. The rate of growth ranged between five and 13 *per cent* up to 2003-04 and increased to 18 *per cent* in 2004-05. This was mainly due to growth of capital expenditure, which was the highest (54 *per cent*) in 2004-05.

The Karnataka Fiscal Responsibility Act, 2002 (Act), which came into force from 1 April 2003, *inter alia*, provides for reducing revenue deficit to nil and fiscal deficit to not more than three *per cent* of the Gross State Domestic Product (GSDP) by March 2006 and limiting fiscal liabilities to not more than 25 *per cent* of the GSDP by March 2015. The State Government, however, managed to bring down the revenue deficit from Rs.2,646 crore in 2002-03 to Rs. 525 crore in 2003-04 and achieved revenue surplus of Rs.1,640 crore in 2004-05. The Revenue surplus was partly due to the transfer of balances of the Panchayat Bodies' Fund (Rs.887 crore) from Public Account to Revenue Account and Rs.13 crore transferred from Loans and Advances to Revenue Account.

The borrowings of the State were seven *per cent* higher than those of the previous year, but the availability of funds therefrom decreased from 16 to 13 *per cent*. This was due to raising of loan aggregating Rs.1,088 crore exclusively for repayment of high cost GOI loans and advances under Debt-Swap Scheme. The ratio of fiscal liabilities to GSDP was 32 *per cent* in 2004-05 and would be 36 *per cent* taking into account the off-budget borrowings. The returns on investments of Rs.10,741 crore in Public Sector Undertakings (PSUs) continued to be very low at 0.2 *per cent* against the weighted interest rate of 8.5 *per cent* of the Government.

1.1 Introduction

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

Box 1

Layout of Finance Accounts

Statement No.1 presents the summary of transactions of the State Government –receipts and disbursements, revenue and capital, public debt receipts and disbursements, *etc.*, in the consolidated fund 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 2004-05.

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 2005.

Statement No.9 shows the revenue and expenditure under different heads for the year 2004-05 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 2004-05.

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 2004-05.

Statement No.15 depicts the capital and other expenditure (other than on revenue account) to the end of 2004-05 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 2005 and the amount of interest received during the year.

Statement No.19 gives the details of earmarked balances.

1.2 Trend of finances with reference to previous year

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

(Rupees in crore)

2003-04	Serial Number	Major Aggregates	2004-05
20,760	1.	Revenue Receipts (2+3+4)	26,163
12,570	2.	Tax Revenue	15,769
2,958	3.	Non-Tax Revenue	4,369
5,232	4.	Other Receipts	6,025
64	5.	Non-Debt Capital Receipts	45
64	6.	Of which Recovery of Loans	45
20,824	7.	Total Receipts (1+5)	26,208
17,945	8.	Non-Plan Expenditure (9+11+12)	19,614
17,732	9.	On Revenue Account	19,398
3,710	10.	Interest Payments	3794
99	11.	On Capital Account	88
114	12.	Loans disbursed	128
7,380	13.	Plan Expenditure (14+15+16)	10,194
3,553	14.	On Revenue Account	5,125
2,930	15.	On Capital Account	4,586
897	16.	Loans disbursed	483
25,325	17.	Total Expenditure (8+13)	29,808
4,501	18.	Fiscal Deficit (17-1-5)	3,600
(-) 525	19.	Revenue Deficit (9+14-1) (-) Revenue Surplus (1-9-14) (+)	1,640
791	20.	Primary Deficit (18-10)	

1.3 Summary of receipts and disbursements for the year

Table 1 below summarises the finances of the State Government for the year 2004-05 covering receipts and disbursements under revenue, capital, public debt, contingency fund and public account as emerging from various statements of Finance Accounts.

Table 1: Summary of receipts and disbursements for the year 2004-05

(Rupees in crore)

2003-04	Receipts	2004-05	2003-04	Disbursements	2004-05		
				Section-A: Revenue			
20759.88	Revenue receipts	26,162.91	21,284.71	Revenue expenditure	Non-Plan	Plan	Total
12,570.21	Tax revenue	15,769.13	9,039.13	General Services	19,398.23	5,124.62	24,522.85
2,958.37	Non-tax revenue	4,368.78	6,965.04	Social Services	9,897.50	2.74	9,900.24
3244.73	Share of Union Taxes and Duties	3,878.44	4,651.70	Economic Services	5099.54	2,623.21	7,722.75
1,986.57	Grants from Govt. of India	2,146.56	628.84	Grants-in-aid/Contributions	3,602.85	2,498.67	6,101.52
					798.34	---	798.34
				Section-B: Capital			
--	Misc. Capital Receipts		3,029.39	Capital Outlay	87.80	4,585.88	4,673.68
64.29	Recoveries of Loans and Advances	44.60	1,011.20	Loans and Advances disbursed	128.08	483.35	611.43
7988.33	Public debt receipts*	8509.43	3441.43	Repayment of Public Debt*	4029.40	--	4,029.40
-	Contingency Fund (recoupment)	40.52	40.52	Contingency Fund	33.15	5.76	38.91
30,512.84	Public account receipts	36,325.19	30,665.27	Public account disbursements	--	-	35,462.75
482.66	Opening Cash Balance	335.48	335.48	Closing Cash Balance			2,079.11
59,808.00	Total	71,418.13	59,808.00	Total	23,676.66	10,199.61	71,418.13

* Excluding ways & means advances and overdraft

1.3.1 Budget analysis

Budget papers, presented by the State Government, provide description about projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Wide variation between the estimates and the actuals, which result in distortions in fiscal management, are indicative of non-attainment and non-optimisation of desired fiscal objectives. The table below summarises the position of finances of the State Government covering the budget estimates and actuals for the year 2004-05 together with actuals for the previous year.

State Government Finances 2004-05 – Budget Estimates and Actuals

(Rupees in crore)

Budget Estimates		2003-04 Actuals	2004-05		Deviation from Budget	Deviation per cent
			Budget Estimates	Actuals		
1	Total Receipts of the State Government (6+7)	59,325.34	47,178.97	71,042.13	23,863.16	50.6
2	Revenue Receipts	20,759.88	25,510.31	26,162.91	652.60	2.6
	Tax revenue	12,570.21	14,957.96	15,769.13	811.17	5.4
	Non-tax revenue	2,958.37	4,486.35	4,368.78	(-) 117.57	(-)2.6
	State's share of Union taxes and duties	3,244.73	3,760.41	3,878.44	118.03	3.1
	Grants-in-aid from the Central Government	1,986.57	2,305.59	2,146.56	(-) 159.03	(-)6.9
3	Recovery of Loans and Advances	64.29	29.91	44.60	14.69	49.1
4	Total revenue and Non Debt receipts (2+3)	20,824.17	25,540.22	26,207.51	667.29	2.6
5	Public Debt receipt (Excluding Ways & Means Advances/Over Draft)	7,988.33	6,708.95	8,509.43	1,800.48	26.8
6	Total receipts in the CFS (4+5)	28,812.50	32,249.17	34,716.94	2,467.77	7.7
7	Public Account Receipt	30,512.50	14,929.80	36,325.19	21,395.39	143.3
8	Total disbursement by the State Government (14+15)	59,432.00	46,704.88	69,300.11	22,595.23	48.4
9	Revenue Expenditure	21,284.71	25,437.48	24,522.85	(-) 914.63	(-) 3.6
	General Services	9,039.13	11,475.96	9,900.24	(-) 1,575.72	(-) 13.7
	Social Services	6,965.04	7,662.30	7,722.75	60.45	0.8
	Economic Services	4,651.70	5,500.72	6,101.52	600.80	10.9
	Grants-in-aid & contributions	628.84	798.50	798.34	(-) 0.16	-
10	Capital Expenditure	3,029.39	3,746.61	4,673.68	927.07	24.7
11	Loans and Advances	1,011.20	602.78	611.43	8.65	1.4
12	Total expenditure of the State Government (9+10+11)	25,325.30	29,786.87	29,807.96	21.09	0.1
13	Repayment of Public Debt	3,441.43	1,987.04	4,029.40	2,042.36	102.8
14	Total disbursement out of the CFS (12+13)	28,766.73	31,773.93	33,837.36	2,063.43	6.5
15	Public Account Disbursements	30,665.27	14,930.95	35,462.75	(-) 20,531.80	(-) 137.5
16	Revenue Deficit/Surplus (2-9)/(9-2)	524.83	72.83	1,640.06	1,567.23	2,151.9
17	Fiscal Deficit (12-4)	4,501.13	4,246.65	3,600.45	(-) 646.20	(-) 15.2

There were significant variations between budgeted figures and the actuals under total receipts/disbursements of the Government, public account (receipts and disbursements), recovery of loans and advances, public debt (receipts and repayments), capital expenditure, fiscal deficits and revenue surplus indicating inaccurate assessment of revenue, expenditure and borrowings.

1.4 Audit methodology

Audit observations on the statements of Finance Accounts for the year 2004-05 bring out the trends in major fiscal aggregates of receipts and expenditure, wherever necessary, show these in the light of time series data (Statement IV) and periodic comparisons. Major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and loans and advances, *etc.*, have been presented as percentages to the Gross State Domestic Product (GSDP) at current market prices. For tax revenue, non-tax revenue, revenue expenditure, *etc.*, buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) resources by volumes and sources, (ii) application of resources (iii) assets and liabilities and (iv) management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the rational interpretation of fiscal aggregates.

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

1.5 State finances by key indicators

1.5.1 Resources by volumes and sources

Resources of the State Government consist of receipts under revenue and capital. Revenue receipts consist of (i) State's own taxes such as taxes on sales, trade, *etc.*, excise duties, stamp duty, motor vehicles taxes, *etc.*, (ii) non-tax revenue, such as receipts from States' functions like judiciary, police, income from past investments, financial intermediation and user charges for the economic and social services provided by the State, (iii) State's share of Union taxes and duties (devolution of taxes collected by the Union Government and transferred to the States in terms of the award of the Finance Commission), and (iv) grants-in-aid from the Central Government. Capital receipts comprise (i) debt receipts which create future repayment obligations, (ii) miscellaneous capital receipts such as proceeds from disinvestments and recovery of loans and advances, which lead to a reduction in State's asset base and (iii) accruals from public account.

Table 2 shows that the total receipts of the State Government for the year 2004-05 were Rs.71,042 crore of which, the revenue receipts were Rs.26,163 crore (37 *per cent*). Public Account accruals (Rs.36,325 crore) and borrowings (Rs.8,509 crore) accounted for the remaining 51 and 12 *per cent* respectively.

Table 2: Resources of Karnataka

(Rupees in crore)

Revenue Receipts	26,162.91
Capital Receipts	8,554.03
Recovery of Loans and Advances	44.60
Public Debt Receipts	8,509.43
Public Account Receipts	36,325.19
Small Savings, Provident Fund, etc.	1,521.49
Reserve Fund	569.97
Deposits and Advances	17,211.29
Suspense and Miscellaneous	14,389.56
Remittances	2,632.88
Total Receipts	71,042.13

1.5.2 Sources of receipts-trends

The sources of revenue under different heads and GSDP during 2000-05 are indicated in Table 3.

Table 3: Sources of receipts-trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	GSDP
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
2000-01	14,823	101	3,371	24,797	43,092	1,04,541
2001-02	15,321	35	5,146	28,502	49,004	1,09,016
2002-03	16,169	928	5,433	27,879	50,409	1,20,062
2003-04	20,760	64	7,988	30,513	59,325	1,32,498
2004-05	26,163	45	8,509	36,325	71,042	1,47,956

The percentage composition of revenue receipts to the total receipts increased from 35 per cent in 2003-04 to 37 per cent during the year. Public debt receipts during the year were 12 per cent of the total receipts of the State against 13 per cent in the previous year. There was 19 per cent growth in public account receipts, an increase from Rs.30,513 crore in 2003-04 to Rs.36,325 crore in 2004-05 and were 51 per cent of the total resources of the State.

1.5.3 Revenue receipts

Statement-11 of the Finance Accounts details the revenue receipts of the State. 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 4.

Table 4: Revenue Receipts – Basic Parameters

(Amount- Rupees in crore, others in *per cent*)

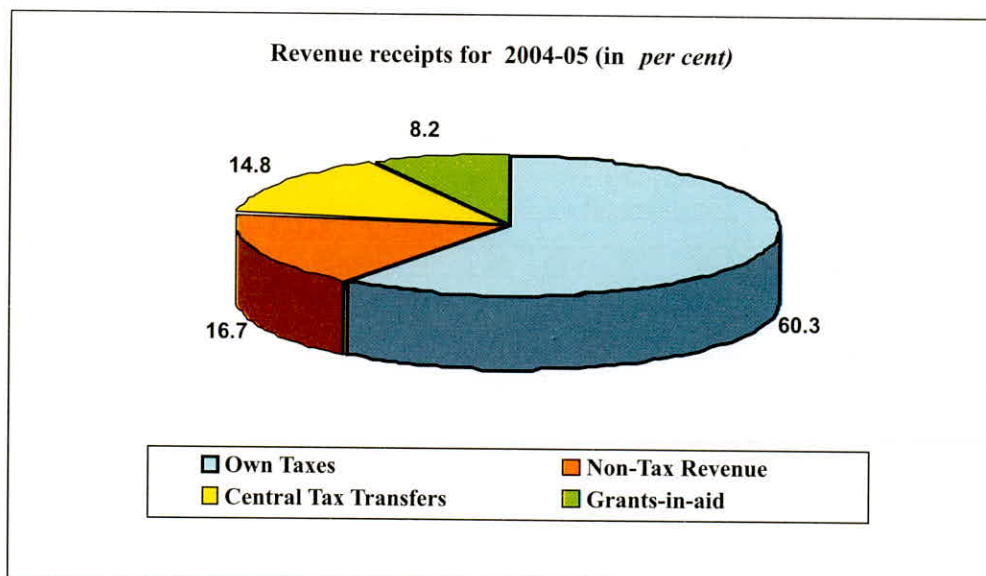
	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Receipts	14,823	15,321	16,169	20,760	26,163
Own taxes*	61.0	64.3	64.6	60.5	60.3
Non-Tax Revenue*	11.2	7.2	7.9	14.3	16.7
Central Tax Transfers*	17.4	17.1	17.2	15.6	14.8
Grants-in-aid*	10.4	11.4	10.3	9.6	8.2
Rate of Growth- Revenue Receipts	14.8	3.4	5.5	28.4	26.0
Rate of Growth-Own Taxes	16.8	9.0	5.9	20.4	25.4
Revenue Buoyancy--- Revenue Receipts	1.5	0.8	0.5	2.7	2.2
GSDP Growth	10.1	4.3	10.1	10.4	11.7
Revenue Receipts/GSDP	14.2	14.1	13.5	15.7	17.7
Revenue Buoyancy--- Own Taxes	1.7	2.1	0.6	2.0	2.2

* As a percentage of revenue receipts

The increase in revenue receipts was mainly due to more collection of taxes on sales, trade, *etc* (Rs.2,051 crore), state excise (Rs.472 crore), stamps and registration fees (Rs.404 crore), more receipts on account of share of Union taxes and duties (Rs.633 crore) and grant-in-aid from Central Government (Rs.160 crore).

Inter-year variation in the growth rate of revenue receipts during 2000-04 ranged between 3 *per cent* and 28 *per cent* and the growth rate decelerated to 26 *per cent* in 2004-05.

Composition of revenue receipts during 2004-05 is indicated graphically below:



Tax revenue constituted 60 *per cent* of revenue receipts and was more than that of the previous year by Rs.3,199 crore (25 *per cent*) attributable to rationalisation of tax rates and withdrawal of exemption on some commodities. Buoyancy of tax revenue was around two in 2004-05.

Non-tax revenue consisting mainly of returns on past investment including loans and advances constituted 17 *per cent* of the revenue receipts of the State during the year as against 14 *per cent* in 2003-04.

While 77 *per cent* of the revenue came from the State's own resources, Central tax transfers and grants-in-aid together contributed 23 *per cent* of the total revenue during the year, indicating less dependence of the State on transfer of resources from the Central Government.

Arrears of revenue as of March 2005 were Rs.3,604.46 crore of which, Rs.489.49 crore relating to State Excise Department were outstanding for more than five years.

1.6 Application of resources

1.6.1 Growth of expenditure

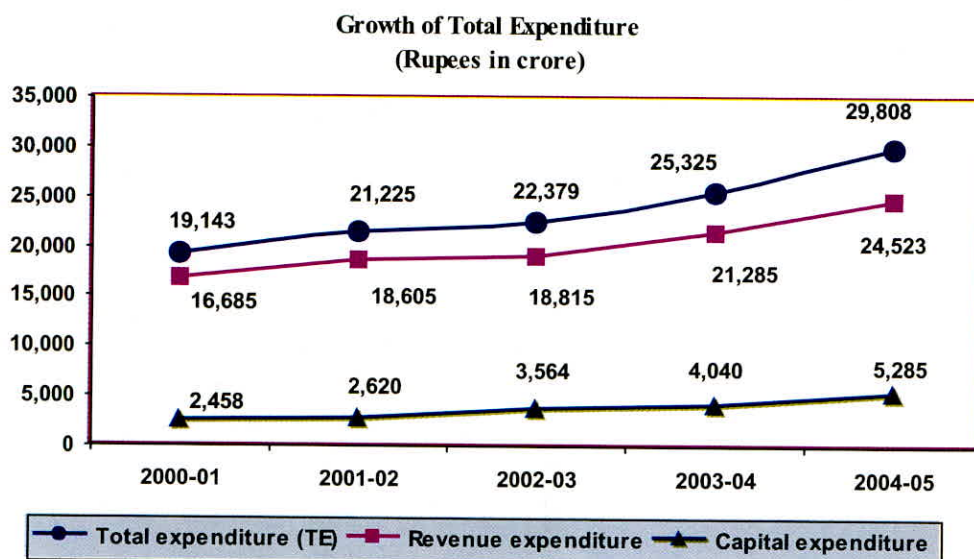
Statement 12 of the Finance Accounts gives details of expenditure by minor heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, extend the network of these services through capital expenditure and investments and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

The total expenditure of the State, its annual growth, ratio of expenditure to GSDP and revenue receipts and its buoyancy in relation to GSDP and revenue receipts are indicated in Table 5 below followed by its graphic representation.

Table 5: Total Expenditure – Basic Parameters

(Amount-Rupees in crore, others in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Total Expenditure (TE)	19,143	21,225	22,379	25,325	29,808
Rate of Growth	10.5	10.9	5.4	13.2	17.7
TE/GSDP	18.3	19.5	18.6	19.1	20.1
Revenue Receipts/TE	77.4	72.2	72.2	82.0	87.8
Buoyancy of Total Expenditure in relation to					
GSDP	1.0	2.5	0.5	1.3	1.5
Revenue Receipts	0.7	3.2	1.0	0.5	0.7



Capital expenditure includes disbursement of loans and advances

Overall expenditure of the State comprising the revenue expenditure, capital expenditure including loans and advances increased from Rs.19,143 crore in 2000-01 to Rs.29,808 crore in 2004-05. In 2004-05, the capital expenditure constituted 18 *per cent* of the total expenditure and non-asset forming revenue expenditure accounted for 82 *per cent*. The share of revenue expenditure in the total expenditure of the State ranged between 82 and 88 *per cent* during 2000-05 indicating the low priority accorded to capital formation, which may over a period of time affect the income generating capacity of the economy.

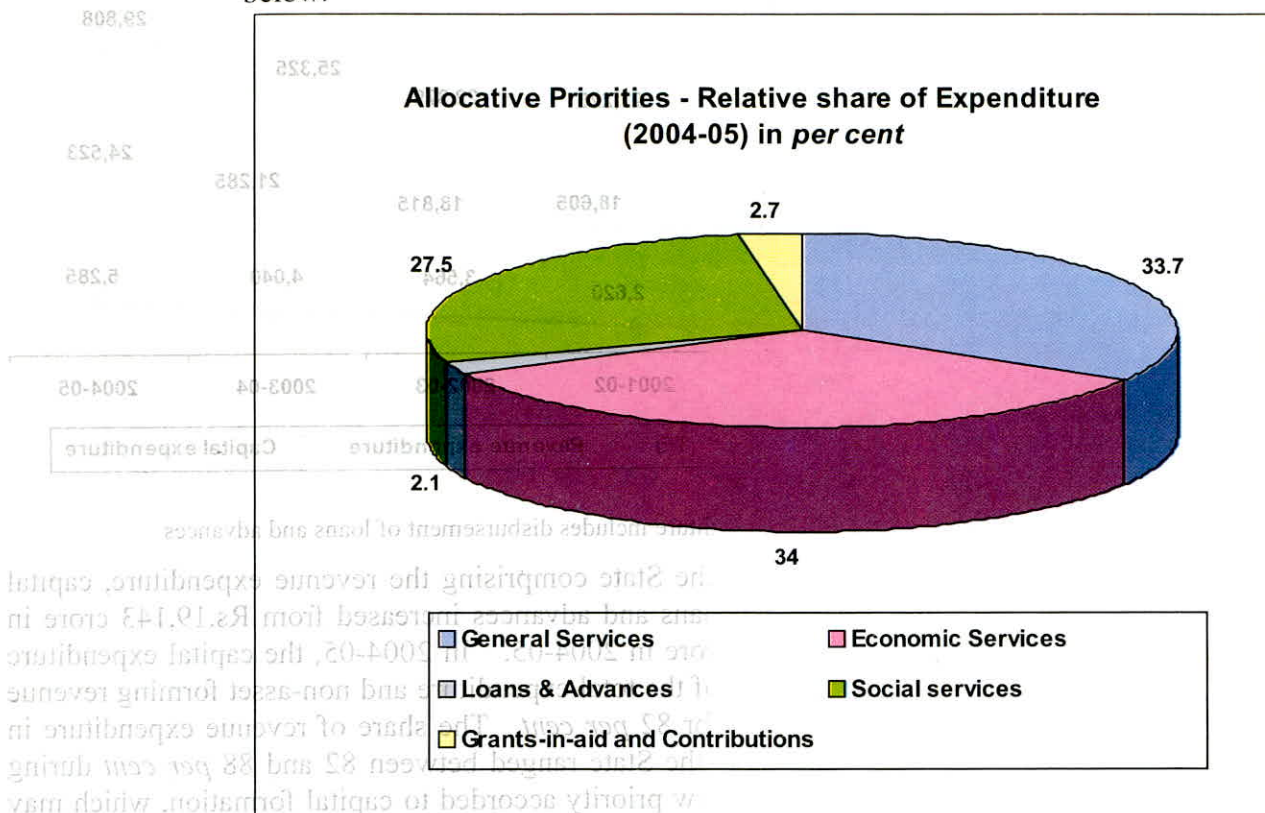
1.6.2 Components of expenditure

In terms of the activities, total expenditure is composed of expenditure on general services, social and economic services and loans and advances. The relative share of these components in total expenditure (including disbursements of loans and advances) is indicated in Table 6.

Table 6: Components of expenditure – relative share

	(in per cent)				
	2000-01	2001-02	2002-03	2003-04	2004-05
General Services	29.7	29.5	32.1	36.2	33.7
Social Services	33.6	31.3	29.6	29.2	27.5
Economic Services	31.3	34.1	32.9	28.1	34.0
Grants-in-aid and Contributions	2.8	2.7	2.6	2.5	2.7
Loans and advances	2.6	2.4	2.8	4.0	2.1

The components of expenditure during 2004-05 are indicated graphically below:



Expenditure on general services including interest payments (Rs.3,794 crore) generalised as non-developmental expenditure accounted for nearly 34 per cent of the total expenditure in 2004-05. The share of expenditure on economic services increased from 28 per cent in 2003-04 to 34 per cent in the current year but that of social services declined from 29 per cent to 28 per cent. With in general services, interest payments accounted for 38 per cent of the expenditure and in absolute terms, interest payments increased year after year due to excessive reliance on borrowings.

Incidence of revenue expenditure	
2004-05	2003-04
27.3	27.5
24.0	24.1
2.7	2.2
2.1	4.0

Revenue expenditure is incurred to maintain the current level of services/activities and does not represent any addition to the State's service network. Interest payments, pensions and salary fall under this category. Expenditure on maintenance of existing network of services and other overheads are its other components. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP, revenue receipts and its buoyancy in relation to GSDP and revenue receipts are indicated in Table 7 below.

Table 7: Revenue expenditure – Basic parameters(Amount-Rupees in crore, others in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Expenditure (RE)	16,685	18,605	18,815	21,285	24,523
Rate of Growth	9.6	11.5	1.1	13.1	15.2
RE/ GSDP	16.0	17.1	15.7	16.1	16.6
RE as <i>per cent</i> of TE	87.2	87.7	84.1	84.0	82.3
RE as <i>per cent</i> to Revenue Receipts	112.6	121.4	116.4	102.5	93.7
Buoyancy of Revenue Expenditure in relation to					
GSDP	0.9	2.7	0.1	1.3	1.3
Revenue Receipts	0.6	3.4	0.2	0.5	0.6

The rate of growth of revenue expenditure, which was between one and 13 *per cent* during 2000-04 was the highest at 15 *per cent* in 2004-05. Its share in total expenditure declined from 87 *per cent* in 2001-02 to 82 *per cent* in 2004-05.

1.6.4 High salary expenditure

Salaries accounted for about 21 *per cent* of the revenue receipts of the State. The expenditure on salaries increased from Rs.4,630 crore in 2000-01 to Rs.5,530 crore in 2004-05 as indicated in Table 8 below:

Table 8: Salary expenditure

(Rupees in crore)

Heads	2000-01	2001-02	2002-03	2003-04	2004-05 (RE)
Salary expenditure*	4,629.97	4,974.87	4,940.70	5,322.76	5,529.84
As percentage of GSDP	4.4	4.6	4.1	4.0	3.7
As percentage of Revenue Receipts	31.2	32.5	30.6	25.6	21.1

* Includes expenditure incurred under ZP Sector also

1.6.5 Huge expenditure on pension payments

Year-wise break-up of expenditure incurred on pension payments during the years 2000-01 to 2004-05 was as under:

Table 9: Pension payments

Year	Expenditure* (Rupees in crore)	Percentage to total revenue receipts	Rate of Growth
2000-01	1,583	10.7	2.9
2001-02	1,641	10.7	3.7
2002-03	1,773	11.0	8.0
2003-04	1,901	9.1	7.2
2004-05	2,157	8.2	13.5

*Excludes payment of pension accounted under various social sector schemes, etc.

The growth rate of expenditure on pension payments during 2000-05 ranged between three and 13 *per cent*. Considering this rate of growth, pension reforms mooted (July 2004) in Budget speech assumed significance. The State

Government was, however, yet to initiate pension reforms like constituting a Pension Fund to meet its pension liabilities.

1.6.6 Interest payments

The Eleventh Finance Commission (EFC) recommended (August 2000) as a medium term objective, that the States should endeavour to keep interest payments as a ratio to revenue receipts at 18 *per cent*. Table 10 below gives the details of interest payments of the State Government.

Table 10: Interest payments

Year	Interest Payment (Rupees in crore)	Percentage with reference to	
		Revenue Receipts	Revenue Expenditure
2000-01	2,388	16.1	14.3
2001-02	2,683	17.5	14.4
2002-03	3,292	20.4	17.5
2003-04	3,710	17.9	17.4
2004-05	3,794	14.5	15.5

Interest payments which ranged between 16 and 20 *per cent* of revenue receipts during 2000-04, were 15 *per cent* in 2004-05.

Interest payments, however, were steadily increasing year- after year (interest on internal debt increased by Rs.301.47 crore). It was mainly due to payment of high rate of interest on loans from 'National Small Savings Fund', which constituted 36 *per cent* of the total public debt of the State Government as on 31st March 2005. Large interest payments, increasing year after year, had the effect of crowding out the expenditure on primary education, health and social welfare schemes.

1.6.7 Subsidies by the Government

Though the finances of the State were under strain, Government continued to pay subsidies to various Corporations, Boards *etc.* The expenditure on subsidies stood accounted for below social and economic services sector under revenue expenditure. During the last five years, State paid the following subsidies under various sectors.

Table 11: Subsidies by the Government

(Rupees in crore)						
Sl. No.	Sector	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Power	877	2,305	1,847	1,677	1,331
2.	Food	295	206	176	186	597
3.	Transport	48	145	64	29	115
4.	Industries	69	17	25	---	86
5.	Others	225	188	118	174	194
	Total	1,514	2,861	2,230	2,066	2,323
	Percentage increase (+)/ decrease (-) over previous year	24	89	-22	-7	12
	Percentage of subsidy to total revenue expenditure	9	15	12	10	9

During the current year, subsidies constituted 9 *per cent* of the revenue expenditure. One of the key elements of the fiscal policy of the Budget 2004-05 was the enforcement of efficient subsidy management such as linking of release of subsidy to achievement of agreed performance-parameters. State Government, however, failed to reduce food and transport subsidies as envisaged in the State's Medium Term Fiscal Plan.

1.7 Expenditure by allocative priorities

Development expenditure

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

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

	2000-01	2001-02	2002-03	2003-04	2004-05
Plan Expenditure	27.8	28.2	27.5	26.7	33.3
Capital Expenditure	10.5	10.2	13.5	12.5	16.0
Developmental Expenditure	66.7	67.0	64.3	59.7	62.9

Capital expenditure constituted 16 *per cent* of the total expenditure of the State, the highest in the last five years. The share of plan expenditure in the total expenditure increased to 33 *per cent* and that of developmental expenditure increased from 60 *per cent* in 2003-04 to 63 *per cent* in 2004-05. This was in tune with the fiscal policy underlying the budget for 2004-05 aiming at enhanced allocations on developmental expenditure in key social sectors particularly Primary Education, Primary Health, Agriculture and Rural Development, Drinking Water and Welfare of the Under privileged.

Out of the developmental expenditure (Rs18,363 crore) during the year, social services (Rs.8,209 crore) accounted for 45 *per cent*, of which, Education, Sports, Art and Culture, Health and Family Welfare, Water Supply, Sanitation and Housing and Urban Development accounted for 81 *per cent* of the expenditure.

Table 13: Social services sector expenditure

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Education, Sports, Art and Culture	3,489 (3.3)	3,506 (3.2)	3,571 (3.0)	3,771 (2.8)	4,363 (2.9)
Health and Family Welfare	1,005 (1.0)	1,086 (1.0)	1,004 (0.8)	996 (0.8)	1,044 (0.7)
Water Supply, Sanitation, Housing and Urban Development	782 (0.7)	769 (0.7)	743 (0.6)	1,083 (0.8)	1,269 (0.8)
Total	5,276	5,361	5,318	5,850	6,676

(per cent to GSDP in brackets)

Improvement of the productivity of public expenditure by monitoring measurable outcome of all programmes is necessary in view of the increase in expenditure. Concurrent social audit of public expenditure to bring about accountability of delivery system in social sectors as mooted (July 2004) in the Budget speech of 2004-05 was yet (December 2005) to be implemented.

Economic services (Rs.10,154 crore) accounted for 55 *per cent* of developmental expenditure. Energy (Rs.1,488 crore), Irrigation and Flood Control (Rs.3,224 crore) and Transport (Rs.1,513 crore) accounted for 61 *per cent* of the expenditure on economic services sector.

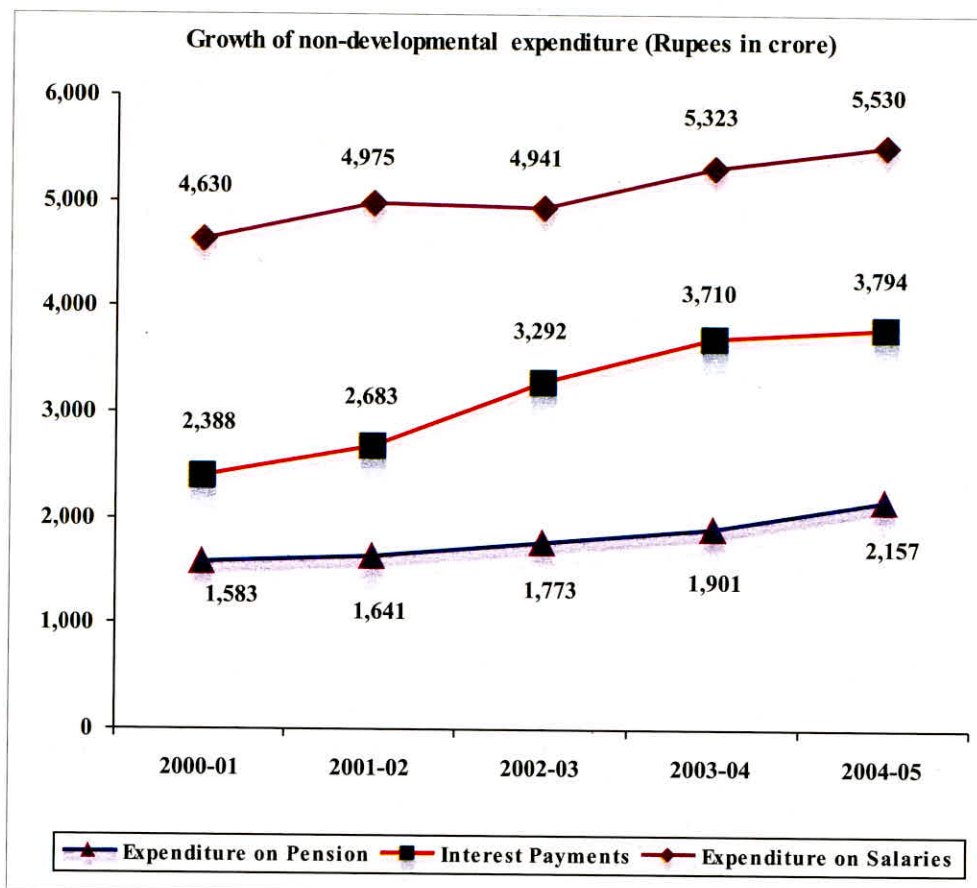
Table 14: Economic services sector expenditure

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Energy	939	2,337	1,907	1,733	1,488
Irrigation and flood control	1,986	1,716	2,235	2,061	3,224
Transport	695	778	819	822	1,513
Total	3,620	4,831	4,961	4,616	6,225

Non-developmental expenditure

Committed expenditure on salaries, pension and interest payments, termed as non-developmental expenditure, accounted for 44 *per cent* of the revenue receipts and constituted 47 *per cent* of the revenue expenditure in 2004-05.

A graphic representation of the progress of selected components of non-developmental expenditure is indicated below:



1.7.1 Financial assistance to local bodies and other institutions

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

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

Table 15: Financial assistance to local bodies and other institutions

(Rupees in crore)

Description	2000-01	2001-02	2002-03	2003-04	2004-05
Panchayat Samitis and Zilla Panchayats/Municipalities	4,867.29	4,461.63	5,160.08	5,207.76	5,704.08
Educational Institutions (including Universities)	586.31	499.85	646.99	603.16	688.93
Co-operative Societies and Co-operative Institutions	5.25	3.34	5.00	57.62	167.65
Other Institutions and bodies (including statutory bodies)	992.24	2,464.01	1,863.28	1,911.84	1,336.28
Total	6,451.09	7,428.83	7,675.35	7,780.38	7,896.94
Percentage growth over previous year	10	15	3	1	2
Revenue receipts	14,822.72	15,321.25	16,168.76	20,759.88	26,162.91
Assistance as a percentage of revenue receipts	44	48	47	37	30
Revenue expenditure	16,684.95	18,605.70	18,814.50	21,284.71	24,522.85
Percentage of assistance to revenue expenditure	39	40	41	37	32
Percentage of assistance to Panchayat Raj Institutions/ Municipalities, etc., to total assistance	75	60	67	67	72

Financial assistance to local bodies increased by two *per cent* during the year compared to the previous year. Assistance to Panchayat Raj Institutions/ Municipalities accounted for 72 *per cent* of the total assistance during 2004-05 but only a half of the assistance was available for implementation of developmental schemes, as 50 *per cent* of this constituted salary component (Rs.2,857.52 crore). Assistance to other institutions and bodies included subsidy to State Electricity Board (Rs.1,331 crore) towards rural electrification and co-generation/captive generation of electricity.

Submission of accounts by Autonomous Bodies

The status of submission of accounts by the autonomous bodies and presentation of Audit Reports thereon to the State Legislature as of November 2005 is given in **Appendix 1.2**.

Audit arrangements

Accounts of 95 bodies/authorities for the year 2003-04 attracted audit by Comptroller and Auditor General of India. Of these, 29 bodies/authorities were audited during 2004-05 (September 2005). Annual accounts (573 numbers) of 237 bodies/authorities of 17 departments for 2003-04 and earlier years had not been received as of November 2005 by the Principal Accountant General (C&CA). The details are given in **Appendix 1.3**.

1.7.2 Misappropriations, defalcations, etc.

The position of cases of misappropriations, embezzlement, etc., reported to audit, disposed of during 2004-05 and outstanding as of March 2005 was as under:

Table 16: Cases of Misappropriations and Defalcations

	Number of cases	Amount (Rupees in lakh)
Cases reported between 1960-61 and 2003-04 and outstanding as on 1 April 2004	220	973.89
Cases reported during 2004-05	01	4.90
Total	221	978.79
Cases disposed of during 2004-05	01	0.15
Cases outstanding as on 31 March 2005	220	978.64

Department-wise details are given in **Appendix 1.4**.

1.8 Assets and liabilities

The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings, etc., owned by the State. However, the Government accounts do capture the financial liabilities of the State and the assets created out of the expenditure. Statement 16 read with details in Statement 17 of Finance Accounts shows the year-end balances under Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. Statement-I presents an abstract of such liabilities and assets as on 31 March 2005 compared with the corresponding position as on 31 March 2004. While the liabilities as shown in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from GOI, receipts in the Public Account and Reserve Fund, the assets comprise mainly of capital expenditure and loans and advances given by the State Government. The liabilities of the State depicted in the Finance Accounts, however, do not include pension, other retirement benefits payable to retiring/retired State employees, guarantees/ letters of comforts issued by the State Government and the borrowings through special purpose vehicles (termed 'off-budget borrowings'). Statement-I shows that while liabilities grew by 12 *per cent*, the assets increased by 22 *per cent*. However, a part of liabilities were without any asset backup. Statement-IV depicts the time series data on State Government finances for the period 2000-05.

1.8.1 Incomplete projects

Incomplete projects/works reflect failure on part of the State to prioritise expenditure and to spread its resources adequately over these projects. There were 238 incomplete projects/works as of March 2005 in which Rs.9,496 crore was locked up which meant that 32 *per cent* of the total capital outlay of the State during 2000-05 (Rs.30,137.90 crore) was blocked in these projects. The details of these works are available in the additional statement of Finance Accounts for 2004-05.

1.8.2 Investments and returns

As on 31 March 2005, State had invested Rs.10,741.40 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives (Statement 14-Finance Accounts). As indicated in Table 17 below, the dividend earned was 0.2 *per cent* of the investment which was very meagre compared to five *per cent* return on equity recommended by the EFC. Investments included non-recoverable loans converted into equity, which often failed to yield returns. Four Statutory Corporations and 43 Government companies with an aggregate investment of Rs.1,526.17 crore (Rs.488.88 crore and Rs.1,037.29 crore respectively) as of March 2005 were under loss and the dividend earned was Rs.0.05 crore in 2004-05, while the accumulated loss of these units was Rs.3,672.36 crore.

Table 17: Return on investment

(Rupees in crore)

Year	Investment at the end of the year	Amount of Return	Percentage of return	Weighted interest rate on Government borrowings – Market Loans (<i>per cent</i>)
2000-01	4,215.27	8.9	0.2	9.8
2001-02	4,840.34	10.6	0.2	9.1
2002-03	6,150.37	21.3	0.4	9.4
2003-04	7,984.19	18.0	0.2	9.4
2004-05	1,0741.40	16.7	0.2	8.5

The Government investment of Rs.2,702.61 crore in Government companies during the year includes Rs.2,048.66 crore paid to discharge the liabilities (principal as well as interest) of eight companies towards off-budget borrowings (Finance Accounts- Statement No.13).

1.8.3 Loans and advances by State Government

In addition to investment, Government has also been providing loans and advances to Government Companies/Corporations, *etc.* Total outstanding balance of the loans advanced was Rs.5,769.78 crore as on 31 March 2005. The details are in Table 18:

Table 18: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Opening Balance	3,666.62	4,076.69	4,556.46	4,256.04	5,202.95
Amount advanced during the year	511.30	514.47	627.58	1,011.20	611.43
Amount repaid during the year	101.23	34.70	928.00	64.29	44.60
Closing Balance	4,076.69	4,556.46	4,256.04	5,202.95	5,769.78*
Net Addition (+) / Reduction (-)	410.07	479.77	(-) 300.42	946.91	566.83
Interest Received (Rupees in crore)	129.42	112.11	19.98	96.27	24.26
Interest received as <i>per cent</i> to outstanding loans and advances	3.2	2.5	0.5	1.9	0.4
Weighted interest	9.8	9.1	9.4	9.4	8.5
Difference between weighted interest and interest received	6.6	6.6	8.9	7.5	8.1

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

Outstanding loans increased by Rs.1,693 crore over the five years period ending March 2005 indicating that these agencies were relying more on borrowing from the Government rather than raising their own resources for meeting their financial requirements. Interest received in 2004-05 was 0.4 *per cent* of the advances/ loans as against the nine *per cent* recommended by the EFC. Apart from the low returns on the loans and advances, there is also the issue of arrears in recovery of loans and advances. As of March 2005, recovery of Rs.1,594.23 crore (principal Rs.734.30 crore; interest Rs.859.93 crore) was over-due and in some cases the arrears were as old as 25 years and in some cases recovery of loans appears to be bleak considering the fact that some Government companies have been liquidated/are under liquidation.

1.8.4 Management of cash balances

It is generally desirable that the 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 has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three-year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by the RBI from time to time depending on the holding of Government Securities. During the year, the limit of Normal Ways and Means Advances was fixed at Rs.505 crore and that of Special Ways and Means Advances was Rs.22.62 crore in the beginning of the year and varied between Rs.1,146.74 crore and Rs. 21.05 crore during the year depending on the Securities held by the State. Ways and Means Advances and Overdraft availed and interest paid by the State is detailed in Table 19:

Table 19: Ways and Means Advances and Overdrafts of the State and Interest paid thereon

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Ways & Means Advances					
Availed in the Year	-	735.88	4,045.45	4,623.92	1,462.79
Interest Paid	-	0.91	5.22	7.94	1.20
No. of days availed	-	40	170	163	61
Overdraft					
Availed in the Year	-	-	47.84	757.72	-
Interest Paid	-	-	0.01	0.90	-
Number of days	-	-	1	33	-

During the year, the State used the mechanism of Ways and Means Advances for 61 days as against 163 days in the previous year although it borrowed Rs.2,298.68 crore from the market on six occasions. The State did not use over draft facilities during the year.

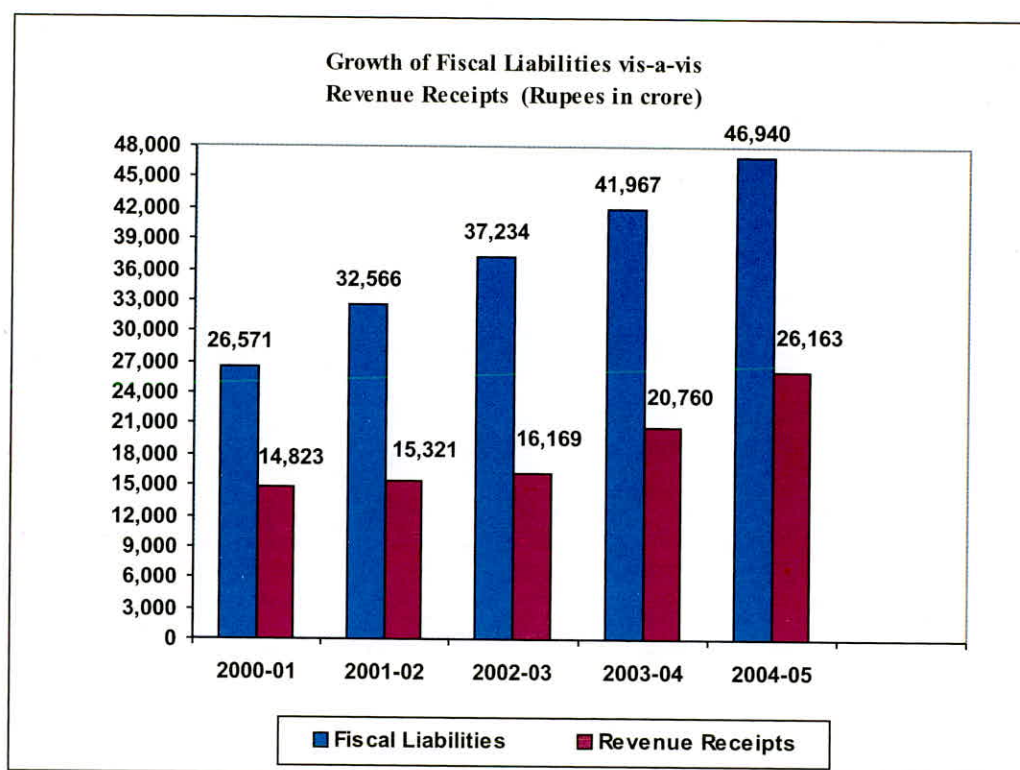
1.8.5 Fiscal liabilities

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 the 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 20 and the graph below show the fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources.

Table 20: Fiscal liabilities – Basic parameters(Amount-Rupees in crore, Ratios in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Fiscal Liabilities	26,571	32,566	37,234	41,967	46,940
Rate of growth	19.2	22.6	14.3	12.7	11.8
Ratio of Fiscal Liabilities to					
GSDP	25.4	29.9	31.0	31.7	31.7
Revenue Receipts	179.3	212.6	230.3	202.1	179.4
Own Resources	248.3	297.5	317.7	270.3	233.1
Buoyancy of Fiscal Liabilities to					
GSDP	1.9	5.3	1.4	1.2	1.0
Revenue Receipts	1.3	6.6	2.6	0.4	0.4
Own Resources	1.3	9.9	2.0	0.4	0.4



The fiscal liabilities of the State had been steadily increasing in the last five years and were Rs.46,940 crore in 2004-05. The ratio of fiscal liabilities to GSDP was 32 *per cent* in 2004-05. The Karnataka Fiscal Responsibility Act, 2002, which came into force from 1 April 2003, *inter-alia*, aimed to reduce it to 25 *per cent* by March 2015.

Increasing liabilities raise the issue of their sustainability. Fiscal liabilities are considered sustainable if the average rate of interest paid on these is lower than the rate of growth of GSDP. The position of fiscal liabilities in relation to weighted interest rate and GSDP growth is as detailed in Table 21.

Table 21: Debt sustainability – Interest rate and GSDP growth

	2000-01	2001-02	2002-03	2003-04	2004-05
Weighted interest rate	9.8	9.1	9.4	9.4	8.5
GSDP growth (in <i>per cent</i>)	10.1	4.3	10.1	10.4	11.7
Interest spread	0.3	(-) 4.8	0.7	1.0	3.2

GSDP growth-interest rate differential which turned positive in 2002-03, continued to be so thereafter.

1.8.6 Net availability of borrowed funds

Another important indicator of debt sustainability is the net availability of funds after payment of the principal on account of earlier contracted liabilities and interest. Table 22 below gives the position of the receipt and repayment of internal debt and loans and advances from GOI after providing for the interest and repayments.

Table 22: Net availability of borrowed funds

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Internal Debt (excluding Ways & Means Advances and Overdraft)					
Receipts	2,295.58	2,969.48	3,888.52	6,531.33	6,953.68
Repayment (Principal + interest)	859.35	1,193.45 ^o	1,618.53 ^o	2,523.27 ^o	2,666.13 ^o
Net Fund Available	1,436.23	1,776.03	2,269.99	4,008.06	4,287.55
Net Fund Available (<i>per cent</i>)	63	60	58	61	62
Loans and Advances from Government of India (excluding Ways & Means Advance)					
Receipt	1,075.65	2,176.88	1,544.22	1,457.00	1,555.75
Repayment (Principal + Interest)	1,652.09	1,799.41	2,932.84	4,196.92 ^x	4,703.74
Net Fund Available	(-) 576.44	377.47	(-) 1,388.62	(-) 2,739.92	(-) 3,147.99
Net Fund Available (<i>Per cent</i>)	-	17	-	-	-
Total Public Debt					
Receipt	3,371.23	5,146.36	5,432.74	7,988.33	8,509.43
Repayment (Principal + Interest)	2,511.44	2,992.86	4,551.37	6,720.19	7,369.87
Net Fund Available	859.79	2,153.50	881.37	1,268.14	1,139.56
Net Fund Available (<i>per cent</i>)	26	42	16	16	13

^o Includes interest paid on Ways and Means Advances/Overdrafts availed from RBI amounting to Rs.18 lakh, Rs.4.14 crore, Rs.8.85 crore and Rs.1.20 crore during, 2001-02, 2002-03, 2003-04 and 2004-05 respectively.

^x Includes Rs.24.14 crore of interest paid on Ways & Means Advances availed of from GOI.

During the year, the State raised loan of Rs.8,509.43 crore which was around seven *per cent* more than the loan raised in the previous year but the net availability of funds was reduced from 16 to 13 *per cent*, as market loans aggregating Rs.1,088 crore were raised exclusively for repayment of high cost loans under Debt-Swap Scheme.

1.8.7 Off-budget borrowings

In addition to the liabilities shown in Table 20 (Paragraph 1.8.5), the State guaranteed loans availed of by Government companies/corporations, which at the end of 2004-05 stood at Rs.8,661 crore. 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 project 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'.

During 2004-05, the projected size of the State plan was Rs.12,322.92 crore, of which Rs.8,215.44 crore was met by resources from the State budget and the balance of Rs.4,107.48 crore was to be met from the resources of certain companies/corporations. In fact the volume of off-budget borrowings during the year was Rs.1,171.70 crore as detailed in the Table 23.

Table 23: Off-budget borrowings

(Rupees in crore)

Company/Corporation	Borrowings up to 2003-04	Borrowings during 2004-05	Total	Repayment of principal
Krishna Bhagya Jala Nigam	4,555.46	118.95	4,674.41	1,208.69
Karnataka Neeravari Nigam	1,259.56	308.00	1,567.56	377.83
Karnataka Road Development Corporation	385.49	168.27	553.76	28.32
Slum Clearance Board	155.93	30.12	186.05	22.24
Rajiv Gandhi Rural Housing Corporation	546.97	350.40	897.37	161.34
KEONICS (Mahithi Bonds)	-	-	-	-
Karnataka Police Housing Corporation	247.49	30.03	277.52	21.97
Karnataka Land Army Corporation	15.21	-	15.21	-
Karnataka Renewable Energy Development Limited	5.14	-	5.14	-
KEONICS	60.00	-	60.00	-
Cauvery Neeravari Nigam	257.92	165.93	423.85	-
Total	7,489.17	1,171.70	8,660.87	1,820.39

Taking into account these off-budget borrowings of the State the total liabilities as of March 2005 were Rs.53,780 crore as against Rs.46,940 crore reflected in Table 20. In view of this, their ratio to GSDP would increase to 36 per cent.

1.8.8 Guarantees given by the State Government

Guarantees are liabilities contingent on default by the borrower for whom the guarantee has been extended. As per Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State was Rs.19,910 crore and outstanding guarantees at the end of 2004-05 amounted to Rs.11,574 crore. The Karnataka Ceiling on Government Guarantees Act, 1999, provides for a cap on outstanding guarantees at the end of any year to 80 per cent of the State's revenue receipts of the previous year excluding guarantees given to Krishna Bhagya Jala Nigam Limited (KBJNL). The outstanding guarantees to the end of 2004-05 excluding those given to KBJNL (Rs.3,465 crore) constituted 39 per cent of the revenue receipts for the year 2003-04.

1.9 Management of deficits

1.9.1 Fiscal imbalances

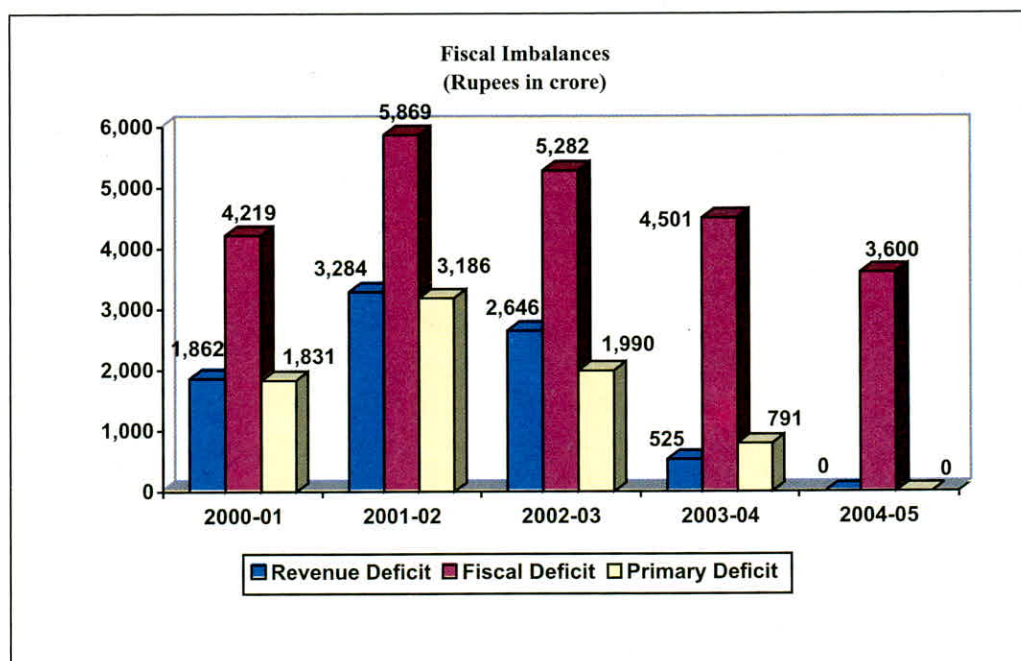
The deficits in the State Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of prudence in fiscal management by the State. Further, the ways in which deficit is financed and resources so raised are applied, are important pointers to fiscal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

The revenue deficit (Statement 1 of Finance Accounts) of the State, which is the excess of its revenue expenditure over revenue receipts, decreased from Rs.3,284 crore in 2001-02 to Rs.525 crore in 2003-04 and the year 2004-05 ended with revenue surplus of Rs.1,640 crore. Fiscal deficit, which represents the total borrowing of the State and its total resource gap, decreased from Rs.4,501 crore in 2003-04 to Rs.3,600 crore in 2004-05. The primary deficit of the State was wiped out during 2004-05 as indicated in Table 24 and graphic representation below.

Table 24: Fiscal imbalances – Basic parameters

(Amount-Rupees in crore, Ratios in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue deficit (RD)	1,862	3,284	2,646	525	--
Revenue Surplus	--	--	--	--	1,640
Fiscal deficit (FD)	4,219	5,869	5,282	4,501	3,600
Primary Deficit (PD)	1,831	3,186	1,990	791	--
RD/ GSDP	1.8	3.0	2.2	0.4	--
FD/ GSDP	4.0	5.3	4.4	3.4	2.4
PD/ GSDP	1.8	2.9	1.7	0.6	--
RD/FD	44.1	56.0	50.1	11.7	--



The Revenue surplus, however, was overstated by Rs.900.38 crore due to transfer of unspent balance (Rs.887.38 crore) in Panchayat Bodies Fund under Public Account and interest (Rs.13 crore) on House Building Advances misclassified under Loans and Advances, both relating to earlier years to the Revenue Account of the current year.

1.9.2 Medium term fiscal reforms programme (MTFRP)

Incentive Grants

The EFC in its report (August 2000) laid down broad parameters of fiscal correction in the State Sector. Each State was required to draw up the Medium Term Fiscal Reforms Programme (MTFRP) to achieve the objective of zero revenue deficit. The MTFRP should form the basis of a Memorandum of Understanding (MOU) entered into between the State and the Ministry of Finance. Further, the EFC recommended an incentive fund from which grants were to be released to States based on their fiscal performance. On the basis of the recommendations of the EFC, the Government of India (GOI) created Fiscal Reforms Facility (2000-01 to 2004-05) to motivate the States to undertake MTFRP. Releases from the incentive fund will be based on a single monitorable fiscal objective. Each State would be expected to achieve a minimum improvement of five *per cent* in the revenue deficit (surplus) as a proportion of its revenue receipts each year till 2004-05, the base-year being the financial year 1999-2000.

The State Government formulated its Medium Term Fiscal Term Plan and entered into MOU with GOI in October 2001. The performance of the State with regard to the achievement of the fiscal objective is given in Table 25.

Table 25: MTFRP – Performance of the State

Revenue Deficit (Surplus) as ratio of Revenue Receipts	(Ratio in <i>per cent</i>)					
	1999-2000 (base-year)	2000-01	2001-02	2002-03	2003-04	2004-05
Expected	(-)18.0	(-)13.0	(-)8.0	(-)3.0	2.0	7.0
Achieved	--	(-)12.6	(-)21.4	(-)16.4	(-)2.5	6.3

The State achieved the expected improvement for the year 2000-01 and received (November 2001) incentive grant of Rs.32.29 crore. Though the State failed to achieve the targeted improvement thereafter, it got entitled to incentive grant by adhering to the agreed reforms programme and received (September 2004) Rs.184.94 crore for 2001-02 (Rs.56.17 crore), 2002-03 (Rs.60.80 crore) and 2003-04 (Rs.67.97 crore). The final instalment for 2004-05 was yet (December 2005) to be received.

Grants for upgradation of standards of administration and tackling special problems

EFC also recommended grants aggregating Rs.311.53 crore for up-gradation of standards of administration in 12 identified sectors and tackling special problems in one sector. As of March 2005, the State Government received grants aggregating Rs.256.48 crore. The balance (Rs.55.05 crore) pertaining to 11 sectors was not received due to failure of the departments to furnish the

utilisation certificates for the grants already released and certificates of completion of the works undertaken. Further, Rs.38.45 crore out of the grants released (Rs.256.48 crore) remained unutilised (March 2005), which required to be refunded to the credit of GOI. Considering the non-receipt of recommended grants (Rs.55.05 crore) together with grants unutilised (Rs.38.45 crore), the State was deprived of the benefit of 30 *per cent* (Rs.93.50 crore) of the recommended grants. The sector-wise details of grants recommended, released and utilised are in **Appendix 1.5**.

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 26 presents a summarised position of Government finances for the period 2000-2005, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their application, highlight areas of concern and capture its important facets. The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of its resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resources mobilisation.

The ratio of developmental expenditure to total expenditure increased from 60 *per cent* in 2003-04 to 63 *per cent* in 2004-05. The ratio of capital expenditure to total expenditure was the highest at 16 *per cent* in 2004-05, while Revenue buoyancy decreased from 2.7 *per cent* in 2003-04 to 2.2 *per cent* in 2004-05 and the ratio of own tax to GSDP increased over the previous year.

Table 26: Ratios of fiscal efficiency (in *per cent*)

Fiscal Ratios	2000-01	2001-02	2002-03	2003-04	2004-05
Resource Mobilisation					
Revenue Receipts (RR)/GSDP	14.2	14.1	13.5	15.7	17.7
Revenue Buoyancy	1.5	0.8	0.5	2.7	2.2
Own Tax/GSDP	8.6	9.0	8.7	9.5	10.7
Expenditure Management					
Total Expenditure/GSDP	18.3	19.5	18.6	19.1	20.1
Revenue Receipts/ Total Expenditure	77.4	72.2	72.2	82.0	87.8
RE/Total Expenditure	87.2	87.7	84.1	84.0	82.3
Capital Expenditure (CE)	10.5	10.2	13.5	12.5	16.0
Developmental Expenditure/Total Expenditure (RE+CE)	66.7	67.0	64.3	59.7	63.0
Buoyancy of TE with RR	0.7	3.2	1.0	0.5	0.7
Buoyancy of RE with RR	0.6	3.4	0.2	0.5	0.6

Management of Fiscal Imbalances					
Revenue deficit (-)/surplus (+) (Rs. in crore)	(-) 1,862	(-) 3,284	(-) 2,646	(-) 525	1,640
Fiscal deficit (Rs. in crore)	4,219	5,869	5,282	4,501	3,600
Primary Deficit (Rs. in crore)	1,831	3,186	1,990	791	-
Revenue Deficit/Fiscal Deficit	44.1	56.0	50.1	11.7	-
Management of Fiscal Liabilities					
Fiscal Liabilities (FL)/GSDP	25.4	29.9	31.0	31.7	31.7
Fiscal Liabilities/RR	179.3	212.6	230.3	202.1	179.4
Buoyancy of FL with RR	1.3	6.6	2.6	0.4	0.4
Buoyancy of FL with Own Resources	1.3	9.9	2.0	0.4	0.4
Interest Spread	0.3	(-) 4.8	0.7	1.0	3.2
Net Fund Available (%)	26	42	16	16	13
Other Fiscal Health Indicators					
Return on Investment (Rs. in crore)	8.9	10.6	21.3	18.0	16.7
BCR (Rs. in crore)	319	(-) 879	(-) 645	1,571	4,881
Financial Assets/Liabilities	0.8	0.7	0.7	0.7	0.8

1.11 Conclusion

The BCR was positive during 2004-05 indicating availability of resources from current revenue for meeting plan expenditure. Fiscal deficit declined during the year and there was a revenue surplus of Rs.1,640 crore which was, however, partly due to transfer of unspent balances of earlier years lying in Public Account to Revenue Account. The State's return from investments continued to be low and this is indicative of implicit subsidy and use of high cost borrowings for investments, which yield very little. Though the loans raised by the State was seven *per cent* more than the borrowings in the previous year, the availability of borrowed funds was as low as 13 *per cent* as part of the borrowings was used for repayment of high cost loans under Debt-Swap Scheme. The State Government tried to circumvent its budget constraints by borrowings through special purpose vehicles. The ratio of fiscal liabilities to GSDP was 32 *per cent* during the year, which would increase to 36 *per cent* taking into account the off-budget borrowings. Measures like generation of additional internal resources through tax and non-tax revenue, realisation of arrears of revenue and curtailment of non-developmental expenditure through abolition of subsidies, pension reforms, *etc.*, are the best means available for the State to ensure fiscal stability and sustainability.

STATEMENT-I
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF
KARNATAKA AS ON 31 MARCH 2005

(Rupees in crore)

As on 31.3.2004		Liabilities	As on 31.3.2005
19,833.32		Internal Debt	26,165.18
	9,644.88	Market Loans bearing interest	11,762.00
	8.48	Market Loans not bearing interest	7.49
	782.45	Loans from Life Insurance Corporation of India	747.67
	1,228.16	Loans from other Institutions	1,092.41
	8,169.35	Loans from RBI – Spl. Securities issued to National Small Savings fund of the Central Government.	12,555.61
10,882.90		Loans and Advances from Central Government -	9,031.06
	87.10	Pre 1984-85 Loans	50.19
	1,134.05	Non-Plan Loans	482.62
	9,465.57	Loans for State Plan Schemes	8,290.62
	47.69	Loans for Central Plan Schemes	43.94
	148.49	Loans for Centrally Sponsored Plan Schemes	163.69
39.48		Contingency Fund	41.09
5,884.29		Small Savings, Provident Funds, etc.	6,469.68
3,384.12		Deposits	2,826.94
2,003.47		Reserve Funds	2,468.54
829.23		Suspense and Miscellaneous balances	1,020.11
--		Shortfall with Reserve Bank Deposit	--
1.72		Remittances in transit [◇]	0.69
42,858.53		Total	48,023.29*
		Assets	
25,464.22		Gross Capital Outlay on Fixed Assets -	30,137.91
	7,982.83	Investments in shares of Companies, Corporations, etc.	10,740.04
	17,481.39	Other Capital Outlay	19,397.87
5,202.95		Loans and Advances -	5,769.77
	1,091.41	Loans for Power Projects	1,239.18
	4,015.13	Other Development Loans	4,408.26
	96.41	Loans to Government servants and Miscellaneous Loans	122.33
9.62		Other Advances	14.25
144.24		Remittance balances	35.51
337.20		Cash -	2,079.79
	1.40	Cash in treasuries	0.85
	5.04	Departmental Cash Balance including permanent Advances	5.28
	13.22	Deposits with Reserve Bank of India	22.40
	296.11	Cash Balance Investments	2,029.83
	21.43	Investment from earmarked funds	21.43
11,700.30		Deficit on Government Accounts -	9,986.06
	11,792.33	Accumulated Deficit up to March 2004	11,700.30
	--	Deduct Revenue Surplus of 2004-05	1,640.06
	92.03	Deduct Other adjustments	74.18
42,858.53		Total	48,023.29

◇ This reflects an adjusting entry on account of remittances between Treasuries and Currency chest remaining unadjusted as on 31 March 2005

* The liabilities shown above do not include off budget borrowings and guarantees extended by the Government which are discussed separately in Paragraphs 1.8.7 and 1.8.8

STATEMENT-II
ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2004-2005

(Rupees in crore)

2003-04	Receipts	2004-05	2003-04	Disbursements	Non-plan	Plan	Total	2004-05
	Section-A: Revenue							
20759.88	I Revenue receipts	26162.91	21284.71	I Revenue expenditure				24522.85
12570.21	(i) -Tax revenue 15769.13		9039.13	General services	9897.50	2.74	9900.24	
2958.37	(ii) -Non-tax revenue 4368.78		3766.02	Social Services-				
			958.93	-Education, Sports, Art and Culture	3443.94	913.97	4357.91	
3244.73	(iii) -State's share of Union Taxes & Duties 3878.44		794.22	-Health and Family Welfare	704.02	331.59	1035.61	
			22.74	-Water Supply, Sanitation, Housing and Urban Development	50.33	807.56	857.89	
529.85	(iv) -Non-Plan grants 262.73		407.60	-Information and Broadcasting	24.94	1.51	26.45	
			64.10	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	245.10	289.82	534.92	
795.58	(v) -Grants for State Plan Schemes 1088.79		926.58	-Labour and Labour Welfare	41.04	27.20	68.24	
			24.85	-Social Welfare and Nutrition	544.20	241.46	785.66	
661.14	(vi) -Grants for Central and Centrally Sponsored Schemes 795.04		6965.04	-Others	45.97	10.10	56.07	
				Total	5099.54	2623.21	7722.75	
			1348.92	Economic Services-				
			455.07	-Agriculture and Allied Activities	1340.39	724.52	2064.91	
			19.52	-Rural Development	131.94	564.92	696.86	
			179.06	-Special Areas Programmes	0.10	46.63	46.73	
			1733.05	-Irrigation and Flood Control	182.87	31.04	213.91	
			230.56	-Energy	1316.76	170.95	1487.71	
			311.43	-Industry and Minerals	228.87	86.39	315.26	
			12.31	-Transport	328.78	288.82	617.60	
			361.78	-Science, Technology and Environment	--	8.86	8.86	
			4651.70	-General Economic Services	73.14	576.54	649.68	
			628.84	Total	3602.85	2498.67	6101.52	
				-Grants-in-aid and Contributions	798.34	-	798.34	
				II Revenue surplus carried over to Section-B	--			1640.06
524.83	II Revenue deficit carried over to Section B							
21284.71	Total	26162.91	21284.71	Total	19398.23	5124.62		26162.91
482.66	Section-B - Others							
	III Opening Cash balance including Permanent Advances and Cash Balance Investments & investments from earmarked funds.	335.48						
Nil	IV Miscellaneous Capital receipts	Nil	3029.39	III Capital Outlay-	87.80	4585.88		4673.68*
			128.43	General Services-	--	136.21	136.21	
			5.31	Social Services-				
			36.77	-Education, Sports, Art and Culture	0.20	4.72	4.92	
				-Health and Family Welfare	-	8.30	8.30	
			288.81	-Water Supply, Sanitation, Housing and Urban Development	-	411.38	411.38	
			1.11	-Information and Broadcasting	-	0.66	0.66	
				-Welfare of Scheduled Castes,	---	55.29	55.29	

2003-04	Receipts	2004-05	2003- 04	Disbursements	Non-plan	Plan	Total	2004-05
			88.35	Scheduled Tribes and Other Backward Classes				
			6.82	-Social Welfare and Nutrition	--	5.46	5.46	
			0.04	-Other Social Services	--	0.03	0.03	
			427.21	Total	0.20	485.84	486.04	
				Economic Services-				
			7.45	-Agriculture and Allied Activities	(-)0.97	19.77	18.80	
			0.18	-Rural Development	0.93	--	0.93	
			1881.46	-Irrigation and Flood Control	7.83	3001.90	3009.73	
			3.52	-Industry and Minerals	--	8.87	8.87	
			510.21	-Transport	79.96	815.86	895.82	
			70.93	-General Economic Services	(-) 0.15	117.43	117.28	
			2473.75	TOTAL	87.60	3963.83	4051.43	
64.29	V Recoveries of Loans and Advances	44.60	1011.20	IV Loans and Advances disbursed-	128.08	483.35	--	611.43
--	-From Power Projects	--	586.80	-For Power Projects	--	147.78	147.78	
8.41	-From Government Servants	(-)6.75 ^Φ	1.52	-To Government Servants	6.64	0.11	6.75	
55.88	-From others	37.85	422.88	-To Others	121.44	335.46	456.90	
			524.83	V Revenue deficit brought down				
7988.33	VI Public debt receipts-	8509.43 ^Φ	3441.43	VI Repayment of Public Debt-				4029.40
6531.33	-Internal debt other than Ways and Means Advances and Overdraft	6953.68	780.42	-Internal debt other than Ways and Means Advances & Overdraft			621.81	
1457.00	-Loans and Advances from the Central Government	1555.75	2661.01	-Repayment of Loans and Advances to Central Government			3407.59	
--	VII Contingency Fund (recoupment)	40.52	40.52	VII Expenditure from Contingency Fund	33.15	5.76		38.91
30512.84	VIII Public Account Receipts-	36325.19	30665.27	VIII Public Account Disbursements-				35462.75
1421.73	-Small Savings and Provident funds, etc.	1521.49	862.71	-Small Savings and Provident Funds etc			936.10	
395.65	-Reserve funds	569.97	121.37	-Reserve Funds			104.91	
11308.39	-Suspense and Miscellaneous	14389.56	11531.83	-Suspense and Miscellaneous			14124.50	
2700.70	-Remittances	2632.88	2815.01	-Remittances			2524.15	
14686.37	-Deposits and Advances	17211.29	15334.35	-Deposits and Advances			17773.09	
	IX Revenue Surplus carried over from Section-A	1640.06	335.48	IX Cash Balance at end-				2079.11 ^Β
			(-) 0.32	-Cash in Treasuries and Local Remittances			0.17	
			13.22	-Deposits with Reserve Bank			22.40	
			5.04	-Departmental Cash Balance including Permanent Advances			5.28	
			296.11	Cash Balance Investment			2029.83	
			21.43	Investment from earmarked funds			21.43	
39048.12	Total	46895.28	39048.12	Total				46895.28

⊙ Includes expenditure of Rs.2,048.66 crore towards debt servicing obligations in respect of off-budget borrowings

⊠ During the year, the State Government availed of Rs.1,462.79 crore of ways and means advances from Reserve Bank of India and the entire amount was repaid during the year

^Φ The receipt during the year is Rs.1.21 crore and the minus figure is due to clearance of adverse balance under 'House Building Advance'

^Β Includes remittances in transit (Rs.0.69 crore)

STATEMENT - III SOURCES AND APPLICATIONS OF FUNDS

		(Rupees in crore)	
2003-04	Sources		2004-05
20,759.88	1. Revenue receipts		26,162.91
64.29	2. Recoveries of Loans and Advances		44.60
4,546.90	3. Increase in Public debt		4,480.03
(-)152.43	4. Net receipts from Public account		862.44
	559.02 Increase in Small Savings, PF, etc	585.39	
	(-)647.98 Net effect of Deposits and Advances	(-)561.80	
	274.28 Increase in Reserve funds	465.06	
	(-)223.44 Net effect of Suspense and Miscellaneous transactions	265.06	
	(-)114.31 Net effect of Remittance transaction	108.73	
147.18	5. Closing Cash Balance (Decrease)	--	
	6. Net effect of Contingency Fund Transaction		1.61
25,365.82	Total		31,551.59

		Applications	
21,284.71	1. Revenue expenditure		24,522.85
1,011.20	2. Lending for development and other purposes		611.43
3,029.39	3. Capital expenditure (Net)		4,673.68
40.52	4. Increase in cash Balance		1,743.63
25,365.82	Total		31,551.59

Explanatory Notes for Statement I, II and III:

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Statement I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures, etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and others pending settlement, etc.
4. There was a difference of Rs.1,182.66 lakh (credit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". A net difference of Rs.353.25 lakh (credit) had since been reconciled and adjusted. The remaining difference of Rs.829.41 lakh (credit) is under reconciliation.

STATEMENT - IV TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
PART A - RECEIPTS					
1. Revenue Receipts	14,823	15,321	16,169	20,760	26,163
(i) Tax Revenue	9,043 (61)	9,853 (64)	10,440(65)	12,570 (61)	15,769(60)
Taxes on Agricultural Income	24 (-)	3 (-)	1 (-)	1 (-)	2
Taxes on Sales, Trade, etc.	5,386 (60)	5,269 (53)	5,474 (52)	6,649 (53)	8,700(55)
State Excise	1,523 (17)	1,977 (20)	2,094 (20)	2,334 (19)	2,806(18)
Taxes on vehicles	502 (6)	712 (7)	676 (6)	800 (6)	983(6)
Stamps and Registration fees	638 (7)	855 (9)	1,115 (11)	1,356 (11)	1,760(11)
Land Revenue	43 (-)	50 (1)	60 (1)	68 (-)	118(1)
Other Taxes	927 (10)	987 (10)	1,020 (10)	1,362 (11)	1,400(9)
(ii) Non Tax Revenue	1,660 (11)	1,094 (7)	1,278 (8)	2,958 (14)	4,369(17)
(iii) State's share in Union taxes and duties	2,574 (17)	2,623 (17)	2,786 (17)	3,245 (15)	3,878(15)
(iv) Grants in aid from Government of India	1,546 (11)	1,751 (12)	1,665 (10)	1,987 (10)	2,147(8)
2. Miscellaneous Capital Receipts (non debt)	Nil	Nil	Nil	Nil	Nil
3. Total revenue & Non debt capital receipts (1+2)	14,823	15,321	16,169	20,760	26,163
4. Recoveries of Loans and Advances	101	35	928	64	45
5. Public Debt Receipts	3,371	5,146	5,433	7,988	8,509
Internal Debt (excluding Ways & Means Advances and Overdrafts)	2,295 (68)	2,969 (58)	3,889 (72)	6,531 (82)	6,953(82)
Loans & Advances from Government of India *	1,076 (32)	2,177 (42)	1,544 (28)	1,457 (18)	1,556(18)
6. Total receipts in the Consolidated Fund (3+4+5)	18,295	20,502	22,530	28,812	34,717
7. Contingency Fund Receipts	15	54	8	--	41
8. Public Account Receipts	24,797	28,502	27,879	30,513	36,325
9. Total receipts of the State (6+7+8)	43,107	49,058	50,417	59,325	71,083
PART B - EXPENDITURE/DISBURSEMENT					
10. Revenue expenditure	16,685	18,605	18,815	21,285	24,523
Plan	3,481 (21)	3,943 (21)	3,245 (17)	3,553 (17)	5,125(21)
Non Plan	13,204 (79)	14,662 (79)	15,570 (83)	17,732 (83)	19,398(79)
General Services (incl. Interest Payments)	5,634 (34)	6,215 (33)	7,112 (38)	9,039 (42)	9,900(40)
Social Services	6,132 (37)	6,429 (35)	6,326 (34)	6,965 (33)	7,723(32)
Economic Services	4,388 (26)	5,397 (29)	4,803 (25)	4,652 (22)	6,102(25)
Grants in aid and Contributions	531 (3)	564 (3)	574 (3)	629 (3)	798(3)
11. Capital Expenditure	1,947	2,106	2,936	3,029	4,674
Plan	1,705 (88)	1,899 (90)	2,734 (93)	2,930 (97)	4,586(98)
Non Plan	242 (12)	207 (10)	202 (7)	99 (3)	88(2)
General Services	48 (3)	52 (2)	76 (3)	128 (4)	136(3)
Social Services	299 (15)	212 (10)	295 (10)	427 (14)	486(10)
Economic Services	1,600 (82)	1,842 (88)	2,565 (87)	2,474 (82)	4,052(87)
12. Disbursement of Loans and Advances	511	514	628	1,011	611
13. Total (10+11+12)	19,143	21,225	22,379	25,325	29,808
14. Repayments of Public Debt	521	712	1,696	3,441	4,029
Internal Debt (excluding Ways & Means Advances and Overdrafts)	101 (19)	231 (32)	287 (17)	780 (23)	622(15)
Net transactions under Ways & Means Advances and Overdraft	-	-	-	--	--
Loans and Advances from Government of India *	420 (81)	481 (68)	1,409 (83)	2,661 (77)	3,407(85)
15. Appropriation to Contingency Fund	-	-	-	--	--
16. Total disbursement out of Consolidated Fund (13+14+15)	19,664	21,937	24,075	28,766	33,837
17. Contingency Fund disbursements	53	8	-	41	39
18. Public Account disbursements	23,260	27,107	26,825	30,665	35,463
19. Total disbursement by the State (16+17+18)	42,977	49,052	50,900	59,472	69,339
PART C - DEFICIT/SURPLUS					
20. Revenue Deficit (1-10)	1,862	3,284	2,646	525	
Revenue Surplus (10-1)	--				1640
21. Fiscal Deficit (3+4-13)	4,219	5,869	5,282	4,501	3,600
22. Primary Deficit (21-23)	1,831	3,186	1,990	791	
Primary Surplus (23-21)					194
PART D - OTHER DATA					
23. Interest Payments (included in revenue expenditure)	2,388	2,683	3,292	3,710	3,794
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	1,894 (18)	2,634 (24)	3,390 (29)	3,104 (20)	3604(14)
25. Financial Assistance to local bodies, etc.	6,451	7,429	7,635	7,780	7,897
26. Ways and Means Advances/Overdraft availed (days)	-	40	171	196	61
27. Interest on WMA/Overdraft	-	0.91	5.23	8.85	1.20

	2000-01	2001-02	2002-03	2003-04	2004-05
28. Gross State Domestic Product (GSDP)	♣1,04,541	♣1,09,016	@1,20,062	Φ1,32,498	@1,47,956
29. Outstanding Debt (year end)	26,571	32,566	37,234	41,967	46,940
30. Outstanding Guarantees (year end)	13,004	12,279	13,314	14,179	11,574
31. Maximum amount Guaranteed (year end)	16,425	20,823	20,973	21,225	19,910
32. Number of incomplete projects (as per material in Finance Accounts)	97	103	35	70	238
33. Capital blocked in incomplete projects	3,295	4,814	6,141	8813	♦9,496

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

* - Excludes Ways and Means Advances from GOI

♣ - Figures revised by Government

@ - Provisional

Φ - Quick estimates

⊕ - GSDP figures for 2004-05 have been adopted as in overview of budget for 2005-06.

♦ - This includes Rs.9,435 crore invested in Upper Krishna Project now executed by KBJNL, a Government Undertaking



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 2004-05 against 29 grants/appropriations was as follows:

(Rupees in crore)

Nature of expenditure		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Unspent Provision (-)/ Expenditure in Excess of Provision (+)
Voted	Revenue	22,016.52	1,488.27	23,504.79	20,771.65	(-) 2,733.14
	Capital	3,969.33	1,240.51	5,209.84	4,732.57	(-) 477.27
	Loans & Advances	665.55	111.94	777.49	611.42*	(-) 166.07
Total Voted		26,651.40	2,840.72	29,492.12	26,115.64	(-) 3,376.48
Charged	Revenue	4,003.54	46.79	4,050.33	3,895.69	(-) 154.64
	Capital	0.15	--	0.15	0.01	(-) 0.14
	Public Debt	3,337.05	500.40	3,837.45	5,492.19	(+) 1,654.74
Total Charged		7,340.74	547.19	7,887.93	9,387.89	(+) 1,499.96
Grand Total		33,992.14	3,387.91	37,380.05	35,503.53**	(-) 1,876.52

* Differs from Statement II of Finance Accounts by Rs. 0.01 crore due to rounding.

** The figures of actual expenditure are gross figures without adjusting recoveries as reduction of expenditure under revenue (Rs.144.49 crore) and capital (Rs.58.89 crore).

The overall unspent provision of Rs.1,876.52 crore mentioned above was the net result of unspent provision of Rs.3,795.54 crore in 29 grants/appropriations partly offset by excess of Rs.1,919.02 crore in five grants/appropriations (details in Appropriation Accounts 2004-05). Detailed Appropriation Accounts were communicated to the Controlling Officers to explain the significant variations; explanations were not received (December 2005).

2.3 Fulfilment of allocative priorities

2.3.1 Appropriation by allocative priorities

Out of unspent provision of Rs.3,795.54 crore, unspent provisions of more than Rs.100 crore occurred in nine grants during 2004-05. Large unspent provisions were in areas like Finance, Education, Urban Development, Public works, etc as detailed in the table below:

(Rupees in crore)

Sl. No	Grant	Total Provision	Expenditure	Unspent Provision
1	1-Agriculture and Horticulture Revenue – Voted	896.15	786.94	109.21
	Capital – Voted	100.30	0.10	100.20
2	3-Finance Revenue – Voted	5,517.31	4,176.39	1,340.92
3	7-Rural Development & Panchayat Raj Revenue - Voted	1,212.96	1,101.39	111.57
4	17-Education Revenue-Voted	4,649.80	4,394.98	254.82
5	19-Urban Development Revenue – Voted	1,073.76	949.09	124.67
	Capital – Voted	377.94	277.91	100.03
6	20-Public Works Revenue – Voted	1,032.02	704.99	327.03
	Capital-Voted	1,155.91	1,046.37	109.54
7	22-Health & Family Welfare Revenue-Voted	1,098.17	991.66	106.51
8	24-Energy Revenue Voted	1,873.29	1,749.95	123.34
9	29-Debt Servicing Revenue-Charged	3,965.50	3,794.05	171.45
Total		22,953.11	19,973.82	2,979.29

Departments did not intimate reasons for unspent provisions. Heads of account under which major part of the provisions remained unspent in these nine grants are detailed in **Appendix 2.1**.

2.3.2 There were unspent provisions (Rs.2.99 crore) due to non-release of funds and non/short release of Letter of Credit in four grants (**Appendix 2.2**).

2.3.3 Persistent unspent provision

In 18 cases involving four grants there were persistent unspent provisions exceeding Rs.0.20 crore and 10 per cent or more of the provision (**Appendix 2.3**).

2.3.4 Surrender of unspent provisions

According to rules framed by the 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 unspent provision of

Rs.3,733.20 crore[‡] in 28 grants/appropriations, Rs.1,228.18 crore (33 per cent) were surrendered on the last day of the financial year. Unspent provision of Rs.2,505.02 crore (67 per cent) remained un-surrendered (**Appendix 2.4**).

2.4 Excesses 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 over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.5,012.54[♥] crore for the years 1989-90 to 2003-04 was yet to be regularised (December 2005) (**Appendix 2.5**).

2.4.2 The excess of Rs.1, 919.02 crore under five grants/ appropriations during 2004-05 requires regularisation. Details are given below:

(Amount in Rupees)

Sl. No.	Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
1	Revenue -Voted 18- Commerce and Industries	5,98,92,76,000	8,15,71,16,800	2,16,78,40,800
2	Capital -Voted 17-Education	2,90,00,000	3,95,91,308	1,05,91,308
3	Revenue -Charged 8 – Forest, Ecology & Environment	15,10,32,000	61,47,07,420	46,36,75,420
4	20 - Public Works	--	6,35,291	6,35,291
5	Capital -Charged 29 –Debt Servicing	38,37,44,49,000	54,92,19,05,525	16,54,74,56,525
TOTAL		44,54,37,57,000	63,73,39,56,344	19,19,01,99,344

Significant excesses occurred during the year under the following heads of account:

- Grant 18 – ‘3475’-Other General Economic Services - transfer of cess to Infrastructure Initiative Fund (Rs.295.24 crore).
- Grant 17 – ‘4202’-Capital outlay on Education, Sports, Art & Culture-General Education – University and Higher Education – State Plan Schemes – Major works (Rs.1.47 crore).
- Grant 8 – ‘2406’- Forestry and Wild Life – Forestry-Transfer to Reserve Funds and Deposit accounts – Transfer of Forest Development Tax (Rs.1.18 crore) and receipts from compensatory plantations (Rs.45.19 crore) to Karnataka Forest Development Fund.

[‡] Excluding Rs.62.34 crore surrendered in excess

[♥] The amount of excess required to be regularised for 2003-04 as in the Audit Report for the year 2003-04 was Rs.2,817.82 crore. However on account of reconciliation of expenditure under 2235-Social Security and Welfare during 2004-05 the excess requiring regularisation increased by Rs.0.04 crore.

- Grant 29 – ‘6004’- Loans and Advances from the Central Government – Loans for State/Union Territory Plan schemes – Block loans – Normal Assistances (Rs.2,251.51 crore).

The departments did not furnish reasons for the above excesses.

2.4.3 Persistent excesses

There were persistent excesses exceeding Rs.0.30 crore during last three years in 12 cases involving five grants as detailed in **Appendix 2.6**.

2.5 Original and supplementary budget provisions

Supplementary provision (Rs.3,387.91 crore) made during the year constituted 10 *per cent* of the original provision (Rs.33,992.14 crore) as against 28 *per cent* in the previous year.

2.5.1 Unnecessary/insufficient/excessive supplementary provisions

Supplementary provision of Rs.205.38 crore made in 13 grants involving 35 detailed/object heads proved unnecessary in view of aggregate unspent provision of Rs.255.54 crore (**Appendix 2.7**).

In seven grants involving 15 detailed heads, supplementary provision of Rs.35.09 crore obtained proved insufficient leaving uncovered excess expenditure of Rs.56.08 crore (**Appendix 2.8**).

In 13 grants involving 36 detailed heads, as against additional requirement of Rs.765.75 crore, supplementary grant for Rs.899.38 crore was obtained resulting in unspent provision of Rs.133.63 crore (**Appendix 2.9**).

2.5.2 Excessive/unnecessary re-appropriation of funds

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

In 21 cases, re-appropriation of funds was made injudiciously resulting in final excess/unspent provisions of more than Rs.0.25 crore in each case (**Appendix 2.10**). Of these:

- In five cases, additional funds of Rs.4.03 crore provided through re-appropriation proved insufficient as the final expenditure exceeded the provision by Rs.5.26 crore.
- In eight cases, the unspent provision were not properly assessed, as there was a final unspent provision of Rs.138.27 crore even after the withdrawal of Rs.47.16 crore through re-appropriation.

- In eight other cases, additional funds of Rs.9.48 crore provided by re-appropriation resulted in final unspent provision of Rs.17.36 crore and the re-appropriation proved excessive/unnecessary.

2.5.3 Unreconciled 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 2004-05, out of 159 Chief Controlling Officers, 64 officers had not reconciled expenditure of Rs.12,074.21 crore (41 *per cent* of the expenditure of Rs.29,196.93 crore incurred by them) while two officers had reconciled their expenditure figures for part of the year, leaving an expenditure of Rs.159.77 crore unreconciled. 14 Controlling Officers who disbursed Rs.375.51 crore of loans and advances had not reconciled expenditure figures.

2.5.4 Errors in budgeting

In two grants, supplementary provision aggregating Rs.28 crore was obtained under the grants other than those under which the original provisions were made (**Appendix 2.11**).

These errors in budgeting resulted in supplementary grants remaining unspent, as expenditure was accounted for correctly under the relevant grants.

2.6 Defective reappropriation

During 2004-05, 137 re-appropriation orders involving an amount of Rs.373 crore were issued. Twenty three re-appropriation orders for Rs.124.65 crore were not considered in accounts as these were found either exceeding the power of sanction or involving items of new service or not signed by competent authority or not having prior approval of Finance Department *etc.* Illustrative cases are listed in **Appendix 2.12**.

2.7 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 2005 as depicted in **Appendix 2.13** shows that the expenditure incurred in March 2005 in 18 cases ranged between 20 and 100 *per cent* of the total expenditure during the year indicating tendency to utilise the budget at the close of the financial year.

2.8 New service/New instrument of service

Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature. The Government 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 64 cases involving 11 grants, expenditure totalling Rs.514.79 crore which should have been treated as 'New Service/New Instrument of Service' was met without the approval of the Legislature (**Appendix 2.14**).

2.9 Expenditure without provision

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs.8.55 crore was incurred without provision either in original or in supplementary demand in 41 cases involving seven grants test-checked in audit (**Appendix 2.15**).



CHAPTER III

PERFORMANCE REVIEWS

This Chapter presents three reviews and two long paragraphs. The performance reviews include review on 'Implementation of Consumer Protection Act, 1986', review on 'Implementation of National Highways Project in Karnataka' and review on 'Infrastructural Development in Mega Cities'. Besides, there are long paragraphs on Karnataka Housing Board - Application and General Controls of Information Technology Systems and Incorrect Assessment of Demand under '100 Housing Scheme' and Maintenance of Irrigation Canals of Central Zone.

FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

3.1 Implementation of the Consumer Protection Act, 1986

Highlights

Government of India enacted the Consumer Protection Act, 1986 to provide for simple, speedy and inexpensive redressal of consumer grievances. The implementation of the Act in the State suffered in the absence of a policy outlining the priorities for involvement of the State/District administration/Non-Government Organisations for promotion of awareness and empowerment of consumers, inadequacy of infrastructure and monitoring. The Consumer Protection Councils aiming at promoting and protecting the consumer rights as envisaged in the Act were not set up at District level and the one set up at State level did not function effectively.

The State Government did not have any documented policy outlining the priorities for creation and strengthening of infrastructure of the adjudication mechanism and greater involvement of State/District administration/Non-Government Organisations for promotion of awareness and empowerment of consumers.

(Paragraph 3.1.9)

There were inordinate delays in framing rules and issuing notifications governing issues relating to implementation of the Act.

(Paragraphs 3.1.10 to 3.1.12)

There were delays ranging from two to four years in constitution of the Consumer Redressal Agencies.

(Paragraphs 3.1.13 to 3.1.15)

Large number of consumer disputes was pending disposal by the consumer fora. There were also delays beyond the time limits prescribed in the Act in deciding the cases.

(Paragraphs 3.1.18 and 3.1.19)

State Consumer Protection Council was established 14 years after the Act came into force. District Consumer Protection Councils were yet to be set up.

(Paragraph 3.1.24)

There were delays ranging from two to four years in providing basic infrastructure facilities for consumer fora despite availability of Government of India grant for the purpose.

(Paragraphs 3.1.28 to 3.1.30)

The staff sanctioned to consumer fora was inadequate compared to the minimum staff recommended by the Bagla committee, which adversely affected the functioning of the fora.

(Paragraph 3.1.31)

The State Government failed to make use of the financial assistance available from Central Consumer Welfare Fund to implement various schemes for generation of consumer awareness.

(Paragraphs 3.1.35 to 3.1.38)

No follow up action was taken on the recommendations of the external agency engaged to undertake evaluation of functioning and continued utility of the consumer fora.

(Paragraph 3.1.42)

Introduction

3.1.1 The Consumer Protection Act, 1986 (Act) was enacted by the Parliament to provide for simple, speedy and inexpensive redressal to the consumers' grievances. The Act came into force from 1 July 1987. The Act envisaged establishment of separate three-tier quasi-judicial consumer dispute redressal agencies (consumer fora) at the National, State and District level. These agencies have been empowered to give relief of specific nature and to award compensation to the consumers. The provisions of the Act give the consumer an additional remedy besides those available under other existing laws. The Act was amended in 2002 to facilitate quicker disposal of the complaints. The Act applies to all goods and services and covers all sectors whether private, public or co-operative. Prevention of Food Adulteration Act, 1954 (PFA) and

Standards of Weights and Measures (Enforcement) Act, 1985 (SW&MA) had also been enacted by the Parliament for protection of the interest of the consumers and taking appropriate action against the offenders. The implementation of these Acts, however, has not been covered in this review.

Organisational set-up

3.1.2 The Food and Civil Supplies and Consumer Affairs Department, the nodal department in the field of consumer protection, is responsible for promoting consumer awareness and empowerment of consumers and consumer organisations. It is headed by the Commissioner who is assisted by the Joint Director. The Deputy Director of Food and Civil Supplies is in-charge of Consumer Affairs at the District level. The Consumer Disputes Redressal Commission is functioning at the State level while each district of the State has a Consumer Disputes Redressal Forum.

Audit objectives

3.1.3 Audit review on the implementation of the Act and the Rules framed thereunder was conducted to assess whether:

- the Government formulated its policy outlining the priorities in order to achieve the intended objectives of the Act.
- adjudication mechanism had been created as prescribed in the Act.
- Consumer Protection Councils were constituted and functioning at the State and District level.
- the infrastructure created for disposal of complaints met the expectation of consumers and fulfilled their requirements.
- various measures initiated by the Government were effective in creation of awareness and empowerment of consumers.
- adequate system of monitoring mechanism of consumers' grievances existed.
- the efficiency of adjudication mechanism was got evaluated by an independent agency and its recommendations considered.

Audit criteria

3.1.4 The Audit criteria were:

- provisions of the Act and Rules relating to consumer protection,
- notification issued by the Government for setting up Consumer Protection Councils,
- norms fixed and orders issued by the Government/State Commission for staff and other infrastructure requirements.

Scope of audit

3.1.5 The records of State Commission and six[¶] out of 27 District fora for the years 2000-2005 were reviewed apart from scrutiny of those in the Food, Civil Supplies and Consumer Affairs Department.

Districts for test-check were selected applying Stratified Unistage sampling and Random sampling techniques, the sample size being 22 *per cent* of the total districts (27) in the State.

3.1.6 The Comptroller and Auditor General of India had engaged ORG – Centre for Social Research (a division of AC Nielsen ORG-Marg Pvt. Ltd.) for a nationwide survey among consumers, manufactures, traders *etc.*, to capture ground realities concerning the actual implementation of the Act and ascertain whether the benefits reached the people. The survey in Karnataka was conducted in July/August 2005 for the period 2000-2004 in seven districts[†] covering 1,995 consumers and 450 complainants. The State Government was informed (September 2005) of the engagement of ORG-Marg for the survey. The survey findings have been incorporated in the review at appropriate places. The executive summary of the findings is given as **Appendix 3.1** to this review.

Audit methodology

3.1.7 The audit plan including the audit objectives relating to various aspects of implementation of the Act was discussed in a workshop jointly organised (July 2005) by Audit and the State Department of Consumer Affairs. During the course of audit, memoranda containing audit observations were issued to the Department, the State Commission and the District fora. While the co-operation of the Department, State Commission and the District fora is acknowledged, there was delay in getting response by way of written communication to the observations communicated; response to certain observations was not received from the Department. During the exit conference the President, State Commission stated (November 2005) that the action on many of the audit findings was required to be taken by the State Government. The President also expressed that the flow of funds for strengthening infrastructure of the adjudication mechanism was not timely and regular.

[¶] Bangalore (Urban), Belgaum, Bellary, Gulbarga, Koppal and Mysore

[†] Bangalore, Belgaum, Davanagere, Dharwad, Gulbarga, Haveri and Mysore

Audit findings**Financial arrangement**

3.1.8 The expenditure on salaries of judicial and non-judicial members and other recurring expenditure of the consumer fora was met from the State's budget during 2001-05 as detailed below:

(Rupees in crore)

Year	Budget Provision	Expenditure	Excess (+) Savings (-)
2000-01	2.57	2.57	-
2001-02	2.75	2.75	-
2002-03	5.55	4.37	(-) 1.18
2003-04	3.07	3.47	(+) 0.40
2004-05	4.15	4.66	(+) 0.51

The unspent provision during 2002-03 was due to non-setting up of consumer fora in the newly created districts. The excess during 2003-04 and 2004-05 was due to expenditure on the newly created District fora and revision of salary and allowances of the judicial members.

The Government of India (GOI) provided one time grant of Rs.2.50 crore for non-recurring expenditure. Also, financial assistance from Central Consumer Welfare Fund was provided for implementation of consumer welfare schemes such as Jagrith Shivir Yojana (Rs.3 lakh), Setting up of Consumer Clubs (Rs.15 lakh), Establishment of Consumer Information Centre (Rs.9 lakh) and Empowerment of Consumers through Non-Government Organisations (NGOs) (Rs.96.17 lakh).

Formulation of Policy and Notification of Rules

3.1.9 The State Government did not have any documented policy outlining the priorities for creation and strengthening of infrastructure of the adjudication mechanism and greater involvement of State/District administration/NGOs for promotion of awareness and empowerment of consumers.

3.1.10 The State Government was responsible for framing rules and issuing notifications governing issues relating to implementation of the Act as amended from time to time. The Karnataka Consumer Protection Rules (Rules) were issued (November 1988) two years after the Act came into force. The Rules were amended (November 2001) to provide for constitution of the State Consumer Protection Council. There was also delay of more than one year to amend (April 2004) the Rules to make provision for setting up of District Consumer Protection Councils.

3.1.11 The Consumer Protection Rules, 1987 notified by GOI required all the State Governments to notify the "appropriate laboratories" to facilitate the consumer fora to refer the samples of the goods requiring test or analysis. The State Government had not notified so far (September 2005), the laboratories to ensure uniformity in procedures to be followed in this regard.

Appropriate
laboratories
not notified for
sample tests/
analysis

Rules for governing the Consumer Welfare Fund not framed

3.1.12 As per GOI directions, the State Government was required to set up a Consumer Welfare Fund at the State level to strengthen the voluntary efforts for promoting the consumer movement through financial support. Though the fund was set up belatedly in August 2005, the rules governing the fund were yet (September 2005) to be framed.

Creation of adjudication mechanism

Delay in establishing the State Commission

In terms of the Act, the State Government was responsible for establishment of a Consumer Disputes Redressal Commission to be known as State Commission and a Consumer Disputes Redressal Forum in each district of the State to be known as District Forum to provide speedy and simple redressal to consumer disputes.

3.1.13 The State Commission was established (September 1989) more than two years after the Act came into force.

3.1.14 Though the statute required that every district must have its own forum, only four redressal fora, one in each divisional headquarters, were set up (September 1989) along with the State Commission. The Supreme Court on a writ petition filed before it, ordered (August 1991) every State to constitute a District Forum in every district in two months time, otherwise to face contempt action. The State Government set up (November 1991) District fora in 16 other districts in compliance to the Supreme Court order. Delay of more than four years was also noticed in setting up of the fora in seven districts newly formed in August 1997.

In view of registration of large number of complaints, three additional fora for Bangalore urban district were set up, one in October 1996 and two in February 2003.

Delay in constitution of District fora

Time gap ranging from three months to more than one year was also noticed (in 14 cases)* between the dates of issue of notification to constitute District fora and the dates of commencement of their functioning.

3.1.15 The State Commission put forth (August 2003) the proposal regarding urgent need for setting up of circuit benches for quick disposal of large number of pending complaints and appeals. The State Government initiated (March 2005) action after more than two years to direct the Deputy Commissioners of Gulbarga, Belgaum and Dakshina Kannada districts to make provision for space and infrastructure. The circuit benches were yet to be constituted (September 2005).

3.1.16 The State Government did not furnish reasons for the inordinate delays in setting up of the adjudication mechanism.

* Bagalkote, Bangalore (Urban) Additional-II, III & IV, Chamarajanagar, Dakshina Kannada, Davanagere, Gadag, Haveri, Koppal, Mysore, Raichur, Shimoga and Udupi

3.1.17 According to ORG-MARG survey, nearly 80 *per cent* of the respondents opined that the efforts of the Government in safeguarding the consumer rights were not adequate. The inordinate delay in creation of adjudication mechanism gave credence to the findings of the survey.

Pendency of complaint cases with State Commission and District fora

3.1.18 The periodical returns relating to registration and disposal of complaints sent by the District fora to the State Commission and by the State Commission, in turn, to the National Commission, State Government and GOI revealed a large number of cases pending disposal as detailed in the table below:

Year	State Commission				District fora			
	Number of complaints				Number of complaints			
	Received (including opening balance)	Disposed	Pending Disposal	Percentage of disposal	Received (including opening balance)	Disposed	Pending Disposal	Percentage of disposal
2000	3,944	1,267	2,677	32	7,701	1,441	6,260	19
2001	3,755	1,421	2,334	38	10,842	4,305	6,537	40
2002	3,580	1,198	2,382	33	11,264	4,769	6,495	42
2003	4,093	1,367	2,726	33	12,832	7,274	5,558	57
2004	4,700	2,446	2,254	52	11,618	7,274	4,344	63
2005 (Up to 8/05)	3,729	1,904	1,825	51	8,372	5,585	2,787	67

The percentage of disposal of cases by the State Commission ranged between 32 and 52, while in District fora it ranged between 19 and 67 during the period 2000-2005.

3.1.19 As per the amended provisions of the Act, the consumer fora were required to decide complaints, as far as possible, within a period of 90 days from the date of notice received by the opposite party, where complaint did not require analysis or testing of the commodities and within 150 days, if it required analysis/testing of commodities.

The periodical reports disclosed the time-wise disposal of cases by the consumer fora as under:

Number of cases disposed off	State Commission	Percentage	District fora	Percentage
Total (up to August 2005)	15,426		82,801	
Within 90 days	2,232	15	14,077	17
Between 90 days and 150 days	627	4	13,493	16
Beyond 150 days	12,567	81	55,231	67

In the test-checked District fora, 98 cases were pending for more than five years, of which two cases were pending for more than 10 years.

The State Commission and the District fora attributed (July 2005) the delay in disposal of cases to lack of adequate infrastructure, insufficient staff, delay in filing affidavits by the parties, seeking of frequent adjournments by the advocates, delay in service of notices and lack of awareness of the provisions of the Act among the complainants.

The State Government was aware of the alarming position of pending cases with the consumer fora through the periodical returns received. Nevertheless, it did not take corrective action by providing adequate staff and proper infrastructure facilities to the fora.

3.1.20 In the periodical returns, 14,120 complaints were reported to have been disposed of between 90 days and 150 days by the State Commission (627) and District fora (13,493). However, the returns did not reveal whether all these complaints required analysis or testing of the commodities.

3.1.21 According to directions (May 2004) of the National Commission, the complaints of widows / senior citizens were to be settled on priority basis and disposed of preferably within six months. In the District fora test-checked, 134 such cases were pending for more than six months.

3.1.22 Where an interim order made under the Act was not complied with, State Commission or the District forum, as the case may be, was empowered to order the attachment of the property of the person not complying with such order. Besides, where any amount was due from any person by an order made under the Act, the consumer forum may, on an application made by the person entitled to receive the amount, issue a certificate for the said amount to the Deputy Commissioner of the district concerned to recover the amount as arrears of land revenue. In the test-checked districts, there were no cases where the attachment of properties was ordered. In the case of five test-checked districts, 588 cases involving Rs.1.99 crore were referred to the Deputy Commissioners, of which, Rs.0.35 crore (18 *per cent*) only were recovered. The poor recovery was attributed (August 2005) by the District fora to laxity in taking certificate action by the revenue authorities.

3.1.23 According to ORG-MARG survey,

On an average three days were spent for registering a case and 23 days for serving the notice. First hearing was held after 24 days of serving the notice. Around four hearings were required to resolve the case.

There were 47.2 *per cent* (74) cases where the decree was passed and compensation was yet to be received. The mean time taken for receipt of compensation was about four months after the decree was passed.

These findings also laid emphasis on the need for the State Government to initiate corrective action.

Functioning of Consumer Protection Councils

The Act envisaged establishment of a State Consumer Protection Council (State Council) in pursuance of its objective to promote and protect the rights of the consumers. The Act as amended in 2002 provided for setting up of the District Consumer Protection Council (District Council) in every district.

Expired State Council not reconstituted and district councils not constituted

3.1.24 The State Government constituted the State Council in March 2002 more than 14 years after the Act came into force. Its tenure expired in March 2005. The proposal (July 2005) to re-constitute it was pending with the State Government as of September 2005. The notifications for constitution of councils in 17 out of 27 districts of the State were issued only in July/August 2005. The State Government did not state the reasons for the delay in setting up of the consumer protection councils.

3.1.25 The State Council held only two meetings (August 2002 and February 2004) as against a minimum of six meetings (twice every year) required to be held in its tenure of three years. Of the eight legislators (notified as members of the Council), three attended the first meeting and only one member attended the second meeting.

Though, certain issues like need for creation of separate Department of Consumer Affairs, constitution of Price Commission to look into the fixation of maximum retail price of the goods, formation of working groups/advisory committees within the Council as required under Rules were discussed in the meetings, no definite recommendations were made by the Council.

Infrastructure

3.1.26 In order to strengthen the infrastructure of the State Commission and the District fora for their effective functioning, GOI sanctioned a one time grant of Rs.2.50 crore during 1995-96 (Rs.1.21 crore) and 1996-97 (Rs.1.29 crore). The State Government released the first instalment of grant (Rs.1.21 crore) to the State Commission in November 1996. The second instalment (Rs.1.29 crore) was released after five years in November 2002. There was delay on the part of the State Commission also in utilising the grant as discussed below:

3.1.27 The essential items like photocopiers, fax machines, franking machines, typewriters, intercom, library books and furniture were procured by the State Commission between April 1999 and February 2000. The State Commission was equipped with computer systems and other networking items from June 2002 to December 2002, while computer systems were supplied to the District fora only in March/April 2004. As a result, the State Commission and 20 District fora functioned without the basic infrastructure facilities for the periods ranging from two to four years, despite availability of funds.

The special software developed by the National Informatics Centre (NIC) for the District fora was yet to be installed and the District fora employees were yet to be trained by the NIC as of September 2005.

State
Commission
and 21 District
fora were
functioning in
hired buildings

3.1.28 The State Commission and 21 District fora had been functioning in hired premises. The State Commission and four District fora had received notices from the building owners to vacate the premises. The State Government except requesting GOI (January 2005) for additional assistance (Rs.53.50 crore) did not take any initiative by providing funds through annual budget to equip these fora with buildings of their own. Inadequate provision of funds towards rent led to accumulation of arrears of rent (Rs.14.62 lakh) in respect of Bangalore Urban District Consumer Forum.

3.1.29 Sites for three District fora were purchased at a cost of Rs.6.22 lakh out of GOI grant. Sites to two more fora were allotted free of cost by the Government. The construction of buildings was taken up only at three places, out of which construction of one building was completed as of September 2005. The construction of buildings at two other places was not taken up due to paucity of funds.

The District
fora lacked
infrastructure
facilities

3.1.30 Audit noticed lack of basic amenities in three out of six District fora (Belgaum, Koppal and Gulbarga). Belgaum district forum lacked library, fax machine, computer hardware and sufficient office furniture. Koppal District forum also did not have fax machine and sufficient office furniture. All the three District fora were not having drinking water facility. No action had been taken to provide the facilities to these consumer fora, though the State Commission was having unspent GOI grant (Rs.9.11 lakh) including unspent balances with NIC (Rs.1.87 lakh).

Staff in Consumer Fora

Adequate staff
not posted to
State
Commission/
District fora

3.1.31 A committee was constituted (October 1999) with Shri S.P.Bagla, member of the National Commission, as Chairman, for assessing the minimum staff requirements of the consumer fora. The State Government was required to comply with the recommendations of the committee forwarded (May 2000) by GOI. Despite a proposal from the State Commission giving justification for sanction of the recommended posts, the State Government did not create the posts of Assistant Registrar-cum-Assistant Administrative Officer (AR-cum-AAO), Librarian and Despatch Rider to the State Commission and the posts of Private Secretary cum Judgment Writer, Court Officer and Despatch Rider to the District fora. The Government also did not enhance the sanctioned strength of various other cadres to the level recommended by the committee (**Appendix 3.2**). On the contrary, there were cases of non-filling up of vacancies of the sanctioned posts (**Appendix 3.3**).

The State Commission and the District fora of the test-checked districts cited the non-sanctioning of the required posts and non-filling up of the sanctioned posts as the major reason for large number of complaints pending disposal.

3.1.32 The post of AR-cum-AAO though not recommended by the committee for the Districts fora was sanctioned to all the 30 District fora and the posts were filled up in 10 districts. As per the Cadre and Recruitment Rules, the posts could be filled up by appointment on deputation, of an officer of equivalent cadre from any State civil service. Need to modify the recruitment rules to provide for appointment of officers of judicial department cadre only as AR-cum-AAO was put forth (January 2004) before the State Commission by the President, District Forum, Bellary. The President had stated that appointment of such officers not having knowledge of law and procedures caused avoidable delays in disposal of complaints, as the cases were posted for hearing without proper scrutiny regarding their territorial jurisdiction and cause of action *etc.* The issue needed corrective action by the State Government.

3.1.33 Failure of the State Government to create the posts of Despatch Rider (Process Server) recommended by the committee was another factor contributing to the avoidable delay in disposal of complaints as felt by the State Commission and all the test-checked District fora. According to them, summons to parties got served through postal department were returned undelivered in some cases, while in many cases, the acknowledgments of the parties were not received. Hearings were to be adjourned for want of acknowledgments, as the cases could not be decided *ex-parte* in such circumstances. Repeated serving of summons by post also caused increased expenditure on postage.

Need for creation of the post of Attender for calling out the parties and advocates sitting outside the court hall (as in the case of other civil courts) was also felt by some District fora.

3.1.34 As per the provisions of the Act, each District forum should consist of a President and two other members, one of whom should be a woman. During the period 1999-2005, the posts of President of 13 District fora were vacant for durations ranging over two to 15 months on 16 occasions. No arrangements were made on two occasions in two District fora, though the duration of vacancies was more than six months. Though on 14 occasions arrangements were made, the progress in disposal of complaints ranged from nil to 39 *per cent* in seven districts (**Appendix 3.4**).

The posts of both male and female members in Raichur and Tumkur District fora were vacant during January 2002 to May/June 2002 due to delay in issue of appointment orders by the Government to the selected (January 2002) members resulting in non-disposal of cases during that period.

Awareness and empowerment of consumers

3.1.35 The Ministry of Consumer Affairs, GOI introduced various schemes for spreading awareness amongst consumers about their rights. States were expected to take the best advantage of these measures in their endeavour to make consumers, particularly the rural populace, aware of their rights by

availing of grants to be released from the Consumer Welfare Fund of the Central Government. Extent of utilisation of the grant by the State Department of Consumer Affairs was found to be inadequate as discussed below:

Jagriti Shivar Yojana

3.1.36 The objective of the scheme was to generate awareness among the rural populace, particularly poorer sections of the society, about various welfare schemes and measures undertaken by the Central and State Governments, including the facilities extended for settlement of the disputes under Consumer Protection Act. The State Government received (March 2002) grant of Rs.3 lakh under the Jagriti Shivar Yojana to organize suitable public programmes and functions for the purpose in six identified districts at Rs.0.50 lakh per district. In Kolar, Gulbarga and Chamrajnagar districts, the entire grant was remaining unutilised (September 2005), even after a lapse of more than three years. The grant was partly utilised in Bijapur (Rs.0.35 lakh), Koppal (Rs.0.13 lakh) and Chitradurga (Rs.0.12 lakh) districts. Rupees 0.85 lakh, out of unspent grant (Rs.0.90 lakh), refunded by the district authorities was stated to have been utilised for printing publicity materials by the Department of Consumer Affairs, details of which were, however, not furnished (September 2005).

Setting up of Consumer Clubs

3.1.37 The scheme aimed to extend non-formal pro-active system of imparting education to the school children about consumer rights as provided in the Act by setting up of consumer clubs in Government recognised schools. The activities of the clubs were to be coordinated by an agency such as NGO, which was to be provided with financial assistance of Rs.10,000 per annum per club. Though GOI desired (December 2003) to launch the scheme in the State in a big way, the belated response from the State Government resulted in getting sanction of the grant of Rs.15 lakh only in March 2005 after lapse of more than one year. Though consumer clubs were reported to have been set up in 37 schools between July 2004 and April 2005 in one of the test-checked districts (Koppal), Audit noticed that the grants were yet to be released due to non-completion of formalities and execution of the bond for getting the grant released. Proposals from the other districts for setting up of such clubs were yet to be received (September 2005).

Scheme of promoting involvement of Research Institutions/Universities/Colleges / NGOs

3.1.38 GOI introduced (October 2003) a scheme for providing financial assistance to research institutions/universities/colleges/NGOs to undertake research and evaluation studies to provide solution to the practical problems faced by the consumers. The range of assistance to be provided was between Rs.0.20 lakh and Rs. one lakh depending upon the nature of study. The State Government did not take any action at its level except writing to the Deputy Commissioners of the districts to get the proposals from colleges and other

institutions and organisations. No proposals had been received so far (September 2005).

State Consumer Welfare Fund

3.1.39 GOI sanctioned (March 2005) a one time financial assistance of Rs.50 lakh as seed money to the State Government to set up a Consumer Welfare Fund at the State level to strengthen the voluntary efforts for promoting the consumer movement through financial support. The State Government was required to contribute an equal amount as its matching share to the fund within a period of one month of release of GOI share. The State Government contributed (August 2005) Rs.10 lakh only as its share. The rules governing the fund were yet to be framed (September 2005).

3.1.40 ORG-MARG survey findings (detailed below) also revealed that:

- Seventy six *per cent* of the respondents were not aware of the consumer rights and 84 *per cent* were still unaware of Consumer Protection Act. Only 10 *per cent* of the rural population had heard about it.
- Only 1.1 *per cent* of the aware consumers came to know about the Act from the NGOs, while only 10 *per cent* of the consumers reported to be aware of the existence of any redressal agency.

Monitoring mechanism

3.1.41 Adequate system of monitoring to watch registration, investigation and disposal of consumer grievances was essential at both State and District level to guide the consumers to save them from exploitation by the traders and to take follow-up action with respect to complaints about delays in redressal of their grievances. While there had been no such mechanism at District level, a guidance cell was set up only in March 2004 at the State level in the Consumer Affairs Department.

Impact evaluation

3.1.42 The external agency engaged by the State Government to evaluate the functioning and continued utility of the consumer fora made (March 2002) the following recommendations for improving the efficiency of the consumer fora.

- Adequate staffing of the consumer fora.
- Restriction of number of adjournments of cases by imposing stiff penalties on parties seeking adjournments.
- Imparting training to non-judicial members of the consumer fora.
- Ensuring uniformity in maintenance of registers and case diaries in all the fora.

The State Government was yet to consider the report and decide (September 2005) on the recommendations.

Conclusion

3.1.43 The implementation of the Act in the State suffered in the absence of a policy outlining the priorities for involvement of the State/District administration/NGOs for promotion of awareness and empowerment of the consumers, inadequacy of infrastructure and monitoring. The Consumer Protection Councils were not set up at the Districts level and the one established at State level did not function effectively. The State Government also did not notify the appropriate laboratories for the purpose of the Act. The percentage of disposal of complaints by the State Commission ranged between 32 and 52 and that by the District fora 19 to 67 *per cent* only during the period 2000-05. The recommendations (March 2002) of the external agency to evaluate the functioning and continued utility of District fora had not yet been considered by the Government.

3.1.44 Recommendations

- The Government should consider framing of a policy for involvement of State/District administration and NGOs for promotion of awareness and empowerment of consumers.
- The Consumer Protection Councils should be set up in the districts and that at the State level made more effective.
- Necessary infrastructure including staff needs to be provided to the State and District fora for their effective functioning.
- Laboratories should be set up in every district to avoid high cost and delay in testing of goods, ordered by the consumer fora.
- Circuit benches should be constituted to ensure speedy disposal of consumer cases at the least cost to consumers.

3.1.45 The above points were referred to Government in October 2005; their reply had not been received (December 2005).

PUBLIC WORKS DEPARTMENT-NATIONAL HIGHWAYS

3.2 Implementation of National Highways Project in Karnataka²

Highlights

The Karnataka State Public Works Department is vested with the responsibility of developing and maintaining the National Highways in the State on behalf of the Ministry of Road Transport and Highways, Government of India. Out of the total length of 3,973 kms of National Highways in the State, the Department was in charge of 3,218 kms. During the period 2001-05 the Department had planned to execute 300 development/maintenance works such as widening the existing carriageway, improving the riding quality of the roads and periodical renewals. As against this, 266 works had been completed as at the end of March 2005 and the remaining works were in progress. Due to lack of proper planning and non-utilisation of the available data on traffic volume, the road designs were unrealistic leading to premature failures. This also led to improper prioritisation of works resulting in unjustified allocation of financial resources. Non-synchronisation of road works with cross drainage and bridge works resulted in hindrance to smooth flow of traffic. Inadequate survey and investigation resulted in variations in quantities and items of work leading to cost and time over run. Works were executed in disregard to technical specifications and terms of contract resulting in avoidable extra expenditure. Quality control measures were lax.

Injudicious selection of nine widening works on four National Highways without reckoning the available traffic data despite growing volume of traffic on selected stretches of two other National Highways led to unjustified allocation of Rs.24.90 crore of which Rs.11.77 crore was incurred.

(Paragraph 3.2.11)

Inadequate survey and investigation of seven works resulted in execution of additional items of work aggregating Rs.4.21 crore.

(Paragraph 3.2.19)

Non-adherence to Ministry of Road Transport and Highways specifications on execution of works resulted in unjustified expenditure of Rs.9.63 crore.

(Paragraphs 3.2.25 and 3.2.26)

² Technical terms used in this review are explained in the Glossary at page 202

Execution of 9,227 works costing Rs.41.29 crore under piecework system deprived the Department of benefit of competitive rates, quality control checks and rectification of defects by the contractors without extra cost to the Department.

(Paragraph 3.2.30)

Introduction

3.2.1 The development and maintenance works of National Highways (NH) are undertaken by NH Zone of State Public Works Department (PWD) as an executing agency on behalf of Ministry of Road Transport and Highways (MORTH), Government of India. NH network in Karnataka consists of 14[#] National Highways totalling to 3,973 kms. Out of this length, 755 kms were taken over (April 2000) by National Highways Authority of India and remaining length of 3,218 kms is maintained and developed by MORTH through State PWD (Department).

The Department is vested with the responsibility of development and maintenance activities of NH. The development works (Plan) are executed under the categories of Original Works of Roads and Bridges and Improvements to Riding Quality Programme (IRQP), whereas the Maintenance works (Non-Plan) are executed under the categories of Periodical Renewals (PR), Maintenance and Repairs (M&R) and Flood Damage Repairs (FDR).

During the period 2001-05, the Department had planned to execute 300 development/maintenance works such as widening the existing carriageway, improving the riding quality of the roads and periodical renewals at an estimated cost of Rs.588.71 crore. As against this, 266 works were completed as at the end of March 2005 at a cost of Rs.506.43 crore and the remaining 34 works were in progress.

Organisational set-up

3.2.2 The administrative control of NH works is vested with the Principal Secretary, PWD, Government of Karnataka. The Chief Engineer (CE), NH is primarily entrusted with the responsibility of carrying out development and maintenance works. He is assisted by two Superintending Engineers (SE) at Circle level viz., Bangalore and Dharwad and by a SE (Design). SE, Bangalore Circle is assisted by four Executive Engineers (EEs) at Bangalore (two Divisions), Mangalore and Chitradurga. SE, Dharwad Circle is assisted by three EEs at Karwar, Hubli and Bijapur. At Divisional level, EEs are responsible for actual execution of development and maintenance works, enforcement of quality norms and processing the claims for payments. SE (Design) is assisted by three AEEs, at Bangalore, Chitradurga and Hubli in discharging the functions of development of designs, Quality Assurance and Quality Control in execution of works.

[#] NH No.4, 4-A, 7, 9, 13, 17, 48, 63, 67, 206, 207, 209, 212 and 218

MORTH is represented in the State by a Regional Officer (RO). He is vested with the responsibility of coordinating with the Department in planning, investigation, project preparation and execution of original and maintenance works of NHs. He is also responsible for monitoring the progress as well as quality of works. RO is designated as the Drawing Officer with effect from 1 April 2004 to meet the expenditure on execution of all works other than Ordinary Repairs (ORs) and Flood Damage Repairs (FDRs).

Audit objectives

3.2.3 The main objectives were to ascertain whether:

- Planning ensured proper prioritisation in selection of works,
- Survey, investigation, estimation and execution ensured economy and efficiency in project implementation,
- Contract management facilitated enforcement of the terms of contract to ensure economic and efficient execution of works, and
- Quality assurance/control complied with norms.

Audit criteria

3.2.4 The audit criteria were:

- Programme objectives and targets,
- Compendium of Notifications issued by MORTH,
- Relevant publications of Indian Roads Congress (IRC),
- Report of Committee of MORTH on 'Norms for Maintenance of Roads in India', and
- Road Traffic Census data available in the divisions and with CE (Communication and Buildings), PWD, Government of Karnataka during February 2003.

Scope of audit

3.2.5 The review on 'Implementation of NH Projects in Karnataka by State PWD' for the period 2000-05 was conducted during February 2005–August 2005 by test-check of records in the offices of RO, CE, SE and six EEs at Bangalore, Mangalore, Chitradurga, Karwar, Hubli and Bijapur besides one AEE (QC) at Bangalore.

Of the total expenditure of Rs.732.16 crore during the period 2001-05, an expenditure of Rs.217.36 crore on 77 works* (out of 329 works) was test-checked in Audit with reference to the category of works and the magnitude of expenditure involved.

* The audit coverage was 89 works under paragraph 3.2.19, 166 works under paragraph 3.2.25 and 84 works under paragraph 3.2.26 to ensure adequacy of sample size

Audit methodology

3.2.6 The Audit findings relating to the implementation of NH projects were based on the examination of records at the divisional level such as sanctioned estimates, tenders, agreements, vouchers and completion reports. The planning, monitoring, evaluation and coordination aspects of implementation of NH projects were reviewed in the offices of SE, CE and RO.

The Audit objectives and the Audit criteria were also discussed (January 2005) with RO and the Audit findings were discussed (October 2005) with CE. The draft review was forwarded (October 2005) to the Principal Secretary, PWD and reply thereon is awaited.

Audit findings

Financial management

Flow of funds

3.2.7 The expenditure on development and maintenance of NH Projects is borne by MORTH, which includes agency charges of nine *per cent* payable to the State Government.

Up to 31 March 2004, based on the allotment of grants by MORTH, expenditure incurred by the Department on NH works was reimbursed by the Regional Pay and Accounts Officer (RPAO), MORTH through the Accountant General (Accounts and Entitlement).

With effect from 1 April 2004, the system of Direct Payment Procedure (DPP) was introduced by MORTH where by the claims for all works other than ORs and FDRs were paid directly by the RPAO. However, the existing reimbursement procedure was continued for works executed under ORs and FDRs.

Grant and outlay

3.2.8 The position of grants allocated by MORTH, expenditure there against and reimbursement for the period from 2000-01 to 2004-05 is given in Table 1.

Table 1: Grant and outlay statement

(Rupees in crore)

Year	Plan		Non-Plan		Total		Reimbursement by MORTH
	Grant allocated by MORTH	Expenditure by Department	Grant allocated by MORTH	Expenditure by Department	Grant allocated by MORTH	Expenditure by Department	
2000-01	82.09	79.34	47.66	46.13	129.75	125.47	122.04
2001-02	107.50	107.62	39.43	40.26	146.93	147.88	143.00
2002-03	89.56	95.04	45.82	46.45	135.38	141.49	136.20
2003-04	150.35	166.13	40.33	38.07	190.68	204.20	183.63
2004-05	76.90	76.91	34.40	36.21	111.30	113.12	13.46 [∇]
Total	506.40	525.04	207.64	207.12	714.04	732.16	598.33

[∇] Being the amount of expenditure and reimbursement on ORs and FDRs

State Government funds of Rs.15.52 crore blocked up due to non-reimbursement by the Central Government

As against the expenditure of Rs.619.04 crore incurred by the Department up to the end of March 2004 under the reimbursement system, Rs.584.87 crore were reimbursed by RPAO. Of the balance amount of Rs.34.17 crore, Rs.15.52 crore were withheld by RPAO for want of sanctions from MORTH to revised estimates, stamped receipts from the payees in land acquisition cases and for reasons such as absence of signatures of contractors, arithmetical inaccuracies, etc. The remaining amount of Rs.18.65 crore was under examination of RPAO for reimbursement.

No expeditious action was taken by the Department to get the withheld amounts released, which resulted in blocking up of State Government funds of Rs.15.52 crore.

Inadequacy of maintenance grants

3.2.9 According to the Report (October 2000) of the Committee of MORTH on 'Norms for Maintenance of Roads in India' the minimum cost requirement for annual M&R of NH roads was Rs.2.77 lakh for single lane (3.75 metres width), Rs.3.36 lakh for intermediate lane (5.50 metres width) and Rs.4.44 lakh for two lane (seven metres width).

The requirement of funds for the period from 2001-02 to 2004-05 for normal maintenance of 3,218 kms of NH network as per norms was Rs.534.84 crore. Against this, the actual allocation by MORTH was Rs.159.98 crore. The shortfall in allocation during the period was Rs.374.86 crore. Reasons for inadequate allocation of maintenance grants by Government of India and action taken by the State Government for increasing the allocations were not on record.

Planning

Designed life assessed was unrealistic due to adoption of incorrect traffic growth rate and crust thickness

3.2.10 Annual Plans were drawn up by MORTH based on proposals submitted by CE. However, prioritisation/selection of works for execution was required to be finalised by CE in consultation with the Regional Officer, MORTH. Determination of the needs and priority for development and maintenance of roads and bridges was required to be assessed with reference to inventory of roads and bridges, trends in traffic growth, traffic volume and traffic capacity.

According to instructions issued (May 1980) by MORTH, the inventory of roads and bridges was to be maintained in the form of Road Registers providing information on traffic volume and deficiency in roads, bridges and cross drainages (CDs). The inventory of roads and bridges was not maintained by any division. A comprehensive database on these was also not available with the Department. Though traffic census was conducted during the months of January and July every year by the divisions, the data was not used as an input for the planning of works. Further, the traffic census data available with the Chief Engineer, Communication and Buildings (South), PWD was also not utilised by the Department in planning. In the absence of the information on actual annual traffic growth rate, an annual traffic growth

rate of 7.5 per cent was recommended for designing the crust thickness of the road. In 30 works of widening on selected stretches of 5 NHs[▼] a traffic growth rate of 7.5 per cent was uniformly adopted despite availability of actual traffic data with the divisions. Failure to reckon the actual data rendered the designed thickness unrealistic. Actual shortfall or excess in crust thickness by not reckoning traffic growth rate could not be assessed in Audit due to non-production of traffic census data.

The overall traffic growth rate however, ranged between 14.3 and 39.62 per cent on these NHs.

Prioritisation of works

Widening works

3.2.11 IRC norms lay down volume of traffic expressed in terms of Passenger Car Units (PCUs)[Ⓐ] and traffic growth rate as factors for determination of carriageway width. Reckoning traffic growth rate and required carriageway width as factors for prioritisation, the following inconsistencies in planning execution of widening works were noticed:

With reference to the volume of traffic and norms, 1,136 kms out of 1,452 kms pertaining to eleven NHs for which traffic census data was available, did not have the required carriageway as detailed in **Appendix 3.5**. NH 4-A registered annual growth rate of 17.53 per cent over 1970-71. The PCUs were in the range of 11,324 to 13,620 (February 2003) warranting widening to Two-Lane for 35 kms out of a total length of 84 kms. Similarly, NH 48 registered annual growth rate of 44.91 per cent over 1970-71. The PCUs were in the range of 15,798 to 55,187 (February 2003) warranting widening to Four Lane for 212 kms out of a total length of 320 kms. However, widening works on these highways had not been taken up (August 2005).

In contrast to the above, nine widening works were taken up for execution though not required as per norms, as detailed in Table 2.

Table 2: Unjustified allocation

(Rupees in crore)					
Year	NH No.	Widening to Two-Lane from	PCUs [Ⓐ]	Sanctioned Estimated Cost	Expenditure incurred
2001-02	218	km 22.500 to km 39.650	1,111	4.95	4.46
2002-03	218	km 18 to km 22.500		1.62	1.20
2003-04	218	km 115 to km 123	3,829	2.66	2.30
	212	km 156.500 and km 170.00	5,025	0.78	0.78
	206	km 364 to km 370.630	1,685	3.33	3.03
2004-05	218	km 87 to km 92	4,257	2.57	Works under progress
	218	km 10 to km 18	2,021	3.24	
	209	km 335 to km 345	4,765	3.50	
	212	km 126 to km 133	2,157	2.25	
TOTAL				24.90	11.77

▼ NH 13, 63, 206, 209 and 212

Ⓐ PCUs up to 2,000 – Single lane; PCUs between 2,000 and 6,000 – Intermediate Lane; PCUs between 6,000 and 15,000 – Two-Lane and PCUs more than 15,000 – Four-Lane Divided Carriageway

Ⓐ The PCUs are based on surveys conducted during July 2002 (Sl. Nos.1 & 2) and July 2004 (Sl. Nos. 6 to 9) by the respective NH Divisions

Improper prioritisation also resulted in unjustified allocation of Rs.24.90 crore, out of which Rs.11.77 crore was incurred on five works executed during 2001-04.

Improvements to Riding Quality Programme (IRQP) works

3.2.12 MORTH guidelines (October 2000/September 2002) prescribed *inter alia*, in respect of Two-Lane stretches, that Roughness Measurement (RM) should be more than 3,500 mm per km for selecting the works under IRQP. RM-tests were neither conducted regularly at prescribed periodicity of at least twice a year nor on completion of each work of IRQP as was required. Test data available on RM was not taken into account while proposing stretches for IRQP.

Results of RM-tests conducted (March 2002 and October 2003) by QC sub-division, Bangalore revealed wide ranging inconsistencies in prioritisation of IRQP works. This is evidenced by the fact that 18 IRQP works on 4 NHs for a stretch of 181 km having RM less than 3,500 mm per km were executed (2002-04). This resulted in unjustified expenditure of Rs.29.97 crore.

On the contrary, a length of 470 km of seven NHs with RM between 3,502 and 10,039 mm per km had not been selected for execution under IRQP. As these stretches had not been selected for IRQP works, RM would have increased considerably due to passage of time and continuous flow of traffic leading to disintegration of the crust thickness. Further additional recurring liability in maintenance and repairs of these stretches due to persistent degradation could not be ruled out.

Design life of roads

3.2.13 According to the IRC norms, the total crust thickness of the pavement is decided including thickness of its Base and Sub-Base layers. Sub-Base is a vital and critical component of the pavement as it represents the bottom most layer of the pavement. Hence even under Stage Construction (construction in phased manner to achieve the designed crust thickness of the carriageway), the thickness of the Sub-Base is required to be provided for the ultimate pavement section for full design life of ten years.

Though, the total crust thickness and the corresponding thickness of the Sub-Base of 30 works of Widening of Single/Intermediate Lane to Two-Lane taken up at an estimated cost of Rs.106.90 crore based initially on design life of ten years, was correspondingly reduced to design life of five years under 'Stage Construction'. Finally, the thickness of the Sub-Base was further reduced and restricted to that of the existing carriageway (Single/Intermediate Lane). This resulted in shortfall between 10 mm and 275 mm in the thickness of the Sub-Base provided with reference to the prescribed norms (**Appendix 3.6**).

As a result the actual design life in all these cases would be less than even five years. This is also evidenced by the fact that 15 IRQP works were executed (2003-04) on NH-63, NH 13 and NH-206 at a total expenditure of Rs.28.75 crore before the completion of five years though MORTH prescribed a periodicity of five years for execution of works under IRQP. The Divisional Officers attributed (July 2005) overloading as a major factor for premature failures. Since design specification did not conform to design life projected, deficiency in thickness of Sub-Base was also a significant reason for such premature failures.

Synchronisation of road works with Cross Drainages (CDs)

3.2.14 MORTH (March 1979) emphasized on synchronisation of widening of intervening CDs with that of roads to avoid inconvenience to the flow of traffic and also to prevent accidents. In the absence of comprehensive data on CDs, Audit could not verify the extent of implementation of the instructions of MORTH.

However, information on CDs in respect of NH-207 available with RO revealed that 61 out of 209 intervening CDs had a width ranging between five and 8.50 metres. The entire stretch had Two-Lane formation width of 12 metres with Average Daily Traffic of 4,765 PCUs to 17,726 PCUs (February 2003), thus creating a bottleneck for smooth flow of traffic.

Major/Minor bridges

3.2.15 MORTH commissioned (April/May 2003) a 'Condition Survey of Major and Minor Bridges' along selected chainages in NH-9, NH-13 and NH-207 for evaluation of levels of distress to assess the requirements of re-construction/re-habilitation. Out of 53 bridges surveyed, 18 were recommended for urgent repairs and 35 for routine repairs. However, 14 requiring urgent repairs and 31 requiring routine repairs were not included in the proposals for annual plans for re-construction/re-habilitation. The reasons, for not according due priority based on the results of condition survey, were not on record. Further the shortfall in carriageway width in respect of these 53 bridges as compared to the width of adjoining roads ranged between 1.50 metres and 6.20 metres, adversely affecting smooth flow of traffic.

Right of Way (ROW)

3.2.16 According to IRC norms for Rural/Non-Urban Highways, the range for the maintenance of land width for ROW is 30-60 metres. Based on the information made available in respect of NH 9, 13 and 207, the shortfall in maintenance of ROW ranged between five and 22 metres for 536 kms out of a total length of 912 kms.

Further, IRC recommended maintenance of desired land width of 45 metres for ROW to facilitate future upgradation of roads based on traffic intensity. It was observed that NH-9 recorded a traffic volume of more than 15,000 PCUs

in January 2001 itself in the reach from km 364 and km 422 warranting upgradation to Four Lane[⊗]. Further, the average annual growth of traffic was significantly high and the entire stretch of NH-9 qualified for upgradation to Four-Lane as of July 2004. The existing ROW was short by 22.50 metres compared to desired ROW. Similarly, NH-13 recorded more than 15,000 PCUs from km 295 to km 539 and from km 730 to km 742 warranting upgradation to Four Lane. However, the shortfall in ROW ranged between 20 and 37 metres. Obviously, immediate requirement for upgradation was ignored.

On the contrary, in 30 road widening works (**Appendix 3.6**), the available ROW was used for widening. However, no action was taken to acquire the required land to maintain the ROW as per norms.

Land acquisition for the proposed Sakleshpur bypass

3.2.17 Construction of Sakleshpur bypass was taken up (1989) without assessing actual requirement based on traffic census. An expenditure of Rs.1.54 crore was incurred on land acquisition (November 2002). However, the construction of bypass did not materialise (August 2005) as the traffic intensity did not justify its execution. Thus, omission to reckon the actual average daily traffic resulted in an idle investment of Rs.1.54 crore on land acquisition.

Survey, investigation and estimation

Survey and investigation

3.2.18 Scrutiny of records revealed several deficiencies in survey and investigation such as omission to reckon submergence of road in rainy season, presence of black cotton soil requiring special treatments, severe damages to the existing carriage way and roads passing through incessant rainfall areas. Consequently, execution of additional quantities and extra items of work was found necessary which led to cost and time overrun besides enlarging the scope of contract. Test-check of records revealed the following:

Extra items

3.2.19 In 18 out of 89 works, extra items (101 numbers) such as providing Seal Coat, providing Surface Dressing, construction of Side Drains, Water Bound Macadam (WBM) *etc.*, were executed. The total cost of such extra items amounted to Rs.6.68 crore (16.69 *per cent* of the total estimated cost of Rs.40.01 crore). In respect of two works, reconstruction of CDs and Widening to Four Lane for a length of two kms at a cost of Rs.0.30 crore and Rs.2.38 crore respectively were executed as 'Extra items'. Though the site conditions warranted providing these items in the original estimates, defective survey and investigation necessitated their inclusion as 'Extra items' during execution.

[⊗] Four Lane Carriageway has 25 metres Formation width

Inadequate survey and investigation caused revision in scope of work leading to cost and time overrun

In respect of seven works, the cost increase due to additional items aggregated to Rs.4.21 crore (**Appendix 3.7**). The necessity for execution of additional items came to light only during site inspections conducted by higher authorities. Thus site condition had not been factually reckoned in preparation of estimates.

Similarly, in the case of widening of NH 4-A from km 50 to 76, it was decided (August 2000) after commencement (June 2000) of the work to provide a sand blanket in the sub-base layer and to strengthen the base layer in view of the reach running in intensive rainfall area and heavy traffic zone. The failure of the Department to conduct proper survey and investigation resulted in executing extra items at an extra cost of Rs.2.22 crore of which Rs.0.63 crore was avoidable, besides time over run in the completion of work by more than one and half year.

Necessary item of work not provided in the sanctioned estimate

3.2.20 In two works of widening from km 158 to 178 and km 178 to 200 of NH 63 (March 2000), the site conditions warranted as per MORTH specifications, providing sand blanket, which was not in original sanctioned estimate. Apprehending serious objection from MORTH for providing sand blanket as extra item (at an additional cost Rs.2.70 crore), the thickness of sub-base was increased from 150 mm to 300 mm at a cost of Rs.0.83 crore as an alternative to sand blanket. Further to accommodate this additional cost, the scope of work was reduced and restricted to widening work by deleting the work of rebuilding the existing carriageway for a length of 14 km (out of total 42 km, which was in distressed condition). Thus, failure of the Department in conducting proper survey and investigation resulted in change in scope of work. The Department stated (July 2005) that the provisions in the original estimates were based on the availability of funds and subsequent changes were based on the actual site condition. The reply was not tenable as the Department failed to conduct proper survey and investigation and to make suitable provisions in the estimate.

Estimation of the cost of the work

Schedule of Rates (SR)

3.2.21 Karwar Division adopted PWD SR for road protection works even though rates for similar items of work were available in the NH SR. The rates as per PWD SR were higher than that of NH SR. This resulted in extra expenditure of Rs.0.16 crore in 130 pieceworks. The Divisional Officer admitted (April 2005) the mistake and stated that the Division is now adopting only rates as per NH SR.

Similarly, in Mangalore Division, the rates for de-silting of road side drains were adopted as per the SR of Minor Irrigation Circle, though a rate for similar item was available in NH SR. This resulted in extra expenditure of

Rs.0.17 crore in 100 pieceworks. The Divisional Officer contended (May 2005) that NH SR could not be adopted due to manual labour involved in clearing the roadside drains where machineries cannot be used. The reply is not acceptable, as the rates in NH SR have been fixed after considering the site conditions and manual operations involved.

Benefit of competitive rates

3.2.22 In Hubli and Bijapur Divisions, in respect of 26 road works provision for repairs to carriageway, road safety measures and allied items of work had not been made in the sanctioned estimate. In all these cases, the contractors quoted minus tender percentage ranging from 45.9 to 7.7.

These items of work were subsequently executed on piecework basis at higher rates through different agencies. This resulted in avoidable extra expenditure of Rs.1.09 crore.

In reply, the Divisional Officers stated (July 2005) that entrustment on piecework basis was necessitated due to emergent nature of works. The reply, however, is not relevant as the need for these items could be foreseen and incorporated in the estimates.

Sanctions to revised estimates

3.2.23 According to directives (January 2000) of MORTH, sanctions to revised estimates are required to be obtained in all cases involving variations in cost of work on account of additional quantity executed/extra items. Revised estimates were required to be proposed for sanction on completion of 50 per cent of the work, if warranted.

The Department however, did not prepare the revised estimates in 84 of 89 works[⊗] despite significant variations in the quantities/items of work on the ground that the total cost was well within the estimated cost due to savings under other items of the sanctioned estimate.

Execution of works

3.2.24 The details of works taken up during the period 2001-05, the works completed and those in progress as at the end of March 2005 are detailed in Table 3.

[⊗] Discussed in Paragraph 3.2.19

Table 3: Details of works executed/under progress during 2001-05

(Rupees in crore)

Year ^ψ	Number of works			Sanctioned estimated cost	Total expenditure on		
	Taken up	Completed	In progress		Completed works	Works in progress	Total
2001-02	94	94	-	139.27	132.25	-	132.25
2002-03	69	69	-	187.39	178.29	-	178.29
2003-04	79	76	3	151.22	143.46	0.63	144.09
2004-05	58	27	31	110.83	52.43	10.54	62.97
Total	300	266	34	588.71	506.43	11.17	517.60

Review of records revealed that the works were not executed in accordance with MORTH specifications and terms of contract resulting in avoidable extra expenditure and unintended benefits to contractors as detailed in the following paragraphs.

Extra expenditure on providing tack coat

Non-adherence to prescribed specifications resulted in an unjustified expenditure of Rs.9.63 crore

3.2.25 MORTH specifications provide that in the works relating to improvements to existing road surface and road widening works, a single layer of tack coat is applied to the existing road surface to ensure thorough bonding between the existing surface and the new construction. The specifications further provide that where the new bituminous course is laid over the freshly laid bituminous course within forty-eight hours, tack coat is not necessary. These specifications are incorporated in the tender agreements of these works.

It was, however, observed in Audit that in 166 such road works executed at a cost of Rs.326.76 crore during 2000-05 the Department delayed the laying of second bituminous course by more than forty-eight hours entailing application of an additional layer of tack coat. This was stated (July 2005) to be due to difficulties in regulating the traffic along the reaches under construction. The contention of the Department was not tenable, as MORTH specifications provide that the contractor shall provide and maintain at his own cost, during execution of the work, a passage for the traffic without hindrance to the work in progress. As these conditions are embodied into the agreement and the contractor would have quoted his rates accordingly, the Divisional Officers were bound to enforce the contractual obligations to ensure the completion of works within forty-eight hours.

Failure to ensure execution of works according to specifications and the terms of contract resulted in an avoidable extra expenditure of Rs.4.80 crore for providing an additional layer of tack coat in these works (**Appendix 3.8**).

^ψ Details of works in the year 2000-01 are not available on records. Excludes M&R works and FDRs executed under piecework system

Excavated earth was not utilised on embankment / shoulders

3.2.26 MORTH specification stipulates that materials are to be obtained from approved sources, with preference given to available earth. The contractors are required to segregate the soil based on suitability. Borrow areas are required to be resorted to only if the available material is found unsuitable, i.e., not conforming to standards as per QC tests.

Out of 84 works test-checked, 30,535 cubic metres (cum) of available/ excavated earth in respect of four works only was utilised for formation of embankment/shoulders. In the remaining 80 works, no part of 5,93,020 cum of earth available was utilised for formation of embankments and shoulders (**Appendix 3.9**). Instead the material was obtained from borrow areas by incurring an expenditure of Rs.4.83 crore on account of cost paid for earth excavation in borrow areas and its transport. In all these cases, QC tests had not been conducted to confirm the unsuitability of available earth. In reply (July 2005), the Divisional Officers stated that QC tests were conducted only in cases where the available earth was found suitable. The reply was not acceptable for the reason that as per the norms, the available earth was to be subjected to QC tests to decide its suitability or otherwise.

Maintenance of roads during contract period and rectification during Defect Liability Period (DLP)

Extra expenditure of Rs.2.78 crore arose on account of not enforcing conditions of the contract

3.2.27 Review of records revealed that five divisions incurred (September 2000 to January 2005) an expenditure of Rs.1.87 crore on maintenance of roads during the subsistence of contract for widening/improvements. This was in violation of the terms of contract which provided that the contractor was liable to maintain the roads during the tenure of contract at his own cost. Further, an expenditure of Rs.0.91 crore was also incurred (December 2000 to March 2005) to rectify the defects occurring within one year from the date of the completion of the work (DLP), although the contractor was liable to rectify such defects within DLP according to the terms of contract. Failure of the Department to enforce contractual obligations resulted in an unintended benefit of Rs.2.78 crore (**Appendix 3.10**) which was recoverable from the contractors.

Enhanced defect liability period not enforced

3.2.28 The Defect Liability Period of one year was enhanced (October 2002) to three years by CE in respect of Road Works and that from one year to five years in respect of Bridge Works, considering that these works did not require repairs for 3/5 years after their completion. The enhanced DLP was incorporated into all the agreements executed after October 2002.

It was however, observed that the DLP was reduced (April-June 2005) to one year by the CE in respect of 22 road and bridge works executed by four divisions based on the representations received from the contractors despite the enhanced DLP being included in the agreements. The injudicious action of CE facilitated the contractors to get the Security Deposit of Rs.0.57 crore

released (May 2005) prematurely in respect of four works besides absolving themselves of the liability to rectify the defects. The remarks of the CE in the matter were awaited (December 2005).

Diversion of savings under contingency and QC provisions

3.2.29 The sanctioned estimates of works provide for 2.8 per cent contingency charges to be utilised on unforeseen items of works incidental/ relating to that particular work as per MORTH norms.

However, in violation of the said norms, expenditure of Rs.12.91 crore was incurred (2000-05) on maintenance and repair works by diverting savings under contingency / quality control provisions and other savings under the sanctioned works. This also included an expenditure of Rs.0.73 crore incurred on construction of office building, seminar hall, library room, rest room, etc., not provided in the estimates.

Execution of Maintenance & Repair (M&R) works under piecework system

3.2.30 In the six Divisions test-checked, 9,227 M&R works costing Rs.41.29 crore were executed (out of 12,989 works costing Rs.83.30 crore) under piecework system, which envisaged entrustment of works costing not more than Rupees one lakh to petty contractors for execution at rates not exceeding the current schedule of rates. The estimates were restricted to Rs.50,000/Rupees one lakh keeping in tune with delegated financial powers at the Divisional level. Entrustment of these works on piecework system deprived the Department of the benefits of competitive rates. Further, the agreements for these pieceworks did not provide for DLP and hence, recoveries on account of rectification of damages were also not enforceable. M&R works were not subject to QC checks due to entrustment on piecework system.

Quality Control (QC)

Quality control measures were lax

3.2.31 MORTH specifications prescribe in detail the methods as well as the frequency of QC tests to be conducted at each level of execution. The contractors are required to set up field laboratories and equip the same with the prescribed testing equipment, which shall be approved by the Engineer in advance. In 77 works test-checked by Audit there was nothing on record to establish that the contractors had set up field laboratories in accordance with MORTH specifications. Information regarding details of methods as well as frequency of QC tests called for was not furnished (December 2005).

QC test Registers were not made available to Audit by any division. However, Bijapur Division produced the test registers of six works only. A test-check of these registers revealed that quality assurance tests for

construction materials were not conducted in respect of four works^ϕ and quality control tests to ensure density of compacted layers were not conducted in respect of two other works^δ.

The omissions/shortfall pointed out by Audit were admitted by the Divisional Officer citing the reason that the number of field laboratories was insufficient to conduct all the necessary tests as per the prescribed frequency.

Conclusion

3.2.32 Due to lack of proper planning and non-utilisation of the available data on traffic volume, the road designs were unrealistic leading to premature failures. This also led to improper prioritisation of works resulting in unjustified allocation of financial resources. Non-synchronisation of road works with cross drainage and bridge works resulted in hindrance to smooth flow of traffic. Inadequate survey and investigation resulted in variations in quantities and items of work leading to cost and time overrun. Works were executed in disregard to technical specifications and terms of contract resulting in avoidable extra expenditure. Quality control measures were lax.

3.2.33 Recommendations

- Maintenance of an inventory on roads and bridges as prescribed by MORTH and utilisation of data on traffic volume and traffic growth should be ensured to prioritise execution of works.
- Adequate survey and investigation should precede execution of works to avoid cost and time overrun as well as extra contractual obligations.
- Execution of works strictly in accordance with MORTH specifications should be enforced to ensure the quality of works.

3.2.34 The above points were referred to Government in October 2005; their replies had not been received (November 2005).

^ϕ NH-13 – Parking Lay bye @ km 160; NH-13 – IRQP @ km 180 to 199; NH-218 – Widening @ km 22.500 to 39.650 and NH-13 – IRQP @ km 103 to 121

^δ IRQP from km 408 to 423.75 of NH-9 and Improvements to Junction at km 96 and 99.5 of NH-13

URBAN DEVELOPMENT DEPARTMENT

3.3 Infrastructural Development in Mega Cities

Highlights

The Bangalore Development Authority implemented the Centrally Sponsored Scheme on 'Infrastructural Development in Mega Cities' in Bangalore City from May 1993. The Scheme mainly aimed at upgrading infrastructure in selected cities to enhance quality of life. Two of the six test-checked projects were not completed causing inconvenience to the public. There were slippages in initial investigation leading to modification in scope and design of projects. Contractual conditions were disregarded to extend undue favours and make extra contractual payments. Audit review of six projects implemented by the Bangalore Development Authority under the Scheme during 2000-05 disclosed inadequacies in planning, funding, execution and monitoring.

The Bangalore Development Authority had to bear cost escalation of Rs.16.35 crore in the absence of agreement to share the same with the State Government and the Railways, who were the other stakeholders, besides Rs.8.57 crore due for recovery from them. Due to non-conclusion of formal agreement, share of Rs.15.96 crore could not be collected from National Highways Authority of India for construction of flyover near Central Silk Board.

(Paragraph 3.3.9)

The Bangalore Development Authority floated bonds to mobilise funds for execution of projects injudiciously.

(Paragraph 3.3.10)

Projects were designed without taking into account soil investigation results, causing material changes in designs and scope of works, which resulted in avoidable extra expenditure of Rs.1.16 crore.

(Paragraph 3.3.12)

The Bangalore Development Authority did not strictly enforce the conditions of the contracts and there were instances of undue favours to contractors (Rs.6.31 crore) and extra contractual payments (Rs.two crore).

(Paragraphs 3.3.15, 3.3.17 to 3.3.19)

Quality control measures were inadequate resulting in not ensuring prescribed quality standards and monitoring was ineffective in the absence of effective follow-up of inspections and deficient management information system.

(Paragraphs 3.3.22 and 3.3.23)

Introduction

3.3.1 With a view to tackling problems arising out of traffic congestion, migration from rural and smaller towns, environmental degradation, *etc.*, the Government of India (GOI) approved (May 1993), the scheme on “Infrastructural Development in Mega Cities”, covering five cities including Bangalore.

Organisational structure and scheme operation

3.3.2 The Bangalore Development Authority (BDA) responsible for city planning and development is an implementing agency for the scheme. It functions under the Urban Development Department headed by the Principal Secretary. The BDA is an authority headed by a Chairman assisted by a Commissioner, Secretary and members for Engineering, Town Planning and Finance, Deputy Commissioner (Land acquisition) and Superintendent of Police and a few nominated non-official members.

The Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) is the nodal agency vested with the powers of financial appraisal, funding 50 *per cent* of the project cost and monitoring the project. It evaluates the project proposals made by the BDA. On clearance by KUIDFC, a State Level Sanctioning Committee^x (SLSC) scrutinises the proposals with regard to guidelines of GOI and make recommendations through State Government for Central assistance. The SLSC is to monitor project implementation also.

Audit objectives

3.3.3 Audit objectives were to assess whether:

- The planning process ensured proper identification, prioritisation, *etc.*
- Prudent financial management system existed for funding the projects.
- The survey and investigation conducted were reliable and based on norms.
- The contract management had adequate provisions to ensure economic and efficient execution of the project.
- The appointment of consultants for the projects yielded the desired results.

^x The SLSC comprised:

- (1) Secretary to the State Urban Development/Municipal Administration Department dealing with the Scheme
- (2) Secretary to State Finance Department
- (3) Chief Executive of nodal agency
- (4) Joint Secretary (Urban Development), Ministry of Urban Affairs and Employment, GOI
- (5) Representative of Planning Commission

Audit criteria

3.3.4 For the purpose of review, audit considered the following as criteria:

- The guidelines for the scheme 'Infrastructural Development in Mega Cities'.
- The BDA Manual, Karnataka Public Works Departmental Code and the Karnataka Transparency in Public Procurement Act, 1999.
- Indian Road Congress specifications.

Scope of audit

3.3.5 Audit reviewed (February to July 2005) implementation of the scheme for the period 2000-05 by test-checking records pertaining to six projects {construction of grade separator/flyover near Hebbal, Central Silk Board (CSB), Dairy Circle, Airport, Jayadeva Institute of Cardiology (JIC) and Integrated Development of Agara lake} of the nine projects. The nine projects consisted of the above six projects and grade separator/flyover at Ananda Rao Circle and Benniganahalli and land acquisition for construction of Outer Ring Road implemented by the BDA. Test-checked expenditure was Rs.147.53 crore (64 *per cent*) out of Rs.231.23 crore incurred on the nine projects. Of the six selected projects, four were completed and two were ongoing.

Audit methodology

3.3.6 The Audit methodology adopted for the review involved examination of documents relating to estimation, design and drawings, agreements, Memorandum of Understanding (MoU), *etc.*, site visits, discussion with the functionaries and issue of audit enquiries. Entry conference was held (May 2005) with the BDA during which audit objectives, criteria and methodology were discussed. Exit conference was also held (November 2005) during which the draft review report was discussed. The co-operation extended by BDA and KUIDFC to Audit for the conduct of the review is acknowledged. The Commissioner, BDA acknowledged (November 2005) that the Audit helped BDA in taking many corrective and preventive measures.

Audit findings

Financial outlay

3.3.7 The Central Government contributed 25 *per cent* of the estimated cost of the projects. The State Government made a matching contribution. The contribution of the Governments is released to the nodal agency, which in turn, releases it to the implementing agency in the form of a loan. The balance of 50 *per cent* of the project cost is to be provided by the implementing agency or to be funded by raising institutional finance.

3.3.8 The BDA took up the nine projects during 1998-2005, at a total estimated cost of Rs.255.26 crore and incurred a total expenditure of Rs.231.23 crore. Six projects were completed involving time overrun of 2 to 20 months. Three projects (construction of grade separator/flyover near Airport, JIC and at Ananda Rao Circle) were still in progress (November 2005). The details of project cost, sources of funding and expenditure on the nine projects are given in **Appendix 3.11**.

Dues of Rs.24.53 crore were not collected and there was no provision for collection of escalation cost of Rs.16.35 crore

3.3.9 For the construction of grade separator near Hebbal, according to Government order (September 2001), based on project cost estimates current then, Rs.8.57 crore was yet to be received from stakeholders (State Government-Rs.four crore and Railways-Rs.4.57 crore) as of July 2005. Further, the BDA did not discuss the issue of sharing cost escalations with the stakeholders and bind them by an agreement with the result that it had to bear the entire cost escalation of Rs.16.35 crore on the work. The National Highways Authority of India (NHAI) agreed during the discussion (May 2002) to share 75 *per cent* of the cost of construction of grade separator near CSB. But the BDA did not conclude any formal agreement and as a result, could not collect share of Rs.15.96 crore from NHAI, even as of July 2005.

Injudicious borrowing

The BDA borrowed funds injudiciously

3.3.10 Based on approval accorded (December 2001) by the State Government to borrow funds, the BDA borrowed (August 2002) Rs.100 crore by floating 'BDA Bonds-2007 Series' mainly to fund the projects taken up under the scheme. The bonds, with a face value of Rs.10 lakh per bond were for five years and carried interest of 8.5 *per cent* per annum. The issue was subscribed (August 2002) by Canara Bank and Indian Overseas Bank at Rs.50 crore each. The BDA pre-paid (December 2003) the entire amount and paid interest of Rs.11.07 crore on the bonds for the period August 2002 to December 2003.

The BDA utilised only Rs.55.46 crore (March 2003) on the infrastructure projects and did not utilise Rs.44.54 crore at all. The interest paid at 8.5 *per cent* per annum on this amount worked out to Rs.4.73 crore. In view of the premature repayment and part utilisation of Rs.55.46 crore for nine months, the borrowing of Rs.100 crore was injudicious.

Project planning, survey and investigation

3.3.11 The primary objective of the scheme was to upgrade the infrastructure in the selected cities to provide impetus to further economic growth and upgrade the quality of life. Projects relating to traffic, city decongestion, commercial activities, environment, *etc.*, were taken up under the scheme. The project planning involved feasibility study with regard to necessity of the project, cost-benefit appraisal, *etc.*, and designing of the project in conformity with the feasibility report.

Soil investigation

3.3.12 With a view to ascertaining the profile of sub-soil to arrive at the parameters of design of foundation, the norms prescribed by NHAI laid down that trial bores be taken at 30 metres along the alignment of flyover and loops[⊕]. In three out of six projects test-checked, trial bores were not taken according to these norms and in two of these three projects (last two projects in the Table 1 below), tenders were invited even before the receipt of soil investigation reports, as detailed below:

Table 1: Details of soil investigation and tender notices

Project	Length of flyover/loops (in metres)	Number of trial bores		Date of receipt of soil report	Date of notice inviting tenders	Nature of contract and terms fixed for designing the project
		based on norms	actually taken			
Flyover near CSB	529.06	18	10	14 June 2002	1 July 2002	Lumpsum contract. The BDA was to supply the design based on soil investigation report
Grade separator near Dairy Circle	543.50	18	5	7 December 2002	4 November 2002	Lumpsum contract. The contractor was to design the project and the BDA was to supply the design parameters based on soil investigation report
Flyover near Airport	1,658.82	55	17	13 December 2002	4 November 2002	Lumpsum contract. The contractor was to design the project and the BDA was to supply the design parameters based on soil investigation report

Inadequate soil investigation led to change in design and increase in scope of work after entrustment resulting in loss of competitive rates.

As a result of inadequate soil investigation, the designs of the project in flyover near CSB had to be modified, resulting in execution of extra items/quantities costing Rs.1.96 crore[♦]. As the contract was on lumpsum basis, by inclusion of extra items after entrustment of work, the BDA lost the benefit of competitive rates. The BDA replied (November 2005) that only rough estimates were prepared for these works as they were entrusted on lumpsum contract basis. The BDA, however, did not furnish reasons justifying the inadequate investigation.

Non-reckoning of results of soil investigation led to avoidable expenditure of Rs.1.16 crore

The soil investigation report prepared by the BDA for the project on grade separator near Hebbal indicated that the soil was sandy, clayey and water table at shallow depth. This contract was awarded by the BDA on item rate basis and thereupon making evaluation of soil conditions and the design, BDA's responsibility. The BDA while designing the project did not take care of these conditions, with the result the designs and scope of the work underwent significant changes to tackle the situations brought out in the investigation report. The changes made during execution resulted in execution of excess quantities of certain items of work by more than 125 *per cent* of the initially estimated quantity, by paying higher rates in terms of the contract. This involved avoidable extra expenditure of Rs.1.16 crore. The BDA replied (November 2005) that execution of excess quantities were not only due to site

[⊕] Curved alignment of flyover

[♦] Revised contract value - Rs.19.60 crore

Original contract value - Rs.17.64 crore

Increase in cost - Rs.1.96 crore

conditions but also due to increasing the length of the flyover. The reply is not acceptable, as the decision to increase the length of the flyover was taken (August 2003) by the BDA only after entrustment (October 2001) and this was also due to not taking into account the soil conditions.

Avoidable expenditure

The BDA incurred avoidable expenditure of Rs.16.08 lakh on restoration work of Agara lake

3.3.13 The work of restoration of Agara lake was executed (February 2003 to February 2004) through a contractor. While preparing estimates for the project, the BDA excluded (January 2003) certain items of work like construction of pump house, borewell, jetty, *etc.*, on the recommendations of the Technical Advisor of the BDA, in order to reduce the project cost from Rs.5.73 crore to Rs.4.33 crore. The BDA, however, got the excluded items executed as extra items, which involved execution of extra quantities of earthwork excavation, masonry work, *etc.*, in excess of 125 *per cent* of the originally agreed quantities. The excess quantities executed were paid at higher rates in terms of the contract and this involved a net extra expenditure of Rs.16.08 lakh. This could have been avoided, had the works been included initially. The BDA replied (November 2005) that the excess quantities executed were inevitable. The reply is not acceptable, as even the excess quantities would have been executed at the tendered rates, had they been incorporated initially.

Contract management

Tendering procedure

The BDA did not formulate any rules for publication of NIT though the Transparency Act required it

3.3.14 The Karnataka Transparency in Public Procurement (KTPP) Act, 1999 and the Rules framed there under were applicable to the BDA also. According to the provisions of the Act, the Notice Inviting Tenders (NIT) was to be given publicity in two or more news papers based on the value of service, in terms of departmental rules. The BDA did not formulate any rules for publication of NIT. For the six projects test-checked, the BDA published NITs in varied manner for works as well as for the consultancy service. The BDA did not publish the NIT of four traffic-related projects in the State Tender Bulletin and of all the five test-checked traffic-related projects in the Indian Trade Journal, as required under KTPP Rules. There is, thus, a need for formulating uniform rules so that services could be procured at a competitive price in a transparent manner. The BDA replied (November 2005) that publishing of NIT in the State Tender Bulletin and Indian Trade Journal would be ensured in future.

Further, in tenders for four of the six projects test-checked, as against the minimum time of 60 days allowable for submission of tenders from date of publication of NIT, the time allowed fell short by 10 days to 27 days. Similarly, for the consultancy service for the project on grade separator near Hebbal, as against the minimum time of 30 days allowable, only 15 days were given for submission of tenders. The BDA, without furnishing reasons for reduction in time allowed, replied (November 2005) that the necessary approval of the competent authority for reducing the prescribed time limit for submission of tenders had been obtained.

Selection of contractor

The BDA awarded three contracts to a single agency, though it did not fulfill all the criteria. Besides, it extended undue favours amounting to Rs.6.31 crore to the contractor

3.3.15 The BDA invited separate tenders on lumpsum contract basis for three traffic-related projects (grade separators/flyovers near Dairy circle, JIC and Airport), fixing identical technical and financial criteria (possession of one hydraulic rig, net block of assets of Rs.10 crore and bank solvency of Rs. five crore for each work).

The BDA awarded (February 2003) these three projects to the Uttar Pradesh State Bridge Corporation Limited (UPSBCL) whose tendered rates were the lowest, for completion by April 2004 on lumpsum contract basis. Though the UPSBCL fulfilled the criteria individually, the BDA did not ensure that it fulfilled the aggregate of the criteria before award of all the three works to it. The UPSBCL did not complete the work on two projects (grade separators/flyovers near JIC and Airport) even by the extended dates of completion (February 2005 and June 2005) due to its cash flow problems and forced the BDA to further extend the time (May 2006 and June 2006).

Besides, for the project near Airport, the BDA terminated (February 2005) the contract on account of slow progress in work. The UPSBCL contested the termination in the State High Court. Under the directions of the High Court, the BDA executed a supplementary agreement (August 2005) for the balance work with the UPSBCL recasting the estimate based on the Schedule of Rates of 2003-04. Thus, the BDA agreed to pay a cost overrun of Rs.9.11 crore^a to the UPSBCL though there was no change in the design/specifications/scope of the work involving execution of extra items/quantities warranting the cost overrun.

Though the supplementary agreement was executed under the directions of the Court, non-compliance with the selection criteria and ineffective monitoring of the progress of work (UPSBCL completed only 33 per cent of the work by the stipulated date of completion in April 2004) by the BDA were apparent on records. The BDA replied (November 2005) that the UPSBCL was selected in relaxation of the eligibility criteria considering that the agency was owned by the Government of Uttar Pradesh. The BDA, however, agreed that the selection was a mistake.

Besides, the following undue favours not envisaged in the contracts were extended to the contractor:

➤ The BDA did not recover Rs.22.14 lakh representing the cost of incomplete portion from the lumpsum bill paid to the contractor. The extra cost of Rs.16.66 lakh involved in getting the left-over work completed by another contractor was also not recovered from him. The BDA stated (July 2005) that the necessary recoveries would be effected at the time of settling the final bill.

^a Revised contract value - Rs.35.80 crore
Original contract value - Rs.26.69 crore
Increase in cost - Rs.9.11 crore

- Further Security Deposit (FSD) of Rs. two crore recovered under three contracts was released prematurely in violation of contractual conditions to the contractor against bank guarantee for the same amount.
- Advance payment of Rs.1.80 crore was made (September 2004 to February 2005) to the contractor for procurement of steel to be recovered from his future bills for JIC and Airport projects, even though not contemplated in the agreement. Of this, Rs.25.76 lakh was yet to be recovered (November 2005).
- The BDA approved (August 2004) and paid Rs.1.91 crore (September-December 2004) to the agency on account of reimbursement of differential cost of reinforcement steel. This was not required to be paid in terms of the contract and as also clarified in the pre-bid conference.
- Under the terms of contract, for slow progress of work due to the fault of the contractor, one *per cent* of the estimated cost of balance work per day up to a maximum of 7.5 *per cent* of total contract value was leviable. Audit, however, noticed that though there were shortfalls in progress at 77 and 59 *per cent* in works relating to flyovers near JIC and Airport respectively, the BDA had not levied even the minimum penalty of Rs.26.70 lakh due (November 2005). The BDA replied (November 2005) that nominal penalty of Rs.4.15 lakh and Rs.1.10 lakh for the projects near Airport and JIC respectively had since been levied. The reply is not tenable as penalty levied was not commensurate with the shortfall in the progress of works and thus violative of contractual conditions.

Selection of consultant

**Selection of
consultant was
not transparent**

3.3.16 The BDA awarded (April 2002 to February 2003) the work of providing consultancy service for four out of five traffic-related projects to a consultant after calling[♥] separate tenders for each project. Even for the fifth project, where the original consultancy contract was prematurely terminated, the balance consultancy service was entrusted to this consultant only. Though, on an average five consultants participated in each bid based on the eligibility conditions specified in the notice inviting applications, the BDA put forth^α additional conditions subsequently in the request for proposal/draft tender papers. As a result, all the other bidders got disqualified at the stage of evaluating technical bids and the BDA accepted the lone bid of the consultant. The tender process, thus, lacked transparency and also led to loss of competitive rates. The BDA replied (November 2005) that if all the eligibility criteria were mentioned in the notice inviting applications itself, no one would have participated in the bids. The reply substantiates the point that the tender process was not transparent.

[♥] Flyover near CSB: 18 February 2002

Flyovers near Dairy Circle, Airport, JIC: 28 November 2002

^α Flyover near CSB: 28 February 2002

Flyovers near Dairy Circle, Airport, JIC: 2 December 2002

Extra contractual payments

The BDA made extra contractual payments of Rs.two crore

3.3.17 The BDA paid (August 2003) Rs.1.70 crore towards expenditure incurred by the contractor for construction of grade separator near Hebbal, towards handling cost of trailer, crane, additional supporting arrangement, etc., even though such a payment was not contemplated in the agreement.

3.3.18 The BDA did not recover Rs.12 lakh representing the cost of consultancy services not rendered by the consultant for preparation of designs for the project of grade separator near Hebbal and also the extra cost of Rs.7.75 lakh involved in getting the balance of consultancy work completed by another consultant. The second consultant was also paid, in disregard of the contract, Rs.10.44 lakh in excess of the agreed consultancy fee, towards lodging and other expenses of the Chief Consultant.

3.3.19 The BDA, though not required, undertook construction of the compound wall and room for security guard of a private college following acquisition of its land for the flyover near Dairy Circle, at a cost of Rs.13.80 lakh of which Rs.10.35 lakh had already been paid (July 2005).

Consultancy charges

Payment of consultancy charges of Rs.29.96 lakh was not commensurate with the physical progress of work

3.3.20 For the projects relating to flyovers near Airport and JIC, the contracts concluded (February 2003) with UPSBCL were terminated (January and March 2005) and balance works entrusted afresh (August 2005) to the same agency under the directions of the Karnataka High Court. The project management consultancy service relating to these projects entrusted (February 2003) to a consultant also came to a standstill (March 2005). At the time of stoppage, the physical progress of the two projects was 35 and 63 *per cent* respectively. According to the agreement, consultancy fee was payable in equal instalments during the scheduled construction period of the project.

As project management consultancy service was to be commensurate with the physical progress of the work, payment schedule for consultancy was to be invariably linked with the physical progress of the project. As this was not done, the consultant was paid a fee of Rs.67.21 lakh as of February 2005 as against the proportionate amount of Rs.37.25 lakh. This resulted in disproportionate payment of Rs.29.96 lakh. The BDA in its reply (November 2005) accepted the lapse and stated that the necessary clause to release payments for consultancy commensurate with the physical progress would be incorporated in its future projects.

Liability towards land compensation

The BDA created avoidable liability towards interest payment of Rs.11.55 lakh

3.3.21 For the lands acquired and possession taken (February 2002) for the project on grade separator near Hebbal, the BDA passed land awards for a total compensation of Rs.69.78 lakh. The awardees did not, however, turn up to receive the compensation. In such a situation, the compensation was to be deposited in the Civil Court in terms of the Land Acquisition Act. Failure to do so would entail payment of interest at nine *per cent* for first year and 15 *per cent* for the subsequent period. The BDA had not deposited the award

amount in the Court and this resulted in avoidable liability towards interest payment of Rs.11.55 lakh as of June 2005. The BDA, though admitted (November 2005) the lapse, did not take remedial action (November 2005).

Quality control measures

Quality control tests were inadequate

3.3.22 The BDA furnished only 55 out of 103 monthly progress/quality control reports relating to the five test-checked traffic-related projects pertaining to the execution period, to Audit. No quality control reports on the environmental project were furnished.

Scrutiny of the reports made available disclosed following omissions in conducting tests, which were specified in the contracts (**Appendix 3.12**).

- Independent test of every consignment of cement used was not conducted either at site or in approved laboratories in three^Φ projects.
- There was no evidence of independent tests of every consignment of steel utilised in the work relating to five test-checked traffic-related projects.
- Adequacy of cube test conducted for determining the strength of the concrete used could not be ascertained as quantity of concrete casting work executed every day on three test-checked traffic-related projects was not indicated in the monthly reports. In two[∞] projects where details of quantity of concrete were available, there were shortfalls in drawal of samples for testing.
- As against the minimum of six load tests to be carried out, only three tests were carried out in three^Φ projects.
- No independent sieve analysis test was conducted for the ready mix concrete used in three^Φ projects.
- Permeability test required to be conducted in terms of the contract agreement was not conducted in the case of all the five traffic-related projects.

Monitoring and evaluation

Monitoring of the projects was ineffective

3.3.23 Though the BDA stated (July 2005) that frequent inspections of the work were carried out, inspection reports were not issued for watching compliance. The monitoring was ineffective as evidenced by delay of six to eight months in completion of three projects^λ and the slow progress in two other uncompleted projects*.

The monthly progress reports forming part of management information system prepared by the consultant to enable the BDA monitor the progress of works,

^Φ Construction of flyovers near Dairy Circle, JIC and Airport

[∞] Construction of flyovers near JIC and Dairy Circle

^λ Construction of flyovers near Dairy Circle and Hebbal and restoration of Agara lake

* Construction of flyovers near JIC and Airport

did not provide scope for ascertaining physical and financial achievements, number of time extension granted, details and reasons for delay in execution and initiating suitable corrective action.

The KUIDFC as the nodal agency also did not insist for furnishing of monthly and half-yearly progress reports, though envisaged in the scheme agreement.

The BDA stated (November 2005) that evaluation of the projects was being undertaken as and when the projects got completed. Four* of the six test-checked projects had already been completed (October 2003 to February 2005) and aggregate expenditure of Rs.117.09 crore was incurred on them (July 2005). It would be prudent to conduct evaluation of these completed projects.

Conclusion

3.3.24 Out of six projects test-checked by Audit, two projects were incomplete for more than three years causing traffic inconvenience to the general public. The BDA injudiciously ventured to float bonds to mobilise funds for the projects despite availability of sufficient funds with it. Soil investigation was not conducted properly and the results of investigation were also not reckoned while designing projects resulting in avoidable expenditure of Rs.1.16 crore. Tender process was defective and lacked transparency. Contracts were not managed efficiently, with the result there were instances of undue favours and extra contractual payments aggregating Rs.8.31 crore. Quality control tests were inadequate and monitoring was ineffective.

3.3.25 Recommendations

- Realistic assessment of funds for projects should be made before resorting to borrowings for future projects.
- Soil and other initial investigations should be done in order to avoid extra expenditure on account of material changes in design and scope of works.
- Contract management should be strengthened to be strictly in tune with agreements concluded to avoid losses/excess payments.
- Monitoring should be more efficient and effective to prevent time and cost overruns.

3.3.26 The above points were referred to Government in October 2005; reply had not been received (November 2005).

* Construction of flyovers near Hebbal, CSB, Dairy Circle and restoration of Agara lake

HOUSING DEPARTMENT

3.4 Karnataka Housing Board – Application and General Controls of Information Technology Systems and Incorrect Assessment of Demand under ‘100 Housing Scheme’

Introduction

3.4.1 The Government established (1965) the Karnataka Housing Board (KHB) for making such schemes and carrying out such works as are necessary for catering to the need of residential accommodation in the State.

The KHB had two important computer applications running. They were Customer Information System (CIS) and the Chief Minister’s Model Town Housing Plan (CMTHP). The CIS was intended to handle the processing of applications, registrations, and allotments/exchanges/cancellations, maintain data of properties, record the collection of registration fees, cost of allotted properties, *etc.*, and to provide up to date information to the management regarding status of housing schemes, sites, *etc.* The CMTHP was intended to handle monitoring/implementation and maintenance of the CMTH Project, which was started, with the objective of developing smaller towns with a population of 10,000-20,000 to cater to low-income groups.

The KHB formulated (July 2000) the ‘100 Housing Scheme’ with the primary objective of providing 13,500 houses affordable to various income groups^r and 15,000 developed sites of various dimensions at affordable prices, at 100 locations covering all districts in the State.

Audit review (September 2004 to November 2004 and April 2005 to June 2005) of the acquisition and utilisation of the two computer applications and assessment of demand and allotment of houses/sites under ‘100 Housing Scheme’ during 2000-05 disclosed the following:

Application and General Controls of Information Technology Systems

Software development

3.4.2 The KHB decided (2001) to computerise its activities regarding handling of applications for sites/houses. This was felt necessary due to receipt of large number of applications during the year 2000. Thus, the computerisation of the functions relating to the housing schemes was initiated as a response to the large volume of applications received for the housing schemes rather than a part of a conscious Information Technology (IT) strategy with long term goals. It was seen that while going ahead for computerisation, no cost-benefit analysis or feasibility study was carried out. Audit observed that KHB awarded the work of computerisation to Canbank Computer Services Limited, Bangalore (CCSL) on a single tender basis.

The KHB did not ascertain competitiveness of rates agreed for software development. Terms for payment for processing/maintenance of database were vague

^r HIG-High Income Group, MIG-Middle Income Group and LIG-Low Income Group

Though the KHB replied that this was done so, as CCSL is a public sector unit, it was seen that no efforts were made to obtain competitive rates at least from other public sector organisations in the field of software development. Thus, the KHB had no benchmark with which to compare the rates offered by CCSL for computerisation. Moreover, the rates of payment for processing/maintenance of databases were agreed upon arbitrarily and the terms and conditions were drafted in an ambiguous manner. The observations regarding the system acquisition and implementation are detailed below:

Customer Information System

For carrying out routine functions, KHB paid high prices

3.4.3 The KHB entered into two Memoranda of Understanding (MoU) in 2001 with CCSL for setting up a CIS, which contained information of all the divisions of the KHB. The system was operated on Windows NT operating systems with SQL Server 2000 as back-end and Visual Basic as front-end. CCSL had been paid Rs.2.32 crore (November 2005) for designing, implementing and running the system. The KHB had no privilege over the source code of the package.

In May 2001, an MoU was entered into with CCSL for providing consultancy services for data capture/maintenance of sale of sites/ houses (May 2001) at the rate of Rs.50 per application for data capture and Rs.170 per allotment handled. The amount payable (Rs.50) per application entailed many activities like printing acknowledgements, photograph and signature scanning of applicants, capturing the details regarding organisation issuing loans, further repayments in lease-cum-sale, sale deed, possession certificate, *etc.* Audit, however, observed that 13,188 applications relating to old housing schemes were merely ported by CCSL from an earlier database only for the purpose of providing information. The payment amounting to Rs.6.59 lakh made on this account was unjustified since none of the activities envisaged in the MoU except porting was performed by CCSL. Further, it was noticed that the payment for data entry was released based on invoices presented by CCSL, without checking the same with the database. Audit also observed that for the year 2004-05, KHB paid Rs.55.84 lakh to CCSL, which employed 15 persons to man the operations at KHB. Thus, KHB was paying at an average rate of Rs.31,027 per man month for such routine functions as data entry and maintenance of database.

Chief Minister's Model Town Housing Plan Package

New software developed was underutilised

3.4.4 Though the CIS had been developed by CCSL in 2001, the KHB in 2002 instructed the same company to develop a separate software on the same Relational Data Base Management System (RDBMS) and operating systems for the CMTHP scheme having largely similar functionalities. No thought was given to explore the possibility of modification/customisation of the existing software. The KHB hired CCSL for developing a package for monitoring/implementation and maintenance of the project, at a cost of Rs.12,900 per month per division with the data entry, taking backup, *etc.*, to be carried out by the KHB staff in all divisions. They were paid Rs.27.99 lakh for the period of ten months from September 2002 to June 2003; their services were terminated in July 2003.

Audit observed that the new software developed was grossly underutilised. This was evident as the number of entries made was very low. To cite an example, in two divisions, for ten months, only one entry was made. Similarly, in 13 divisions no entry was made during that period. Apart from data entry, the KHB did not get any other services from CCSL for activities of updating property details, handling allotments, lease-cum-sale details, updating the website, *etc.*, contemplated in the MoU. It was calculated that CCSL were paid Rs.27.99 lakh for the period from September 2002 to June 2003 to maintain an average of just 376 records per division. The KHB replied that the demand was very meagre as against their expectations and hence sufficient data were not available. The reply is not tenable, as the development of the package was not justified even on the basis of the expected number of applicants (800 per division) pointing to lack of a thorough analysis. Thus, had the KHB conducted a proper feasibility study and need analysis before embarking on an advanced RDBMS package, the expenditure to the tune of Rs.27.99 lakh for such a small volume of data, could have been avoided. This showed that the KHB lacked a proper IT strategy but still went ahead with costly investment on IT.

System documentation

Data generated were not dovetailed with the financial accounts of KHB

3.4.5 The system developer had not adopted a standard System Development Life Cycle Methodology, with the result the design and the development were made without a thorough study of user needs with regard to input formats and output report formats including their frequency. Even the issue of how the data generated would be dovetailed with accounts of the KHB was not addressed. Neither the design/development was properly documented and approved by the KHB beforehand nor were the acceptances of the users test-signed-off indicating their approval.

Audit trails

The IVRS was inconsistent and incomplete

3.4.6 The Interactive Voice Response System (IVRS) was meant to assist the KHB in providing information to the customers without human intervention, giving out details of vacancy, cost, area/project check of application, *etc.* The system had not incorporated audit trails with fields like 'updated by', 'updated on' and 'updated from' and a test-check brought out differences between the information regarding vacancy position of sites/houses as derived from IVRS and the data available in CIS, as detailed below:

Table 1: Details of differences between IVRS and CIS data

	Kelakote (Chitradurga) Sites		Haliyal (Karwar) Sites		Gopishetty Koppa (Shimoga)			
					Sites		Houses	
	IVRS	CIS	IVRS	CIS	IVRS	CIS	IVRS	CIS
HIG	23	26	0	0	55	61	05	01
MIG	48	42	48	40	128	133	20	15
LIG	142	145	0	0	81	81	61	66

Thus, the IVRS being inconsistent and incomplete was unreliable and had the potential of adversely affecting the customer confidence in the system, making the expenditure of Rs.9.37 lakh incurred on it unfruitful.

Analytical review of data

3.4.7 The data of the CIS package, analysed using the software – IDEA, indicated that the package lacked adequate input controls leading to data entry errors and process controls, resulting in inaccurate reports, making it unreliable for management decision making.

Data for annual accounts

Information on database did not help in decision making

3.4.8 The balance sheet of the KHB for the year 2003-04 projected, under current assets, the value of house property in hand at Rs.56.82 crore and land in possession at Rs.44.37 crore totalling to Rs.101.19 crore. The value of assets in hand, as shown in the computerised database was, however, Rs.115.82 crore. Thus, the figures compiled from the records maintained manually differed from the computerised records by Rs.14.63 crore. Moreover, out of 11,373 un-allotted cases in the database, 8,764 records were blank for the value of the asset. The omission was stated to be due to delay in communication from the Allotment and Finance Departments in furnishing the requisite information to the IT Wing. This made the information contained in the database outdated and of limited use for decision making.

Database for exchange of allotted houses

The database was deficient

3.4.9 According to the rule of KHB, the applicants were given the option to seek an exchange of the allotted house/site by payment of an exchange fee. It was noticed in 141 cases, that the exchange fee levied was recorded as zero in the database. It was replied (December 2004) that the omission was due to non-receipt of the advice from the Allotment and Finance Departments. This clearly showed that though the KHB had gone ahead with computerisation, proper procedures were not in place to ensure that IT is made full use of for management support functions. Moreover, as this levy is statutory in nature, timely updation of the same should have been ensured by the management.

Various other deficiencies noticed in IT enabled analysis, using IDEA, of the database are given below:

- The same property was found allotted twice, to two applicants with different registration numbers. This showed lack of process controls with the risk of the database being misused. The KHB replied (December 2004) that to accommodate multiple allotments the alteration was made manually.
- As against the rules of the KHB, a single applicant was found to have been allotted two different properties.
- Details of payment of initial deposit and registration fee were not recorded in many cases. Out of 8,142 allotments, no payment was recorded for initial deposit in 2,404 cases and for registration fee in 695 cases. It was replied (December 2004) that in some cases the initial deposits and registration fees were not charged. The database, however, did not indicate this status of the allottees.

- The table pertaining to property details contained 8,172 cases shown as allotted while another table in the same database containing allotment details showed 8,143 allotments. The difference was attributed to multiple allotments. The database, however, did not contain any check boxes or flags to indicate case of multiple allotments for management information.
- The field depicting basis for sale of property by sale or lease-cum-sale was indicated as 'NA' in 80 cases. This indicated lack of input controls making database incomplete. The KHB agreed to rectify the error.
- IT enabled analysis revealed that the date of birth of applicants was not recorded in 1,336 cases besides presence of minor applicants in 1,467 cases.
- Out of 18,640 applicants recorded as unmarried, spouse names were recorded in 3,033 cases.

These observations indicated that in spite of paying substantial costs to CCSL for data maintenance, the database was neither integral nor reliable.

Utilisation of the application as a tool for Management Information System

3.4.10 One of the major advantages envisaged by the CIS, was its ability to aid the KHB in decision making by timely generation of reports based on data analysis and generation of various Management Information System (MIS) reports for taking decisions aimed at reducing arrears due from allottees. During the course of review, it was observed that even though the allotment table allowed the recording of provisional cost, amounts paid and balance due from allottees, and action taken to levy penalty or cancellation of allotment or non-payment, the same was not on record. In fact, in 2,129 cases the 'provisional cost to pay by date' was omitted to be recorded which rendered the data incomplete for follow-up.

General Information Technology controls

3.4.11 Though the KHB had implemented major IT applications, it was yet to formulate and document a formal IT policy and a long term/medium term IT strategy incorporating the time frame, key performance indicators and cost-benefit analysis for development and integration of various systems. No planning/steering committee with clear roles and responsibilities existed to monitor the software for each functional area in a systematic manner. CCSL, an outside agency, was functioning as manager of the data in all the three packages, while the Systems Department functioning under the Commissioner of the KHB was involved merely in providing facilities and acquisition of hardware/software. The KHB had also not formulated and documented an IT security policy for the security of its IT assets and software including its data. The CIS package is an important system for KHB as its business and revenue earning capacity is dependant on the decisions based upon the information contained in the system. There was, however, no documented 'Disaster Recovery and Business Continuity Plan' outlining the action to be undertaken immediately on the occurrence of a disaster.

IT policy, strategy and disaster management plans were absent

Incorrect Assessment of Demand under '100 Housing Scheme'

3.4.12 The Government approved (January 2001) the Scheme at an estimated cost of Rs.850 crore for completion by December 2002. Of this, Rs.720 crore was to be in the form of loan from Housing and Urban Development Corporation (HUDCO) without Government guarantee and Rs.100 crore in the form of loan on Government guarantee and balance from the self-financing scheme by KHB. The KHB availed of a total credit of Rs.188.07 crore from the HUDCO (Rs.83.07 crore) and nationalised banks (Rs.105 crore) during 2002-05 for funding the Scheme. The KHB incurred a total expenditure of Rs.218.86 crore (Rs.124.06 crore in 2003-04 and Rs.94.80 crore in 2004-05).

Incorrect assessment of demand led to improper planning

3.4.13 The KHB did not conduct a proper survey for assessing the demand for houses and sites so as to ensure proper identification of the beneficiaries and to prioritise funding. The KHB, instead, considered the applications received for registration as the demand. The registration forms did not contain details of annual income of the applicant and his family, mode of payment including the option for refund, proof of domicile, other property ownership, *etc.* The information obtained was also not cross verified with other sources like census reports, *etc.* In the absence of details and cross check, the assessment of demand adopted by the KHB was fraught with the risk of extending assistance to those who had not even applied. Such an assessment was thus reduced to a mere formality aimed solely at selling the houses constructed, instead of providing houses to those who had applied.

Developed properties remained un-allotted

3.4.14 The position of construction/development and allotment of houses/sites as of July 2005 was as indicated below:

Table 2: Position of construction/development and allotment of houses/sites

Number of locations in which the Scheme was to be implemented	100
Number of locations in which execution was actually taken up	70
Number of locations in which execution was completed	44
Total number of houses envisaged	13,500
Number of houses completed	1,579 (12 per cent)
Number of houses allotted	849 (54 per cent)
Number of sites to be developed	15,000
Number of sites actually developed	8,228 (55 per cent)
Number of sites allotted	2,934 (36 per cent)

Thus, even after two and a half years of the originally scheduled date of completion (December 2002) only 12 per cent of the houses were completed and 55 per cent of the sites were developed. This was attributed by KHB to land litigation, heavy monsoon, change in foundation design, *etc.* Further, only 54 per cent (849) of the houses completed and 36 per cent (2,934) of the sites developed were allotted. In 14 locations, the KHB developed land/constructed houses in excess of demand and could allot only 21 per cent (**Appendix 3.13**). In three* project units test-checked, the KHB developed 2,123 sites/houses, adjacent to projects for distribution of sites by local Urban Development Authority. Consequently, 963 sites/houses developed during

* Chickmandya/Mandya - 1,349, Kanbargi/Belgaum - 558, Kankanady/Mangalore - 216

2002-05 remained unallotted as of July 2005. The inability of the KHB to allot the property indicated incorrect initial survey and lack of demand.

Conclusion

Computer applications

3.4.15 The KHB made large investments in IT without having a clear IT strategy, resulting in heavy expenditure on development and maintenance of applications with limited utility. The CIS had poor general IT controls and contained incomplete information which was not completely reliable and thus of limited use as a tool for MIS. The flow of data from the Finance/Allotment department to the IT system was tardy making the data in the system outdated. The KHB was heavily dependent on CCSL and making heavy payments for routine functions like database maintenance, *etc.*

Incorrect assessment of demand under '100 Housing Scheme'

3.4.16 The assessment of demand for houses and sites was improper, resulting in 46 *per cent* of the houses constructed and 64 *per cent* of sites developed remaining unallotted.

Recommendations

3.4.17 Computer applications

- The KHB should define a clear IT strategy with well defined goals before making further investments to harness IT.
- The deficiencies in the existing package should be rectified so as to ensure reliability of the output data for its MIS.
- The KHB should develop in-house expertise to lessen its dependence on the outside service provider and avoid heavy outgo on maintenance charges.
- The IVRS should be updated so as to provide authentic and timely information to the customers.

3.4.18 Incorrect assessment of demand under '100 Housing Scheme'

- Proper assessment of demand for houses and sites should be conducted before venturing into schemes, that too with borrowed capital.
- Measures should be taken to allot the remaining houses/sites constructed/developed expeditiously.

3.4.19 The above points were referred to Government in August/September 2005; reply had not been received (November 2005).

WATER RESOURCES DEPARTMENT

3.5 Maintenance of Irrigation Canals of Central Zone

3.5.1 Tungabhadra Irrigation Zone comprising the Tungabhadra Irrigation Project (TBP) and five other subsidiary irrigation projects[#] set up in the year 1974 covers a command area of 3.83 lakh hectares. The irrigation zone was renamed (1987) as Irrigation Central Zone (ICZ), with its headquarters at Munirabad (Raichur district). The management and maintenance of the zone is carried on by the Chief Engineer (CE) who is assisted by two Superintending Engineers, one each at circle level and six Executive Engineers, one each at divisional level. The dam of TBP is, however, managed by a separate Board.

The expenditure on maintenance of the canals in the six divisions of ICZ for the five year period 2000-05 was reviewed (March-April 2005) in audit and the results thereof are brought out in the succeeding paragraphs.

Budget allotment and expenditure

3.5.2 The year-wise position of funds allotted for the maintenance of irrigation canals and expenditure incurred thereagainst during the period 2000-05 was as under:

Table 1: Grant and outlay statement

(Rupees in crore)

Year	Budget allotment	Expenditure	Excess (+)/ Savings (-) (percentage)	Amount of pending bills at the end of the year
2000-01	8.68	13.34	(+) 4.66 (53.7)	0.64
2001-02	11.36	12.47	(+) 1.11 (9.8)	2.51
2002-03	12.86	10.84	(-) 2.02 (15.7)	5.45
2003-04	6.19	8.52	(+) 2.33 (37.6)	10.06
2004-05	9.57	12.17	(+) 2.60 (27.2)	14.34 ^w
Total	48.66	57.34	(+) 8.68 (17.8)	-

Expenditure incurred on maintenance exceeded the budget allocations and pending bills accumulated

It can be seen from the preceding table that the amount of pending bills increased year after year, despite directions from the CE that fresh works should be sanctioned only after clearing pending bills of the previous years. A Test-check of records of four divisions^{*} revealed that fresh works costing Rs.30.59 crore were sanctioned by the Superintending Engineers during the

[#] Narihalla Project, Hagaribommanahalli Project, Kanakanala Project, Vijayanagara Canal and Rajolibanda Diversion Canal Project

^w Up to 2000: Rs.0.10 crore, 2000-01: Rs.0.54 crore, 2001-02: Rs.1.87 crore, 2002-03: Rs.2.94 crore, 2003-04: Rs.4.61 crore, 2004-05: Rs.4.28 crore

^{*} No. 1 Tungabhadra Reservoir Division, Munirabad; No. 2 Canal Division, Oddarahatti; No. 4 Canal Division, Sirwar and No. 6 Canal Division, Bellary

period 2000-05 without clearing pending bills of Rs.10.06 crore. Further, the expenditure except for the year 2002-03 exceeded the budget allocations by 10 to 54 *per cent*. Provision of funds inconsistent with the requirements and execution of works for amounts in excess of that envisaged in the budget indicated defective estimation and lack of budgetary control in execution of maintenance works.

Diversion of funds

Expenses on annual maintenance of canals and repairs of vehicles amounting to Rs.1.97 crore irregularly charged to capital account of the project

3.5.3 According to the codal provisions, all expenditure incurred on creation of new assets and additions to previously created assets are to be treated as capital expenditure while expenditure incurred on their maintenance is to be treated as revenue expenditure. However, in violation of these codal provisions, expenditure of Rs.1.97 crore was incurred by two divisions[♥] on annual maintenance of canals and on repairs of vehicles by debit to the capital account of the project during 2001-05, thereby understating the maintenance expenditure.

Splitting up of works

Works estimated to cost Rs.10.63 crore were executed by splitting the estimates and allotting more than one work to the same contractor

3.5.4 Government in its circular instructions of December 1999 reiterated that estimates of individual works shall not be split up so as to avoid sanction from competent authorities[♦] and works should be allotted only after inviting tenders. The instructions also reiterated that in case of works entrusted on piecework basis[◊], not more than one work shall be entrusted to a single contractor at a time. As an exception, the Divisional Officers were delegated the powers to allot works either with or without invitation of public tenders each costing not more than Rs.50,000. However, the Divisional Officers in test-checked divisions split up the works costing Rs.10.63 crore in to 3,295 smaller works each costing less than Rs.50,000 and allotted more than one work on piecework basis to the same contractor in violation of the extant instructions. The splitting up of works and their allotment to the contractors at the prevailing Schedule of Rates deprived the Department of the benefit of competitive rates through tendering.

Engagement of excess sowdies for water management

36 to 484 sowdies were deployed in excess of the norms prescribed for water management

3.5.5 The irrigation Manual of the Department prescribes engagement of one sowdy for managing distribution of water, according to the fixed schedules, over a command area of 243 hectares and for bringing the irrigation offences to the notice of higher authorities.

[♥] No. 5 Canal Division, Yermarus and No. 3 Canal Division, Sindhanoor

[♦] Superintending Engineer: Rs.15 lakh; Chief Engineer: Full powers

[◊] It envisages entrustment of work costing not more than Rs. one lakh to petty contractors for execution at rates not exceeding the current schedule of rates

Out of six divisions test-checked, scrutiny in three[▲] divisions, for which information was made available to audit, covering a command area of 1.77 lakh hectares revealed that additional sowdies were engaged by the respective Divisional Officers in excess of the prescribed norms. Against 206 to 292 sowdies required to be engaged, the number of sowdies actually engaged ranged from 242 to 776 during 2000-05. The additional sowdies were engaged by the Divisional Officers through contractors by making payment at current Schedule of Rates without obtaining approval to their engagement and provision of funds. This resulted in an irregular expenditure of Rs.6.65 crore during 2000-05 as indicated in **Appendix 3.14**. While the respective Divisional Officers contended that deployment of excess sowdies was inevitable for effective water management, the Government in reply to an audit query stated (September 2005) that the matter would be referred to a committee of technical experts, which is being constituted for studying and reporting the various aspects of maintenance of irrigation projects.

Other topics

Non-recovery of dues from the Andhra Pradesh Government

Rs.13.86 crore
were outstanding
from Andhra
Pradesh
Government as at
the end of March
2004

3.5.6 A mention was made in Paragraph 4.2.6 (vi) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Civil) - Government of Karnataka, on the non-recovery of dues (Rs.8.30 crore) from Andhra Pradesh Government towards maintenance of Rajolibanda Diversion Scheme, an inter-state medium irrigation project. The amount due for recovery at the end of March 2004 was Rs.13.86 crore. Action taken to realise the dues was not forthcoming (March 2005).

Locking up of funds with Water Users Co-operative Societies

Rs.26.25 lakh
locked up with
Water Users Co-
operative Societies
for over two years

3.5.7 For implementing participatory irrigation management by involving the Water Users Co-operative Societies (WUCS), the Government decided (March 2003) to hand over the completed irrigation projects to WUCS after carrying out necessary repairs and improvements, as a one-time measure. Accordingly, repairs and improvement works were entrusted (March 2003) to 18 WUCS in two test-checked divisions[®]. An advance payment of Rs.26.25 lakh (40 per cent of the estimated cost of Rs.65.62 lakh) was made (March 2003) to these Societies for completing the works in 90 days. The works were not executed by them and the advance of Rs.26.25 lakh paid to them was also not recovered (March 2005) resulting in locking up of Government funds.

[▲] No.1 Tungabhadra Reservoir Division, Munirabad, No.2. Canal Division, Oddarahatti and No.4 Canal Division, Sirwar

[®] No.2 Canal Division, Oddarahatti and No.6 Canal Division, Bellary

Rs.19.33 lakh spent on wireless network equipment proved unfruitful in the absence of required licence

Unfruitful outlay on wireless network

3.5.8 Purchase of wireless network equipment at an estimated cost of Rs.25.80 lakh was sanctioned (December 2000) by the CE for effective water management in the project area. An expenditure of Rs.19.33 lakh was incurred (December 2000) by three divisions on procurement of equipment of the wireless network such as bi-directional link repeater, slim grim base antenna, tripod masts, *etc.*, even before obtaining the required licence from the Telegraph Department and the clearance from the Forest Department which were still awaited (March 2005). No expeditious action was taken to obtain licence/clearance and install the wireless network. Consequently, the expenditure of Rs.19.33 lakh incurred on the equipment proved unfruitful for the past four years.

Conclusion

3.5.9 Allocation of funds and incurring of expenditure on maintenance of the irrigation canals was not regulated according to the requirements, which resulted in excess over budget allotments and accumulation of pending bills. The maintenance works were undertaken in many cases, by splitting up of the works to avoid sanction of the competent authority. Sowdies were engaged for management of water in excess of the prescribed norms.

3.5.10 Recommendations

- The funds for maintenance should be allocated consistent with the actual requirements and expenditure regulated accordingly.
- A control mechanism needs to be put in place to prevent splitting up of works.
- Engagement of sowdies needs to be regulated according to laid down norms.

3.5.11 The above points were referred to Government in September 2005; reply had not been received (November 2005).



CHAPTER IV

AUDIT OF TRANSACTIONS

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

4.1 Misappropriation/losses

ANIMAL HUSBANDRY AND VETERINARY SERVICES DEPARTMENT & URBAN DEVELOPMENT DEPARTMENT

4.1.1 Non-recovery of dues from a local body

Dues aggregating Rs.5.55 crore remained un-recovered from Bangalore Mahanagara Palike for periods ranging from two to seven years

Dues from the Bangalore Mahanagara Palike (BMP) had not been recovered by the Bangalore Water Supply and Sewerage Board (BWSSB) and the Animal Husbandry and Veterinary Services Department (AHVS) though the Codal provisions/orders of Government specifically provided for the recovery, as detailed below:

Non-recovery of dues by the BWSSB

According to the Karnataka Public Works Accounts Code (KPWA Code) which the BWSSB had been following for executing works, in the case of the deposit works taken up on behalf of local bodies, the estimated expenditure should be deposited in advance by such local bodies[♦]. The executing authorities were to charge annual interest of 12 *per cent* on expenditure incurred in excess of deposits received[•]. In the case of 65 such deposit works of the BMP executed by the BWSSB during the period 1997-2003, the actual expenditure incurred in each case exceeded the amount deposited by 1 to 1,058 *per cent*. The concerned Executive Engineers (EEs) ^{*}of the BWSSB neither obtained prior concurrence of the BMP to incur the expenditure beyond the deposit amount nor did they restrict the expenditure to the deposit received. The total excess expenditure and interest thereof due for recovery from the BMP as of March 2005 was Rs.3.25 crore and Rs.1.36 crore respectively. The system of watching prompt recovery of the balance deposit

♦ Paragraph 409 of KPWA Code

• Paragraph 357 of KPWA Code

* EE, Deposit Contribution (DC) Works Division, South and EE, DC Works Division, North

amount with interest in each deposit work, by maintaining control registers was not prevalent in the BWSSB.

The Government endorsed (November 2005) the reply of the BWSSB (July 2005) that the balance of deposits due for recovery (Rs.3.25 crore) from the BMP had been adjusted in 2002-03 out of funds received for new package scheme of BMP. The fact of adjustment made and details of adjustment were not, however, on record either at the two Divisional offices or in the BWSSB office. The BWSSB further contended that as the assets created out of these deposits would remain with the BWSSB, the question of charging of interest on the deposits due would not arise. The reply of the BWSSB is not tenable since the BWSSB did not resolve to do away with the system of obtaining deposits but continued receiving deposits for works from the BMP in the form of capital receipts. The procedure adopted by the BWSSB was also in contravention to the provisions contained in the KPWA Code.

Non-recovery of dues by AHVS Department

The Government accorded (June 1997) approval for transfer of 1,390 square metres of its land located in Bangalore city belonging to AHVS Department to the BMP, for construction of a flyover. The transfer, which was according to the provisions of the Land Acquisition Act was subject to condition that the BMP in turn, had to pay 50 *per cent* of the market value of the land to the Government. The AHVS Department transferred the land without recovering the sum of Rs.93.89 lakh being 50 *per cent* of the market value of land. The dues remained unrecovered for over five years (November 2005). The Government replied (December 2005) that action had since been initiated with the BMP for recovery of the dues indicating that adequate action had not been initiated to recover the dues earlier.

Thus, due to not having adequate systems and controls, dues of Rs.5.55 crore remained un-recovered for periods ranging from two to seven years, affecting the cash flow and ways and means position of the BWSSB/State Government.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.1.2 Non-recovery of processing cost of blood

Four test-checked Government hospitals did not recover subsidised processing cost of blood issued, resulting in loss of revenue of Rs.1.10 crore

The Director, National Blood Transfusion Council, New Delhi issued (January 2002) guidelines to Government blood banks to charge Rs.250 per unit of blood issued to patients towards processing cost (estimated cost: Rs.500) for conducting mandatory tests, storage, *etc.* The Director, Karnataka State Blood Transfusion Council, Bangalore (KSBTC), directed (February 2002) all blood banks in Karnataka to follow these guidelines.

Scrutiny of records (January 2005 to July 2005) in four Government hospitals revealed that the subsidised processing charges of Rs.1.10 crore had not been recovered from the recipients of 44,186 units of blood during the period from January 2002 to March 2005 as detailed below:

Serial number	Hospital	Period of issue	Number of units of blood issued	Loss of revenue (Rupees in lakh)
1.	Krishnarajendra Hospital, Mysore	January 2002 to December 2004	13,062	32.66
2.	Bowring & Lady Curzon Hospital, Bangalore	October 2003 to March 2005	2,209	5.52
3.	Victoria Hospital, Bangalore	January 2002 to March 2005	26,284	65.71
4.	Karnataka Institute of Medical Sciences Hospital, Hubli	January 2002 to March 2005	2,631	6.58
Total			44,186	110.47

The Government endorsed (October 2005) the reply of the Director of Medical Education that the prescribed charges of the blood were not collected from the patients whose annual income was Rs.20,000 and below, as such patients were eligible for free treatment in terms of orders issued (May 2001) by the Government. The reply is not tenable as the directions issued subsequently (February 2002) did not specify non-recovery from such patients. The Director, State Blood Transfusion Council, Bangalore also clarified (October 2005) that in accordance with the guidelines of the National Aids Control Organisation, the amount fixed for issue of blood from Government Blood Banks was Rs.250 per unit.

Non-recovery of subsidised processing charges for issue of blood, thus, resulted in loss of revenue of Rs.1.10 crore to Government.

URBAN DEVELOPMENT DEPARTMENT

4.1.3 Loss due to development and allotment of sites

The Bangalore Development Authority suffered loss of Rs.32.33 lakh due to allotment of sites that were under litigation, on private land, etc., and incurring development expenditure on private land

The Bangalore Development Authority (BDA), an autonomous body, is responsible for land acquisition, its development and allotment of sites to the public in and around Bangalore city. Test-check (November 2004) of the records of BDA for the years 2001-03 revealed that in seven cases the BDA allotted (2001-03) 40 sites which were under litigation, 17 sites located on private land and 84 sites, the layout of which was realigned after allotment. The error was subsequently rectified by the BDA by cancelling original allotments and making alternative allotment of sites to the persons concerned. In the process, the BDA reimbursed cancellation and registration charges of original/alternative sites. This resulted in a loss of Rs.23.89 lakh (Appendix 4.1).

Further, in the case of allotment of 17 sites on private land, the BDA issued (March 2001) preliminary notification for acquisition of one acre and 24 guntas of private land. Following objections filed by the land owner, final notification was, however, issued for only 10 guntas of land. Even before the issue of final notification, the BDA developed the entire one acre and 24 guntas of land and formed 40 sites (of which 17 were allotted) incurring expenditure of Rs.8.44 lakh*, due to lack of co-ordination between land acquisition and engineering wings of the BDA.

Thus, due to lack of co-ordination between planning, land acquisition and engineering wings, the BDA developed sites on private land and allotted sites which were under litigation resulting in a total loss of Rs.32.33 lakh which could have been avoided by proper verification of the status of land. Though, the BDA considered (April 2002) recovery of the proportionate developmental charges either from the owner of the private land or from the BDA officials responsible for this irregular expenditure, no action had been initiated so far (October 2005).

The Government endorsed (October 2005) the reply of the BDA which admitted that the sites originally allotted by it had to be cancelled owing to change in alignment, design and location and forming sites on private lands and added that the cancellation/registration charges were paid with the approval of the competent authority. The reply narrated only the factual position and did not dwell on the remedial measures.

WATER RESOURCES DEPARTMENT - TUNGABHADRA PROJECT

4.1.4 Misappropriation of Government money and food grains

Failure of the Divisional Officer to exercise required control checks and comply with the guidelines issued by Government in carrying out scarcity relief works facilitated misappropriation of Government money and food grains valued at Rs.50.29 lakh

For providing gainful employment to the farmers and unemployed agricultural labourers in drought affected districts, Government issued (August 2002) guidelines for carrying out scarcity relief works by the Water Resources Department among others. The guidelines, *inter alia*, provided for execution of only budgeted and labour intensive works as identified by the Department and approved by the respective Deputy Commissioners (DCs). The guidelines prohibited engagement of contractors. The works were to be executed departmentally by engaging labourers on muster rolls and making wage payments in the form of food grains and cash in the ratio of 75:25. The food grains were to be lifted from the Depots of Karnataka Food and Civil Supplies Corporation Limited. The DC was also to act as a coordinating officer and had to release the required food grains and cash to the implementing departments. The implementing officers in the district were to submit daily

* Cost of development of 54 guntas at Rs.15,625 per gunta

reports on progress of works and utilisation certificates on completion of works to the respective DCs.

Audit scrutiny (December 2004) of records of the Executive Engineer, No.5, Tungabhadra Canal Division, Yermarus (EE) (Raichur district) revealed that 7,572 quintals of rice released by the DC, Raichur to the Division during May 2003 to February 2004 were lifted by three sub-divisions^ψ for use on work. However, the receipt and issue account of food grains was not maintained in any of the three sub-divisions. Instead the rice was purported to have been utilised in execution of 90 works of desiltation and jungle clearance, as per the details furnished by the sub-divisional officers to audit. Of these, 15 works (estimated cost: Rs.12 lakh) were contended to have been executed departmentally in Gillesugur sub-division and remaining 75 works (estimated cost: Rs.54 lakh) through piecework contractors in other two sub-divisions[⊕]. Records further revealed that only 15 works (Gillesugur sub-division) were approved by the DC and the other 75 works had not been approved by any authority. The works were not shown as executed in the records of the Divisional Office nor were any work orders issued to the piecework contractors. Entries in the measurement books, nominal muster rolls, works abstracts, paid vouchers in respect of contractor's claims *etc.*, were not available in the three sub-divisions. The cash component of Rs.2.96 lakh received from the DC and paid (August 2003) to two Section Officers of Gillesugur sub-division as temporary advance was also outstanding against them as at the end of March 2005. No action had been taken by the EE for its recovery/adjustment. The daily progress reports of work done as required to be furnished under the guidelines of the Government (August 2002) were neither furnished by the sub-divisional officers nor insisted upon by the EE. No utilisation certificates were furnished to the DC despite reminders by him.

Failure of the Divisional Officer to exercise the required control checks and comply with the guidelines issued by Government in carrying out scarcity relief works facilitated misappropriation of Government money and food grains valued at Rs.50.29 lakh.

Government in reply, while admitting (October 2005) that the measurement of works were not recorded and the accounts of food grains and cash components were not submitted by the Section Officers even after an year of their receipt, however, contended that the misappropriation of food grains and cash is ruled out as the works were executed under the supervision of higher authorities. The reply is not tenable, as the EE failed in recording the measurement of works executed and monitoring the accounts of the food grains. The DC also did not obtain utilisation certificates on completion of the works. As the works were not susceptible to *post facto* check, misappropriation of the food grains could not ruled out.

^ψ 1,384 quintals to Rajolibanda Diversion Scheme sub-division, Gillesugur; 3,588 quintals to No.2, Canal sub-division, Yermarus and 2,600 quintals to No.1, Canal sub-division, Kallur

[⊕] No.1 Canal sub-division, Kallur and No.2 Canal sub-division, Yermarus

4.2. Infertuous/Wasteful expenditure and overpayments

INFORMATION TECHNOLOGY AND BIO-TECHNOLOGY DEPARTMENT & URBAN DEVELOPMENT DEPARTMENT

4.2.1 Wasteful expenditure on preparation of Master Plan

Entrustment of work of preparation of Master Plan for Information Technology Corridor without specific Legislative sanction for the Corridor and failure to prevent construction activity inconsistent with the Master Plan resulted in the fee of Rs.1.34 crore paid to a firm becoming wasteful

The Millennium Information Technology (IT) policy envisaged (March 2000) planning of a special IT corridor in and around Bangalore with the assistance of reputed international agencies, which had complete experience in IT parks. The corridor was to be self-contained with the state-of-the-art facilities of international standards. A Singapore based firm* expressed interest in developing the Master Plan for the IT corridor. The Information Technology and Bio-technology (IT&BT) Department signed (June 2000) a Memorandum of Understanding with the firm. The Urban Development Department responsible for implementation of the project accorded (May 2001) *post facto* approval for entrusting the work to the firm, in relaxation of the provisions of the Karnataka (Transparency in Public Procurement) Act, 2000 which required invitation of open tenders for jobs/services costing more than Rs. one lakh.

A consultation fee of US \$ 3,60,000 (equivalent to Rs.1.64 crore) was fixed with the firm. The Bangalore Development Authority (BDA) which was appointed nodal agency for the project entered (July 2001) into an agreement with the firm for preparation of the Master Plan stipulating submission of the final report by April 2002. The firm submitted draft report and drawings of the Master Plan in March 2003. The BDA observed (July 2004/January 2005) that the drawings required corrections in terms of legibility, colour scheme, notations, *etc.*, and also were not in conformity with the provisions of the Karnataka Town and Country Planning (KTCP) Act. The firm had not submitted the corrected final drawings in terms of the KTCP Act and in line with the decision of the BDA (October 2005). The BDA neither extended the time stipulated for completion of the Master Plan beyond April 2002 nor did it levy penalty of US \$ 120 per day of delay, as agreed to. A total payment of Rs.1.34 crore was made to the firm (October 2005). Further, though the project was conceived in anticipation of Legislative sanction for the IT Corridor Bill, the IT&BT Department introduced the Bangalore IT Corridor Bill in the Legislature only in 2004, after a delay of three years of signing of contract agreement with the firm for preparation of Master Plan. This Bill was withdrawn due to lack of time for discussion and did not get Legislative sanction (October 2005).

* M/s. Jurong Town Corporation International (Singapore) Private Limited

In the absence of Legislative sanction and consequent non-initiation of land acquisition proceedings by the BDA for the project, hectic construction activities not in conformity with the Master Plan in the specified IT Corridor area by the land owners took place un-checked. As of March 2004, 32 *per cent* (44.6 square kilometres) of the area became built up with unplanned structures and blocked the approach to the hinterland of the project. Besides, an area of 66 square kilometres included in the Master Plan by the firm was found to be in green belt area where no developments excepting construction of places of worship, schools, *etc.*, could take place. Acquisition of lands for industrial purposes was also going on in terms of the existing Comprehensive Development Plan.

Considering these factors, the BDA decided (December 2004) that the project had become uneconomical and un-viable and sought (September 2005) approval of the Government for discontinuance of the project and termination of contract. The BDA stated (September 2005) that the Master Plan prepared by the firm had since been partially incorporated (*i.e.* planning element and zoning element) in the Revised Comprehensive Development Plan (RCDP)-2015 for the city of Bangalore prepared by a French consultant. The Government endorsed (December 2005) the reply of the BDA and added that since the anticipated Legislative sanction for the IT corridor Bill did not come through, continuation of the project was not feasible and hence the BDA discontinued the project. The reply is untenable as the BDA itself admitted that the drawings submitted by the firm were sketchy and not compatible with the KTCP Act.

Thus, entrustment of work of preparation of Master Plan for IT corridor without the support of a Legislative sanction for the creation of the IT corridor and failure to prevent construction activity in the area identified for IT corridor coupled with delay in finalisation of the Master Plan resulted in the fee of Rs.1.34 crore paid to the firm becoming wasteful.

PUBLIC WORKS DEPARTMENT – COMMUNICATION AND BUILDINGS

4.2.2 Wasteful expenditure on a road work

Inaction of the Government and its failure to issue appropriate direction to forestall the execution of the improvement works in selected reaches of Bangalore-Nilgiri State Highway (SH 17) in Mandya district while converting it into a four lane carriageway resulted in a wasteful expenditure of Rs.61.39 lakh

Improvement to Bangalore-Nilgiri two-lane road (SH 17) from km 71.20 to 131 in Mandya district was administratively approved by the Government in October 2002 at an estimated cost of Rs.7.66 crore and technically sanctioned (November 2002) by Chief Engineer, Communication and Buildings (South), Bangalore (CE). The work was allotted (March 2003) to a contractor at his tendered cost of Rs.8.37 crore for completion by September 2003. The work

was completed in August 2003 and an expenditure of Rs.7.74 crore[⊗] was incurred on it.

Audit scrutiny (September 2004) of records of the Executive Engineer, Public Works Division, Mandya (EE) revealed that when the tenders for the improvement works were under finalisation with the PWD, the Karnataka Road Development Corporation Limited (KRDCL) asked (January 2003) the CE to reconsider the execution of improvement works (km 71.20 to 82.50) as the road was being converted by KRDCL into a four-lane road. The CE in turn, asked (February 2003) Government to issue suitable directions to KRDCL as the tenders for the execution of the improvement works on the stretch were under finalisation. However, no directions in the matter were issued by Government.

Meanwhile, Government approved (June 2003) conversion of the existing two-lane road into a four-lane road from km 0 to 82.50 (Bangalore-Maddur section) by KRDCL at a cost of Rs.188 crore. The road, after improvements, was handed over to KRDCL (February 2004) for lane conversion/widening. During the widening process, the existing concrete pavement on a stretch of 6.7 kms was removed by KRDCL for improving the geometrics of the road and carrying out necessary profile corrections. Records revealed that PWD had spent Rs.61.39 lakh on carrying out re-surfacing works on this stretch of the road. The improvement works, executed by the Department at a cost of Rs.61.39 lakh, for improving the riding quality and for enhancing the life of the existing road by another 8 to 10 years, were thus dismantled by KRDCL in less than a year rendering the expenditure thereon wasteful. Thus, the inaction of the Government and its failure to issue appropriate direction to forestall the execution of the improvement works resulted in a wasteful expenditure of Rs.61.39 lakh.

Government in reply, however, stated (October 2005) that the works executed by Public Works Department were only of maintenance nature and that the road was being used for nearly 20 months after carrying out repairs during the period of its widening by KRDCL. The reply is not factual as the improvement works executed during March to August 2003 were to last 8 to 10 years but were dismantled in less than a year.

4.2.3 Wasteful expenditure on repairs to a helicopter

Delay in disposing of an old helicopter and injudicious action to overhaul and maintain it resulted in a wasteful expenditure of Rs.2.41 crore

Government purchased (October 1979) a single engine Chetak helicopter from Hindustan Aeronautics Limited (HAL) at a cost of Rs.86.32 lakh for facilitating visits by ministers and VIPs to the interior areas of the State and areas affected by natural calamities. While Department of Personnel and Administrative Reforms (DPAR) looked after the subject of aircrafts for the

[⊗] Up to 12th running bill

State Government, the Public Works Department (PWD) was in charge of the issues relating to its running and maintenance.

Scrutiny of records in audit revealed (December 2004) that orders for the disposal of the helicopter were conveyed (April 2001) by Principal Secretary to the Chief Minister, to PWD who in turn asked DPAR to take action in the matter. The value of the helicopter was got evaluated from HAL, who, while valuing it at Rs.70 lakh, also offered (August 2001) to purchase it. Neither was any action taken by PWD to invite tenders for the sale of helicopter nor was the offer of HAL responded to till March 2002, when a counter offer of Rs.1.10 crore was communicated to them. As this was not accepted (May 2002) by HAL, the DPAR directed (June 2002) the Executive Engineer, Buildings Division, Bangalore to dispose of the helicopter by auction.

In October 2002, after crash of a Government owned Dauphin helicopter, the Government decided to get the Chetak helicopter overhauled at HAL and keep it as a stand-by helicopter despite the fact that the old single engined helicopter was not, as per DGCA security guidelines, usable for VVIPs. The Chetak helicopter underwent major overhaul at HAL between November 2002 and February 2003 at a cost of Rs.3.21 crore, only to be sold in October 2004 at Rs.1.32 crore.

On pointing out this in audit, Government in reply stated (June 2005) that the earlier decision to sell the helicopter did not materialise due to damage of Dauphin helicopter and the overhaul of the helicopter was inevitable in the circumstances. The reply is not tenable, as the helicopter, being a single engined one, could not be used for the VVIPs even after overhaul.

Thus, the injudicious decision of Government not to sell the helicopter soon after April 2001 and instead get it overhauled at a cost of Rs.3.21 crore resulted in wasteful expenditure of Rs.2.41 crore[⊕].

WATER RESOURCES DEPARTMENT – MINOR IRRIGATION

4.2.4 Excess payment on construction of a bridge-cum-barrage

The unauthorised approval by the Superintending Engineer allowing 15 per cent premium as bridge weightage outside the contractual obligation resulted in excess payment of Rs.2.37 crore to the contractor

The work of constructing a submersible bridge-cum-barrage[★] across river Bhima near Hireanur village of Yadgir taluk in Gulbarga district (estimated cost: Rs.5.18 crore) was allotted (November 2000) to a contractor at his tendered cost of Rs.5.95 crore for completion by December 2002. During execution of the work, its scope was revised (June 2001) providing for a 7.5 metre wide bridge at a height of 5.5 metres from the top of the barrage at a

[⊕] Cost of maintenance and overhaul (Rs.3.73 crore) less sale proceeds (Rs.1.32 crore) of the helicopter

[★] Top width of 4.25 metres of barrage to act as a bridge

revised estimated cost of Rs.14.35 crore. The work was continued (June 2001) to be executed by the same contractor pending approval to the revised estimates, which was subsequently obtained (June 2002) from the Government. A supplementary agreement for a revised contract value of Rs.16.27 crore, arrived at 14 *per cent* premium of the Schedule of Rates of Minor Irrigation Department for 2001-02, was executed (July 2002) with the contractor after negotiations (March 2002) at Government level for completion by April 2004. The work was nearing completion and the contractor had been paid Rs.24.69 crore as of March 2005.

Scrutiny in audit revealed that soon after entering into supplementary agreement, the Executive Engineer (EE) mooted (22 July 2002) a proposal for allowing a premium of 15 *per cent* on the agreed rates as bridge weightage for the items of bridge work with a financial implication of Rs.1.07 crore on the ground that the contractor had demanded (13 July 2002) a weightage at 20 *per cent* of the agreed rates as admissible under the Schedule of Rates of Public Works Department. The proposal was approved (24 July 2002) by the same EE in his capacity as Superintending Engineer, Minor Irrigation Circle, Gulbarga (SE), although such approval was beyond the powers of SE and outside the agreement. The actual payment made on this account was Rs.2.37 crore which was more than estimated earlier as the quantities of bridge work exceeded the estimated quantities and additional items of bridge work such as dewatering and diversion of water course which were also executed. The payment was made despite the fact that the supplementary agreement did not provide for payment of any bridge weightage. Government, while approving (June 2002) the revised estimate, had also directed that the cost of the project should not be allowed to exceed for any reason. Unauthorised approval by SE allowing 15 *per cent* premium as bridge weightage and its payment by the EE outside the contractual agreement and in violation of the directions of the Government resulted in excess payment of Rs.2.37 crore (**Appendix 4.2**). No action on this excess payment had been taken by the Department so far (May 2005).

Government in reply, contended (September 2005) that the payment of bridge weightage was in order as a similar weightage was admissible in the Schedule of Rates of Public Works Department. The reply was not tenable as the Department was not under any contractual obligation to make such payment. Further negotiations and supplementary agreement were made on the basis of rates adopted from Schedule of Rates of Minor Irrigation Department and, as such, Schedule of Rates of Public Works Department was not applicable to the contract.

4.3 Avoidable/Extra expenditure

URBAN DEVELOPMENT DEPARTMENT

4.3.1 Avoidable expenditure in acquisition of land

Issue of separate preliminary notifications, involving a delay of four months, for acquisition of lands by Bangalore Development Authority resulted in extra cost of acquisition of Rs.95.88 lakh, of which Rs.73.90 lakh had already been paid

For payment of land compensation to owners of land acquired for formation of layouts, the Bangalore Development Authority (BDA) is governed by the provisions of the Land Acquisition Act, 1894 (LA Act) and Government orders issued (June 1979) thereunder. According to these provisions, the amount of compensation payable mainly depends on the market value of the land/adjacent land prevailing as on the date of preliminary notification.

With the intention of formation of a new layout called Sir M.Visvesvaraya layout (SMV layout), the BDA arranged (May 2001) inspection of lands in six^α villages in Bangalore (South) taluk. Though it was found that lands^β in all the six villages were suitable for the proposed layout, the Deputy Commissioner of BDA, instead of submitting a single proposal for acquisition of lands covering all the six villages, submitted bifurcated proposals, the first one in June 2001 covering first four villages and the second one in February 2002 covering the remaining two villages. The reasons for this were not apparent on the records of the BDA. The BDA approved (June 2001 and February 2002) these two proposals and issued two separate preliminary notifications (January 2002 and May 2002). This was followed by the issue (October 2002) of a combined final notification for all the six villages and actual acquisition (December 2003).

While cost of acquisition of land in first four villages was fixed at Rs.4.36 lakh[♦] per acre based on the prevailing market rate, the same for the land in the remaining two villages was fixed at Rs.4.49 lakh per acre. The BDA, in its land evaluation report, justified that the cost appreciation in the market value of land between January 2002 and May 2002 was a sequel to the preliminary notification issued earlier in January 2002 for acquiring land in the four adjoining villages. The BDA acquired 519.40 acres of land at the appreciated value of Rs.4.49 lakh per acre, which could have been avoided if it had issued the preliminary notification for the entire lands required in January 2002 itself.

Thus, by not issuing a combined preliminary notification in January 2002 itself, for acquiring land for the layout, there was an avoidable extra cost of

^α Ramasandra, Sonnenahally, Kengeri, Kommaghatta, Ullal and Manganahalli

^β Major portion of land belonged to 'dry land' category

[♦] The land acquisition cost fixed for dry land

Rs.95.88 lakh[♥] towards land compensation, of which Rs.73.90 lakh had already been paid (May 2005).

The Government endorsed (October 2005) the reply of the BDA that the separate notification issued for acquisition of land in the other two villages was for II Stage of the SMV layout and as planning for layouts would be often done in stages, the action of the BDA was in order. The reply is not tenable as inspection of land in all the six villages was conducted in May 2001 and notification for acquisition could have been issued in January 2002 itself. This was indicative of poor planning and scheduling which resulted in an avoidable extra cost of Rs.95.88 lakh.

4.3.2 Avoidable extra expenditure

The decision of Karnataka Urban Water Supply and Drainage Board to switch over to 200 millimetre diameter stoneware glazed pipes from 150 millimetre diameter pipes for sewer lines in second stage underground drainage work to Bellary city in violation of Central Public Health Environmental Engineering Organisation norms resulted in avoidable expenditure of Rs.61.65 lakh

The Government approved (April 2000) the work of providing Under Ground Drainage (UGD) - Stage-II to Bellary city. The Karnataka Urban Water Supply and Drainage Board (KUWSDB) technically sanctioned the work in November 2000. The sanctioned estimates of the work provided for 94,131 metres of 150 mm diameter stoneware glazed (SWG) pipes for sewer lines, in conformity with the minimum size prescribed in the Central Public Health Environmental Engineering Organisation (CPHEEO) Manual, besides 9,957 metres of 200 mm diameter and 7,336 metres of 250 mm diameter pipes, based on the design requirement of the scheme.

The contractor for the work, while submitting the design of the work for approval, proposed (May 2001) 200 mm diameter SWG pipes (agreed rate Rs.260 per metre) *in lieu* of 150 mm diameter pipes (agreed rate Rs.120 per metre). The Managing Director of the KUWSDB approved (June 2001) the same. The KUWSDB also decided to adopt the minimum diameter of 200 mm *in lieu* of 150 mm diameter pipes for sewer lines in all its future UGD schemes and issued (July 2001) a circular to this effect. The KUWSDB subsequently withdrew (December 2001) the circular after finding that it was not in conformity with the CPHEEO norm. By this time, the contractor had already supplied 44,070 metres of 200 mm diameter pipes involving

♥ Increase in land cost per acre	Rs.13,000
Add additional market value at 12 per cent in terms of Section 23 (1-A) of the LA Act	Rs. 1,560
Add statutory allowance at 30 per cent in terms of Section 23(2) of the LA Act	Rs. 3,900

Total differential cost per acre	Rs.18,460
Total avoidable extra cost = Rs.18,460 x 519.40 acres = Rs.95.88 lakh	

differential extra cost of Rs.61.70 lakh[⊕], of which Rs.61.65 lakh, was paid (May 2005).

Thus, due to erroneous decision of the KUWSDB to switch over to 200 mm diameter SWG pipes from 150 mm diameter pipes for sewer lines, avoidable expenditure of Rs.61.65 lakh was incurred on the work as of May 2005.

The Government endorsed (October 2005) the reply of the KUWSDB (September 2005) that 200 mm pipes were used in thickly populated areas and 150 mm pipes in other areas. The reply is not tenable as the Executive Engineer of the KUWSDB admitted (April 2005) that by the time the message of withdrawal of earlier circular of July 2001 was conveyed (December 2001) to the contractor, 44,070 metres of 200 mm pipes was already supplied by him and did not mention about the necessity of laying 200 mm pipes in thickly populated areas.

4.3.3 Avoidable payment of escalation charges

Due to not ascertaining clear title and suitability of the work site and delay in deciding on the alternative arrangement for erecting a water treatment plant, there was extra expenditure of Rs.31.80 lakh towards price escalation

The Government approved (May 2000) water supply augmentation scheme to Kollegal town at an estimated cost of Rs.9.19 crore for implementation by the Karnataka Urban Water Supply and Drainage Board (KUWSDB) with loan assistance of the Housing and Urban Development Corporation. The KUWSDB entrusted (March 2001) a part of the scheme (estimated cost Rs.4.62 crore) to a contractor on tender basis, at his tendered cost of Rs.5.08 crore, for completion by July 2002. The work entrusted comprised two main parts, one on construction of intake and jackwells, raising mains, head works, *etc.*, (estimated cost: Rs.4.24 crore) and the other relating to water treatment plant (WTP) (estimated cost: Rs.84.43 lakh). The KUWSDB was to ensure availability of site with clear title, before entrusting the work to the contractor.

The Town Municipal Council (TMC), Kollegal handed over (February 2001) the sites for different components of the scheme including that of WTP, without enclosing site maps and titles for the same. The KUWSDB without inspecting the site and verifying its title, went ahead (February 2001) with the execution of work. The KUWSDB conducted the inspection (May 2001) of the site and noticed it to be low lying and unsuitable for WTP. Besides, the title for the same was held by an Association and not by the TMC, Kollegal. The Association objected (June 2001) to the construction of WTP on its land. The KUWSDB also did not decide alternative arrangement for the WTP for two years (August 2001 to July 2003). The contractor executed works costing Rs.1.50 crore relating to the construction of intake well, jackwell, head works, *etc.*, and could not execute any work relating to WTP (July 2002). He also

[⊕] Differential excess cost of Rs.140 per metre x 44,070 metres = Rs.61.70 lakh

demanded (July 2002) price escalation for executing the balance works in terms of the contract.

In view of these, the KUWSDB then decided (July 2003) to upgrade the existing 4.5 Million Litres per Day (MLD) WTP to 13.5 MLD capacity to meet the requirement of augmented scheme and execute this work by inviting fresh tenders. Accordingly, the KUWSDB withdrew (August 2003 and July 2004) from the contractor, the construction of WTP and other related works and entrusted the same to other agencies (January and October 2004). The KUWSDB also agreed (November 2003) to pay 15 *per cent* excess over the tendered rates to the contractor for balance works of such items, which had been already commenced. The extra liability to the KUWSDB on this account worked out to Rs.31.80 lakh*, of which Rs.12.80 lakh had already been paid (October 2005).

Had the KUWSDB ascertained the suitability and title to the site handed over by the TMC, Kollegal and taken the decision to upgrade the existing 4.5 MLD WTP to 13.5 MLD WTP beforehand, the liability towards 15 *per cent* price escalation charges of Rs.31.80 lakh could have been avoided. Besides, the work stipulated for completion by September 2002 was still under progress (October 2005).

The Government endorsed (October 2005) the reply of the KUWSDB (September 2005) that the work was taken up for execution in February 2001 only after the receipt of communication of handing over site from the TMC, Kollegal and that the local Association raised (June 2001) objections only when the execution of the work was in progress. The reply is not tenable as the KUWSDB went ahead with the execution (February 2001) of the work without inspecting the site and its title, with due diligence.

PUBLIC WORKS DEPARTMENT - COMMUNICATION AND BUILDINGS

4.3.4 Avoidable expenditure on a road work

Inadequate provision in the estimate for rehabilitation of a road work from Shedbal to Sankeshwar in Belgaum district resulted in an avoidable extra cost of Rs.1.61 crore of which Rs.90.35 lakh stood incurred

The work of rehabilitation of a 56 kms road from Shedbal to Sankeshwar (Belgaum district) at an estimated cost of Rs.14.56 crore was selected (1999-2000) by Karnataka State Highways Improvement Project (KSHIP) for execution under its World Bank assisted project of rehabilitating and upgrading State highways. The work was approved by the Project Steering Committee (October 2001) and allotted (February 2002) to a contractor at his tendered cost of Rs.12.29 crore, which was 15.6 *per cent* below the estimated

* Rs.4.24 crore (tendered cost) – Rs.61.85 lakh (tendered cost of items of work withdrawn from the contractor – Rs.1.50 crore (value of works already executed by the contractor up to July 2002) = Rs.2.12 crore (value of balance works), 15 *per cent* thereof as price escalation worked out to Rs.31.80 lakh

cost at Departmental Schedule of Rates for 2000-01. The contractor had been paid Rs.10.70 crore as of May 2005. The work scheduled to be completed by December 2003 was under progress (May 2005).

Audit scrutiny of records of the Project Director, Project Implementation Unit, KSHIP, Bangalore revealed that the scope of the work, after its allotment to the contractor, was revised (June 2003) for the stretch km 25 to 56 by raising its formation level and reconstruction from the base. This involved execution of additional items and additional quantities of work by the contractor at higher rates involving an extra financial implication of Rs.5.40 crore for which approval from the World Bank was obtained subsequently (August 2003).

Records revealed that the Project Co-ordination Consultants (PCC) while carrying out investigations for the work had observed (December 1999) that the stretch of the road from km 25 to 56 required reconstruction by raising its formation level as the pavement had poor drainage facilities and was running through black cotton soil amidst irrigated areas where adjoining soil was at a higher level. The Project Empowered Committee of KSHIP, however, decided (December 1999) to take up maintenance works only involving strengthening at the top of the road on the erroneous contention that the rehabilitation unit cost ceiling, which was Rs.45 lakh per km, did not permit KSHIP to take up reconstruction work. The total revised cost of the work (Rs.17.69 crore) after adding cost of additional quantities and extra items of work included subsequently was, however, within the unit cost of Rs.45 lakh per km. Had the additional quantities and extra items of work been included in the original estimates before inviting tenders as proposed by PCC, these items of work could have been got executed at the tender rates. Instead the negotiated higher rates paid to the contractor resulted in an avoidable extra financial burden of Rs.1.61 crore to KSHIP of which Rs.90.35 lakh stood paid to the contractor ending March 2005 as indicated in **Appendix 4.3**.

Government in reply, (September 2005) stated that the additional quantities and extra items of work for reconstruction of the road could not be foreseen clearly at the tendering stage itself. The reply is not factual as the PCC in December 1999 itself had observed that the road required reconstruction.

4.4 Idle investment/idle establishment/blockage of funds

KANNADA AND CULTURE DEPARTMENT

4.4.1 Long delay in construction of a museum-cum-office building

Non-monitoring of the construction led to non-completion of the building for over six years resulting in unfruitful expenditure of Rs.1.05 crore including cost escalation of Rs.65.38 lakh

The Director of Archaeology and Museums (Director), Mysore released during 1992-94, sums aggregating Rs.87 lakh* to the Karnataka State

* 1992-93 - Rs.67 lakh; 1993-94 - Rs.20 lakh

Construction Corporation (KSCC) for the construction of a museum-cum-office-building at Mysore. No suitable land for the construction of the building was handed over to the KSCC till August 1998, due to land disputes, public protests, non-suitability of site, etc.

The KSCC prepared (April 1999) an estimate for Rs.1.50 crore and after obtaining approval of Government for the work, commenced its construction. As of July 2001, the KSCC incurred an expenditure of Rs.57.38 lakh and diverted (1992-2004) the balance of Rs.33.50 lakh^o (Rs.3.88 lakh paid in 2003-04) on construction of other museums, without specific direction from the Director or the Government. The Finance Department intimated (October 2001) that the KSCC would close its operations from January 2002 and advised the administrative departments to entrust incomplete works to new agencies, before December 2001.

The balance work valued at Rs.92.62 lakh was handed over to the Karnataka Land Army Corporation (KLAC) at the agreed rate of Rs.1.58 crore only in March 2004 after a delay of more than two years due to delay in taking decision and sanctioning funds to KLAC at the Government level, resulting in cost escalation of Rs.65.38 lakh. As against Rs.69.37 lakh released by the Government (March 2004), the KLAC incurred an expenditure of Rs.48 lakh (June 2005). The roof portion of the office building was completed and work on the roof of museum was in progress (September 2005).

Thus, the Director, by not watching proper utilisation of funds released to the KSCC, enabled diversion of Rs.33.50 lakh for other works, the full details of which were not available with him. The completion of work after commencement in 1999-2000 was also evidently not monitored, leading to the building remaining incomplete, even after six years.

The Government endorsed (September 2005) the reply of the Director (June 2005) that the progress of work was being closely monitored by the Director and that the work would be completed shortly. The reply is not acceptable as the Government did not even have a definite plan for completion of the building (September 2005) despite long delay in construction, leading to cost escalation of Rs.65.38 lakh^{*} and investment of Rs.1.05 crore[^] made on the work, remaining unfruitful.

^o Rs.87 lakh and Rs.3.88 lakh less Rs.57.38 lakh

^{*} Estimate for balance works Rs.1.58 crore and expenditure of Rs.57.38 lakh by KSCC less original estimate of Rs.1.5 crore

[^] Expenditure of Rs.57.38 lakh by KSCC and expenditure of Rs.48 lakh by KLAC

REVENUE DEPARTMENT**4.4.2 Irregular release leading to blocking of funds**

Release of funds of Rs. one crore by the Deputy Commissioner, Haveri before sanctioning the land for the work and ineffective monitoring led to blocking of funds and its non-utilisation

The guidelines[⊕] issued (September 1999) by the Government of India (GOI) for the implementation of Member of Parliament Local Area Development Scheme (MPLADS) stipulated that the release of funds under the scheme would be regulated according to progress so that at any given time, no excessive money would remain outside Government treasury. The GOI instructed (November 2002) that each work under MPLADS should not normally cost more than Rs.25 lakh. While this limit could be marginally exceeded, projects with substantially higher costs required approval of the GOI.

A Member of Parliament (MP) directed (June 2002) the Deputy Commissioner (DC), Haveri to implement the development works of construction of classrooms and administrative block for a Post-Graduate Centre at Kerimattihalli in Haveri at Rs.25 lakh each, after getting the estimate and plan from the departmental officers. The DC released (July 2002) Rs.50 lakh to the Resident Engineer (RE), Karnatak University (KU), Dharwad with directions to submit plan and estimate for the work for obtaining administrative approval. The DC, however, sanctioned 42 acres 18 guntas[♦] of land for the construction of Post-Graduate Centre only in February 2003. Even this belated sanction was erroneous, as the land had already been allotted to Prison Department in February 1999. The DC set right this error only in February 2004 and the University submitted (May 2005) the plan and estimate for Rs.1.08 crore for the work after a further delay of one more year. Based on a similar direction (January 2003) from the MP, the DC released (February 2004) additional funds of Rs.50 lakh for construction of classrooms for the Post-Graduate Centre. The DC did not obtain the required approval from GOI for the work, the cost of which was more than Rs. one crore.

The Registrar, KU, Dharwad stated (April 2005) that works costing Rs.1.08 crore would be taken up immediately and completed by March 2006. However, even tender process for the work has not yet been initiated so far (October 2005).

Thus, release of funds by the DC before sanctioning the land for the work and without obtaining plan, estimate and approval from GOI resulted in locking up of Rs. one crore for 19 months to 38 months.

[⊕] Paragraph 4.2

[♦] Acres-guntas
 Survey No.130 19-00
 Survey No.131 14-17
 Survey No.139 09-01

The Government admitted (October 2005) the lapses stating that the DC had been instructed to adhere to the procedure of MPLADS without fail, in future.

URBAN DEVELOPMENT DEPARTMENT

4.4.3 Unproductive expenditure on underground drainage system

Inability of the Karnataka Urban Water Supply and Drainage Board to acquire land, get formalities completed on time and identify alternative site for construction in view of public protest resulted in unfruitful outlay of Rs.10.36 crore

The State Government approved (October 1998) the second stage of underground drainage scheme (Scheme) to Hassan city. The Managing Director, Karnataka Urban Water Supply and Drainage Board (KUWSDB), accorded (December 1998) technical sanction for the Scheme for Rs.12.24 crore. The main components of the Scheme consisted of providing and laying internal sewerage system with manholes in Zones 2 and 3 and construction of Sewerage Treatment Plant (STP) of 10 million litres per day capacity.

While the work of providing and laying internal sewerage system with manholes in Zones 2 and 3 was entrusted to a contractor during November 1999 for completion in 22 months (September 2001), the KUWSDB fixed an agency for construction of the STP during June 2004, after a delay of more than four years. The KUWSDB attributed (April 2005) the delay to land acquisition process, agitation by public for the construction of STP, non-payment of compensation to land owners for the construction of sewerage treatment plant and non-payment of the required deposit by the Hassan Municipal Corporation. Evidently, the KUWSDB did not take adequate action to get these formalities completed before or immediately after Government sanctioned the work in October 1998.

The KUWSDB also did not expedite the permission sought for (November 1998) from the Railway authorities for laying Reinforced Cement Concrete (RCC) pipes of 800 millimetre diameter for sewer lines which were to pass through three bridges on railway lines. The KUWSDB could obtain permission for laying pipelines crossing railway line, only in April 2003. The permission was, however, for mild steel pipes as against the RCC pipes estimated by the KUWSDB. This resulted in further delay in execution. This could have been avoided had the KUWSDB consulted the Railway authorities in time and provided for the correct pipeline and obtained the permission before Government accorded approval in October 1998. A total expenditure of Rs.10.36 crore was incurred on the work as of February 2005. Construction of STP which formed a vital part of the Scheme had, however, been held up, according to KUWSDB, due to strong public agitation.

Thus, due to the inability of the KUWSDB to acquire the lands and deposits required for the Scheme on time coupled with avoidable delays in getting permission from Railway authorities for laying pipelines that were to pass through railway lines and apparent inappropriate selection of site for

construction of STP resulted in the Scheme remaining incomplete for nearly seven years rendering the outlay of Rs.10.36 crore incurred on it remaining unproductive.

The Government endorsed (October 2005) the reply of the KUWSDB (September 2005) that there was no lapse on the part of the KUWSDB as it pursued the matter with concerned authorities promptly and persistently. The reply is not acceptable as the KUWSDB did not ensure completion of the formalities on time and had not yet identified an alternative land for construction of STP, following agitation by the public against construction of STP at the originally planned site.

WATER RESOURCES DEPARTMENT - MINOR IRRIGATION

4.4.4 Unfruitful outlay on a minor irrigation tank

Failure of the Government to provide funds for completion of balance works resulted in denial of irrigation facilities to 165 hectares of land even though Rs.5.53 crore was spent on the project

The work of constructing a minor irrigation tank (estimated cost: Rs.1.15 crore) near Gollahalli village in Kolar district for providing irrigation facilities to 101 hectares of land was administratively approved by Government in March 1998 and technically sanctioned by Chief Engineer, Minor Irrigation (South), Bangalore in May 1998. The work was entrusted (July 1998) to Karnataka State Construction Corporation Limited (KSCC) at a cost of Rs.1.22 crore* for completion by July 2000. The estimate was subsequently revised (October 2000) to Rs.5.65 crore for providing irrigation to additional 64 hectares of land. All the components of the work except the canals and the allied cross drainage works were completed (October 2000) by KSCC at a cost of Rs.5.12 crore. The left-over works were withdrawn (January 2001) from the KSCC at their request. The left over works estimated to cost Rs.29.55 lakh were allotted (May 2001) to a contractor at a cost of Rs.31.31 lakh for completion within three months. The work was not, however, taken up as of March 2005 and the irrigation facilities had not been made available to farmers.

Audit scrutiny of records revealed that while the tank bund and allied works were executed by the Department on private land (44 acres) with the consent of the land owners, no expeditious action was taken to acquire them and pay compensation to the owners. The acquisition proposals were sent to the Land Acquisition Officer only in March 1999 and the land award was passed in July 2003. Meanwhile, the land owners obstructed (June 2001) the execution of canal works demanding payment of compensation. Consequently, the contractor withdrew (July 2001) his men and machinery from the construction site. No action was taken by the Department to resume the balance works thereafter. No funds were also released by the Government except for releasing Rs.0.30 lakh during 2000-03.

* 12 per cent above the estimated cost

Government in their reply (August 2005) to the audit observations did not state reasons for non-release of funds and delay in completion of work.

Thus, failure of the Department to acquire land before taking up the work and non-provision of funds for completion of balance works resulted in denial of irrigation facilities to 165 hectares of land, even after spending Rs.5.53 crore.

4.4.5 Unfruitful outlay on a minor irrigation project

Non-execution of the balance works of a minor irrigation project resulted in non-realisation of the intended objective of providing direct irrigation to 222 acres of land despite spending Rs.1.21 crore

The work of constructing a minor irrigation tank at Bevanoor village in Athani taluk of Belgaum district for irrigating 222 acres of land was administratively approved (July 1998) by Government and technically sanctioned (January 1999) by Chief Engineer, Minor Irrigation (North), Bijapur at an estimated cost of Rs.99.14 lakh. Karnataka State Construction Corporation Limited (KSCC) to whom the work was entrusted (February 1999), executed the tank bund and allied works and stopped the work (January 2001). The balance works of executing right and left bank canals with cross drainage works estimated to cost Rs.3.80 lakh were not executed by the Department (September 2005). The tank on which an expenditure of Rs.1.21 crore had been spent was yet to be commissioned (September 2005).

Audit scrutiny of the records of Executive Engineer, Minor Irrigation Division, Belgaum (EE) revealed that though the land required for construction of the project was secured with the consent of the land owners pending legal acquisition, the EE sent (1998-99) proposals to acquire only 39.09 acres as against the requirement of 72.10 acres. Further, only part payment (Rs.24.55 lakh) of the assessed compensation of Rs.53 lakh was deposited (November 2002). The acquisition proceedings were initiated by the Assistant Commissioner and Land Acquisition Officer, Chikkodi (LAO) in June 2003. However, as EE failed to deposit the balance amount (Rs.28.45 lakh) due to non-release of funds, further proceedings were dropped (August 2004)[⊕].

Reasons for incorrect assessment of the land requirement at the time of finalising initial acquisition proposals were stated (June 2005) to be possibly due to misclassification of private land as Government land. Thus, failure of EE to assess the actual requirement of land before furnishing the acquisition proposals to LAO and the non-release of funds by Government vitiated the initial acquisition proceedings and delayed the acquisition, which will have to be made at higher rates. No action was taken by EE to execute the balance works although the possession of the required land had been taken by the Department with the consent of the landowners in 1999 itself.

[⊕] Extant instructions (December 2000 and October 2001) of the Government in Revenue Department require deposit of the whole assessed amount of compensation before the due date for issuing the final notification under the Act

Government in reply stated (September 2005) that there was no budget provision to complete the balance works and that the tank was currently serving as a storage tank recharging the ground water. The reply was not tenable as the intended objective of providing direct irrigation to 222 acres of land was not achieved even after a lapse of six years despite spending Rs.1.21 crore due to failure of Government to prioritise the completion of this ongoing work.

4.4.6 Idle investment

Execution of a project without proper survey and investigation resulted in idle investment of Rupees two crore of which Rs.50.14 lakh was undue benefit to the contractor

The work of constructing a 6.54 km long feeder canal for feeding water from Haludyamavvanahally storage tank to Uduvally tank, for supplementing irrigation in about 400 acres of land, was administratively approved by Government (March 2001) and technically sanctioned by Chief Engineer (September 2001) at an estimated cost of Rupees two crore. The civil works estimated to cost Rs.1.65 crore was allotted (October 2002) to a contractor at his tendered cost of Rs.90.75 lakh[▼] for completion by October 2003. The site was handed over to the contractor only in June 2003 owing to delay in clearance of forest land for the first five kms of canal work. The execution of the work, pending sanction to the revised estimate, was stopped (November 2004) after incurring an outlay of Rupees two crore.

Records revealed that the quantities of earth excavation work increased enormously (from 1.83 lakh to 5.34 lakh cubic meters) due to not adopting the actual ground levels at the time of preparation of estimate for the work. Besides, execution of an additional item of work viz., excavation in medium rock requiring blasting (MRB) was found necessary. Department, therefore, prepared a revised estimate (September 2004) for Rs.6.55 crore and the approval of the Government to the revised estimate was awaited (March 2005). The increase in estimated cost depressed the work's cost benefit ratio from 2 to 0.83, thereby rendering the project economically unviable. The contractor was also directed (November 2004) not to execute any work beyond the sanctioned limit of Rs. two crore. Action to fix responsibility for carrying out faulty survey and investigation had not been taken except for issue of a notice (November 2003) to one official.

Audit scrutiny also revealed that part payment^Ψ for extra item of excavation work in MRB executed up to 15 October 2003 was made to the contractor at the data rate of Rs.110 per cum approved (November 2003) by the Superintending Engineer, Minor Irrigation Circle, Bangalore (SE). The rate was approved on the ground that there was no rate available for this item of work either in the agreement or in the Departmental Schedule of Rates. The contract, however, provided for deriving the rate for extra items on the basis

▼ 44.89 per cent below the cost of work (Rs.1.65 crore) put to tender

Ψ At an average rate of Rs.92.50 per cum

of rates applicable to similar items of work included in the contract. Accordingly, the rate for MRB was required to be worked out from similar items of work in the contract viz., excavation in ordinary rock, soft rock and hard rock for which the tender rates varied from Rs.45 per cum to Rs.60 per cum. This unjustified decision of the SE to work out a separate data rate resulted in extra contractual benefit to the contractor. Even at the highest rate of Rs.60 per cum applicable to hard rock, the avoidable extra benefit to the contractor worked out to Rs.50.14 lakh[#].

Failure of the Department to ensure proper survey and investigation before taking up the work and delay in sanctioning revised estimates resulted in suspension of the work leading to idle investment of Rs. two crore on an economically unviable project of which Rs.50.14 lakh was undue benefit to the contractor.

Government in reply, stated (October 2005) that financial assistance was being sought from National Bank for Rural Development for completion of the project and contended that the higher rate was paid to the contractor in the interest of continuity of work as he had refused to accept the rate derived from the agreement. The reply is not tenable as the contractor was legally bound by the tender agreement and the Department failed to enforce the contractual provisions.

4.5 Violation of contractual obligation/undue favour to contractors

WATER RESOURCES DEPARTMENT - KARANJA PROJECT

4.5.1 Undue benefit to contractors

Failure of the Department to enforce the contractual obligations in execution of excavation works of a canal resulted in an undue benefit of Rs.35.69 lakh to two contractors

Construction of Karanja Right Bank Canal in km 106 and km 107 was entrusted (February 2002) to two contractors at their tendered cost of Rs.40.10 lakh and Rs.44.32 lakh respectively for completion by August 2002. The works were completed in June/May 2003 incurring an expenditure^ψ of Rs.59.84 lakh and Rs.64.05 lakh, respectively. The detailed contract specifications governing earthwork excavation for these works stipulated that at all stages of excavation, the contractor shall take precaution to preserve the rock below and beyond the line of excavation in the soundest possible condition. All excess excavation, if any, performed for the convenience of the contractor and whether or not due to his fault, shall be refilled with suitable material at his own expense so as to restore the canal to the approved section.

[#] Rs.1,36,79,965 for 1,44,432.48 cum of MRB minus Rs.86,65,979 admissible @ Rs.60 per cum

^ψ Final bills not drawn up and paid

Scrutiny in audit (December 2004) revealed that the two contractors, while carrying out excavation works with blasting caused over-breakages beyond the approved canal section and the Department got the canal restored to the approved section with uncoursed rubble masonry (3,650 cubic metres). Cement plastering of 20 millimetre thickness (1,720 cubic metres) was also provided to achieve a stable slope. The expenditure (Rs.32.98 lakh) on these restoration works, instead of being borne by the respective contractors in accordance with their contractual obligations, was however met (July 2003) by the Department as an extra item of work with the approval of the Superintending Engineer, Irrigation Project Construction Circle, Bidar. Besides, an inadmissible payment of Rs.2.71 lakh was made to the contractors towards the over-breakages caused by them. Failure of the Superintending Engineer/Executive Engineer to enforce the contractual obligations resulted in an undue benefit of Rs.35.69 lakh to the contractors.

Government in reply stated (October 2005) that the Chief Engineer was being directed to recover the payment of Rs.35.69 lakh from the contractors.

4.6 Regularity issues and other topics

FINANCE DEPARTMENT

4.6.1 Inspection of Treasuries

Public Sector Banks made excess payment of family pension of Rs.1.10 crore in 656 cases

The treasuries and sub-treasuries in Karnataka are under the administrative control of the Director of Treasuries, Bangalore. All district treasuries (30), sub-treasuries (184) and stamps depot were inspected by the Accountant General (Accounts & Entitlement) during 2004-05. The following major irregularities and failure in control were noticed during inspection of the treasuries.

Excess payment of family pension

The Karnataka Government Servants (Family Pension) Rules, 1964 provide that when a Government servant dies while in service, his/her family is entitled to family pension at double the normal rate or 50 *per cent* of the pay last drawn by the deceased Government servant whichever is less, for a period of seven years from the date following the date of death or till the date on which the Government servant would have attained the age of sixty five years had he/she remained alive, whichever is earlier.

In 656 cases, family pension amounting to Rs.1.10 crore (**Appendix 4.4**) was paid in excess by public sector banks because of payment at enhanced rate beyond the period indicated in the Pension Payment Orders issued by the Accountant General (Accounts and Entitlement).

In respect of 20 treasuries, family pension was continued to be paid at a higher rate by the banks in 200 cases resulting in further excess payment of Rs.29.90 lakh (**Appendix 4.5**).

Though, excess payment of family pension was pointed out repeatedly in the Inspection Reports of the concerned treasuries and in successive Audit Reports, effective steps had not been taken by the Treasury Officers/Director of Treasuries to prevent further excess payments.

Non-receipt of paid vouchers and recovery schedules of General Provident Fund

Paid vouchers in support of withdrawals from General Provident Fund (GPF) for Rs.2.15 crore (93 cases) were not received along with the accounts sent by eight treasuries during 2003-04 (**Appendix 4.6**). The omission might result in non-accountal of the withdrawals and consequent overpayments at the time of final settlement of the accounts of the subscribers. The matter needs urgent corrective action.

Further, recovery schedules of GPF subscriptions by Government Servants for Rs.8.45 crore (4,456 cases) did not accompany the vouchers sent by 29 treasuries during 2003-04 (**Appendix 4.7**). This resulted in large number of missing credits in the accounts of individual subscribers, besides delay in finalisation of their claims.

4.6.2 Abstract Contingent Bills

Introduction

The Manual of Contingent Expenditure, 1958, (Manual) permitted the 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). The Controlling Officers should ensure that no amounts are drawn from the treasury unless required for immediate disbursement.

Review of 7,842 AC bills covering Rs.22.77 crore drawn during the period 2000-05 by 151 DDOs of three* departments in nine* districts was conducted during April – June 2005. Important points noticed are brought out in the succeeding paragraphs.

Non- submission/delayed submission of Detailed Contingent bills

According to Rule 37(3) of the Manual, the DDOs are required to send the detailed bills in respect of AC bills drawn by them to their Controlling

* Agriculture, Sericulture and Women and Child Development

* Bangalore (Rural), Bangalore (Urban), Bijapur, Gulbarga, Hassan, Madikeri, Mandya, Tumkur and Uttara Kannada

Officers before the closure of the first week of the following month in which the AC bills are drawn for onward transmission to Accountant General (Accounts and Entitlement) by the 15th of the same month. Further, the DDOs are also required under Rule 36(vi) of the Manual to enclose with their salary bills, a certificate issued by the Controlling Officers to the effect that the detailed bills for all amounts of AC bills drawn prior to the current month have been rendered.

As of July 2005, detailed contingent bills for Rs.96.99 lakh drawn by 74 DDOs during 2001-05 were pending submission to Accountant General (Accounts and Entitlement) as detailed in Table 1.

Table 1: Details of pending AC bills

Department	Number of DDOs	Number of AC bills	Amount (Rupees in lakh)
Agriculture	42	156	27.73
Sericulture	16	116	65.85
Women and Child Development	16	194	3.41
Total	74	466	96.99

Of these, 253 AC bills for Rs.56.72 lakh submitted by the DDOs were pending acceptance by the Controlling Officers, while 213 bills for Rs.40.27 lakh were yet to be forwarded to the Controlling Officer by the DDOs. The Controlling Officers stated (June 2005) that pendency was due to the delay in compliance by the DDOs to the objections raised. Non-receipt of sub-vouchers from the programme coordinators/subordinate officers was the reason given by the DDOs for the pendency. In all these cases, the Controlling Officers[®] disregarding the system of internal control issued the certificate of submission of detailed contingent bills by the DDOs as a matter of routine.

Delay up to four years was noticed in forwarding detailed contingent bills to the Accountant General (Accounts & Entitlement) by 83 DDOs of the test-checked departments as detailed in Table 2.

Table 2: Details of delay in forwarding detailed bills

Delay upto	Number of AC bills	Amount (Rupees in lakh)
One month	56	30.82
Six months	1,664	475.69
One year	1,565	1,086.57
Three years	893	354.24
Four years	137	71.20
Total	4,315	2,018.52

[®] Joint Directors of Sericulture – Bangalore and Hassan
Deputy Director of Sericulture – Magadi
Joint Directors of Agriculture – Bangalore (Rural), Bijapur, Karwar and Mandya
Deputy Director, Women and Child Development – Bijapur and Madikeri

Non-observance of procedures by Controlling Officers and Treasury Officers

In the light of observations in earlier Audit Reports, the Government, in order to streamline the procedure of drawal of AC bills and their settlement, directed (September 2004) the Controlling Officers to route all detailed contingent bills through treasuries to enable the latter to enforce the submission of detailed bills by not honouring further AC bills till the clearance of all outstanding AC bills. The treasuries were also required to build up a database of AC bills and their settlement and forward monthly/quarterly reports thereon to the Finance Department.

Detailed bills for Rs.67.22 lakh drawn on 603 AC bills by 96 DDOs between October 2004 and March 2005 were not routed through the respective treasuries. Instead, the Controlling Officers of the test-checked departments forwarded these bills after countersignature directly to Accountant General (Accounts & Entitlement) as detailed in Table 3.

Table 3 : Details of AC bills not routed through treasuries

Department	Number of DDOs	Detailed bills not routed through the treasuries	
		Number	Amount (Rupees in lakh)
Agriculture	52	100	13.66
Women & Child Development	28	435	10.55
Sericulture	16	68	43.01
Total	96	603	67.22

The Treasury Officers*, in violation of the procedure, honoured 37 AC bills for Rs. 25.16 lakh drawn between November 2004 and March 2005 by 14 DDOs, though 29 AC bills amounting to Rs.8.88 lakh drawn by them earlier were outstanding for settlement.

Treasuries also did not build up the database of AC bills and their settlement, nor did they furnish the monthly/quarterly reports to the Finance Department.

Drawal of AC bills for amounts in excess of the limit prescribed

DDOs were required to obtain permission of Finance Department for drawal of AC bills for amounts exceeding Rupees one lakh. In the departments of Sericulture and Agriculture, however, eight DDOs[♦] drew Rs.96.49 lakh on 29 AC bills, each bill exceeding Rupees one lakh without permission of Finance Department. The Treasury Officers, in clear violation of the instructions of the Finance Department, also passed the bills.

* Bangalore (Rural), Maddur, Sirsi, Somawarpet and Tumkur

♦ Assistant Directors of Sericulture – Hassan, Holenarsipura, Madikeri, Sirsi
Deputy Director of Sericulture – Tumkur
Assistant Directors of Agriculture – Pavagada, Shahpur
Joint Director of Agriculture - Mandya

Three DDOs of Agriculture Department drew Rs.12.79 lakh on 24 AC bills by splitting the bills to avoid recourse to Finance Department for permission.

Locking up of funds drawn on AC bills

In Gulbarga district, 11 DDOs of Women and Child Development Department drew Rs.99.73 lakh on 42 AC bills in January 2004 (Rs.5.30 lakh) and March 2004 (Rs.94.43 lakh). The amount was deposited with the Karnataka State Food and Civil Supplies Corporation (KSF&CSC) between March 2004 and May 2004 for distribution of rice among the undernourished adolescent girls, expectant and nursing mothers under National Nutrition Mission Project implemented during 2003-04.

Audit scrutiny revealed that:

- Food Corporation of India did not release rice to KSF&CSC for want of orders from their central office for release of rice beyond the validity period of the project, which expired on 31 March 2004. The DDOs did not obtain the refund of amount of Rs.99.73 lakh deposited with KSF&CSC to credit it to the Government account, resulting in locking up of Government money with KSF&CSC for 15 months as of July 2005.
- Government of India extended (June 2005) the validity period of the project after a gap of 15 months from the date of expiry. As a result, the eligible beneficiaries, particularly the expectant and nursing mothers were deprived of their quota of rice for two months (March and April 2004) resulting in non-achievement of stated objective of the project.
- The detailed bills for all these amounts drawn on AC bills submitted by the DDOs enclosing merely the acknowledgement of receipt of deposits by KSF&CSC were accepted by the Controlling Officers disregarding the principles of regularity and canons of financial propriety.

4.7 General

4.7.1 Follow-up on Audit Reports

Action taken notes

The Hand Book of Instructions issued by the Finance Department in 2001 for speedy settlement of audit observations and 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 audit 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 and 2002-03 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 and 21 July 2004 respectively.

Twenty-one Departments as detailed in **Appendix 4.8** had not submitted ATNs, as of October 2005.

ATNs were not received even after 11 to 61 months to the following important irregularities, which were featured in the Audit Reports 1998-99, 1999-2000, 2000-01, 2001-02 and 2002-03.

Audit Report 1998-99

Paragraph No.3.16: Fictitious payment of scholarships - Social Welfare Department

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

Audit Report 1999-2000

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

The Government conducted Fourth National Games during May-June 1997. Due to delay in providing budgetary support by the Government, 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 favours to a contractor - Commerce and Industries Department

The Chief Executive Officer and Executive Member/Chief Development Officer of the Karnataka Industrial Areas 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 2001-02

Paragraph No.3.12: Excess transfer of Additional Stamp Duty to Urban Local Bodies in Bangalore District (Urban) - Revenue Department

The Government did not monitor transfer of Additional Stamp Duty to Urban Local Bodies resulting in misuse of authority by the District Registrar who transferred Rs.239.84 crore in excess.

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.

Paragraphs to be discussed by Public Accounts Committee

Comments on Appropriation Accounts appeared 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 2005 are detailed in **Appendix 4.9**.

4.7.2 Outstanding Inspection Reports

Lack of responsiveness of Government to Audit

The Hand Book of Instructions issued by Finance Department for speedy settlement of audit observations, provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General 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 Accountant General, who forwards a half yearly report of pending IRs to the Secretary of the Department to facilitate monitoring of the audit observations.

Year-wise details of outstanding IRs and paragraphs and serious irregularities therein relating to Health and Family Welfare, Animal Husbandry and Veterinary Services and Minor Irrigation Departments are detailed in **Appendix 4.10** and **Appendix 4.11** respectively.

A review of the IRs which were pending due to non-receipt of replies, in these three departments revealed that the Heads of Offices whose records were inspected by the Accountant General, failed to discharge due responsibility as they did not send even the initial replies to 49 IRs (269 paragraphs), three IRs (14 paragraphs) and 21 IRs (267 paragraphs) pertaining to Health and Family Welfare, Animal Husbandry and Veterinary Services and Minor Irrigation Departments respectively, thereby indicating their failure to initiate action in regard to the defects, omissions and serious financial irregularities as pointed out in audit.

It is recommended that Government may look into this matter and see that procedure exists for (a) action against the officials who failed to furnish 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.

Government, in its reply (September 2005) stated that suitable remedial measures would be taken by convening adhoc committee meetings and fixing a time frame to furnish replies to outstanding paragraphs in the IRs.

4.7.3 Non-receipt of accounts

Annual 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 2005 are mentioned below:

Serial number	Department	Year(s) for which accounts are due
1.	Agriculture - Director of Agriculture	2003-04 and 2004-05
2.	Animal Husbandry and Veterinary Services - Director of Animal Husbandry and Veterinary Services	2004-05
3.	Commerce and Industries - Director of Industries and Commerce	2002-03 to 2004-05
4.	Health and Family Welfare - (i) Director, Health and Family Welfare Services (ii) Director of Medical Education (iii) Joint Director of Government Medical Stores (iv) Indian System of Medicine and Homoeopathy	2003-04 & 2004-05 2004-05 1999-2000 to 2004-05 2002-03 to 2004-05
5.	Information, Tourism and Youth Services - Director of Information and Publicity	2003-04 and 2004-05
6.	Revenue (Registration) - Inspector General of Registration and Commissioner of Stamps	2001-02 to 2004-05
7.	Public Works, Water Resources and Minor Irrigation	*1998-99 to 2004-05

* Accounts due from:

- (a) Two Divisions - for 14 half-yearly periods (1998-99, 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05)
- (b) One Division - for 10 half-yearly periods (2000-01, 2001-02, 2002-03, 2003-04 and 2004-05)
- (c) One Division - for nine half-yearly periods (October 2000 to March 2001, 2001-02, 2002-03, 2003-04 and 2004-05)
- (d) Two Divisions - for six half-yearly periods (2002-03, 2003-04 and 2004-05)
- (e) Two Divisions - for five half-yearly periods (October 2002 to March 2003, 2003-04 and 2004-05)
- (f) Six Divisions - for four half-yearly periods (2003-04 and 2004-05)
- (g) 12 Divisions - for three half-yearly periods (October 2003 to March 2004 and 2004-05)
- (h) 12 Divisions - for two half-yearly periods (2004-05)
- (i) 32 Divisions - for one half-yearly period (October 2004 to March 2005)



CHAPTER V

INTERNAL CONTROL SYSTEM

HEALTH AND FAMILY WELFARE DEPARTMENT (MEDICAL EDUCATION DEPARTMENT)

5.1 Evaluation of Internal Control System and Internal Audit

Highlights

Audit evaluation of internal control system in the Medical Education Department which was established with the basic responsibility of providing quality medical education at graduate, post-graduate and super-speciality levels besides para-medical courses disclosed that budgetary, administrative and inventory controls were either non-existent or inadequate to prevent irregularities/non-compliance with established procedures/practices. Besides, absence of internal audit rendered ineffective even the inadequate internal controls that were in place.

Budgetary controls in place were ineffective as there were instances of preparation of budget not in tune with the provisions of Budget Manual.

(Paragraph 5.1.5)

Inadequate internal controls led to embezzlements aggregating Rs.15.86 lakh in three institutions.

(Paragraph 5.1.7)

As a result of lack of compliance of orders/internal controls, there were instances of revenue loss, non-recovery of clinical charges and diversions, and non-receipt of utilisation certificates for grants released to private medical colleges, aggregating Rs.22.63 crore.

(Paragraphs 5.1.8 to 5.1.14)

Vacancies in faculty positions in medical colleges, inadequate sanctioned strength of nursing staff, admission of excess strength in nursing schools despite inadequacies and absence of service rules in an autonomous body were indicative of inadequate administrative controls.

(Paragraphs 5.1.15 to 5.1.17)

There was no Internal Audit Wing in the Medical Education Department.

(Paragraph 5.1.19)

Introduction

5.1.1 Internal control system in an organisation is designed in the form of policies and methods to promote operating efficiency, achieve compliance with established policies, uncover frauds and minimise errors. The standards fixed by the Medical Council of India, Dental Council of India and the Nursing Council of India form the basis for exercising internal controls in the Medical Education Department (MED), in the operational field. In the fields of finance and inventory, the various Codes and Manuals prescribed by the State Government serve as criteria for exercising internal controls.

The Secretary to Government in MED exercises overall administrative control^Φ at the State level through the Commissioner of Health and Family Welfare Services. The Director of Medical Education (DME) heads the Department which has 29 Government institutions (two medical colleges, one dental college, 11 nursing schools and 15 teaching hospitals) under its control. Besides, eight autonomous medical education institutions received grants from the Government and were, therefore, accountable to DME.

Audit objectives

5.1.2 The main audit objectives were to examine whether:

- Adequate internal controls were in place and functioning.
- Adequate controls over the finances and inventory existed.
- Controls existed for economic and effective operations consistent with the mandate of MED.
- Compliance with the standards of Medical/Dental/Nursing Councils of India was achieved.

Audit criteria

5.1.3 The Audit criteria were:

- Financial Codes and Stores Manual of the State Government.
- Instructions issued by the Government from time to time in the fields of finance and inventory.
- The prescriptions of the Medical/Dental/Nursing Councils of India.

^Φ Recruitment of staff, providing budget grant/grant-in-aid to medical colleges, teaching hospitals, autonomous medical institutions, etc.

Scope of audit and methodology

5.1.4 Audit conducted (February-June 2005) a review of the internal controls in place in the Secretariat, Directorate of MED, one medical college, one dental college, four teaching hospitals, three nursing schools and two autonomous institutions, by undertaking a test-check of records maintained, covering the years 2000-01 to 2004-05. The number of organisations covered in test-check was 11^Ψ out of 37 (30 *per cent*) and their selection was made choosing units from each category and also on risk factors associated with them. The Audit also took into account the response (December 2005) of the Government to the initial observations.

Audit findings

Budgetary controls

There were substantial savings of plan grants during 2000-05

5.1.5 Financial rules framed by Government, instructions issued by Government/ Directorate from time to time, provisions of the Budget Manual, *etc.*, stipulate various control measures to ensure proper budgetary and other financial operations. The budget and expenditure of the Department during 2000-05 were as detailed below:

Table 1: Position of budget and allotment

(Rupees in crore)

Years	Plan			Non-plan		
	Budget	Expenditure	Savings	Budget	Expenditure	Savings
2000-01	26.76	23.21	3.55 (13)	193.09	192.70	0.39
2001-02	29.60	27.78	1.82 (6)	211.27	190.56	20.71 (10)
2002-03	22.80	23.62	-	226.52	195.86	30.66 (14)
2003-04	25.00	17.27	7.73 (31)	217.07	195.83	21.24 (10)
2004-05	28.31	24.05	4.26 (15)	210.19	190.15	20.04 (10)

(Figures in brackets indicate percentage of savings)

It was noticed that the Directorate made budget proposals for all vacant posts without reference to the likelihood of these posts getting filled up, contrary to the provisions* of the Budget Manual. This was the main reason for the savings under non-plan. The Government justified (December 2005) the action of the DME stating that there was likelihood of vacant posts getting filled up according to the norm prescribed by the Medical Council of India

^Ψ Medical College (1): Bangalore Medical College, Bangalore,
Dental College (1): Government Dental College, Bangalore,
Teaching hospitals (4): Bowring & Lady Curzon hospital, Bangalore, Vanivilas hospital, Bangalore, Victoria hospital, Bangalore and K.R. hospital, Mysore
Nursing schools (3): Bowring & Lady Curzon hospital, Bangalore, Victoria hospital, Bangalore and K.R. hospital, Mysore
Autonomous Institutions (2): Karnataka Institute of Medical Sciences, Hubli and Kidwai Memorial Institute of Oncology, Bangalore

* Paragraph 114

(MCI) during the respective years. The Government, however, did not fill up these vacant posts during the past five years (2000-05).

According to various instructions issued by the Government from time to time, funds for plan schemes/works were to be utilised in full in the respective year itself for timely and effective implementation of schemes. Substantial savings under plan grants during 2000-05 were due to under-utilisation of scheme grants by the DME and other unit offices. This indicated that the progress of expenditure under plan grants was not monitored at the Government/DME level, by having the prescribed internal controls like obtaining and reviewing monthly expenditure statements from the implementing agencies, as required. This rendered the schemes incomplete and the target groups were deprived of the benefits of the schemes. Test-check in units disclosed:

➤ In Bangalore Medical College, Bangalore (BMC), provision for re-orientation of medical education was not utilised to the extent of 38 *per cent* to 60 *per cent* due to shortage of teaching staff which were not filled up by the Government, which stated (December 2005) that teaching staff were being recruited to avoid such non-utilisation in coming years.

➤ Karnataka Institute of Medical Sciences, Hubli (KIMS), did not utilise funds of Rs. two crore allotted for the execution of second phase building works of Karnataka Institute of Mental Health, Dharwad. The Government replied (December 2005) that the tenders for the work had since been processed (November 2005).

Test-check for the period 2000-05 also disclosed persistent savings ranging from 7 *per cent* to 95 *per cent* of budget allotments in the expenditure under different minor heads (drugs and chemicals-7 *per cent* to 24 *per cent*, equipment and accessories-30 *per cent* to 95 *per cent*, library books and journals-15 *per cent* to 86 *per cent*). Audit observed that these were not watched by having suitable control registers and by periodical review both at the levels of unit and the DME.

The savings under "drugs and chemicals" and "equipment and accessories" during 2000-05 were due to the budget proposals for these heads being made on adhoc basis by the Directorate due to delayed receipt of annual estimates based on actual requirements from subordinate officers. This was in contravention of the provisions[■] of the Budget Manual. Test-check disclosed that the Principal, BMC submitted the estimates for purchase of equipment for 2004-05 belatedly in October 2004 as against the due date in November 2003. The Directorate sought (January 2005) approval of Government and obtained it only at the fag end of the year in March 2005, resulting in non-purchase and consequent savings.

■ Paragraph 88

The DME under the orders of Government (March 2002 and March 2003) drew funds allotted in the budget for purchase of drugs, chemicals, equipment, fees payable to Scheduled Caste/Tribe students aggregating Rs.6.11 crore during 2000-04 and deposited them irregularly in a Personal Deposit (PD) account meant for accommodating Earnest Money and Security Deposits of contractors, just to avoid lapsing of budget grants. Such draws and deposit into a PD account did not reflect the correct position of savings.

The substantial savings under library books and journals resulted in denial of the latest books and journals to the students in violation of norms prescribed by the MCI. Test-check disclosed that in one autonomous body^ψ, no budget was provided at all for 2003-05. In BMC, despite availability of funds of Rs.21 lakh, no books/journals were procured during 2003-04. KIDWAI and BMC were responsible for these lapses and the DME did not point out to them for remedial action.

The Government admitted (December 2005) the lapses and stated that the provisions of the Budget Manual would be complied with strictly in future.

Other financial controls

5.1.6 Test-check disclosed occurrence of other financial irregularities such as embezzlements, revenue losses, diversion of plan scheme provisions/ funds for other purposes, splitting-up purchases, *etc.*, due to lapses in internal controls including non-monitoring at Government and Directorate levels as detailed below:

Embezzlements of user charges

**User charges
were embezzled
in three
institutions**

5.1.7 Mention was made in paragraph 4.1.2 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2004 about defalcation of user charges and others in Bowring and Lady Curzon Hospital, Bangalore. Similar embezzlements involving Rs.15.86 lakh were noticed in three other institutions[♦]. This was mainly due to lapses in internal controls like non-maintenance of separate cash book and bank account exclusively for the user charges by the hospitals in contravention of instructions of Government coupled with non-reconciliation of bank balance, non-remittance of collections to bank account periodically and non-exercise of checks by supervisory officers/committee for user charges. The Government admitted (December 2005) the lapses and stated that remedial action would be taken.

^ψ Kidwai Memorial Institute of Oncology, Bangalore (KIDWAI)

[♦] Vanivilas Hospital, Bangalore (2004-05) - Rs.9.06 lakh,
Government Dental College, Bangalore (1998-2000)- Rs.3.80 lakh
Government Medical College, Bangalore (2002-03) - Rs.3.00 lakh

Revenue loss

5.1.8 Instances of loss of revenue to Government/Fund accounts are narrated below:

Delay in commencing collection of user charges resulted in revenue loss of Rs.1.72 crore

The DME issued (July 2000) instructions to recover user charges from patients towards medical services rendered by hospitals. Test-check disclosed that the instructions were not complied with immediately and the hospitals commenced collection of user charges after a delay of two/three years. The user charges that were not collected in radiology department alone, where details were available, worked out to Rs.1.72 crore^θ in the test-checked hospitals. The hospitals concerned attributed the delay to political pressures and protest from the public. The Government stated (December 2005) that the initial resistance to the payment of user charges had subsided and the hospitals had commenced collecting user charges. Audit, however, noticed that the Directorate did not monitor recovery of user charges by the teaching hospitals.

Bye-laws of the KIDWAI required prompt transfer of its contribution to pension fund every month, as delayed transfer would entail loss of interest and defeat the very purpose of the fund. Audit scrutiny disclosed that KIDWAI transferred its contribution (Rs.2.42 crore) to pension fund after a delay ranging from 10 to 24 months during 2000-04. Though, the Government stated (December 2005) that the funds diverted had been recouped to the fund account, the initial delay in transfer led to loss of interest of Rs.21.73 lakh at eight per cent per annum.

Non-recovery of arrears of revenue and advances

5.1.9 Instances of non-recovery of dues are detailed below:

Clinical charges of Rs.3.08 crore were not recovered from three private medical colleges

➤ According to instructions issued by the Government, Government hospitals associated with medical colleges were required to collect prescribed clinical charges from private medical colleges that were utilising clinical facilities available with them, in advance each year. A sum of Rs.3.08 crore was pending recovery as of March 2005 from three^θ private medical colleges, even though these charges were to be recovered in advance each year. There was, thus, a need to maintain a Demand, Collection and Balance (DCB) register to have an effective watch over the outstanding dues of clinical charges and their recovery. The DME, however, did not maintain DCB register to watch the recovery of clinical charges.

^θ Vanivilas Hospital, Bangalore - August 2000 to September 2002 - Rs.6.76 lakh
Bowring and Lady Curzon Hospital, Bangalore - August 2000 to July 2003 - Rs.32.40 lakh
Victoria Hospital, Bangalore - August 2000 to March 2003 - Rs.83.20 lakh
KR Hospital, Mysore - August 2000 to June 2004 - Rs.49.92 lakh

^θ (1) J.J.M. Medical College, Davanagere (availed clinical facilities at C.G. Hospital, Davanagere), - 2001-05 and prior - Rs.2.13 crore
(2) K.M.C, Mangalore (availed clinical facilities at Wenlock Hospital, Mangalore) - 2004-05 - Rs.0.50 crore
(3) M.R. Medical College, Gulbarga (availed clinical facilities at District Hospital, Gulbarga) - 2004-05 - Rs.0.45 crore

➤ An amount of Rs.14.69 lakh relating to 2001-02 to 2004-05 was outstanding against Karnataka State Road Transport Corporation and Employees State Insurance Corporation towards bed reservation charges for the benefit of their employees, in four test-checked hospitals^Φ. Contrary to the directions issued by the DME, no demand was raised and the DCB register was not maintained.

➤ In Bowring and Lady Curzon Hospital, Bangalore water bills were paid to the Bangalore Water Supply and Sewerage Board, without verifying the bills with the relevant control registers leading to excess/avoidable payment of Rs.24.16 lakh between January 2002 and December 2004 as detailed below:

January 2002	Rs.2.31 lakh paid without ascertaining details.
May 2003	Rs.13 lakh paid additionally even though the water bill of Rs.21.03 lakh for the month was paid earlier.
August 2003	Rs.7.55 lakh was paid as arrears from June 2003 even though the water bills from June 2003 were regularly paid.
August/December 2004	Rs.1.30 lakh was paid as interest on account of not making payment on time.

For providing additional facilities to the Karnataka Institute of Mental Health, Dharwad, the KIMS, Hubli paid (August 2001) an advance of Rs.15 lakh to a construction enterprise of Government of India, even before signing the contract agreement. The contract did not materialise as the Governing Council of KIMS did not concede the demand of the contractor for an increase in the rates. In the absence of control in the form of agreement, the advance of Rs.15 lakh remained un-recovered as of March 2005.

The Government admitted (December 2005) the lapses/omissions in all these cases and stated that remedial action had since been initiated.

Diversions and non-utilisation of funds

Programme funds of Rs.6.58 crore were diverted for establishment expenditure

5.1.10 The KIDWAI diverted amounts meant for specific programmes (Chief Minister's Medical Relief Fund, Pension Fund, Children Welfare Fund, etc.) aggregating Rs.6.58 crore during May 2000 to April 2005 for establishment expenditure of the Institute, contrary to the rules of these funds and the instructions of the Government issued from time to time. The DME who administered the Medical Relief Fund and the Secretary to Government in MED who controlled utilisation of grant-in-aid released to autonomous medical institutions were to have taken preventive measures against such

^Φ Victoria Hospital, Bangalore	-	Rs.9.13 lakh - 2001-02 to 2004-05
Vanivilas Hospital, Bangalore	-	Rs.1.46 lakh - 2001-02 to 2004-05
K.R. Hospital, Mysore	-	Rs.0.82 lakh - 2002-03 to 2004-05
Bowring and Lady Curzon Hospital, Bangalore	-	Rs.3.28 lakh - 2002-03 to 2004-05

diversions, which was not done. The Government without furnishing details of remedial action to avoid such lapses, stated (December 2005) that the diverted amounts had since been re-credited to the respective funds.

Out of Rs.60.31 lakh released by Government of India during 1992-93 for the establishment of a School of Nursing in Chitradurga, Rs.27.73 lakh were held (June 2005) in fixed deposits without being utilised for the purpose for which it was sanctioned. The DME/Government did not take action to avoid such non-utilisation by having suitable controls through periodical monitoring of utilisation. The Government replied (December 2005) that this lapse had been viewed seriously and explanations of DME/officer concerned had since been sought.

Reconciliation of bank balances

Bank balances were not reconciled and Caution Money Deposit Register was not maintained

5.1.11 One of the important internal controls to prevent fraudulent drawals and financial irregularities is reconciliation of bank balances with the balances reflected in cash books. Test-check, however, disclosed that:

➤ The DME did not reconcile the differences ranging from Rs.0.25 lakh to Rs.2.56 crore noticed at the end of each year during the period 2000-05 between the cash book balance and treasury balance of a PD account. The Government replied (December 2005) that the reconciliation work had since been taken up by the DME, resulting in considerable reduction in differences.

➤ In BMC, fee paid by the students was taken to cash book on production of counterfoil of the challan for remittance without ensuring that the fee paid was actually transferred by the Bank to the college account. As a result of this faulty procedure, there was a progressive difference of Rs.1.81 lakh between cash book and bank balances as of February 2005, which had not been reconciled by the BMC (November 2005). Further, the BMC did not reconcile the cash book and treasury balances of a PD account, from May 2003. The treasury schedules disclosed a difference of Rs.5.22 lakh as of October 2004. The Government stated (December 2005) that necessary instructions to conduct reconciliation had since been issued to the BMC.

➤ No Caution Money Deposit Register was maintained in BMC to watch collection and refund of caution money deposits from/to students admitted to the college, though the college held a balance of Rs.22.47 lakh as of March 2005 towards caution money deposit, as reflected in the cash book. The Government stated (December 2005) that necessary direction had been issued to BMC for remedial action.

Split purchases

5.1.12 With a view to having adequate control over procurements, Government had approved monetary limits up to which procurements could be made at various levels. Scrutiny of records of teaching hospitals, however, disclosed that in all the cases test-checked, the purchase orders were split up to bring them within the monetary powers delegated (Rs.15,000 for drugs and chemicals and Rs.20,000 for equipment and accessories) avoiding sanction

from higher authorities and calling of open tenders. The Government stated (December 2005) that the institutions had been instructed not to split up the purchases.

Management of Karnataka Chief Minister's Medical Relief Society Fund

Management of
Chief
Minister's
Medical Relief
Society Fund
by the DME
was inadequate

5.1.13 The DME, being the administering authority for the Fund was responsible for the custody and the allocation of funds to different teaching hospitals and autonomous institutions from the Fund set up with Government grants, donations, *etc.* The following deficiencies in controls were noticed in the management of the Fund.

- Registers of Donations and Grants were not maintained.
- Returns from investments made from the Fund were not watched through an investment register.
- All transactions were not recorded in cash book and authenticated.
- Utilisation certificates from hospitals were not obtained for Rs.20.08 crore released during 2000-05. Test-check disclosed that in Bowring and Lady Curzon Hospital, Bangalore, details of utilisation of Rs.32.75 lakh released from the Fund were not maintained and vouchers for Rs.11.42 lakh drawn on self-cheques were not on record, which indicated failure in keeping of proper accounts.

The Government agreed (December 2005) to inform Audit of the details of remedial action taken.

Sanction of grants and utilisation of funds/grants

5.1.14 Instances of inadequate controls in sanction of grants and monitoring utilisation of funds, as disclosed in test-check are as below:

- The Government has been releasing substantial grants-in-aid to autonomous and other bodies functioning in the field of imparting medical education. During the period 2001-05, grant-in-aid of Rs.289.14 crore was released to these bodies. The Department did not maintain the Register of Grants in the format prescribed in the Karnataka Financial Code[♦] for exercising control over proper utilisation, receipt of utilisation certificates and audited statement of accounts, *etc.* The Department also did not maintain block accounts of permanent and semi-permanent assets acquired wholly or mainly out of Government grants, as required in the Karnataka Financial Code[♦]. Non-maintenance of the Register of Grants and block accounts of assets indicated inadequate internal controls at the Government level over release of grants-in-aid to autonomous bodies. The Government agreed (December 2005) to maintain the grant register.
- The DME did not obtain details of disbursement of Rs.2.46 crore released during 2000-05 to 17 disbursing officers of his Department towards reimbursement of tuition fee of students belonging to Scheduled Castes/

[♦] Article 161

[♢] Article 161(c)

The internal
controls in sanction
of grants and
monitoring fund
utilisation were
inadequate

Tribes studying in private medical/dental colleges. The Government stated (December 2005) that the necessary instructions on the matter had since been issued to the DME.

- Utilisation certificates countersigned by District Surgeons for disbursement of Rs.11.25 crore released to sixⁿ private medical colleges during 2000-05 towards stipends to interns and post-graduate students admitted to those colleges under Government quota were not received by the DME, who did not also watch their receipt through an appropriate control register. The Government stated (December 2005) that utilisation certificates for Rs.6.60 crore had since been received by the DME. The position relating to the remaining amount was not stated (December 2005).

Administrative controls

Teaching faculty

There was acute shortage of teaching faculty and nursing staff

5.1.15 Test-check of records in two Government medical colleges disclosed that a large number of posts of teaching faculty remained vacant since 2000-01 (March 2005) as shown below:

Table 2: Strength of teaching faculty

Post	Bangalore Medical College, Bangalore			Government Dental College, Bangalore		
	Sanctioned	Working	Vacant	Sanctioned	Working	Vacant
Professor	120	83*	37	9	7	2
Assistant Professor	116	57	59	22	12	10
Lecturers	186	129 [@]	57	27	8 [#]	19

* including six posts filled on contract basis

@ including 38 posts on 'on official duties' basis from other offices and three posts on contract basis

including six posts on 'on official duties' basis from other offices

The MCI had also urged (August 2000) for filling up of vacant posts on urgent basis as the existing manpower was below the prescribed minimum standards.

Test-check in four[♦] Government Hospitals disclosed that there was acute shortage of nursing staff when compared with the norm prescribed by the MCI as follows:

ⁿ Ambedkar Medical College, Bangalore – 2000-01 to 2004-05 – Rs.1.65 crore

Al-Ameen Medical College, Bijapur – 2000-01 to 2004-05 – Rs.1.03 crore

Siddhartha Medical College, Tumkur – 2000-01 to 2004-05 – Rs.2.07 crore

J.J. Medical College, Davanagere – 2004-05 – Rs.1.37 crore

Devaraja Urs Medical College, Kolar – 2000-01 to 2004-05 – Rs.2.36 crore

M.R. Medical College, Gulbarga – 2000-01 to 2004-05 – Rs.2.77 crore

[♦] Vanivilas Hospital-Bangalore, Victoria Hospital-Bangalore, Bowring and Lady Curzon Hospital-Bangalore and K.R.Hospital-Mysore

Table 3: Strength of nursing staff

Nursing staff	Prescribed strength	Sanctioned and working strength	Percentage of shortage
Nursing Superintendent	23	11	48
Deputy Nursing Superintendent	23	48	--
Assistant Nursing Superintendent	85	Nil	100
Staff Nurse	1,457	686	47

Though the hospitals concerned had been addressing the Directorate/ Government since May 2002 in the matter, the vacancy position continued, affecting nursing care in hospitals.

The Government stated (December 2005) that action had been initiated to fill vacancies by fresh appointments and deputation.

Admission in Government nursing schools

Government admitted 200 students in excess of the intake capacity in nursing schools

5.1.16 Test-check of records disclosed that during 2001-05, about 50 per cent of the sanctioned posts of 10 Principals and 53 Nursing Tutors remained vacant in the Government Nursing Schools. While the post of Vice-Principal was not at all sanctioned in any of the Nursing Schools, the post of Principal was also not sanctioned to the Nursing School at Chitradurga. The Principals of Nursing Schools were not functioning as independent drawing and disbursing officers. All the staff of the Nursing Schools were not provided with residential quarters. Despite these inadequacies during 2001-02, Government admitted 590 students as against the intake capacity of 390 students in 11 Nursing Schools. This was, however, contrary to the norms prescribed by the MCI. The Government replied (December 2005) that the excess intake was resorted to only in one year (2001-02) as many Scheduled Caste/Tribe applicants opted for the course in that year. The reply, however, was silent on inadequacy of staff/facilities.

Service Rules

KIMS did not frame cadre and recruitment rules

5.1.17 The Government Medical College, Hubli became an autonomous body in November 1994 and renamed as Karnataka Institute of Medical Sciences. Even though the bye-laws of the Institute provided for framing of Cadre and Recruitment Rules (C&R Rules), these were not framed. Test-check disclosed the following consequences of absence of C&R Rules.

- The Institute during the period between January 1997 and February 2000, recruited 27 persons for the post of Lecturers, even though they did not possess post-graduate degree, as stipulated by the MCI.
- During 2000-05, eight lecturers who had not completed five years of service in the Institute, as required in Karnataka Civil Services Rules were deputed for Post-graduate studies. This adversely affected manpower in teaching faculty of the Institute.
- In another case, a Professor appointed in December 1996 with five advance increments reported on 10 January 1997. He remained absent

from 14 January 1997 to 15 August 1999, excepting for five days in April 1997. He was re-appointed from 16 August 1999. Audit noticed that the professor was engaged in some other Institute from 10 January 1997 to 15 August 1999. Despite his unauthorised absence, the service for the above period was regularised as leave without pay.

The Government replied (December 2005) that separate C&R rules for KIMS would be framed shortly and that necessary action would be taken to correct the service period of the Professor and recover excess salary paid.

Inventory control

Physical verification of stock

Physical verification of stock was not conducted

5.1.18 One of the controls designed to safeguard assets and their proper accounting is annual physical verification of stock^Φ. Records disclosed that such a verification of stock articles and drugs and chemicals was not, however, conducted for the last three to four years in the test-checked teaching hospitals. Further, the hospitals accepted the supplies of drugs and chemicals without insisting upon analytical reports from the suppliers. The acceptance of supplies without analytical reports was 100 *per cent* in the test-checked cases. The Government stated (December 2005) that the DME/ Hospitals concerned have been instructed to conduct physical verification of stock and to adhere to the procurement norms strictly in future.

Internal audit

Internal Audit Wing was not in existence

5.1.19 Internal audit is an independent appraisal of operations to assess the internal financial, administrative and other controls and help implementation of adopted policies. The Finance Department issued (December 1992) guidelines to improve the quality of functioning of Internal Audit Wing of Government Departments to enhance fiscal discipline. No Internal Audit Wing was, however, constituted in the MED, even 27 years after its formation (March 2005). The Government replied (December 2005) that the Internal Audit Wing had since been constituted with the available staff and commenced functioning from November 2005.

Conclusion

5.1.20 Budget control mechanism in place was not effective, inadequate financial controls led to embezzlements, loss of revenue, delayed realisation of revenue, diversion of funds, splitting up of purchases, *etc.* There were noticeable shortages in faculty positions and nursing staff affecting the performance. Inventory control was insufficient due to non-conduct of physical verification of stock and non-receipt of analytical reports from the suppliers for ensuring quality of drugs and chemicals.

^Φ Article 169 of the Karnataka Financial Code

5.1.21 Recommendations

- The controls stipulated in the instructions of Government/provisions of Budget Manual should be complied with strictly to ensure realistic estimation and optimum utilisation of resources.
- Existing financial controls such as proper maintenance of cash book and Demand, Collection and Balance register, monitoring of recovery for user charges/clinical charges, proper verification of bills before making payments, *etc.*, should be tightened up to avoid embezzlements/revenue losses.
- Vacancy position of teaching faculty and nursing staff affecting the performance of the Department should be reviewed urgently to optimise staff deployment and utilisation.

The Government agreed (December 2005) to initiate action to comply with the recommendations.

BANGALORE

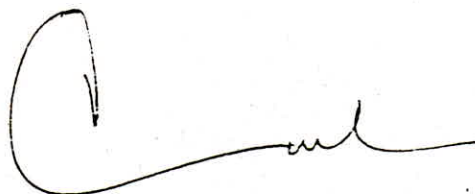
THE

7 MAR 2006

K. P. Lakshmana Rao

(K.P. LAKSHMANA.RAO)
Principal Accountant General
(Civil and Commercial Audit)

COUNTERSIGNED



NEW DELHI

THE

9 MAR 2006

(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India

APPENDICES

Appendix 1.1

Part A: Structure and form of Government accounts

(Reference: Paragraph 1.1, Page 2)

I. Structure: The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorisation from the State Legislature. This part consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans etc).

Part II: Contingency Fund

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislature for the year was Rs.80 crore.

Part III: Public Account:

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State legislature.

II. Form of Annual Accounts:

The accounts of the State Government are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts, present the details of expenditure by the State Government vis-à-vis the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B: List of terms used in the Chapter-I and basis of their calculation
(Reference: Paragraph 1.4, Page 5)

Terms	Basis of 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
Weighted Interest Rate (Average interest paid by the State)	$\text{Interest Payment} / [(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities}) / 2] * 100$
Interest spread	GSDP growth - Weighted Interest rates
Interest received as <i>per cent</i> to Loans Advanced	$\text{Interest Received} [(\text{Opening balance} + \text{Closing balance of Loans and Advances}) / 2] * 100$
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

Status of audit of autonomous bodies

(Reference: Paragraph 1.7.1, Page 16)

Sl. No.	Name of the Body	Section under DPC Act	Period of entrustment	Date of entrustment	Years for which accounts due	Year up to which accounts received	Year up to which Audit Report issued
1.	Bangalore Water Supply and Sewerage Board, Bangalore	19(3)	2004-05 to 2008-09	19-1-2005	2004-05	2004-05	2004-05
2.	Karnataka State Khadi and Village Industries Board, Bangalore	19 (3)	2002-03 to 2006-07	28.11.2002	2004-05	2004-05	2004-05
3.	Bangalore Development Authority, Bangalore	19(3)	2004-05	30-04-2005	2004-05	2004-05	2003-04
4.	Karnataka Urban Water Supply and Drainage Board, Bangalore	19(3)	2004-05	18-1-2005	2004-05	2004-05	2004-05
5.	Karnataka Industrial Areas Development Board, Bangalore	19(3)	2004-05 to 2008-09	17-6-2003	2004-05	2004-05	2004-05
6.	Karnataka State Legal Service Authority	19(2)	KSLS Act, 1987 amended in 1994	--	2004-05	2003-04	2003-04
7.	Karnataka Slum Clearance Board, Bangalore	19(3)	2002-03 to 2006-07	2.9.2003	2004-05	2003-04	2003-04
8.	Karnataka Housing Board, Bangalore	19(3)	2001-02 to 2005-06	29.7.2003	2004-05	2004-05	2004-05

Appendix 1.3
Non-receipt of accounts of local bodies/authorities
(Reference: Paragraph 1.7.1, Page 16)

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 2003-04	217
2.	Commerce and Industries	2000-01 to 2003-04	22
3.	Education	1992-93 to 2003-04	207
4.	Forest, Environment and Ecology	2001-02 to 2003-04	03
5.	Health and Family Welfare Services	1999-2000 to 2003-04	16
6.	Labour	1999-2000 to 2003-04	05
7.	Law	2001-02 and 2002-03	02
8.	Planning	2000-01 to 2003-04	11
9.	Public works and CADA	2000-01 to 2003-04	05
10.	Revenue	2001-02 to 2003-04	03
11.	Rural Development and Panchayati Raj	2000-01 to 2003-04	04
12.	Science and Technology (State)	2000-01 to 2003-04	04
13.	Urban Development	1994-95 to 2003-04	59
14.	Youth Services and Sports	1999-2000 to 2003-04	09
15.	Animal Health and Fisheries	2003-04	04
16.	Social Welfare	2003-04	02
	TOTAL		573

Appendix 1.4

Department-wise details of cases of misappropriations/defalcations

(Reference: Paragraph 1.7.2, Page 17)

(Rupees in lakh)

Sl. No.	Department	Number of cases	Amount
1	Horticulture	8	41.25
2	Animal Husbandry and Veterinary Services	2	1.20
3	Commerce and Industries	6	19.69
4	Labour	7	13.92
5	Law and Parliamentary Affairs	9	3.49
6	Education	7	2.70
7	Finance	5	6.28
8	Forest, Environment and Ecology	11	265.74
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	25	212.32
14	Water Resources	72	256.13
15	Revenue	13	10.98
16	Rural Development and Panchayat Raj	9	0.37
17	Social Welfare	4	3.37
18	Women and Child Development	3	0.88
	Total	220	978.64

Appendix 1.5

EFC grants for up-gradation of standards of administration and tackling special problems

(Reference: Paragraph 1.9.2, Page 26)

(Rupees in crore)

Sl. No.	Sector	Grants				
		Recom-mended	Released	Utilised	Not released	Not utilised
(1)	(2)	(3)	(4)	(5)	(3-4)	(4-5)
1	District Administration	70.00	55.00	55.00	15.00	
2	Police Administration	30.00	24.27	24.27	5.73	
3	Prison Administration	3.00	3.00	3.00	0.00	
4	Fire Services	12.00	10.80	10.80	1.20	
5	Judicial Administration	27.02	24.32	13.82	2.70	10.50
6	Fiscal Administration	16.00	16.00	7.38	0.00	8.62
7	Health Services	21.00	15.75	15.75	5.25	
8	Elementary Education	19.00	14.25	7.77	4.75	6.48
9	Computer Training	11.61	8.71	8.71	2.90	
10	Public Libraries	6.40	6.39	6.39	0.01	
11	Heritage Protection	10.00	8.04	8.04	1.96	
12	Augmentation of Traditional Water Resources	30.50	24.95	12.10	5.55	12.85
13	Special Problem Grant - Lift Irrigation	55.00	45.00	45.00	10.00	
	Total	311.53	256.48	218.03	55.05	38.45

Appendix 2.1
Major heads of account in which huge unspent provision occurred
(Reference: Paragraph 2.3.1, Page 35)

(Rupees in crore)

(Rupees in crore)				
Sl. No.	Grant No.	Major Head	Areas in which major unspent provision occurred	Unspent Provision
1	1	2402	Soil Conservation - Centrally sponsored scheme - Soil conservation in the catchment of River Valley projects by Watershed Development Department	12.35
			Comprehensive Watershed Development Project	60.71
		4402	Capital outlay on soil and water conservation - RIDP assisted Water Shed Development	100.00
2	3	2040	Taxes on Sales, Trade etc - Eleventh Finance Commission Grants for upgradation of Commercial Taxes Administration	10.22
		2070	Other Administrative Services - Filling up of vacant Posts	228.29
		2071	Pensions and Other Retirement Benefits	
			-Gratuities	92.98
			-Family Pensions	41.91
			Commuted value of Pensions	74.42
		2075	Miscellaneous General Services - State Lotteries	1,018.51
3	7	2215	Water Supply and Sanitation -	
			-Assistance to Zilla Panchayat	38.32
			-Assistance to Gram Panchayat	21.73
		2216	Housing – Prime Minister Gramodaya Yojane	8.84
		2501	Special Programme for Rural Development	
2810	-Assistance to Zilla Panchayat	7.66		
	Non-Conventional Sources of Energy	10.73		
4	17	2202	General Education	
			-Government Secondary School-Junior Colleges	19.39
			-Secondary Education - Assistance to ZP	27.56
			-Assistance to Taluk Panchayat	48.65
			-Other Expenditure- Other Schemes	15.58
5	19	2217	Urban Development Bangalore Metropolitan Regional Development Authority	122.33
		3604	Compensation and Assignments to Local Bodies and Panchayati raj Institutions - Assistance to Municipalities/Municipal Councils	140.03
		6217	Loans for Urban Development - Loans for Bangalore Mass Rapid Transit System	62.77
6	20	2059	Public Works - Suspense	69.84
		3054	Roads and Bridges - Rural Road Works	148.36
		4059	Capital outlay on Public Works - Construction	46.52
7	22	2210	Hospital and Dispensaries - Attached to Teaching Institutions	29.24
			CSS Pradhana Mantri Gramodaya Yojana – Strengthening of PHCs/Sub-Centres	2.33
			Allopathy – Education including Education in pharmacy	18.59
8	24	2801	Power Assistance to Electricity Board	121.76
9	29	2049	Interest payment	
			-Interest on loan from MCDC	40.23
			-Interest on State Provident Fund	116.91
			-Interest on Employees Group Insurance Fund	12.70
Total				2,769.46

Appendix 2.2
Unspent provisions due to non-release of funds and non/short release of
letters of credit
(Reference: Paragraph 2.3.2, Page 35)

(Rupees in crore)

Sl. No.	Grant	Head of account	Unspent Provision
1.	2 - Animal Husbandry & Fisheries	2403-00-101-0-17 C.S.S of setting up of State Veterinary Council	0.28
	2 - Animal Husbandry & Fisheries	2403-00-107-0-05 C.S.S of Establishment of Fodder Bank	0.15
2.	8 -Forest, Ecology and Environment	2406-02-110-0-35 Rehabilitation of Villages of Bhadra Wild Life Sanctuary	1.94
3.	21- Water Resources	2701-80-005-1-80 National Hydrology Project – Other Expenses	0.28
4.	22 - Health and Family Welfare	2210-05-103-01-101 Grants-in-Aid	0.34
	Total		2.99

Appendix 2.3

Persistent unspent provision in excess of Rs.0.20 crore and 10 per cent or more of the provision

(Reference: Paragraph 2.3.3, Page 35)

(Rupees in crore)

Sl.No.	Grant No.	Major Head	Year		
			2002-03	2003-04	2004-05
1.	3 – Finance (Revenue-Voted)	2020-104-01 Collection Establishment	0.47	0.27	0.41
		2020-105-01 Collection Establishment	0.42	0.56	0.58
		2040-800-80 Technical Assistance for VAT	6.36	1.01	1.00
		2071-01-102-3 Other payments	123.94	161.52	74.42
		2071-01-104-2 Gratuities	97.20	158.52	92.98
		2071-01-105-3 Other Family Pensions-Karnataka	36.88	69.14	41.91
		2075-103-1 Director of State Lotteries	327.13	701.35	1,018.52
	(Capital-Voted)	7610-202-01 MCA to Government Servants including AIS Officers	3.13	4.12	3.45
		7610-202-02 MCA to MLAs	1.32	0.60	0.81
		7610-202-03 MCA to MLCs	0.44	0.22	0.61
2.	5 – Home and Transport (Revenue-Voted)	2055-115 Modernisation of Police Force	45.21	20.44	33.22
3.	8 – Forest, Ecology and Environment (Revenue-Voted)	2406-01-102-2 Other Schemes	39.82	29.17	17.28
		2406-04-196-1 Zilla Panchayats	0.62	0.62	0.62
4.	18 – Commerce & Industries (Revenue-Voted)	2851-102-29- Lumpsum Provision to SCP	7.49	5.68	2.22
		2851-102-48 – Training for Entrepreneurs under Prime Minister's Rozgar Yojana	0.91	0.52	1.01
		2851-102-52 TSP Boards, Corporations and Apex Institutions	1.86	1.47	0.58
		2851-103-44 SCP to Handloom Textiles	1.21	0.70	5.44
		2851-103-60 Deendayal Hatkarga Yojane Co-operative	1.80	1.30	0.41

Appendix 2.4
Cases where unspent provisions were not surrendered
(Reference: Paragraph 2.3.4, Page 36)

(Rupees in crore)

Sl. No.	Grant No.	Name of the Grant /Section	Amount of unspent provision	Amount surrendered on 31 March 2005	Amount not surrendered	Percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	1	<i>Agriculture and Horticulture</i>				
		Revenue Voted	109.21	9.03	100.18	91.73
		Revenue Charged	0.21	0.18	0.03	14.29
		Capital Voted	100.19	-	100.19	100.00
2	2	<i>Animal Husbandry & Fisheries</i>				
		Revenue Voted	8.33	0.70	7.63	91.60
		Revenue Charged	0.07	0.05	0.02	28.57
3	3	<i>Finance</i>				
		Revenue Voted	1340.91	837.82	503.09	37.52
		Revenue Charged	4.94	-	4.94	100.00
		Capital Voted	9.07	6.68	2.39	26.35
4	4	<i>Department of Personnel and Administrative Reforms</i>				
		Revenue Voted	33.67	15.63	18.04	53.58
		Revenue Charged	21.93	20.93	1.00	4.56
5	5	<i>Home and Transport</i>				
		Revenue Voted	51.82	19.39	32.43	62.58
		Capital Voted	1.21	0.09	1.12	92.56
6	6	<i>Infrastructure Development</i>				
		Capital Voted	40.48	-	40.48	100.00
7	7	<i>Rural Development and Panchayat Raj</i>				
		Revenue Voted	111.57	-	111.57	100.00
		Capital Voted	86.55	-	86.55	100.00
8	8	<i>Forest, Ecology and Environment</i>				
		Revenue Voted	74.63	8.61	66.02	88.46
		Capital Voted	5.19	0.62	4.57	88.05
9	9	<i>Co-operation</i>				
		Capital Voted	2.92	0.37	2.55	87.33
10	10	<i>Social Welfare</i>				
		Revenue Voted	66.93	-	66.93	100.00
		Capital Voted	32.05	-	32.05	100.00
11	11	<i>Women and Child Development</i>				
		Revenue Voted	55.13	2.01	53.12	96.35
		Capital Voted	1.41	-	1.41	100.00
12	12	<i>Information, Tourism and Youth Services</i>				
		Revenue Voted	2.17	0.38	1.79	82.49
		Capital Voted	0.19	-	0.19	100.00
13	14	<i>Revenue</i>				
		Revenue Voted	14.06	2.77	11.29	80.30
		Revenue Charged	0.42	-	0.42	100.00
		Capital Voted	0.28	0.07	0.21	75.00
14	15	<i>Information Technology</i>				
		Revenue Voted	3.01	-	3.01	100.00
		Capital Voted	2.16	-	2.16	100.00

(1)	(2)	(3)	(4)	(5)	(6)	(7)
15	16	<i>Housing</i>				
		Revenue Voted	4.06	-	4.06	100.00
		Capital Voted	13.53	-	13.53	100.00
16	17	<i>Education</i>				
		Revenue Voted	254.82	-	254.82	100.00
17	18	<i>Commerce and Industries</i>				
		Capital Voted	51.05	-	51.05	100.00
18	19	<i>Urban Development</i>				
		Revenue Voted	124.67	-	124.67	100.00
		Capital Voted	100.04	-	100.04	100.00
19	20	<i>Public Works</i>				
		Revenue Voted	327.03	65.60	261.43	79.94
		Capital Voted	109.55	49.12	60.43	55.16
		Capital Charged	0.15	-	0.15	100.00
20	21	<i>Water Resources</i>				
		Revenue Voted	9.57	2.84	6.73	70.32
		Capital Voted	45.90	33.89	12.01	26.17
21	22	<i>Health and Family Welfare</i>				
		Revenue Voted	106.51	93.84	12.67	11.90
		Capital Voted	35.06	33.32	1.74	4.96
22	23	<i>Labour</i>				
		Revenue Voted	9.72	3.89	5.83	59.98
23	24	<i>Energy</i>				
		Revenue Voted	123.34	-	123.34	100.00
		Revenue Charged	1.25	-	1.25	100.00
		Capital Voted	5.83	-	5.83	100.00
24	25	<i>Kannada and Culture</i>				
		Revenue Voted	8.20	7.39	0.81	9.88
25	26	<i>Planning, Statistics, Science and Technology</i>				
		Revenue Voted	20.95	2.24	18.71	89.31
26	27	<i>Law</i>				
		Revenue Charged	24.72	7.48	17.24	69.74
27	28	<i>Parliamentary Affairs and Legislation</i>				
		Revenue Voted	4.31	2.48	1.83	42.46
		Revenue Charged	0.78	0.76	0.02	2.56
28	29	<i>Debt Servicing</i>				
		Revenue Charged	171.45	-	171.45	100.00
		Total	3,733.20	1,228.18	2,505.02	

Appendix 2.5

Excesses requiring regularisation (Reference: Paragraph 2.4.1, Page 36)

(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
1999-2000	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	2,817.86	Excess on account of reconciliation of expenditure
Total			5,014.59	5,012.54	

Appendix 2.6
Persistent excesses
(Reference: Paragraph 2.4.3, Page 37)

(Rupees in crore)

Sl. No.	Grant & Head of Account	2002-03			2003-04			2004-05		
		Total Grant	Expenditure	Excesses	Total Grant	Expenditure	Excesses	Total Grant	Expenditure	Excesses
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	3 - Finance 2071-01-115-2-Social Services	18.46	22.18	3.72	30.18	32.06	1.88	32.23	42.39	10.16
2	8- Forest, Ecology and Environment 2406-01-797-02-Transfer of Receipts from Compensatory plantations to Karnataka Forest Development Fund	5.00	8.99	3.99	5.00	95.65	90.65	8.00	53.19	45.19
3	14-Revenue 2235-02-101-20- Monthly Financial Assistance for the Physically handicapped and disabled poor	36.00	44.05	8.05	43.92	55.63	11.71	44.80	55.67	10.87
	2235-60-102-2-Pension of Destitute widows	59.67	71.78	12.11	62.42	77.07	14.65	63.67	78.32	14.65
4	20-Public Works 5054-80-001-01-Pro-rata Establishment Charges transferred from 2059-Public Works	2.00	20.36	18.36	2.00	15.08	13.08	2.00	13.24	11.24

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
5	21-Water Resources									
	2702-01-101-0-02-Maintenance and Repairs	13.75	16.94	3.19	12.48	19.04	6.56	14.75	24.73	9.98
	2702-80-052-1-Chief Engineer Minor irrigation, Bangalore	1.67	2.00	0.33	1.67	2.10	0.43	1.67	2.02	0.35
	2702-80-800-0-01-Survey Works, Minor Irrigation, Bangalore	0.14	2.17	2.03	0.04	2.04	2.00	0.05	0.53	0.48
	4701-01-315-4-Other Expenditure	1.10	4.75	3.65	-	2.37	2.37	0.21	2.22	2.01
	4701-01-317-1-Direction and Administration	1.05	7.52	6.47	1.05	8.27	7.22	1.03	8.22	7.19
	4701-01-317-4-Other Expenditure	-	9.51	9.51	3.93	4.30	0.37	-	1.25	1.25
	4711-01-103-1-Other Flood Control Works	1.75	3.11	1.36	1.25	2.70	1.45	2.20	3.29	1.09

Appendix 2.7

Cases where supplementary provisions proved unnecessary

(Reference: Paragraph 2.5.1, Page 37)

(Rupees in crore)

Sl. No.	Grant No. & Section	No. of Detailed Heads	Amount of Grant/Appropriation			
			Original	Supplementary	Expenditure	Unspent Provision
1	1 (Revenue-Voted)	4	4.78	5.65	4.43	6.00
2	3 (Revenue –Voted)	2	0.20	4.94	-	5.14
3	5 (Revenue –Voted)	4	1.79	3.01	1.53	3.27
4	7 (Revenue –Voted)	6	4.00	110.47	1.37	113.10
5	9 (Revenue –Voted)	1	10.00	2.68	2.68	10.00
	9 (Capital –Voted)	1	1.64	1.62	--	3.26
6	10 (Capital –Voted)	2	--	15.00	--	15.00
7	12 (Revenue –Voted)	1	3.50	0.10	2.36	1.24
	12 (Capital –Voted)	1	0.71	0.06	0.66	0.11
8	15 (Revenue –Voted)	1	0.60	0.27	0.60	0.27
9	17 (Revenue – Voted)	5	20.43	8.40	17.21	11.62
10	18 (Revenue –Voted)	2	--	10.17	--	10.17
11	20 (Capital –Voted)	2	108.38	22.51	78.93	51.96
12	21 (Capital –Voted)	2	21.65	20.00	17.77	23.88
13	25 (Capital-Voted)	1	0.23	0.50	0.21	0.52
Total		35	177.91	205.38	127.75	255.54

Appendix 2.8

Cases where supplementary provisions proved insufficient

(Reference: Paragraph 2.5.1, Page 37)

(Rupees in crore)

Sl. No.	Grant No. & Section	No. of Detailed Heads involved	Amount of Grant/Appropriation			
			Original	Supplementary	Expenditure	Excess uncovered
1	3 (Revenue – Voted)	1	1.04	0.40	2.20	0.76
2	6 (Revenue – Voted)	1	2.74	2.85	11.07	5.48
3	10 (Capital – Voted)	1	-	1.00	2.21	1.21
4	17 (Revenue – Voted)	4	230.72	16.37	283.52	36.43
	17 (Capital – Voted)	1	0.50	0.15	2.11	1.46
5	20 (Revenue – Voted)	2	8.93	6.37	19.35	4.05
6	22 (Revenue – Voted)	3	21.63	7.07	34.88	6.18
	22 (Capital – Voted)	1	1.00	0.84	2.11	0.27
7	26 (Revenue – Voted)	1	0.55	0.04	0.83	0.24
Total		15	267.11	35.09	358.28	56.08

Appendix 2.9

Cases where supplementary provisions proved excessive

(Reference: Paragraph 2.5.1, Page 37)

(Rupees in crore)

Sl. No.	Grant No. & Section	No. of Detailed Heads involved	Amount of Grant/Appropriation			
			Original	Supplementary	Expenditure	Unspent Provision
1	3 (Revenue-Voted)	2	1.36	2.75	2.29	1.82
	3 (Capital-Voted)	2	0.85	6.25	5.68	1.42
2	7 (Revenue-Voted)	3	58.88	54.67	110.83	2.72
3	8 (Revenue-Voted)	1	5.00	1.06	5.33	0.73
4	10 (Revenue-Voted)	1	37.01	19.87	56.13	0.75
5	11 (Revenue-Voted)	2	18.37	18.74	26.50	10.61
6	17 (Revenue-Voted)	6	421.91	74.72	476.69	19.94
7	18 (Revenue-Voted)	4	2.84	7.62	5.39	5.07
8	20 (Revenue-Voted)	2	85.70	13.05	90.20	8.55
	20 (Capital-Voted)	3	67.89	132.30	190.09	10.10
9	21 (Capital-Voted)	1	1.00	18.47	3.98	15.49
10	22 (Revenue-Voted)	5	71.88	38.74	92.43	18.19
11	23 (Revenue-Voted)	1	0.08	17.03	10.02	7.09
12	25 (Revenue-Voted)	2	0.21	0.55	0.38	0.38
13	29 (Capital – Charged)	1	1,000.00	493.56	1,462.79	30.77
	Total	36	1,772.98	899.38	2,538.73	133.63

Appendix 2.10

Injudicious re-appropriation of funds

(Reference: Paragraph 2.5.2, Page 37)

(Rupees in crore)

Sl. No.	Head of Account	Provision (Original plus Supplementary)	Re-appropriation	Final Grant	Actual Expenditure	Excess (+)/ Savings (-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	2040 Taxes on Sales, Trade, etc. 001 Direction and Administration 01 Commissioner for Commercial Taxes 195 Transport Expenses	0.88	(+) 0.65	1.53	3.49	(+) 1.96
2	2040 Taxes on Sales, Trade, etc. 101 Collection charges 071 Building Expenses	4.18	(+) 2.92	7.10	8.33	(+) 1.23
3	3054 Roads and Bridges 01 National Highways 001 Direction and Administration 1 Direction 01 Chief Engineer - Salaries	1.62	(+) 0.07	1.69	2.81	(+) 1.12
4	2055 Police 101 Criminal Investigation and Vigilance 03 State intelligence 041 Travel Expenses	0.43	(+) 0.09	0.52	1.18	(+) 0.66
5	2071 Pension and other Retirement Benefits 01 Civil 104 Gratuities 2 Other Gratuities- Karnataka 06 Interest on belated payment of DCRG 240 Debt servicing expenses	0.06	(+) 0.30	0.36	0.65	(+) 0.29
	TOTAL	7.17	(+) 4.03	11.20	16.46	(+) 5.26
6	5465 Investment in General Financial and Trading Institution 01 Investment in General Financial Institution 190 Investment in Public Sector and other undertakings 2 Investments in Bangalore International Airport Limited (BIAL) through KSIIDC	70.00	(-) 10.00	60.00	0.05	(-) 59.95
7	2049 Interest Payments 01 Interest on internal debt 200 Interest on other internal debts 2 Interest on loans from NCDC 03 Interest on direct loans from NCDC 240 Debt servicing	71.15	(-) 1.13	70.02	29.78	(-) 40.24

(1)	(2)	(3)	(4)	(5)	(6)	(7)
8	2851 Village and Small Industries 107 Sericulture Industries 1 State Sericulture Industries 01 Sericulture and other Offices - Salaries	47.03	(-) 1.00	46.03	36.46	(-) 9.57
9	2055 Police 109 District Police 1 Police Force 01 Police establishment in existing district - Salaries	372.52	(-) 1.67	370.85	362.78	(-) 8.07
10	2040 Taxes on Sales, Trade, etc. 001 Direction and Administration 01 Commissioner for Commercial Taxes 125 Modernisation	20.00	(-) 7.40	12.60	5.11	(-) 7.49
11	2217 Urban Development 05 Other Urban Development Schemes 800 Other Expenditure 02 Urban Reforms Incentive Fund 059 Other Expenses	31.40	(-) 24.96	6.44	-	(-) 6.44
12	2071 Pension and Other Retirement Benefits 01 Civil 101 Superannuation and Retirement Allowances 3 State Government Pension 01 Pensions paid in India 251 Pension and Other Retirement Benefits	1,380.62	(-) 0.30	1,380.32	1,375.20	(-) 5.12
13	2402 Soil and Water Conservation 102 Soil Conservation 25 CSS-Soil Conservation in the catchment of river valley project by Watershed Development Department - Salaries	5.51	(-) 0.70	4.81	3.42	(-) 1.39
	TOTAL	1,998.23	(-) 47.16	1,951.07	1,812.80	(-) 138.27
14	2401 Crop Husbandry 800 Other Expenditure 1 Agriculture Department 32 Development of Agriculture under New Macro Management Mode 139 Major works	23.57	(+) 4.00	27.57	22.23	(-) 5.34
15	2215 Water supply and sanitation 01 Water supply 191 Assistance to Local Bodies, Corporations, etc. 1 Karnataka Urban Water Supply and Drainage Board 03 Grants for Urban Water Supply Schemes. 422 Special Component Plan	4.38	(+) 0.85	5.23	0.85	(-) 4.38

(1)	(2)	(3)	(4)	(5)	(6)	(7)
16	2851 Village and Small Industries					
	107 Sericulture Industries					
	1 State Sericulture Industries					
	01 Sericulture and Other Offices					
	101 Grants-in-Aid	3.25	(+) 1.00	4.25	2.23	(-) 2.02
17	2501 Special Programmes for Rural Development					
	01 Integrated Rural Development Programmes					
	196 Assistance to Zilla Panchayats					
	1 Zilla Panchayats					
	07 Swarna Jayanthi Grama Swarojgar Yojana					
	409 Dakshina Kannada	0.87	(+) 2.59	3.46	1.62	(-) 1.84
18	3054 Roads and Bridges					
	01 National Highways					
	337 Road Works					
	1 Roads and Bridges					
	01 Executive/SLAO and Ordinary repairs					
	- Salaries	9.75	(+) 0.15	9.90	8.48	(-) 1.42
19	2406 Forestry and Wild Life					
	02 Environmental Forestry and Wild Life					
	110 Wild Life Preservation					
	02 Central Sector Scheme of Project Tiger, Bandipur					
	139 Major works	6.06	(+) 0.65	6.71	5.33	(-) 1.38
20	2215 Water supply and sanitation					
	01 Water supply					
	191 Assistance to Local Bodies, Corporations, etc.					
	1 Karnataka Urban Water Supply and Drainage Board					
	03 Grants for Urban Water Supply Schemes.					
	423 Tribal Sub-Plan	0.73	(+) 0.18	0.91	0.18	(-) 0.73
21	2401 Crop Husbandry					
	800 Other Expenditure					
	2 Horticulture Department					
	23 Development of Horticulture under New Macro Management Mode					
	139 Major Works	15.55	(+) 0.06	15.61	15.36	(-) 0.25
	TOTAL	64.16	(+) 9.48	73.64	56.28	(-) 17.36

Appendix 2.11

Statement showing the errors in budgeting

(Reference: Paragraph 2.5.4, Page 38)

(Rupees in crore)

Sl. No.	Grant under which provision was made	Supplementary Provision	Grant under which provision was to be made
1	18- Commerce and Industries	25.00	Grant No.3 - Finance
2	22- Health and Family Welfare	3.00	Grant No.23 - Labour
Total		28.00	

Appendix 2.12
Cases of defective re-appropriation orders
(Reference: Paragraph 2.6, Page 38)

(Rupees in crore)

Sl. No.	No. and Nomenclature of the Grant	Re-appropriation Order No. & Date	Total amount included in the Re-appropriation Order	Authority issuing the re-appropriation orders	Reason for rejection
1.	1-Agriculture and Horticulture	FD 154 CRA BRS 05 Bangalore 2.3.05	8.88	Under Secretary to Government, Finance Department (FR&BCC)	The amount does not tally with the original budget estimates.
2.	4-Department of Personnel and Administrative Reforms	GO DPAR 47 Bangalore dt.9.12.04	0.06	Under Secretary to Government, DPAR	Powers of re-appropriation by the Secretariat of Administrative Department have been kept in abeyance
3.	do	No.RCK/KB/RC/APP/ 2004-05 Dated 1.3.05	0.07	Resident Commissioner Karnataka Bhavan, New Delhi	To be issued from Finance Department.
4.	do	No.RCK/KB/RC/APP/ 2004-05/20 Dated 1.3.05	0.24	do	do
5.	6-Infrastructure Development	NO.FD 45 BRS 05 dt.28.01.05	20.00	Under Secretary to Government, Finance Department	Specific reasons not furnished and New Service
6.	do	No.FD 271(B)/BRS 2005 dt.26.3.05	10.00	Do	Do
7.	8-Forest, Ecology and Environment	FD 297 BRS 2005 DT.31.3.2005	0.49	Under Secretary to Government, Finance Department (FR&BCC)	Re-appropriation between Plan and Non-plan.
8.	10-Social Welfare	No.SKE 26 2005 dt.14.3.05	0.50	Under Secretary to Government, Social Welfare Department .	Powers of Administrative Departments to Government for re-appropriation kept in abeyance.
9.	14-Revenue	FD 6 BRS 2004 DT.18.10.04	20.00	Under Secretary to Government, Finance Department (FR&BCC)	Re-appropriation statement does not tally internally and some items of re-appropriation orders issued by the Admin dept (Revenue Department) included.
10.	14-Revenue	FD 7 BRS 2004 DT.18.10.04	1.80	Under Secretary to Government, Finance Department (FR&BCC)	do
11.	16-Housing	FD 143 BRS 25.2.05	4.00	Under Secretary to Government, Finance Department (FR&BCC)	Object head below detailed head have not been shown
12.	17-Education	FD 250 BRS 2005 Bangalore dt.21.3.05	4.30	Under Secretary to Government, Finance Department (FR&BCC)	Re-appropriation to provide funds under a new head of account and sanction for re-appropriation not communicated and provision does not tally with the original Budget estimate

13.	17-Education	FD 53 BRS 2005 Bangalore dt.28.2.05	0.38	Under Secretary to Government, Finance Department (FR&BCC)	Not indicating specific reason. Amount in the sanctioned budget does not tally with the statement given
14.	17-Education	FD 270 BRS 2005 Bangalore dt.28.3.05	0.44	Under Secretary to Government, Finance Department (FR&BCC)	Amount of provision does not tally with original budget estimate
15.	20-Public Works	FD 145 BRS 2004 DT.28.2.05	0.01	Under Secretary to Government, Finance Department (FR&BCC)	Provision mentioned in the Annexure does not tally with the Budget Estimates.
16.	20-Public Works	FD 39 PW 11 2005 DT.31.3.05	0.32	Secretary to Government of Karnataka	The order is not self- balanced.
17.	21-Water Resources (Revenue)	PWD 5(A) FC 1/2005 DT.31.3.05	0.0022	Under Secretary to Government, PWD Finance Cell	Already re-appropriated vide No.FD 132 BRS 2005 dt.24.2.05
18.	21-Water Resources (Capital)	PWD 3(B) FC 3/2005 DT.31.3.05	0.01	Under Secretary to Government, PWD Finance Cell	Already included in order NO.FD 146(A) BRS 2005 dt.28.2.05
19.	21-Water Resources	PWD 146(b) BRS/2005 DT.31.3.05	0.05	Under Secretary to Government, Finance Department (FR&BCC)	Already included in order No.Para 3(c)FC 3 2005 dt.28.2.05
20.	22-Health and Family Welfare	NO.5 74 PTD 2004 Bangalore dt.27.10.04	0.0061	Under secretary to Government, Health and Family and Welfare	Powers of re-appropriation of the Administrative Departments have been kept in abeyance
21.	23-Labour	KE 316 LNI 2004 DT.10.11.2004	0.15	Secretary to Government of Karnataka Labour Department	Re-appropriation order rejected as per para 3 below item 6 of G.O.No.FD 02 TFC 2004 dt.9.9.04
22.	26-Planning, Statistics, Science and Technology	FD 10 BRS 2004 Bangalore dt.28.10.04	0.02	Under Secretary to Government, Finance Department (FR&BCC)	The original provision mentioned in the annexure does not tally with the budget estimates.
23.	29-Debt Servicing	FD 315 BRS 2005 DT.31.3.05	52.92	Under Secretary to Government, Finance Department (FR&BCC)	1) Belated receipt of the GO in this office after the finalisation of Appropriation Accounts 2) Insufficient balance for re-appropriation
Total			124.65		

Appendix 2.13

Statement showing flow of expenditure during the four quarters of 2004-05 (Reference: Paragraph 2.7, Page 38)

(Rupees in crore)

Sl. No.	Head of Account	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total	March 2005	Percentage of expenditure in March 05 to total expenditure of 2004-05
1	2030	3.73	8.93	11.32	16.87	40.85	10.59	25.9
2	2051	1.25	1.16	1.34	2.42	6.17	1.25	20.3
3	2245	59.52	30.13	41.60	108.95	240.20	70.06	29.2
4	2404	-	0.22	0.08	1.36	1.66	1.21	73.3
5	2505	5.96	63.47	11.84	25.54	106.81	23.28	21.8
6	2506	0.21	0.32	0.63	1.74	2.90	1.32	45.5
7	2575	0.02	11.28	-	18.80	30.10	15.05	50
8	2705	0.74	5.65	5.28	7.82	19.50	6.30	32.3
9	2711	0.04	0.04	0.03	0.37	0.48	0.29	60.4
10	2810	0.07	0.18	0.44	3.74	4.43	2.60	58.7
11	4211	-	-	-	0.33	0.33	0.30	90.9
12	4217	-	10.00	10.00	19.35	39.35	9.35	23.8
13	4225	-	11.02	7.72	36.54	55.29	18.46	33.4
14	4401	-	-	0.05	0.05	0.10	0.05	50.0
15	4403	-	-	0.04	0.10	0.14	0.10	71.4
16	4515	-	-	0.05	0.88	0.93	0.49	52.7
17	4852	-	-	-	6.20	6.20	5.39	86.9
18	4860	-	-	-	0.08	0.08	0.08	100.0

Appendix 2.14

Cases of new service/new instrument of service

(Reference: Paragraph 2.8, Page 39)

(Rupees in crore)

Sl. No.	Grant	Head of Account	Budget Provision	Expenditure	Excess
(1)	(2)	(3)	(4)	(5)	(6)
1	3- Finance	2040 – Taxes on Sales, Trade, etc. 001- Direction and Administration 01 – Commissioner for commercial Taxes – Transport Expenses	0.88	3.49	2.61
2		2071- Pensions and Other Retirement Benefits 01 –Civil 103 – Compassionate Allowances 3 – Compassionate Allowances – Karnataka 251 – Pension and Retirement Benefits	0.01	12.34	12.33
3		2071 – Pensions and other Retirement Benefits 01 – Civil 104 – Gratuities 2 – Other Gratuities – Karnataka 04 – DCRG under the Triple Benefit Scheme 251- Pension and Retirement Benefits	0.02	6.99	6.97
4		2071- Pensions and Other Retirement Benefits 01 –Civil 107 – Contributions to Pensions & Gratuities 104 – Contributions	0.03	106.58	106.55
5		2071- Pensions and Other Retirement Benefits 01 –Civil 115 – Leave Encashment Benefits 1 – General Services 29 – Land Revenue 251 – Pension & Retirement Benefits	0.80	2.98	2.18
6		2071- Pensions and Other Retirement Benefits 01 –Civil 115 – Leave Encashment Benefits 1 – General Services 40 – Sales Tax 251 – Pension and Retirement Benefits	0.53	1.64	1.11
7		2071- Pensions and Other Retirement Benefits 01 –Civil 115 – Leave Encashment Benefits 1 – General Services 52 – Secretariat General Services 251- Pension and Retirement Benefits	0.33	1.39	1.06

(1)	(2)	(3)	(4)	(5)	(6)
8		2071- Pensions and Other Retirement Benefits 01 –Civil 115 – Leave Encashment Benefits 1 – General Services 70 – Other Administrative Services 251 – Pensions and Other Retirement Benefits	0.07	2.20	2.13
9		2071- Pensions and Other Retirement Benefits 01 –Civil 115 – Leave Encashment Benefits 2 – Social Services 25 – Welfare of SC, ST and OBCs 251 – Pensions and Other Retirement Benefits	0.17	1.46	1.29
10		2071- Pensions and Other Retirement Benefits 01 –Civil 115 – Leave Encashment Benefits 3 – Economic Services 21 – Village and Small Scale Industries 251 – Pensions and Other Retirement Benefits	0.40	2.22	1.82
11		2071- Pensions and Other Retirement Benefits 01 –Civil 115 – Leave Encashment Benefits 4 – Capital Heads 01 – Major and Medium Irrigation 251 – Pensions and Other Retirement Benefits	0.20	1.83	1.63
12		2071- Pensions and Other Retirement Benefits 01 –Civil 800 – Other Expenditure 001 – Cost of Remittance of Pension by Money Orders 059 – Other Expenses	0.01	17.02	17.01
13	4 – Department of Personnel and Administrative Reforms	2235 – Social Security and Welfare 60 – Other Social Security and Welfare Programmes 107 – Swatantrata Sainik Samman Pension Scheme 01 – Pensions – other expenses	0.06	6.96	6.90
14	6 – Infrastructure Development	5465 – Investments in General Financial and Trading Institutions 01 – Investments in General Financial Institutions 190 – Investments in Public Sector and Other undertakings, Banks, etc. 3 – Investments in Rail Infrastructure Development Corporation (Karnataka) Ltd. (K-RIDE)	10.00	50.00	40.00
15	7 – Rural Development and Panchayat Raj	2215 – Water Supply and Sanitation 102 – Rural Water Supply 1 - ARWSP - DDP	-	3.83	3.83

(1)	(2)	(3)	(4)	(5)	(6)
16		2215 – Water Supply and Sanitation 01 – Water Supply 196 – Assistance to Zilla Panchayats 2- Zilla Panchayats 01-Block Grants-Lumpsum ZP, Chamarajnagar	1.23	7.21	5.98
17		2215 – Water Supply and Sanitation 01 - Water Supply 196 – Assistance to Zilla Panchayats 2- Zilla Panchayats 01-Block Grants-Lumpsum ZP, Mandya	2.16	6.66	4.50
18		2215 – Water Supply and Sanitation 01 - Water Supply 196 – Assistance to Zilla Panchayats 2- Zilla Panchayats 01-Block Grants-Lumpsum ZP, Kolar	1.84	6.12	4.28
19		2215 – Water Supply and Sanitation 01 - Water Supply 196 – Assistance to Zilla Panchayats 2- Zilla Panchayats 01-Block Grants-Lumpsum ZP, Bidar	1.57	5.41	3.84
20		2215 – Water Supply and Sanitation 01 - Water Supply 196 – Assistance to Zilla Panchayats 2- Zilla Panchayats 01-Block Grants-Lumpsum ZP, Davanagere	1.62	4.73	3.11
21		2215 – Water Supply and Sanitation 01 - Water Supply 196 – Assistance to Zilla Panchayats 2- Zilla Panchayats 01-Block Grants-Lumpsum ZP, Chitradurga	1.00	2.93	1.93
22		2215 – Water Supply and Sanitation 01 - Water Supply 196 – Assistance to Zilla Panchayats 2- Zilla Panchayats 01-Block Grants-Lumpsum ZP, Gadag	0.57	1.98	1.41
23		2501 – Special Programme for Rural Development 02 – Drought Prone areas Development Programme 196 – Assistance to Zilla Panchayats 1 – Zilla Panchayats 03 - Desert Land Development Programme, Bagalkot	0.40	2.36	1.96
24		2501 – Special Programme for Rural Development 02 – Drought Prone areas Development Programme 196 – Assistance to Zilla Panchayats 1 – Zilla Panchayats 03 - Desert Land Development Programme, Bijapur	0.42	1.54	1.12

(1)	(2)	(3)	(4)	(5)	(6)
25		2501 – Special Programme for Rural Development 02 – Drought Prone areas Development Programme 196 – Assistance to Zilla Panchayats 1 – Zilla Panchayats 03 – Desert Land Development Programme, Raichur	0.20	1.30	1.10
26	8 – Forest, Ecology and Environment	2406 – Forestry and Wild life 02 – Environmental Forestry and Wild life 110 – Wild life preservation 40 – India Eco-Development Project	-	1.16	1.16
27	14 – Revenue	2030 – Stamps and Registration 03 – Registration 001 – Direction and Administration 2 – Up-gradation of Standards of Administration	1.90	7.26	5.36
28	17 – Education	2202 – General Education 02 – Secondary Education 101 – Inspection - Salaries	0.15	1.98	1.83
29		2202 – General Education 02 – Secondary Education 106 – Text Books 09 – Text Books – Directorate, Press and Depots 015 – Subsidiary expenses	0.01	1.14	1.13
30		2202 – General Education 02 – Secondary Education 109 – Government Secondary Schools 13 – Junior Colleges 051 – General Expenses	0.17	1.53	1.36
31		2202 – General Education 02 – Secondary Education 800 – Other Expenditure 4 – Vocationalisation of Secondary Education	0.07	1.87	1.80
32		2202 – General Education 02 – Secondary Education 800 – Other Expenditure 4 – Vocationalisation of Secondary Education 051 – General Expenses	0.02	3.00	2.98
33		2202 – General Education 80 – General 800 – Other Expenditure 19 – District Institute for Education and Training and college for Teachers Education and Training 015 – Subsidiary Expenses	-	1.54	1.54
34		2203 – Technical Education 800 – Other Expenditure 80 – Technical Education Quality Improvement Project (WB) 500 – Lumpsum	-	4.84	4.84

(1)	(2)	(3)	(4)	(5)	(6)
35	19 – Urban Development	2215 – Water supply and Sanitation 01 – Water supply 191 – Assistance to Local Bodies, Corporation, etc 3 – Bangalore Water supply & sewerage Board 80 – Cauvery Water supply scheme 051 – GE- Grant to BWSSB Project IDP 109	-	4.82	4.82
36		2215 – Water supply and Sanitation 01 – Water supply 191 – Assistance to Local Bodies, Municipalities, etc 3 – Bangalore Water supply & sewerage Board 82 – Improvement of water supply and sewerage – PRGL 4009 Grants 51 – General Expenses	-	1.28	1.28
37		2217 – Urban Development 05 – Other Urban Development Schemes 800 – Other Expenditure 80- General 051 – FRGL 4501E Digital – mapping information system for BDA	-	5.15	5.15
38		6215 – Loans for Water supply and Sanitation 01 – Water Supply 190 –Loans to Public sector and other undertakings 2 – Bangalore water supply and sewerage Board. 81 – Augmentation of water supply and sewerage system in Bangalore with French Assistance- 395 - Loans to PSUs and Local Bodies	-	2.98	2.98
39		6217 – Loans for Urban Development 60 – Other Urban Development Schemes 191 – Loans to Local Bodies and Corporations etc. 2 - Bangalore Metropolitan Regional Development Authority 81 – RGL 450 2 E Digital Mapping Information System for BDA – Loans 051 – General Expenses	-	12.02	12.02
40		6217 – Loans for Urban Development 60 – Other Urban Development Schemes 191 – Loans to Local Bodies and Corporations etc. 3 – Karnataka Urban Infrastructure Development and Finance Corporation 80 - Karnataka Urban Development and Coastal Environment Management. 395 – KUIDF Corporation KUD and Coastal Environment Management- Loans to PSUs and Local bodies	-	1.04	1.04

(1)	(2)	(3)	(4)	(5)	(6)
41	20 – Public Works	3054 – Roads and Bridges 03 - State Highways 337 – Road works 0-01 –Ordinary repairs of roads 059 - other Expenses	0.08	69.64	69.56
42		4059 – Capital Outlay on Public Works 80 – General 001 – Direction and Administration 01 - State Sector Schemes - Percentage of establishment charges transferred from 2059-Public Works 386 - Constructions	0.17	2.40	2.23
43		5054 – Capital outlays on Roads and Bridges 03 – State Highways 101 – Bridges 0-01 –Construction of bridges and culverts and improvements of existing ones on State Highways 172 – Roads	0.35	5.99	5.64
44	21 – Water Resources	4701 – Capital outlay on Major and medium Irrigation 01 – Major Irrigation – Commercial 207 – Hemavathy Project 001 – Direction & Administration 01 – Project Establishment Salaries	-	1.44	1.44
45		4701 – Capital outlay on Major and medium Irrigation 01 – Major Irrigation – Commercial 315 – Bhadra Project 4 – Other Expenditure 03 – Canals and Branches 132 – Capital Expenses	-	2.06	2.06
46		4701 – Capital outlay on Major and medium Irrigation 01 – Major Irrigation – Commercial 317 – Tungabhadra Project – Left Bank 4 – Other Expenditure 12 – Roads – 172 Roads	-	1.25	1.25
47		4701 – Capital outlay on Major and medium Irrigation 03 – Medium Irrigation – Commercial 402 – Chulkinala Project 4 – Other expenditure 01 – Reservoir 122 – Capital Expenses	0.0008	3.61	3.6092
48		4702 – Capital outlay on minor irrigation 101 – Surface Water 1 – Water Tanks – Construction of New Tanks, Pickup, etc 04 – Construction of New Tanks – Bangalore Urban 139 – Major Works	1.00	9.87	8.87

(1)	(2)	(3)	(4)	(5)	(6)
49		4702 – Capital outlay on minor irrigation 101 – Surface Water 1 – Water Tanks – Construction of New Tanks, Pickup, etc 04 – Construction of New Tanks – Bangalore Urban 436 – NABARD Works	3.45	16.28	12.83
50		4702 – Capital outlay on minor irrigation 101 – Surface Water 1 – Water Tanks – Construction of New Tanks, Pickup, etc 06 – Restoration of old and Breached Tanks and Desilting of tanks 139 – Major Works	0.50	4.68	4.18
51		4702 – Capital outlay on minor irrigation 101 – Surface Water 1 – Water Tanks – Construction of New Tanks, Pickup, etc 07 – Modernisation of tanks by NABARD 139 – Major Works	0.50	5.26	4.76
52		4702 – Capital outlay on minor irrigation 800 – Other expenditure 3 – Lumpsum for Fresh works	0.0001	1.1114	1.1113
53	22 – Health and Family Welfare	2210 – Medical and Public Health 01 – Urban Health services – Allopathy 110- Hospital and Dispensaries 1 – Hospitals attached to teaching Institutions 18 – General Expenses	0.29	1.80	1.51
54		2210 – Medical and Public Health 05 – Medical Education Training and Research 105 – Allopathy 1 – Education including Education in Pharmacy 99 – Other Expenses	1.09	8.16	7.07
55		2210 – Medical and Public Health 05 – Medical Education Training and Research 200 – Other Systems 09 – Materials and Supplies	0.20	1.43	1.23
56		2211 – Family Welfare 196 – Assistance to Zilla Panchayats 1 – Zilla Panchayats 02 – District Family Welfare Bureau 15 – GIA for ZP	-	12.50	12.50
57		2211 – Family Welfare 196 – Assistance to Zilla Panchayats 1 – Zilla Panchayats 05 – Grants-in-aid for Zilla Panchayat	-	37.53	37.53
58		2211 – Family Welfare 196 – Assistance to Zilla Panchayats 1 – Zilla Panchayats 06 – Grants-in-aid for Zilla Panchayat	-	29.75	29.75

(1)	(2)	(3)	(4)	(5)	(6)
59		2211 – Family Welfare 196 – Assistance to Zilla Panchayats 1 – Zilla Panchayats 10 – Grants-in-aid for Zilla Panchayat	-	3.87	3.87
60		2211 – Family Welfare 196 – Assistance to Zilla Panchayats 1 – Zilla Panchayats 11 – Grants-in-aid for Zilla Panchayat	-	2.11	2.11
61		2211 – Family Welfare 196 – Assistance to Zilla Panchayats 1 – Zilla Panchayats 13 – Grants-in-aid for Zilla Panchayat	-	10.39	10.39
62		2211 – Family Welfare 196 – Assistance to Zilla Panchayats 1 – Zilla Panchayats 15 – Grants-in-aid for Zilla Panchayat	-	2.22	2.22
63		2211 – Family Welfare 200 – Other Services and Supplies 0 - 07 – Import of Double Puncture Laparoscope's	-	2.54	2.54
64		2210 - Medical and Public Health 06- Public Health 101- Prevention and Control of diseases 06 - Filaria 059 - Other Expenses	0.01	0.60	0.59
		Total	34.48	549.27	514.79

Appendix 2.15
Expenditure without budget provision
(Reference: Paragraph 2.9, Page 39)

(Rupees in crore)			
Sl. No.	Grant	Head of Account	Amount
1	2	3	4
1	2- Animal Husbandry and Fisheries	2405 – Fisheries 001 – Direction and Administration 02 – Divisional Establishments	0.31
2		2405 – Fisheries 001 – Direction and Administration 03 – Executive Establishment	0.04
3		2405 – Fisheries 103 – Marine Fisheries 05 – Malpe Fishery Harbour – Project Establishment	0.02
4	7 – Rural Development and Panchayat Raj	2215 – Water supply and Sanitation 01- Water Supply 052 – Machinery and Equipment 2 – Repairs and Carriages	0.04
5	17 – Education	2202 – General Education 02 – Secondary Education 800 – Other Expenditure 1 – Other Scheme 06 – Re-imbursement of Non-Government Fees to SC/ST students studying in Government High Schools- Tribal Sub-Plan Special Component Plan	0.06 0.06
6		2202 – General Education 02 – Secondary Education 106 – Text Books 01 – Directorate of Text Books	0.03
7		2202 – General Education 02 – Secondary Education 109 – Government Secondary Schools 02 – Government Higher Secondary Schools converted into Junior colleges (DSS)	0.10
8		2202 – General Education 02 – Secondary Education 110 – Assistance to Non-Government Secondary Schools 1 – Private Junior Colleges	0.14
9		2202 – General Education 02 – Secondary Education 110 – Assistance to Non-Government Secondary Schools 2 – Private Higher Secondary Schools converted into Junior Colleges	0.29
10		2202 – General Education 80 – General 800 – Other Expenditure 19 – District Institute for Education and Training and college for Teachers Education and Training 15 – Travel Expenses	0.26

1	2	3	4
11		2202 – General Education 80 –General 800 – Other Expenditure 19 – District Institute for Education and Training and college for Teachers Education and Training 051 – General Expenses	0.23
12		2202 – General Education 80 –General 800 – Other Expenditure 19 – District Institute for Education and Training and college for Teachers Education and Training 051 – Building Expenses	0.13
13		2202 – General Education 80 –General 800 – Other Expenditure 19 – District Institute for Education and Training and college for Teachers Education and Training 195 – Transport Expenses	0.18
14		2203 – Technical Education 105 – Polytechnics 01 – Polytechnics 059 – Other Expenses	0.16
15		2202 – General Education 02 – Secondary Education 001- Direction and Administration 04 – Director, State Educational Research and Training 051 – General Expenses	0.15
16		2202 – General Education 02 – Secondary Education 001- Direction and Administration 04 – Director, State Educational Research and Training 059 – Other Expenses	0.11
17	18 – Commerce and Industries	2852 – Industries 80 – General 001 – Direction and Administration 2 – Director, Government Silk Industries	0.04
18	19 – Urban Development	2217 – Urban Development 05 – Other Urban Development Schemes 191 – Assistance to local Bodies, Corporations, Urban Development Authorities, Town Improvement Boards, etc. 2 – Karnataka Urban Infrastructure Development and Finance Corporation 80 – Karnataka Urban Development Coastal Management 1704 IND	0.45
19	21 – Water Resources	2701 – Major and Medium Irrigation 01 – Major Irrigation – Commercial 201 – Krishnarajasagar Works 02 – Maintenance Establishment	0.85
20		2701 – Major and Medium Irrigation 01 – Major Irrigation – Commercial 201 – Krishnarajasagar Works 03 – Extension and Improvements	0.07
21		2701 – Major and Medium Irrigation 01 – Major Irrigation – Commercial 201 – Krishnarajasagar Works 04 - Maintenance and Repairs	0.12

1	2	3	4
22		2701 – Major and Medium Irrigation 01 – Major Irrigation – Commercial 204 – Nugu Project 02 – Maintenance Establishment	0.05
23		2701 – Major and Medium Irrigation 01 – Major Irrigation – Commercial 206 – Harangi Project 04 – Maintenance Establishment	0.04
24		2701 – Major and Medium Irrigation 03 – Medium Irrigation – Commercial 219 – Chikkahole Project 02 – Maintenance Establishment	0.05
25		2701 – Major and Medium Irrigation 80 - General 001 – Direction and Administration 01 – Chief Engineer, Irrigation (South), Mysore	0.18
26		2701 – Major and Medium Irrigation 80 - General 001 – Direction and Administration 06 – Chief Engineer, Hemavathy Project, Gorur	0.07
27		2701 – Major and Medium Irrigation 80 - General 001 – Direction and Administration 09 – Superintending Engineer- Irrigation (Construction Circle), Mysore	0.08
28		2701 – Major and Medium Irrigation 80 - General 001 – Direction and Administration 13 – Chief Engineer, Hemavathy Project Canal, Tumkur	0.07
29		2701 – Major and Medium Irrigation 80 - General 005 – Survey and Investigation 5 – Kabini Project	0.18
30		4701 – Capital outlay on Major and Medium Irrigation 01 – Major Irrigation Commercial 202 – Krishnarajasagar Right Bank Canal 1 – Direction and Administration 01 – Project Establishment	0.54
31		4701 – Capital outlay on Major and Medium Irrigation 01 – Major Irrigation Commercial 203 – Modernisation of Krishnarajasagar Canals 1 – Direction and Administration 01 – Project Establishment	0.27
32		4701 – Capital outlay on Major and Medium Irrigation 01 – Major Irrigation Commercial 205 – Kabini Project 1- Direction and Administration 01 – Project Establishment	0.74
33		4701 – Capital outlay on Major and Medium Irrigation 01 – Major Irrigation - Commercial 206 – Harangi Project 1- Direction and Administration 01 – Project Establishment	0.41
34		4701 – Capital outlay on Major and Medium Irrigation 01 – Major Irrigation - Commercial 207 – Hemavathy Project 1- Direction and Administration 01 – Special Land Acquisition Office	0.12

1	2	3	4
35		4701 – Capital outlay on Major and Medium Irrigation 01 – Major Irrigation - Commercial 208 – Hemavathy Project (Canal Zone), Tumkur 1- Direction and Administration 01 – Project Establishment	0.80
36		4701 – Capital outlay on Major and Medium Irrigation 01 – Major Irrigation - Commercial 209 – Yagachi 1- Direction and Administration 01 – Project Establishment	0.17
37		4701 – Capital outlay on Major and Medium Irrigation 01 – Major Irrigation - Commercial 315 – Bhadra Project 4 – Other Expenditure 12 – Roads	0.14
38		4701 – Capital outlay on Major and Medium Irrigation 03 – Medium Irrigation-Commercial 230 – Manchanabele Project – NABARD 1 – Direction and Administration 01 –Project Establishment	0.11
39		4701 – Capital outlay on Major and Medium Irrigation 03 – Medium Irrigation-Commercial 343 – Lower Mullamari Project 1 – Direction and Administration 01 – Project Establishment	0.11
40		4702 – Capital outlay on Minor Irrigation 101 – Surface Water 1- Water Tank – Construction of new tanks, pickups, etc 436 – NABARD Works	0.33
41	25 – Kannada and Culture	2205 –Art and Culture 102 – Promotion of Arts and Culture 2 – Trusts 05 – Vivekananda Kala Kendra	0.25
		Total	8.55

Appendix 3.1
ORG-MARG survey - executive summary
(Reference: Paragraph 3.1.6, Page 43)

In order to gain an understanding of the functional status of the Consumer Protection Act Consumers at large, Complainants, manufacturers/service providers, NGOs and appropriate laboratories were covered under the survey. In the state of Karnataka a total of 1,995 consumers spread across urban and rural areas were contacted. Besides 450 complainants, 10 manufacturers/service providers, 2 NGOs and 1 laboratory were interviewed. The survey was conducted during 2nd week of July to 4th week of August 2005.

Findings of the survey

- Overall 81 *per cent* of the Consumers at large gave importance to knowing the Consumer Protection Act (CPA) but 76 *per cent* not aware of consumer rights and 84 *per cent* still unaware of Consumer Protection Act.
- The act is envisaged to benefit all the consumers in urban and rural areas but only 10 *per cent* of the rural population has heard about it.
- In response to, whether the Government is making any effort in safe guarding the consumer rights, only 20 *per cent* replied positively and the remaining either carrying negative or have no idea of the same.
- Formal sources of awareness - electronic and print media stand at 65 and 53 *per cent* respectively. Very low proportion of the aware consumers came to know about CPA from the NGOs (1.1 *per cent*).
- Nearly 22 *per cent* of the aware Consumers at Large have come to know about the act only in the last 4 years where as the act has been in existence for past 19 years.
- Overall, only 10 *per cent* reported to be aware of the existence of any redressal agency. Awareness on this among those aware of rights and CPA was higher.
- Around 32 *per cent* aware any redressal agency did not know the location of the district forum in their respective districts.
- About 92 *per cent* of complainants resided in urban areas and 99 *per cent* were the educated lot and earned a monthly household income of Rs.10,765/-. This implied that facilities provided by redressal agencies were availed mostly by residents of urban areas and that too by the middle/ upper middle strata of the community.
- Nearly 53 *per cent* of the complaints were against services such as insurance (33 *per cent*), banking services (28 *per cent*) and communication (22 *per cent*). Another 47 *per cent* of the complaints were against products such as consumer durables (23 *per cent*), pharmaceutical (29 *per cent*) and FMCG (19 *per cent*).

- Majority of complainants came to know about the redressal agencies through electronic media (34 *per cent*), print media (60 *per cent*) and others i.e., friends/relatives (73 *per cent*). NGOs were not a popular source of awareness (6.3 *per cent*).
- Nearly 27 *per cent* of the complainants used stamp paper to file the case and in majority of cases (77 *per cent*) the lawyers/agents advised them to do so.
- Around 53 *per cent* of complainants who registered their complaints prior to March 2003 reported to have deposited court fee notwithstanding the fact that the court fee was introduced only in March 2003.
- An analysis of time taken at various stages of the cases show that on an average 3 days were spent for registering a case and 23 days were taken for serving the notice, first hearing was held after 24 days of serving the notice.
- On an average 4.1 hearings were required to resolve the case. Around 57 *per cent* of cases were still unresolved even after 5 hearings and most of these cases were against communication services (22 *per cent*).
- To resolve a case on an average 12.7 months were spent. In case of unresolved cases the same were pending on an average for the past 31 months.
- There were 74 cases where the decree was passed and compensation was yet to be received. On an average the compensation was due for 12.5 months. For those received compensation the same was received within an average period of 3.8 months.
- On an average the complainant had to spent Rs. 3,062 to resolve the case of which a large proportion (average amount of Rs.2,857) comprised of the advocate's fee.
- The manufacturers and service providers were well aware of CPA, on the contrary, not many consumers at large were aware of the Act or the redressal system.
- The NGOs are involved in spate of activities such as consumer education, advocacy, solving the grievances and helping complainants in filing of complaints at the consumer forum. One of the NGO representatives had created 18 Rural Benches for creating awareness in the rural areas of Karnataka.

Overall all the stakeholders and the complainants perceive the redressal as simple but not very speedy and economical.

Appendix 3.2
Staff in Consumer fora
(Reference: Paragraph 3.1.31, Page 49)

Sl. No.	Post	Number of Posts					
		Recommended by Bagla Committee	Sanctioned by State Government	Short fall	Recommended by Bagla Committee	Sanctioned by State Government	Short fall
		State Commission			District Fora		
1	Asst. Registrar-cum Asst. Adm. Officer	1	0	1	0	30	
2	Personal Secy-cum-Judgement Writer	1	1	0	0	0	0
3	Court Officer	1	1	0	30	0	30
4	Sheristhedar	2	1	1	30	30	0
6	Stenographers	6	4	2	60	60	0
5	First Division Asst.	15	4	11	53	30	23
8	Second Division Asst.	18	3	15	62	33	29
7	Librarian	1	0	1	0	0	0
9	Typist	4	2	2	0	0	0
10	Despatch Rider	1	0	1	30	0	30
11	Group-D Staff	13	9	4	138	90	48
	Total			38			160

Appendix 3.3
Non-filling up of vacancies
(Reference: Paragraph 3.1.31, Page 49)

Sl. No.	Post	Number of Posts					
		Sanctioned Strength	Working strength	Short fall	Sanctioned Strength	Working strength	Short fall
		State Commission			District Fora		
1	Registrar-cum Adm. Officer	1	1	0	0	0	0
2	Asst. Registrar-cum Asst. Adm. Officer	0	0	0	30	10	20
3	Personal Secy-cum-Judgement Writer	1	1	0	0	0	0
4	Court Officer	1	0	1	0	0	0
6	Sheristhedar	1	1	0	30	30	0
5	Stenographers	4	4	0	60	56	4
8	First Division Asst.	4	2	2	30	14	16
7	Second Division Asst.	3	3	0	33	30	3
10	Typist	2	1	1	4	2	2
11	Driver	2	2	0	20	4	16
12	Group-D Staff	9	8	1	90	90	0
	Total			5			61

Appendix 3.4
Vacancies in posts of President in District fora
(Reference: Paragraph 3.1.34, Page 50)

Sl. No.	District Forum	Period of Vacancy		No. of days	Whether in-charge arrangement made	No. of cases		Percentage of disposal during the period
		From	To			at the beginning of in-charge arrangement	disposed during the period	
1	Bangalore (Rural)	30 June 2003	17 September 2003	80	Yes	511	3	1
2	Bidar	26 March 2002	10 December 2002	260	Yes	46	11	24
3	Bijapur	01 October 2002	28 April 2003	210	No	293	0	0
4	Chikmagalur	01 June 2001	12 December 2001	195	Yes	100	39	39
5	Chitradurga	01 September 2003	19 December 2003	110	Yes	51	47	92
6	Hassan	06 March 2000	02 February 2001	334	Yes	69	79	114
7	Kodagu	03 February 2003	14 May 2003	101	Yes	100	2	2
		20 March 2004	25 August 2004	159	Yes	97	0	0
8	Mandya	30 October 1999	24 May 2000	208	No	101	0	0
		13 January 2005	21 July 2005	190	Yes	84	92	110
9	Raichur	10 August 2001	30 October 2002	447	Yes	54	19	35
10	Shimoga	01 June 2002	29 May 2003	363	Yes	661	490	74
11	Tumkur	25 March 2004	02 September 2004	162	Yes	26	26	100
12	Bangalore-II Addnl	07 April 2001	01 August 2001	117	Yes	425	27	6
		11 March 2002	14 June 2002	96	Yes	708	143	20
13	Koppal	25 February 2004	06 September 2004	195	Yes	38	6	16

Appendix 3.5
Statement showing details of shortfall in carriageway width
(Reference: Paragraph 3.2.11, Page 59)

Sl. No.	NH No.	Total Length (kms.)	Length for which data was available (kms.)	Range of Average Daily Traffic (PCUs)	Percentage of annual increase (Annual Growth Rate)	Existing Carriageway (Road length in kms.)		Shortfall in Carriageway (in km)	
						Single/Intermediate Lane	Two-Lane	Two-Lane	Four-Lane
1	4	107.060	101.600	23700	17.37	--	101.600	Nil	101.600
2	4-A	84.120	84.120	11324-13620	17.53	35.120	--	35.120	Nil
3	9	75.010	30.260	17527	40.90	--	30.260	Nil	30.260
4	13	715.000	465.660	6010-15584	39.62	37.000	177.800	37.000	177.800
5	17	290.700	157.700	17725-66312	33.78	--	154.700	Nil	154.700
6	48	320.000	212.200	15798-55187	44.91	--	212.200	Nil	212.200
7	63	369.000	209.000	15087-27077	14.30	--	209.000	Nil	209.000
8	206	371.000	69.600	8665	14.30	56.000	--	56.000	Nil
9	207	122.000	12.000	17726	14.30	--	12.000	Nil	12.000
10	209	203.000	83.000	6140-23749	14.30	53.800	29.000	53.800	29.000
11	212	150.000	27.000	15348	14.30	--	27.000	Nil	27.000
	Total	2806.890	1452.140	-	-			181.920	953.560

Appendix 3.6

Statement showing shortfall in providing the minimum Sub-base thickness
(Reference: Paragraph 3.2.13, Page 60 & Paragraph 3.2.16, Page 62)

Sl. No.	NH No.	Widening to two lane from	Sanctioned estimated cost (Rs in crore)	Design life for 10 years			Sub-base actually provided by restricting to that of existing carriageway (in mm)	Shortfall (in mm)
				MSA*	Total crust thickness to be provided (in mm)	Sub-base to be provided (in mm)		
1	63	Km 140 to 157	3.58	34.38	800	310	150	160
2	63	Km 223 to 240	3.47	10.19	740	620	375	245
3	63	Km 200 to 223	2.91	40.62	710	260	160	110
4	63	Km 178 to 200	3.34	30.09	680	260	150	110
5	63	Km 335 to 346	5.31	83.91	790	375	200	175
		Km 346 to 350				375	150	225
6	63	Km 158 to 178	2.92	40.12	760	330	150	180
7	63	Km 240 to 267.600	2.83	38.39	760	330	150	180
8	63	Km 250 to 253	2.24	146.86	890	380	200	180
9	63	Km 132 to 140	3.60					
10	63	Km 350 to 358	2.23	59.68	790	330	150	180
11	218	Km 163 to 170	2.79	26.4	800	225	150	75
12	218	Km 115 to 123(with strengthening)	2.66	13.26	800	225	200	25
13	218	Km 18 to 22.500	1.62	11.41	710	330	150	180
14	218	Km 22.500 to 39.650	4.95	13.36	565	210	375	Nil
15	218	Km 132 to 152	8.12	26.40	800	380	200	180
16	218	Km 152 to 158(with strengthening)	3.80	18.73	790	380	150	230
17	218	Km 158 to 163(with strengthening)	NA	20.47	790	425	150	275
18	206	Km 34 to 40 (with strengthening)	2.61	49.30	730	300	200	100
19	206	Km 227 to 245(with strengthening)	8.13	144.70	718	260	200	60
20	206	Km 22 to 34 (with strengthening)	5.96	49.30	730	300	200	100
21	206	Km 255 to 274(with strengthening)	8.47	25.20	648	270	200	70
22	206	Km 153 to 163	3.18	84.00	800	330	200	130
23	13	Strengthening – Km 620 to 640	4.02	18.20	610	230	230	Nil
24	13	Km 422 to 430	1.61	62.39	650	200	150	50
25	13	Km 130 to 140	3.59	86.99	790	330	200	130
26	13	Km 470 to 479	3.97	NA	810	310	200	110
27	209	Km 392 to 402	3.36	7.63	784	400	200	200
28	209	Km 402 to 412	2.88	48.08	650	210	200	10
29	209	Km 127 to 131 & Km 136.200	NA	48.08	650	210	150	60
30	212	Strengthening – Km 259 to 269	2.75	90.00	860	380	150	230
Total			106.90	--	--	--	--	--

* Traffic intensity calculated and expressed in terms of Million Standard Axle (MSA), to arrive at total crust thickness of the carriageway.

Appendix 3.7
Deficiencies in survey and investigation
(Reference: Paragraph 3.2.19, Page 63)

(Rupees in crore)

Sl. No.	Name of work	Value of contract / Date of commencement	Date of inspection by higher authorities	Major deficiencies noticed in survey and investigation / preparation of estimate	Additional items executed	Final cost of work	Additional expenditure	Percentage increase in cost
1	IRQP – km124 to 142 (NH 209)	<u>134.09</u> 6.9.2000	Jan 2001	Severe damages in the existing carriageway	Providing BUSG and WBM in selected reaches	1.32	0.55	71.43
2	Widening – km 315 to 335 (NH 63)	<u>205.37</u> 24.12.99	July 2000	No provision for embankment in some reaches and raising the road in reaches wherein road submerges in rainy seasons.	Providing embankment and raising the road	2.83	0.78	38.05
3	Widening – km 178 to 200 (NH 63)	<u>219.14</u> 8.1.01	Dec 2000	Road badly damaged due to BC soil	Additional 150 mm of Sub-base provided	2.89	0.70	31.96
4	Widening – km 50 to 76 (NH 4-A)	<u>355.22</u> 20.6.2000	Aug 2000	Inadequate provisions for base/sub base	Providing sand blanket and BM	4.46	1.01	29.28
5	Widening – km 350 to 358 (NH 63)	<u>163.58</u> 28.2.02	March 2002	Heavy damage to existing carriageway	Raising road in 1.22 KM stretch by additional layer of Sub-base and metalling	2.07	0.43	26.22
6	Widening – km 158 to 178 (NH 63)	<u>199.28</u> 8.1.01	Dec 2000	Road badly damaged due to BC soil	Additional 150 mm of Sub-base provided	2.47	0.47	23.50
7	Widening – km 146 to 152 (NH 218)	<u>158.79</u> 7.3.03	NA	No provision for providing protection to high embankment portion in BC soil area.	Providing pitching on slopes and construction of toe wall	1.86	0.27	16.98
Total						17.90	4.21	

Appendix 3.8
Unwarranted execution of additional layer of tack coat in between two
bituminous layers
(Reference: Paragraph 3.2.25, Page 65)

(Rupees in crore)

Sl. No.	NH Division	No. of works	Additional layer of tack coat			
			Estimated quantity (in sq. mtrs)	Estimated amount	Executed quantity (in sq. mtrs)	Expenditure incurred
1	Karwar	16	12,26,773	0.49	12,55,345	0.47
2	Mangalore	37	24,08,398	1.05	27,52,735	1.23
3	Chitradurga	45	25,00,000	1.00	25,09,091	1.03
4	Hubli	18	14,62,410	0.62	14,29,149	0.59
5	Bangalore	20	14,06,849	0.59	14,29,029	0.60
6	Bijapur	30	23,50,461	0.95	23,23,674	0.88
Total		166	1,13,54,891	4.70	1,16,99,023	4.80

Appendix 3.9

Underutilisation of excavated earth on embankments and shoulders

(Reference: Paragraph 3.2.26, Page 66)

(Rupees in crore)

Sl. No.	NH Division	No. of works	Unutilised quantity of available earth (in cum)	Extra cost due to underutilisation of available earth
1	Chitradurga	17	1,50,461	1.05
2	Hubli	11	1,47,150	1.68
3	Bangalore	27	1,15,716	0.57
4	Bijapur	25	1,79,693	1.53
Total		80	5,93,020	4.83

Appendix 3.10

Details of expenditure incurred for maintenance of roads during contract period and for rectification of damages during defect liability period
(Reference: Paragraph 3.2.27, Page 66)

(Rupees in crore)

Sl. No.	NH Division	Expenditure incurred during execution of works [¶]		Expenditure incurred during defect liability period [⊗]	
		No. of works	Expenditure	No. of works	Expenditure
1	Mangalore	2	0.13	2	0.08
2	Chitradurga	-	-	5	0.40
3	Hubli	14	1.27	8	0.19
4	Bangalore	1	0.06	4	0.13
5	Bijapur	5	0.41	6	0.11
Total		22	1.87	25	0.91

[¶] Widening to Two-lane – 14 works; IRQP – 7 works and PR – 1 work

[⊗] Widening to Two-lane – 8 works; IRQP – 14 works and PR – 3 works

Appendix 3.11
Details of project cost, source of funding and outlay
(Reference: Paragraph 3.3.8, Page 72)

(Rupees in crore)

Sl. No.	Project and status	Estimated cost	Funds released			Expenditure
			KUIDFC	BDA/ Share of stakeholders	Total	
1 *	Construction of road over bridge/grade separator at the intersection of outer ring road and NH 7 near Hebbal DOC: October 2001, SDC: April 2003 and ADC: December 2003	50.00	5.00	$\frac{2.75}{36.43}$	44.18	66.35
2 *	Construction of grade separator/fly over near CSB DOC: August 2002, SDC: August 2003 and ADC: October 2003	20.36	10.18	10.18	20.36	21.27
3 *	Construction of grade separator/fly over near Bangalore Dairy Circle DOC: February 2003, SDC: April 2004 and ADC: November 2004	30.50	15.25	15.25	30.50	22.32 (Final bill not settled)
4 *	Construction of grade separator/fly over at Airport Road- Inner Ring Road junction DOC: February 2003: SDC: April 2004 and ADC: Work in progress	30.06	11.25	15.03	26.28	13.21
5 *	Construction of grade separator/fly over near JIC, Jayanagar DOC: February 2003, SDC: April 2004 and ADC: Work in progress	19.78	9.89	9.89	19.78	17.23
6 *	Integrated Development of Agara tank DOC: February 2003, SDC: August 2003 and ADC February 2004	5.73	2.50	3.23	5.73	7.15
7	Construction of Road over bridge at Benniganahalli DOC: October 1998, SDC: October 2000 and ADC: June 2002	60.00	55.00	NIL	55.00	48.13
8	Construction of grade separator at Anand Rao Circle DOC: May 2004, SDC: November 2005 and ADC: work in progress	27.89	10.50	13.95	24.45	22.61
9	Land acquisition for outer ring road DOC: October 1998, SDC: October 2000 and ADC: October 2000	10.94	5.12	5.82	10.94	12.96
Total		255.26	124.69	112.53	237.22	231.23

* Test-checked projects

DOC: Date of commencement, SDC: Stipulated date of completion, ADC: Actual date of completion

Appendix 3.12
Statement showing requirements and actuals in quality management
(Reference: Paragraph 3.3.22, Page 78)

Details of quality control test required to be conducted according to the terms of contract	Omissions noticed by Audit	Reply of the Department	Remarks
Quality of cement Every consignment of cement used on the work to be tested by the contractor at the field laboratory set up by him or at an approved laboratory at his own cost	The BDA relied on the certificate of the manufacturer produced by the contractor. No independent test for ensuring the quality of cement was conducted either by the contractor or the BDA for the projects relating to flyovers near Airport, Dairy Circle and JIC	The BDA replied (November 2005) that samples from a few consignments were tested by the contractor.	The reply is not tenable as the procedure adopted was contrary to the terms of the contract.
Quality of steel Every consignment of steel used on the work to be tested by the contractor at the field laboratory set up by him or at an approved laboratory at his own cost	The BDA had not maintained the details of steel procured and consumed on the works by the contractor for all the five traffic-related projects. As a result the adequacy of tests conducted for ensuring the quality of steel could not be ascertained by Audit.	Specific reply to the point was not furnished by the BDA.	--
Quality of Ready Mixed Concrete (RMC) In the case of RMC procured from RMC plants, the contractor has to obtain prior approval of the BDA and conduct quality control tests	It was observed that no independent tests were carried out by the contractor for RMC procured from manufacturers for the projects relating to flyovers near Airport, Dairy Circle and JIC	The BDA replied (November 2005) that the RMC in the earlier stages was procured from reputed manufacturers. Hence the test certificates of manufacturers was relied upon as it conformed to ISI specifications	The reply is not tenable as the procedure adopted was contrary to the terms of the contract.
Cube tests For flyover near Hebbal, according to Clause 9 of the Contract Agreement, the minimum frequency of concrete of each grade shall be one cube for every two cubic meter of concrete for the first 300 cum of concrete or concrete in the first major span of bridge which ever is less to be reduced to one cube for every three cubic meters for subsequent works	The quantity of concrete executed on any day of casting was not indicated in the monthly report. As a result, adequacy or otherwise of samples drawn and tested could not be ensured.	Specific reply to the point was not furnished by the BDA.	--

Cube test for projects relating to flyovers near CSB, Airport, Dairy Circle and JIC According to the terms of the contract, the minimum frequency of sampling of concrete of each grade shall be in accordance with the table given below <table><tr><th>Qty of concrete in work (Cum)</th><th>No. of samples</th></tr><tr><td>1 – 5</td><td>1</td></tr><tr><td>6 – 15</td><td>2</td></tr><tr><td>16 – 30</td><td>3</td></tr><tr><td>31 – 50</td><td>4</td></tr><tr><td>51 & above</td><td>4 + one additional sample for each additional 50 cum or part thereof.</td></tr></table>	Qty of concrete in work (Cum)	No. of samples	1 – 5	1	6 – 15	2	16 – 30	3	31 – 50	4	51 & above	4 + one additional sample for each additional 50 cum or part thereof.	It was observed that there were deficiencies in conducting cube tests which ranged from 10 to 48 percent as detailed below: <table><tr><th>Project</th><th>No. of test reports</th><th colspan="2">No. of test reports having shortfall and percentage</th></tr><tr><td>CSB</td><td>262</td><td>26</td><td>10</td></tr><tr><td>Dairy</td><td>368</td><td>176</td><td>48</td></tr><tr><td>IRR Airport</td><td>235</td><td>56</td><td>24</td></tr><tr><td>JIC(MICO)</td><td>506</td><td>191</td><td>38</td></tr></table>	Project	No. of test reports	No. of test reports having shortfall and percentage		CSB	262	26	10	Dairy	368	176	48	IRR Airport	235	56	24	JIC(MICO)	506	191	38	Specific reply to the point was not furnished by the BDA
Qty of concrete in work (Cum)	No. of samples																																	
1 – 5	1																																	
6 – 15	2																																	
16 – 30	3																																	
31 – 50	4																																	
51 & above	4 + one additional sample for each additional 50 cum or part thereof.																																	
Project	No. of test reports	No. of test reports having shortfall and percentage																																
CSB	262	26	10																															
Dairy	368	176	48																															
IRR Airport	235	56	24																															
JIC(MICO)	506	191	38																															
Load test According to Contract Agreement, routine load test shall be conducted for two percent of the total number of piles subject to a minimum of six numbers at locations approved by the Engineer-in-charge	It was observed that as against the minimum of six load tests to be carried out, only three tests were carried out for each project in projects relating to flyovers near Airport, Dairy Circle and JIC	Specific reply to the point was not furnished by the BDA.	--																															
Permeability test According to the contract agreement permeability test was to be conducted for each traffic-related project	It was observed that the permeability test was not conducted in the case of all the five traffic-related projects	Reply was not furnished by the BDA	--																															

Appendix 3.13
Details of development of sites and houses in excess of demand and allotment
(Reference: Paragraph 3.4.14, Page 85)

Sl. No.	Place	Demand received	Number of houses constructed/ sites developed	Un-allotted	Percentage
1	Askihal	153	212	174	82
2	Kunjathbail	47	99	87	88
3	Padavu	38	62	47	76
4	Ullal- Someshwara	19	76	69	91
5	Chikmagalur Sy No.528	9	111	90	81
6	Chikmagalur GSR	2	21	21	100
7	Jamkhandi	357	392	312	80
8	Chikmagalur II Phase	189	539	363	67
9	Holalkere	38	61	48	79
10	Hosadurga	75	322	303	94
11	Haliyal	73	100	41	41
12	Gamanagatti	489	1,145	915	80
13	Thiruvail	36	94	83	88
14	Humnabad	62	95	80	84
	Total	1,587	3,329	2,633	79

Appendix 3.14
Irregular expenditure on deployment of Sowdies in Tungabhadra Project
(Reference: Paragraph 3.5.5, Page 89)

(Amount in Rupees)

Sl.No.	Year	Total atchcut (in acres)	No. of Sowdies required as per norms (one Sowdy for 243 hectares)	No. of Sowdies on regular establishment	Additional Sowdies required	Total number of sowdies deployed (including sowdies on regular establishment)	Excess deployed	Total expenditure admissible as per column 6	Expenditure incurred	Irregular expenditure
-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-	-11-
No.1, Tungabhadra Reservoir Division, Munirabad										
1	2000-01	1,27,000	212	145	67	431	219	11,79,468 ^ψ	50,40,000	38,60,532
2	2001-02	1,27,000	212	129	83	346	134	16,87,473 ^ψ	44,17,000	27,29,527
3	2002-03	1,27,000	212	114	98	306	94	11,41,455 [⊕]	40,24,000	28,82,545
4	2003-04	1,27,000	212	109	103	254	42	11,99,692 [⊕]	30,33,000	18,33,308
5	2004-05	1,27,000	212	103	109	305	93	13,22,715 [⊕]	44,11,000	30,88,285
									TOTAL (A)	1,43,94,197
No.2, Canal Division, Oddarahatti										
1	2000-01	1,23,329	206	73	133	503	297	23,41,332 ^ψ	75,78,849	52,37,517
2	2001-02	1,23,329	206	63	143	456	250	29,07,333 ^ψ	79,82,335	50,75,002
3	2002-03	1,23,329	206	40	166	195	155	19,33,485 [⊕]	67,31,292	47,97,807
4	2003-04	1,23,329	206	40	166	361	36	19,33,485 [⊕]	42,44,604	23,11,119
5	2004-05	1,23,329	206	33	173	242	261	20,99,355 [⊕]	94,82,806	73,83,451
									TOTAL (B)	2,48,04,896
No.4, Canal Division, Sirwar										
1	2000-01	1,75,106	292	90	202	776	484	35,56,008 ^ψ	120,80,000	85,23,992
2	2001-02	1,75,106	292	90	202	631	339	41,06,862 ^ψ	110,01,000	68,73,807
3	2002-03	1,75,106	292	90	202	569	277	23,52,795 [⊕]	100,38,000	76,85,205
4	2003-04	1,75,106	292	90	202	376	84	23,52,795 [⊕]	60,00,000	36,47,205
5	2004-05	1,75,106	292	90	202	339	47	24,51,270 [⊕]	30,24,000	5,72,730
									TOTAL (C)	2,73,02,939

Total (A + B + C) = Rs.6,65,02,032

^ψ Amount calculated with reference to number of Sowdies required for nine months to raise both Khariff and Rabi crops and payment at current schedule of rates

[⊕] Amount calculated with reference to the number of Sowdies required for five months as water was released for only one crop during the year and payment at current schedule of rates

Appendix 4.1
Statement showing the reimbursement of cancellation and re-registration charges of original and alternative sites
(Reference: Paragraph 4.1.3, Page 93)

Sl.No.	Particulars of transaction	Amount reimbursed (Rupees in lakh)	Remarks
1.	Reimbursement to allottees of Ist block, 9 th Phase of JP Nagar, Bangalore necessitated due to change of layout plan after allotment of sites	5.02	BDA resolution No.77/2001
2.	Reimbursement to 36 allottees of Vth Block, 9 th Phase of JP Nagar, Bangalore necessitated due to litigation of land	9.86	BDA resolution No.135 dated 28.6.2003
3.	Stray site No.574 in RMV Extention, Stage II, Bangalore, which was under litigation, was cancelled and alternative site No.1112 in HSR Layout was allotted.	1.25	BDA Commissioner's approval dated 14.10.2003
4.	Stray site No.575 in RMV Extension, Stage II which was under litigation was cancelled and alternative site No.1113 in HSR layout was allotted.	1.18	BDA Commissioner's approval dated 17.9.2003
5.	Stray site No.572 in RMV Extension, Stage II, which was under litigation, was cancelled and alternative site No.178/A in Metadahalli Extension was allotted	1.38	BDA Commissioner's approval dated 17.9.2003
6.	Stray site No.566 in RMV Layout allotted while under litigation was cancelled and alternative site no.1119 in HSR Layout III Stage was allotted.	0.79	BDA Commissioner's approval dated 27.12.2003
7.	Reimbursement in respect of 17 allottees of Survey No.52/1 of Gollahalli Village in Bangalore Rural District necessitated due to allotment of sites on private land not at all acquired by BDA	4.41	BDA resolution No.170 dated 28.6.2003
	Total	23.89	

Appendix 4.2
Statement showing the excess payment
(Bridge-cum-barrage at Hireanur)
(Reference Paragraph 4.2.4, Page 100)

Sl. No.	Item of work	Quantity	Rate paid	Rate payable	Difference	Excess payment
			(Apart from premium)			
			(in rupees)			
01	Excavation for foundation in ordinary soil for piers/abutments – Above LWL	21,812.1 cum	103.50	90.00	13.50	2,94,463
	Below LWL up to 1.50 M	1,194.303 cum	161.00	140.00	21.00	25,080
	Below LWL 1.50 to 3 M	7,042.307 cum	212.75	185.00	27.75	1,95,424
	Below LWL 3 to 4.50 M	1,691.787 cum	276.00	240.00	36.00	60,904
	Below LWL 4.50 to 6 M	2,194.8 cum	356.50	310.00	46.50	1,02,058
02	Excavation in hard rock Above LWL	58,520.2 cum	316.25	275.00	41.25	24,13,958
	Below LWL up to 1.50 M	36,078.42 cum	391.00	340.00	51.00	18,39,999
	Below LWL 1.50 to 3 M	8,539.723 cum	460.00	400.00	60.00	5,12,383
	Below LWL 3 to 4 M	1,665 cum	460.00	400.00	60.00	99,900
03	Providing & fixing HYSD dowel bars	1,280 No.	601.75	523.75	78.00	99,840
04	Filling in trenches in foundation by CC using 40 mm & down size jelly in LWL	10,468.782 cum	1,425.27	1,260.27	165.00	17,27,349
05	Filling foundation or top plug well or staining with CC 1:3:6	8,637.48 cum	1,679.33	1,476.83	202.50	17,49,090
06	Filling foundation with CC with 15 <i>per cent</i> plumps CC 1:2:4 For piers – below LWL	11,117.73 cum	1,874.43	1,657.08	217.35	24,16,439
	For abutments & wings Below LWL	1,478.18 cum	1,984.00	1,756.88	227.12	3,35,724
	Above LWL	4,410.46 cum	1,934.00	1,706.88	227.12	10,01,704
07	Insitu CC 1:1½:3 using 20mm down size jelly for foundation of piers – Below LWL	8,735.773 cum	2,623.80	2,312.56	311.24	27,18,922
	Above LWL (Main pier)	3,773.735 cum	2,573.80	2,262.56	311.24	11,74,537
08	Diversion of water course providing coffer dams or bunds 1.50 M depth below LWL	10,529.035 cum	161.00	140.00	21.00	2,21,110
	Beyond 1.50 M depth up to 3 M	13,046.51 cum	299.00	260.00	39.00	5,08,814
	Beyond 3 M up to 4.5 M	6,787.487 cum	437.00	380.00	57.00	3,86,887
	Beyond 4.5 M depth	5,080.8 cum	552.00	480.00	72.00	3,65,818
09	Supply of steel	941.138 MT	18,265.00	15,925.00	2,340.00	22,02,263
10	Labour charges for fabrication of Mild/HYSD steel reinforcement	9,411.38 quintals	272.16	240.66	31.50	2,96,458
Total						2,07,49,124
Add – tender premium at 14 <i>per cent</i>						29,04,877
Grant Total						2,36,54,001

Appendix 4.3
Statement of avoidable extra cost in the rehabilitation of
Shedbal-Sankeshwar Road (km 0 to 56)
(Reference: Paragraph 4.3.4, Page 105)

(A) Extra cost on additional quantities of tender items

Sl. No.	Item of work	Total quantity to be executed in excess of 125% of tendered quantity	Quantity executed up to March 2005	Tender rate viz., Rate payable as per DSR (2000-01) less tender rebate of 15.60%	Negotiated rate paid/ payable	Difference in rate	Total extra cost	Extra payment made up to May 2005
(in cum)			(in Rupees)					
1	Shoulder construction	36,340	4,919.017	94.66	157.00	62.34	22,65,436	3,06,651
2	Granular sub-base	22,750	14,150.696	441.21	540.00	98.79	22,47,472	13,97,947
3	Bituminous Macadam	4,460	7,339.358	2,005.50	2,450.00	444.50	19,82,025	32,62,345
Total							64,94,933	49,66,943

(B) Extra cost on additional items of work

Sl. No.	Item of work	Total quantity of work to be executed	Quantity executed up to March 2005	Tender rate viz., Rate payable as per DSR (2000-01) less tender rebate of 15.60%	Negotiated rate paid/ payable	Difference in rate	Total extra cost	Extra payment made up to May 2005
				(in Rupees)				
1	Construction of embankment	82,610 cum	48,039.51 cum	98.58	150.00	51.42	42,47,806	24,70,192
2	Construction of sub-grade	64,100 cum	29,581.30 cum	102.97	157.00	54.03	34,63,323	15,98,278
3	Guard post	960 No.	-	280.75	368.44	87.89	84,374	-
4	M-20 Grade concrete	56 cum	-	1,998.88	2,332.52	333.64	18,684	-
5	NP3 pipes of 600 mm dia	127.50 mtrs	-	620.29	1,800.00	1,179.71	1,50,413	-
6	NP3 pipes of 750 mm dia	112.50 mtrs	-	789.80	2,000.00	1,210.20	1,36,147	-
7	Dismantling PCC in substructure	66.20 cum	-	69.42	246.85	177.43	11,746	-
8	Lined Covered Drains	1,151 mtrs	-	2,001.97	3,330.54	1,328.57	15,29,184	-
Total							96,41,677	40,68,470

Total avoidable extra cost = (Rs.64,94,933 + Rs.96,41,677) = Rs.1,61,36,610

Total avoidable extra payment = (Rs.49,66,943 + Rs.40,68,470) = Rs.90,35,413

Appendix 4.4
Excess payment of family pension
(Reference: Paragraph 4.6.1, Page 113)

(Rupees in lakh)

Sl. No.	District	No. of cases	Amount	Period
1	Bagalkot	14	1.03	December 2003 to December 2004
2	Bangalore (Rural)	28	6.62	May 2001 to December 2004
3	Belgaum	38	4.86	October 2001 to September 2004
4	Bellary	11	2.19	November 2000 to August 2004
5	Bidar	33	3.67	February 2002 to December 2004
6	Bijapur	40	7.55	December 2000 to September 2004
7	Chikmagalur	23	4.32	April 1998 to December 2004
8	Chitradurga	18	3.01	February 2001 to August 2004
9	Davanagere	37	6.30	March 2001 to August 2004
10	Dharwad	16	3.03	April 1998 to June 2004
11	Gadag	22	2.70	January 2003 to June 2004
12	Gulbarga	68	5.11	May 2002 to September 2004
13	Hassan	10	0.93	December 2003 to December 2004
14	Haveri	5	0.56	January 2003 to June 2004
15	Karwar	12	3.70	March 2000 to May 2004
16	Kolar	40	14.44	October 2000 to November 2004
17	Koppal	15	3.32	April 2001 to June 2004
18	Madikeri	3	0.15	February 2004 to February 2005
19	Mandya	25	5.82	September 2001 to December 2004
20	Mangalore	18	5.01	November 1996 to April 2004
21	Mysore	12	1.00	January 2003 to March 2004
22	Pension Payment Tresury	39	5.07	March 2003 to August 2004
23	Raichur	56	8.51	April 1998 to July 2004
24	Shimoga	39	7.32	February 1989 to December 2004
25	Tumkur	18	1.05	July 2004 to December 2004
26	Udupi	16	2.87	July 2001 to April 2004
	Total	656	110.14	

Appendix 4.5
Continued excess payment of family pension
(Reference: Paragraph 4.6.1, Page 114)

(Rupees in lakh)

Sl. No.	District	No. of cases	Amount	Period
1	Bagalkot	10	1.72	October 2003 to December 2004
2	Bangalore (Rural)	13	2.40	March 2004 to December 2004
3	Bellary	24	3.09	December 2003 to September 2004
4	Bidar	31	4.39	January 2002 to December 2004
5	Bijapur	29	2.91	February 2004 to September 2004
6	Chitradurga	2	0.32	July 2003 to August 2004
7	Davanagere	5	1.20	June 2001 to August 2004
8	Dharwad	2	0.35	September 2003 to June 2004
9	Gulbarga	2	0.15	January 2004 to September 2004
10	Hassan	1	0.14	December 2003 to December 04
11	Karwar	6	0.28	December 2003 to June 04
12	Kolar	6	1.95	June 2003 to November 04
13	Koppal	2	0.41	July 2003 to June 2004
14	Madikeri	3	0.38	March 04 to February 2005
15	Mangalore	13	1.25	May 2002 to April 2004
16	Mysore	7	1.00	January 2003 to March 2004
17	Pension Payment Treasury	2	0.19	February 2003 to August 2004
18	Raichur	5	1.14	July 2003 to July 2004
19	Shimoga	13	2.96	June 2002 to September 2004
20	Tumkur	24	3.67	December 2003 to January 2005
	Total	200	29.90	

Appendix 4.6

Non-receipt of GPF withdrawal vouchers

(Reference: Paragraph 4.6.1, Page 114)

(Rupees in lakh)

Sl. No.	Treasury	No. of items	Withdrawals
1	State Huzur Treasury	62	76.49
2	Bellary	2	16.20
3	Bangalore (R)	1	3.67
4	Mangalore	10	14.32
5	Kolar	5	73.69
6	Beigalum	4	6.09
7	Mysore	8	22.12
8	Chikmagalur	1	2.50
	Total	93	215.08

Appendix 4.7

Non-receipt of GPF recovery schedules

(Reference: Paragraph 4.6.1, Page 114)

(Rupees in lakh)

Sl. No.	Treasury	No. of items	Recovery
1	State Huzur Treasury	970	292.23
2	Bellary	159	12.98
3	Mandya	35	3.93
4	Haveri	104	6.10
5	Bangalore (R)	66	5.33
6	Mangalore	36	1.43
7	Hassan	109	8.47
8	Udupi	73	3.81
9	Madikeri	150	11.24
10	Bangalore (U)	429	110.13
11	Hubli	48	4.54
12	Kolar	51	1.14
13	Gadag	35	1.66
14	Dharwad	113	5.59
15	Davanagere	91	4.59
16	Bijapur	229	130.22
17	Karwar	79	7.28
18	Tumkur	130	21.10
19	Chitradurga	75	4.02
20	Belgaum	270	83.57
21	Mysore	295	48.74
22	Chikmagalur	109	4.84
23	Bidar	123	5.92
24	Shimoga	142	12.53
25	Koppal	69	3.86
26	Gulbarga	156	8.48
27	Bagalkot	146	13.26
28	Chamarajnagar	91	4.16
29	Raichur	73	23.66
	Total	4,456	844.82

Appendix 4.8

Details of Action Taken Notes pending as of October 2005 (excluding General and Statistical Paragraphs) (Reference: Paragraph 4.7.1, Page 118)

Sl. No.	Department	Audit Report (Civil)								
		1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	Total
01.	Forest, Home & Transport	-	1	-	-	-	-	-	-	1
02.	Health & Family Welfare, PWD and RDPR	-	-	-	-	-	-	-	1	1
03.	Animal Husbandry & Veterinary Services	-	-	-	1	-	1	-	-	2
04.	Commerce and Industries	-	-	1	1	-	2	-	-	4
05.	Co-operation	-	-	-	-	-	-	1	-	1
06.	Ecology and Environment	-	-	-	-	-	-	1	-	1
07.	Education	-	-	-	1	1	-	-	1	3
08.	Forest	-	-	-	-	-	-	-	2	2
09.	Finance	-	-	-	4	2	3	2	1	12
10.	Health & Family Welfare	3	2	-	1	3	3	2	2	16
11.	Home	-	-	-	-	-	-	-	1	1
12.	Housing	1	-	-	-	-	-	-	-	1
13.	Information, Tourism, Youth Services & Sports	-	-	-	-	1	-	-	1	2
14.	Labour	-	-	-	-	-	-	1	-	1
15.	Legislature Secretariat	-	-	-	-	1	-	-	-	1
16.	Minor Irrigation	-	-	1	-	-	-	-	-	1
17.	Planning	-	-	-	-	1	-	-	-	1
18.	Public Works	-	-	-	-	-	-	-	3	3
19.	Revenue	-	-	1	-	-	-	1	-	2
20.	Social Welfare	2	-	3	3	1	1	-	-	10
21.	Water Resources	-	-	-	-	-	-	-	2	2
22.	Women & Child Development	-	-	-	-	-	-	-	1	1
Total		6	3	6	11	10	10	8	15	69

Appendix 4.9

**Details of paragraphs (excluding General and Statistical) yet to be discussed by Public Accounts Committee as of October 2005
(Reference: Paragraph 4.7.1, Page 119)**

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	Total
1.	Agriculture	-	-	-	-	2	-	-	-	-	-	-	2
2.	Animal Husbandry and Veterinary Services	-	-	-	-	-	3	1	1	2	-	-	7
3.	Commerce and Industries	-	-	-	-	-	2	3	1	5	1	-	12
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	20
7.	Forest	1	-	1	2	-	-	-	-	1	2	1	8
8.	Finance	-	-	-	-	-	-	4	2	3	2	1	12
9.	Health and Family Welfare	3	-	1	4	6	1	2	3	3	2	2	27
10.	Home	-	2	2	-	2	-	-	2	-	2	1	11
11.	Horticulture	-	-	-	-	1	1	-	-	-	-	1	3
12.	Housing	-	-	-	2	1	-	3	-	1	-	2	9
13.	Information, Tourism, Youth Services & Sports	-	-	-	-	-	2	1	3	-	-	1	7
14.	Kannada and Culture (Archeology & Museums)	-	-	-	-	-	-	2	-	-	-	-	2
15.	Labour	-	-	-	-	-	-	-	-	-	1	-	1
16.	Legislature Secretariat	-	-	-	-	-	-	-	1	-	-	-	1
17.	Minor Irrigation	1	6	3	5	4	3	-	-	-	-	-	22
18.	Planning	-	-	-	-	-	-	-	1	-	-	-	1
19.	Public Works	-	2	2	4	1	-	-	-	-	-	9	18
20.	Revenue	-	-	-	1	1	1	-	1	1	2	-	7
21.	Rural Development & Panchayati Raj	-	1	-	-	-	-	-	-	-	1	-	2
22.	Sericulture (Under C&I)	-	-	-	-	-	1	1	1	-	-	-	3
23.	Social Welfare	-	-	-	2	-	3	3	1	1	-	-	10
24.	Transport	-	1	-	-	-	-	-	-	-	-	-	1
25.	Urban Development	-	-	-	-	-	-	-	-	1	3	3	7
26.	Water Resources	14	7	7	6	8	7	2	2	5	6	4	68
27.	Women & Child Welfare	-	-	-	-	1	-	-	-	-	-	1	2
28.	Agriculture, Forest, Home & Transport	-	-	-	-	1	-	-	-	-	-	-	1
29.	Horticulture & Forest	-	-	-	-	-	-	-	-	-	-	1	1
30.	Housing, H&FW, Public Works, & RDPR	-	-	-	-	-	-	-	-	-	-	1	1
	Total	22	20	20	31	29	24	23	21	26	25	29	270

Appendix 4.10

**Year-wise breakup of Outstanding Inspection Reports pertaining to departments of Health and Family Welfare, Animal Husbandry and Veterinary Services and Minor Irrigation
(Reference: Paragraph 4.7.2, Page 119)**

Year	Department of Health & Family Welfare		Department of Animal Husbandry & Veterinary Services		Department of Minor Irrigation	
	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs	Number of IRs	Number of paragraphs
Upto1994-95	90	167	58	103	42	57
1995-96	18	35	01	05	06	12
1996-97	17	27	07	22	10	17
1997-98	22	70	04	19	08	15
1998-99	19	47	34	103	07	17
1999-2000	33	122	13	55	10	27
2000-01	31	100	12	43	14	49
2001-02	34	89	08	32	13	37
2002-03	50	231	10	28	18	60
2003-04	42	244	03	14	24	205
2004-05	07	25	--	--	11	131
Total	363	1,157	150	424	163	627

Appendix 4.11

(A) Irregularities noticed in the IRs pertaining to Health and Family Welfare Department

(Reference: Paragraph 4.7.2, Page 119)

Serial number	Nature of irregularities	Number of paragraphs	Amount (Rupees in lakh)
1.	Non-maintenance/improper maintenance of initial records, cash book, imprest account, etc.	71	186.33
2.	Extra/excess/infructuous/wasteful/unauthorised/irregular expenditure	171	1,718.39
3.	Irregular expenditure /purchase of defective machinery	81	822.96
4.	Delay in submission of NDC bills	20	213.77
5.	Excess/Over-payment to suppliers and officials	118	176.66
6.	Wanting payees' receipts/Utilisation Certificates	15	433.86
7.	Non-utilisation of user charges/funds/grants	14	262.28
8.	Outstanding dues/loans, advances, sales tax, income tax, etc.	160	999.30
9.	Machinery, Spares, Furniture, etc., lying idle	77	1,086.64
10.	Non/short-accountal of materials purchased	10	4.35
11.	Non-adherence to prescribed procedure while dealing with cash	07	70.23
12.	Non-collection of medical/X-ray/clinical charges	46	468.57
13.	Irregularities in respect of acceptance of tenders/quotations	05	73.52
14.	Unspent balances or amounts recovered but not credited to Government	14	93.37
15.	Non-recovery of rent, water charges, etc., from occupants of Government residential quarters	42	33.35
16.	Other miscellaneous irregularities	306	43.68
Total		1,157	6,687.26 or Rs.66.87 crore

(B) Irregularities noticed in the IRs pertaining to Animal Husbandry and Veterinary Services Department

Serial number	Nature of irregularities	Number of paragraphs	Amount (Rupees in lakh)
1.	Non-maintenance/improper maintenance of initial records, cash book, imprest account, etc.	21	0.63
2.	Extra/excess/infructuous/wasteful/unauthorised/irregular expenditure	50	659.56
3.	Irregular expenditure /purchase of defective machinery	22	129.87
4.	Delay in submission of NDC bills	04	477.52
5.	Excess/Over-payment to suppliers and officials	17	11.76
6.	Wanting payees' receipts/Utilisation Certificates	39	235.41
7.	Non-utilisation of user charges/funds/grants	08	946.43
8.	Outstanding dues/loans, advances, sales tax, income tax, etc.	55	295.60
9.	Machinery, Spares, Furniture, etc., lying idle	33	141.23
10.	Non/short-accountal of materials purchased	05	31.04
11.	Non-adherence to prescribed procedure while dealing with cash	04	0.01
12.	Non-collection of medical/X-ray/clinical charges	01	0.05
13.	Unspent balances or amounts recovered but not credited to Government	03	97.27
14.	Non-recovery of rent, water charges, etc., from occupants of Government residential quarters	08	1.35
15.	Other miscellaneous irregularities	154	52.90
Total		424	3,080.63 or Rs.30.81 crore

(C) Irregularities noticed in the IRs pertaining to Minor Irrigation Department

Serial number	Nature of irregularities	Number of paragraphs	Amount (Rupees in lakh)
1.	Extra/excess/infructuous/wasteful/unauthorised/irregular expenditure, Machinery/Spares lying idle	265	25,783.19
2.	Irregularities in respect of acceptance of tenders/quotations	06	271.05
3.	Losses due to deterioration, shortages, theft, <i>etc.</i> , awaiting regularisation	13	14.53
4.	Irregular expenditure /purchase of defective machinery	31	1,053.38
5.	Other miscellaneous irregularities	312	4,931.21
Total		627	32,053.36 or Rs.320.53 crore

Glossary of terms
(Reference: Chapter 3.2, Page 54-68)

Sl. No.	Term	Explanation in brief	Reference to	
			Paragraph No.	Page No.
1	Crust thickness	It is the total thickness of the road structure formed over the natural ground. It generally comprises a sub-base layer, non-bituminous base layer, bituminous base layer and a top most layer called a wearing coat/course.	3.2.10	58
2	Carriageway	The portion of the roadway designed and constructed for vehicular traffic	3.2.11	59
3	Roughness measurements	Measure of roughness on riding surface calculate through 'Roughometers' which is indicative of riding quality of the road surface	3.2.12	60
4	Formation width	It is the finished top width of the land for receiving the road structure.	3.2.14	61
5	Right of way	The land secured and reserved for development of a road and all structures pertaining to the road	3.2.16	61
6	Land width	It is the total width required to accommodate road way, berms, drains and width reserved for future development	3.2.16	61
7	Seal Coat	A dressing of bitumen blinded with grit, etc., applied to open textured bituminous surfaces to render the surface water tight and strengthen the macadam	3.2.19	62
8	Surface dressing	It is the process of painting or spraying a real surface with a thin layer of bitumen followed by a covering of stone chippings and then lightly rattled so as to provide a dust free wearing /riding surface over a base course and to prevent entry of water into the road structure	3.2.19	62
9	Water Bound Macadam (WBM)	It is the surface layer of a road formed by consolidation of road metal of different sizes (course aggregates) with water and earthy materials or rock particles	3.2.19	62
10	Tack Coat	The initial application of a binder to an existing surface to ensure thorough bondage between the new construction and the existing surface	3.2.25	65